

11th IMF Statistical Forum
**MEASURING MONEY IN THE
DIGITAL AGE**

November 15-16, 2023 | Washington, DC

#StatsForum



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eNaira Central Bank Digital Currency (CBDC) for Financial Inclusion in Nigeria

NOVEMBER 15, 2023

Peterson K. Ozili
Central Bank of Nigeria

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STATISTICS

eNaira Central Bank Digital Currency (CBDC) for Financial Inclusion in Nigeria

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Outline

1 – Global trends motivating interest in CBDC

2 – Local trends motivating interest in CBDC

3 – The eNaira: Nigeria CBDC

4 – Financial inclusion

5 – Illicit financial flows

6 – The End

Global trends motivating interest in CBDC

Declining use of cash, globally

- Cash transaction was only 18% of point-of-sale transaction value globally in 2021

Share of Point-of-Sale Transactions Made with Cash, by Region, 2021 & 2025

% of total payments

Middle East & Africa



Latin America



Europe



Asia-Pacific



North America



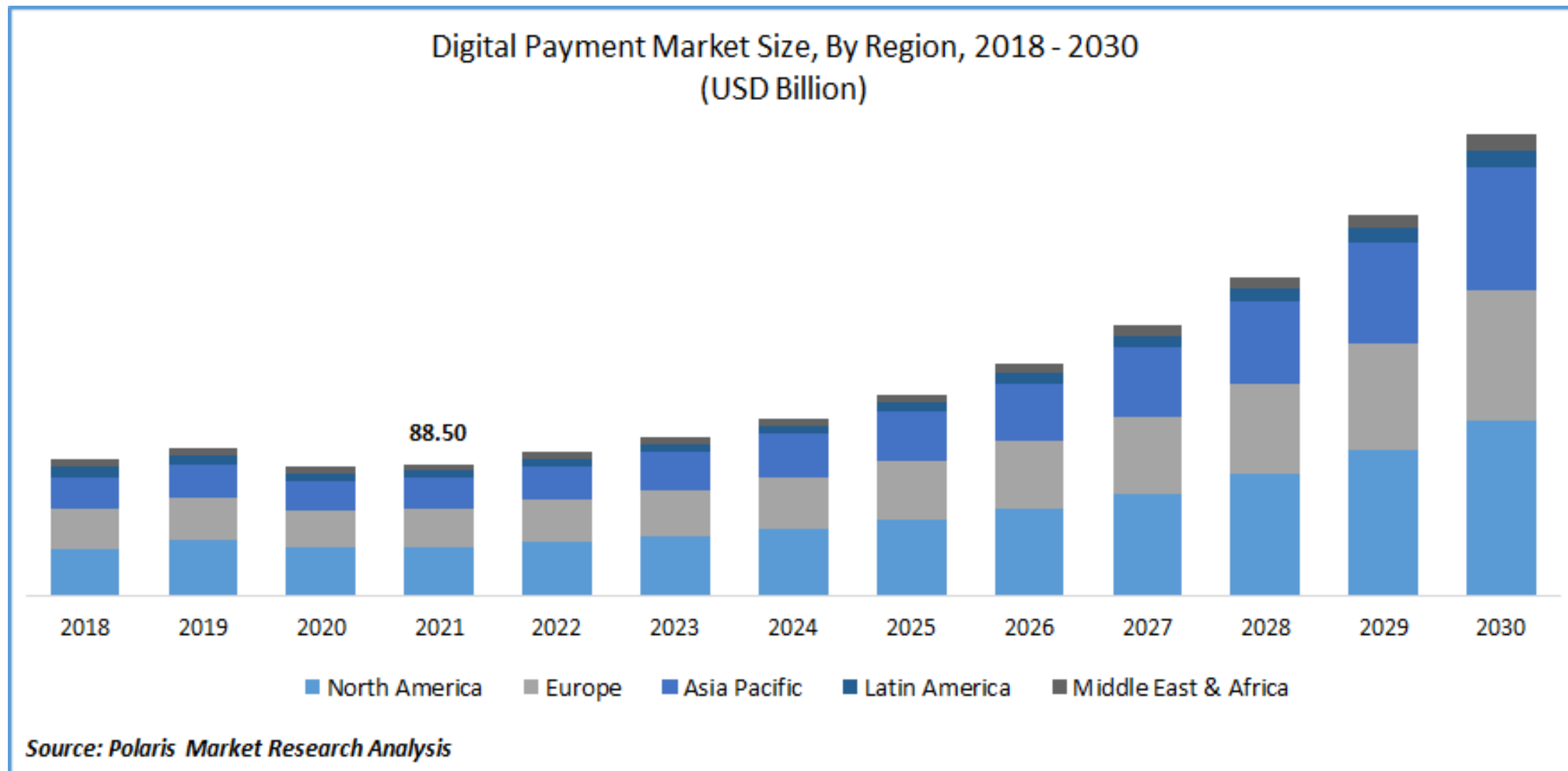
Total



■ 2021 ■ 2025

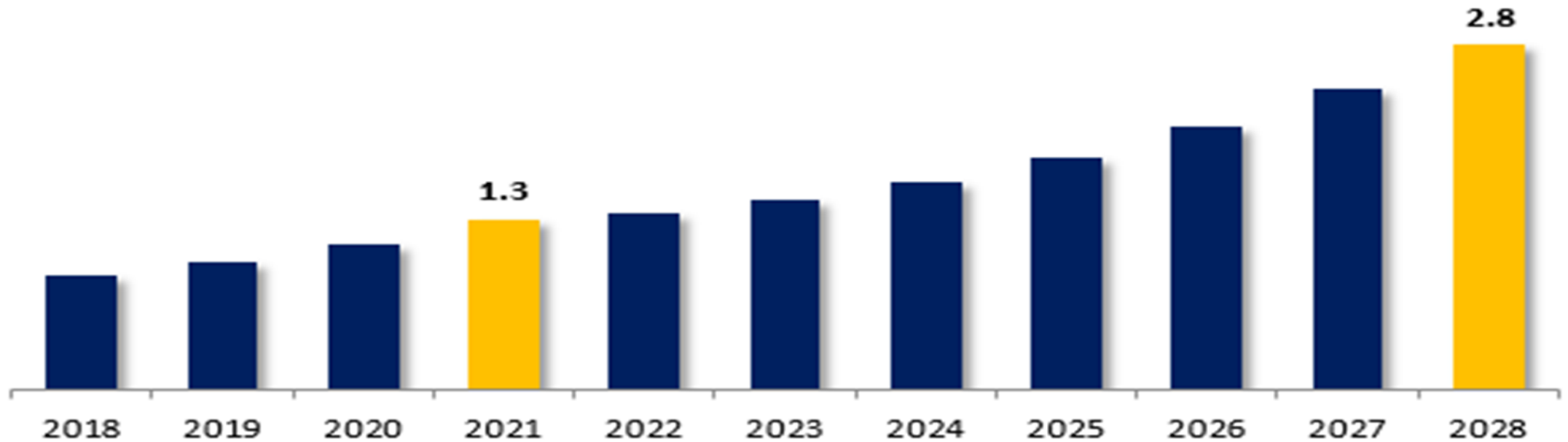
Source: FIS, "The Global Payments Report," March 2, 2022

Explosion in digital payments



Rise of private cryptocurrencies

Global Cryptocurrency Market,
By Value, 2018-2028 (USD Billion)



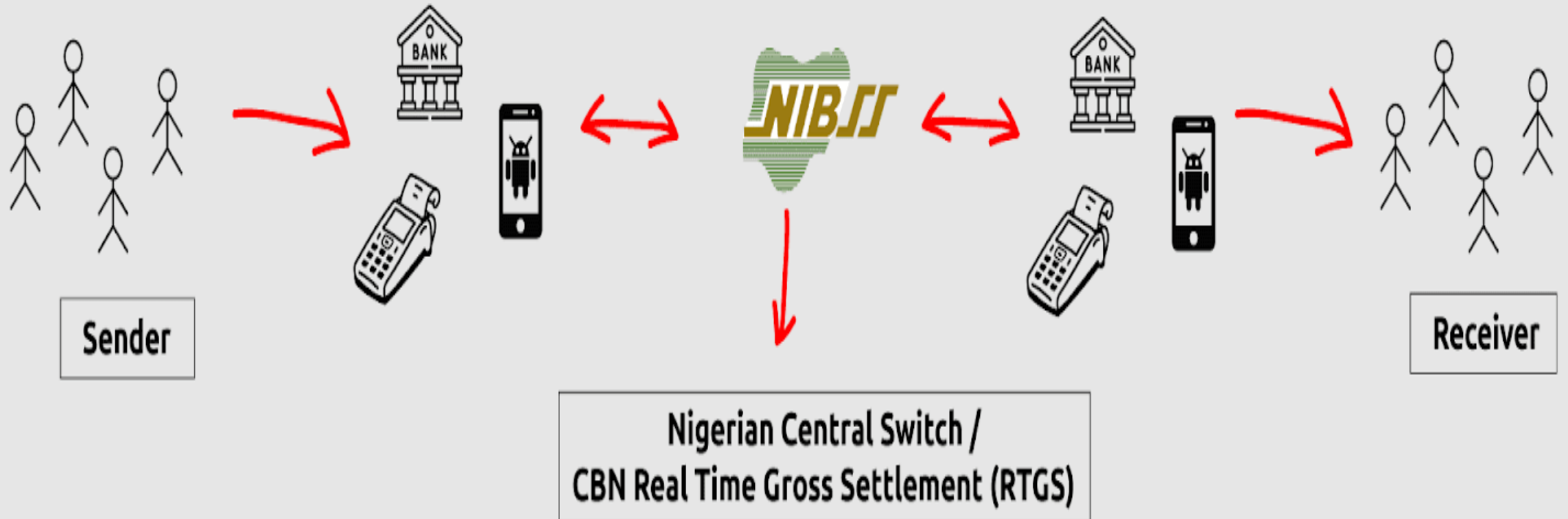
Source: BlueWeave Consulting

Central banks' interest in a state-controlled digital currency

- 86% of central banks are actively researching the potential for CBDC (BIS Survey 2021)
- 83% of central banks are investigating CBDC (Payments benchmark 2023)
- 85% of payment leaders at FIs globally think central banks will launch a digital currency in the next four years (Ripple, 2020)
- 42% of finance professionals believe that central banks should launch CBDC, while 34% disagreed (CFA Survey, 2023)

Local trends motivating interest in CBDC

Robust payment system infrastructure



NIGERIA'S FINANCIAL ECOSYSTEM

TOTAL NO. OF BANKS

32

CARD / PAYMENT PROCESSORS

MOBILE MONEY OPERATORS

PAYMENT TERMINAL SERVICE PROVIDERS

PAYMENT SOLUTION PROVIDERS

INFRASTRUCTURE PROVIDERS

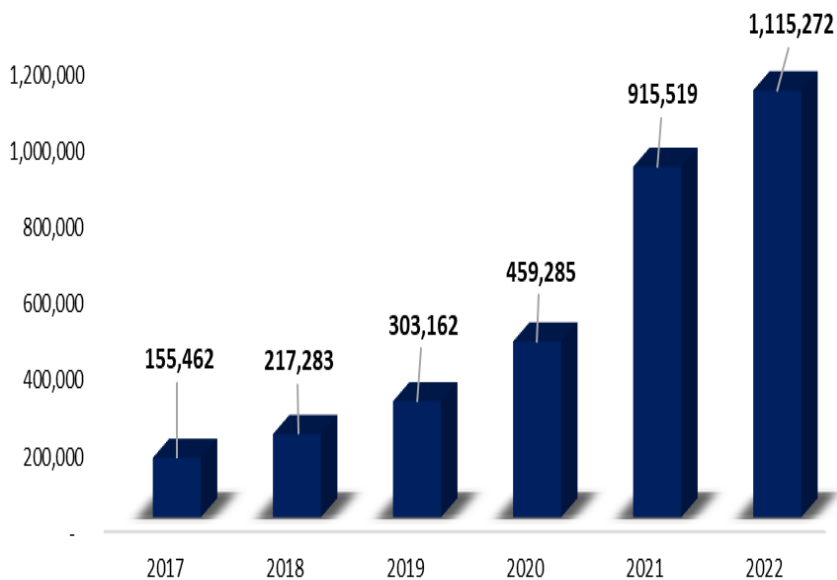
LICENCES

- Switching and Processing
- Mobile Money Operations
- Payment Solution Services
- Regulatory Sandbox

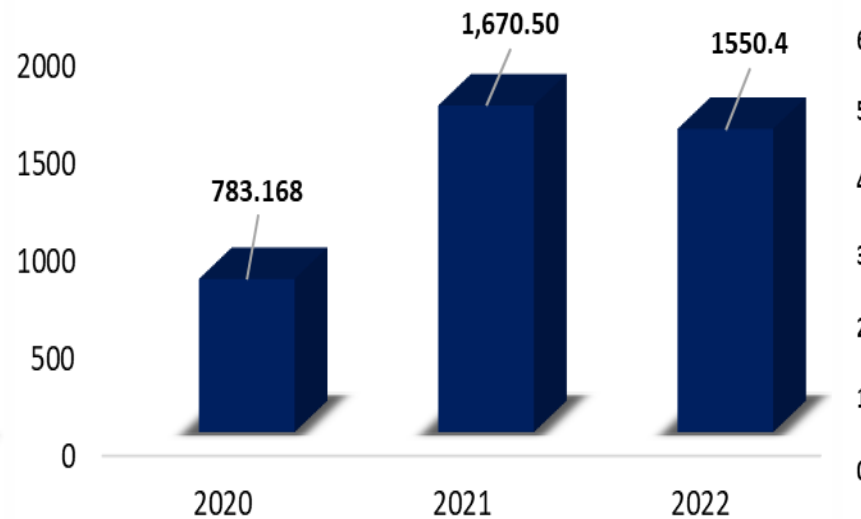
Rapid acceptance & growth in digital payments

- Number of POS terminals increased by 617.4% to 1.1m (2022) from 155,462 (2017)
- NIP transactions increased by 613% to 5.2 billion (2022) from 729.2 million (2018)
- Total ePayments increased significantly by 113% to ₦1,670 trillion (\$2.215tn) during COVID in 2021
- In 2022, total ePayments in Nigeria was \$2.056tn which exceeded the GDP of sub-Saharan Africa at \$2.047tn.

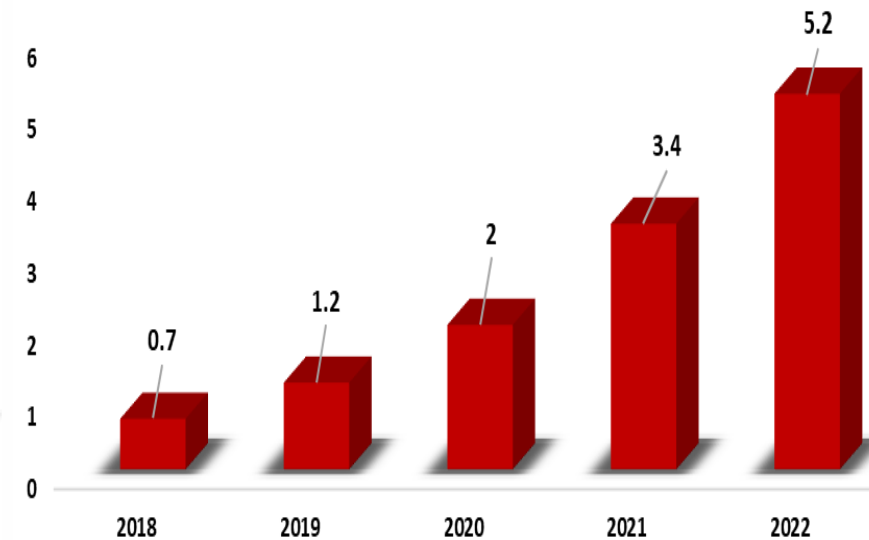
Number of POS (Point-of-Sales) terminals in Nigeria



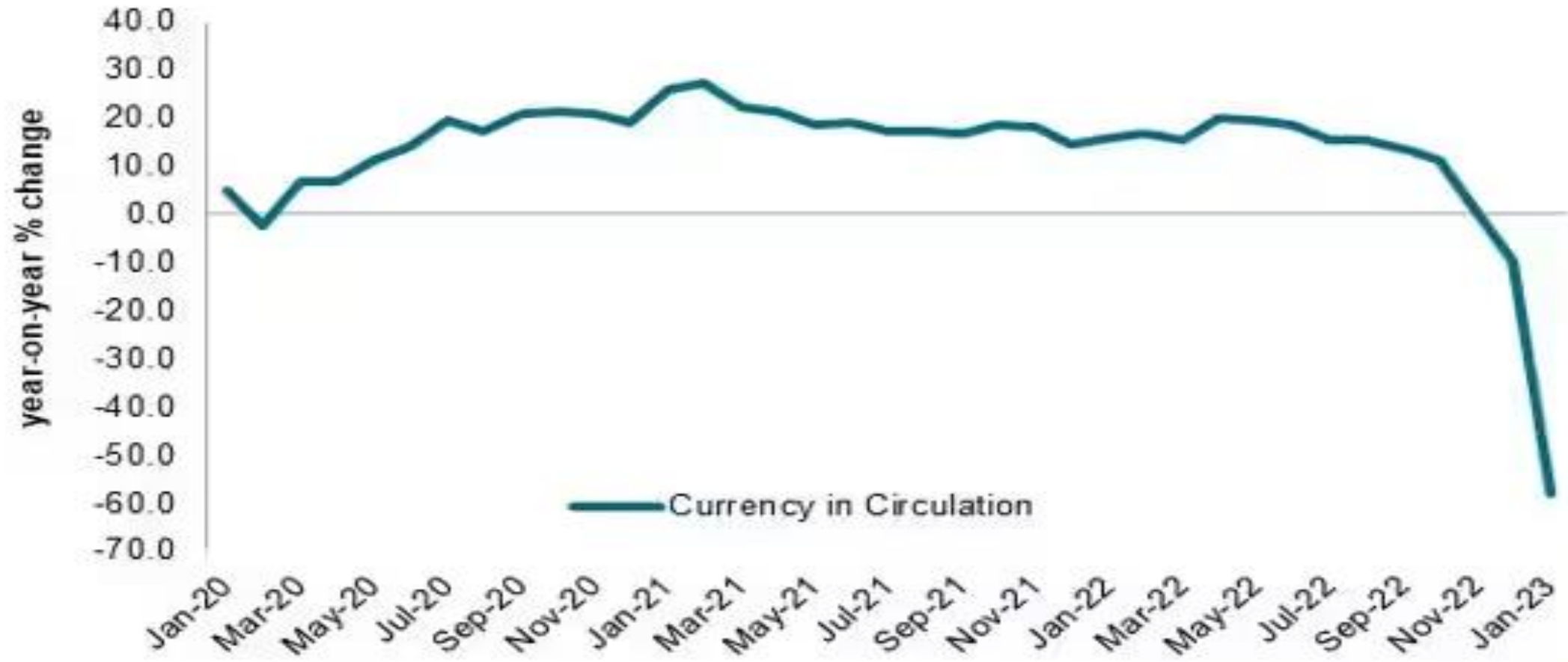
Total e-Payment Transactions (₦trillion)



NIBSS Instant Payment (NIP) Transactions in Nigeria (billion)



Declining use of cash in Nigeria

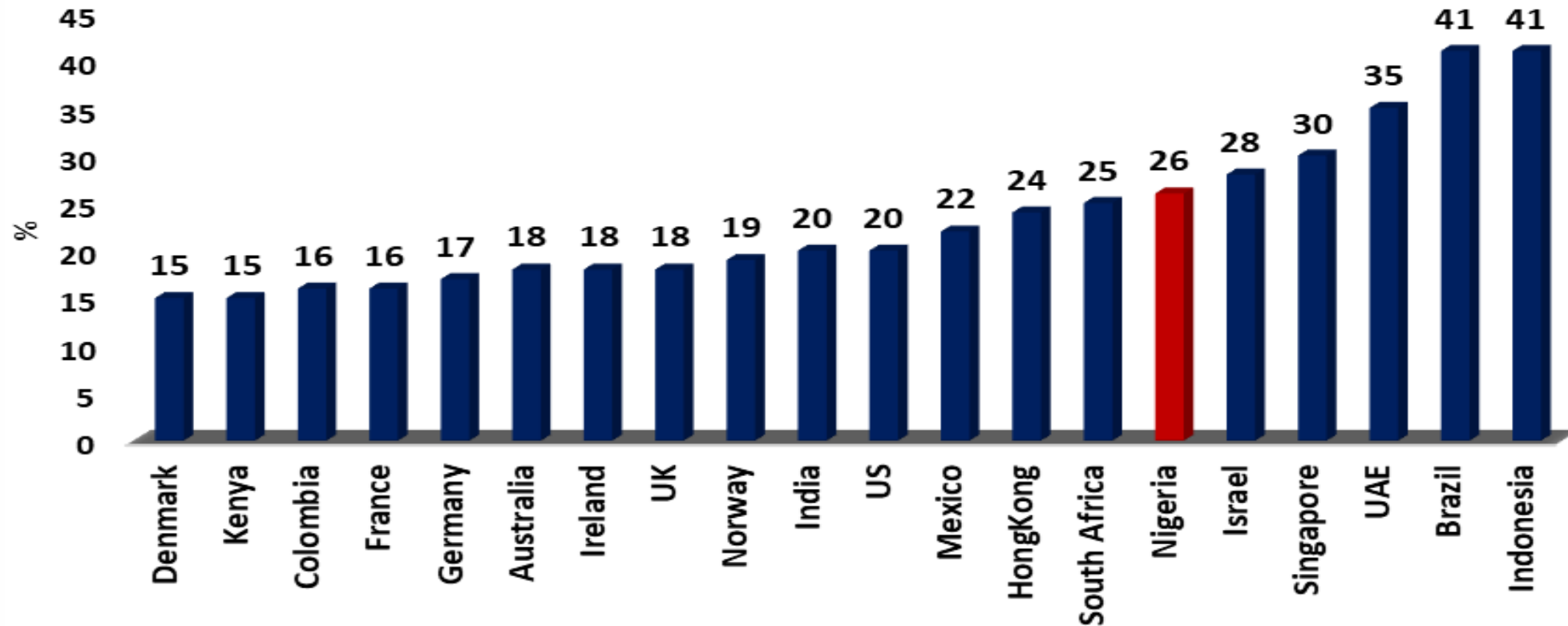


Source: Central Bank of Nigeria

Explosion of cryptocurrency adoption

- 33.4m Nigerian citizens use cryptocurrencies to store and transfer assets.

Percentage of population using crypto (%)



The eNaira

Nigeria CBDC

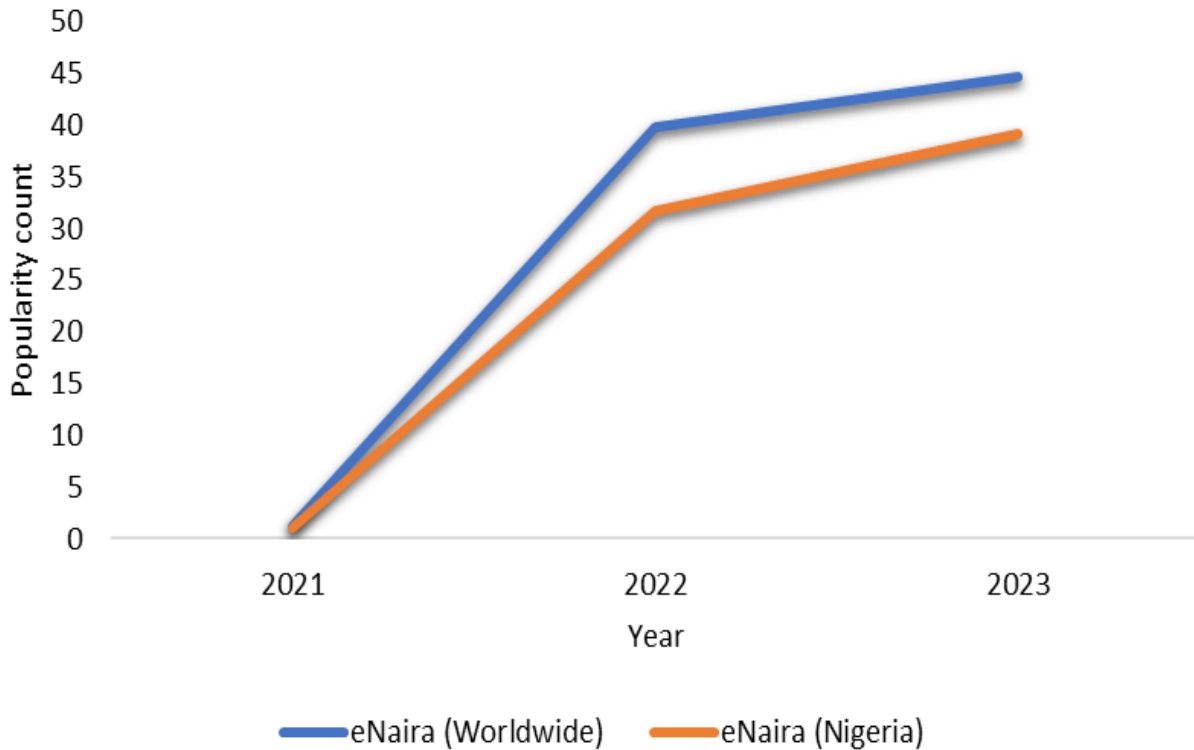
Key facts about the eNaira

- Launched in October 2021
- Two-tiered account-based CBDC
- eNaira CBDC is developed in phases
 - ▶ retail CBDC launched in 2021
 - ▶ wholesale launched in 2023
 - ▶ offline CBDC launched in 2023
- Primary objective is to serve as an efficient payment tool
- Secondary objective:
 - ▶ financial inclusion
 - ▶ monetary policy
 - ▶ enable welfare disbursement to citizens

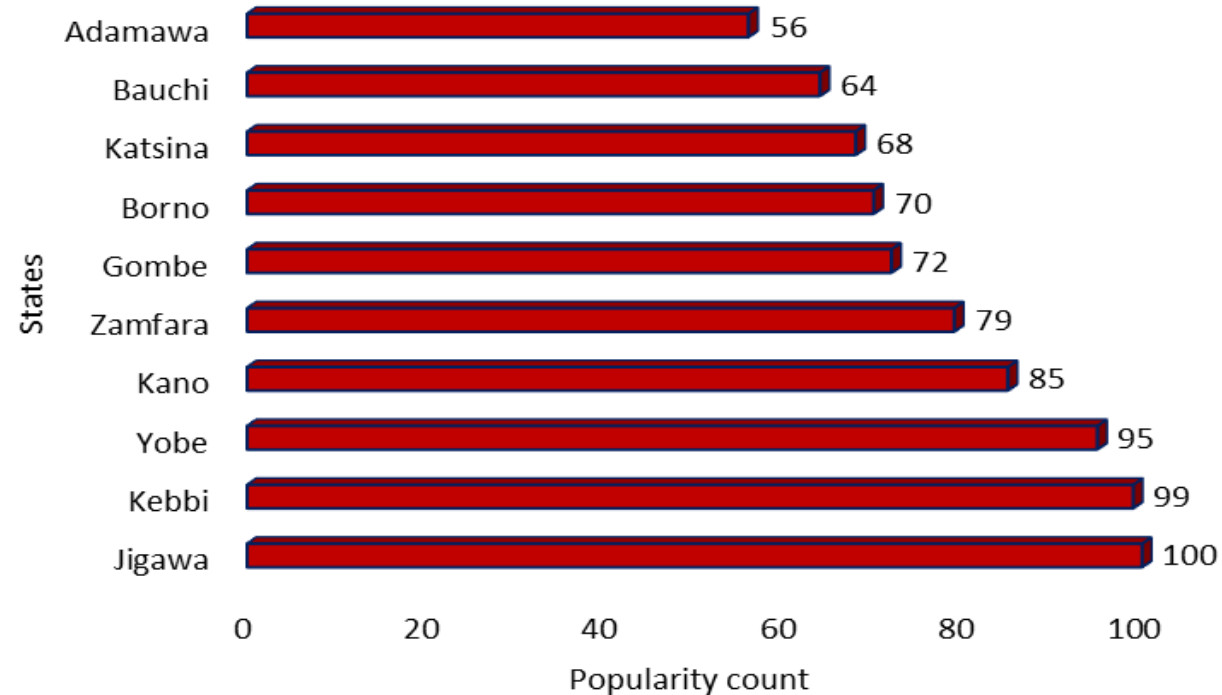
eNaira statistics

- There is rising global and local interest in eNaira information on the internet
- Local interest in eNaira information is stronger in Northern states

Interest in eNaira information: Global and Local



Local interest in eNaira information on the web



Financial inclusion

Financial inclusion

Easy account opening for undocumented and unbanked adults

- Provision of Tier 0 account which permit transactions up to ₦20,000
- Creating digital identity for unbanked and undocumented adults

Convenient and efficient payment

- Accessible and safe retail payment services which is critical for financial inclusion
- Offers a transaction account which is a gateway to other financial services

Offline CBDC using USSD in partnership with Telcos

- USSD code *997# enables the eNaira to function offline
- It increases access and use of digital banking services for people without internet access
- Over 17,000 users already onboarded and over 3,000 transactions worth over 3million have been executed using the USSD channel.

Financial inclusion (contd)

Zero transaction cost since inception

- Attract poor and low-income banked adults
- Cheaper access to banking services
- Encourage continuous use of eNaira and deepen financial inclusion

eNaira is increasing financial inclusion by attracting:

- People who have little confidence in banks & Fintech due to high fraud cases
- Unbanked adults who are worried about bank failure
- Unbanked adults who want to save their money for a long time

Deepen private sector participation via a well-managed stakeholder ecosystem

- Big retail merchants
- Transportation & Agriculture
- Banks & other financial institutions
- Educational institutions

Illicit flows?

A dilemma

Increasing access to eNaira CBDC for everyone will:

- increase financial inclusion, and
- increase illicit financial flows
 - ▶ easy-access to CBDCs could be used by criminals for illicit financial activity
 - ▶ encourage criminals to undertake small transactions that do not trigger AML monitoring systems, thereby encouraging illicit financial flows

Strengthening AML regulatory requirements for CBDC – is not a solution

- could make CBDC difficult to access
- reduce illicit financial flows
- introduce further complications for financial inclusion
- decrease financial inclusion

Some considerations for central banks

- **CBs should not introduce stringent CBDC access requirements to combat illicit**
 - ▶ because of its detrimental effect for financial inclusion
- **CBs should increase transparency and accountability in the financial system**
 - ▶ when criminals know the financial system is transparent, illicit flows will stay out
 - ▶ criminals wont use CBDC for illicit flow because they know they will be caught
- **Use a CBDC design that offers greater transparency and accountability to combat illicit financial flows**
 - ▶ use blockchain or other distributed ledger technologies
 - ◆ it would make CBDC transactions transparent and immutable
 - ◆ difficult for illicit funds to be moved across borders without detection
- **But this could give rise to anonymity and privacy problems**

The End