

NEXTZON INSIGHT & PREDICTIONS



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Payment Service Banks vs. Commercial Banks To Compete, Compliment or Collaborate?

Payment Service Banks (PSBs) are a new category of banks licensed by the Central Bank of Nigeria to drive financial inclusion by focusing on banking the unbanked and underbanked. With almost 40 million Nigerians unbanked and another 65 million underbanked, there lies a big opportunity to be harnessed by the PSBs. These new players will pose a major challenge to the incumbent Commercial Banks.

The licensing of PSBs opens the door for telecommunication (telco) and financial technology (fintech) companies to enter the banking sector. With over 70 million Nigerians having mobile phones of which a greater percentage are mobile internet subscribers, digitalization of financial services through the mobile phones will be a major strategy for financial inclusion. This has strong implications as the PSBs are expected to offer services similar to that of commercial banks, with a few exceptions like the non-granting of loans.

On one hand, the huge customer base and competitive leverage of the telcos naturally position them to attract and capture a big market share.

On the other hand, the fintech companies can pose as game changers as they have highly scalable models and low overhead cost.

For telcos to succeed, they will need to leverage their competitive advantages to drive:

- Larger customer base – engage their existing subscriber base and incentivize account opening
- Deeper market penetration – take advantage of their wide network reach to onboard locals
- Stronger strategic focus – select demography, geography or sectors to dominate
- Increased flexibility – test the market and learn before committing too much resources.

SUMMARY OF ECONOMIC PERFORMANCE

		JUNE
GDP Growth	2.01%	(Q1)
Exchange Rate (Interbank)	306.50	↑
Exchange Rate (Parallel)*	359.75	↑ (May)
Exchange Rate (Pilgrimage)	306.00	=
Oil Price/barrel	\$65.59	↑
External Reserves	\$45.07	↓
Inflation Rate	11.22%	↓
MPR	13.50%	=
Avg. Crude Oil Production Volume (Daily)	1.86 Mb/d	↑

However, commercial banks in a bid to maintain their market leadership would need a strategic plan that will take advantage of their:

- Deeper pockets – invest heavily and sustain continuous funding till profitable
- Stronger brands – leverage the trust and loyalty built over time to attract customers
- Bigger collaborative capacities – lead or provide support to other players in the industry.

Consequently, non-telcos who wish to play must have a superior strategy to become profitable in this keenly competed and overly saturated space. At the core, they will need to identify profitable niches, leverage their unique capabilities and find opportunities to collaborate in order to build strong partnerships that can effectively compete with these established giants.

The banking system is definitely set for a disruption with PSBs potentially taking a chunk of the revenues from fees and commissions while the commercial banks' ratio of interest and trading income may increase relative to their fee income.

Will this be another 'Battle of Winterfell' or will we see a balance between old legacies and new ideologies? The financial inclusion battle is something to watch over the next few years as the major umpire is determined to achieve a newly set target of ninety-five percent inclusion rate by the year 2024.



SECTOR WATCHLIST

FINANCIAL SECTOR



- ❖ Reports from the World Investment Report 2019 show that the Foreign Direct Investment into the country decreased over 40% in 2018. This report was proven false by the Central Bank Nigeria who presented records from that were contrary to that of the World Investment Report. Their report shows that there has been an increase in Foreign Direct Investment in the period 2018.
- ❖ Recently trading on the equity sector of the Nigerian Stock Exchange (NSE) reopened on a downturn, as more highly capitalized stocks depreciated in price, causing the All-share index to dip further by 0.14 per cent.
- ❖ Recently there have been indicators that the new minimum capital base requirements for Nigeria's banks would range between N35 billion and N230 billion going by the new position of the Central Bank of Nigeria, CBN.
- ❖ The high level of demand shown by Investors at FGN Bond Auctions in recent months continued at the FGN Bond Auction for June 2019 which was conducted by the Debt Management Office (DMO). The DMO offered three instruments totalling N100 billion to the investing public at the Auction with 5, 10 and 30-year tenors.
- ❖ The Stanbic IBTC Holdings plc Chairman, Mr. Basil Omiyi, revealed at an annual general meeting that the Non Performing Loan (NPL) of the bank, has been reduced to 3.9 percent in the financial year ended December 31, 2018 from 8.6 per cent in the correspond period of 2017.
- ❖ The Nigerian Stock Exchange, NSE, in partnership with REDmoney Group, is set to hold the inaugural edition of the IFN Nigeria Forum themed, "Harnessing the Islamic Finance Sector for Infrastructure Development and Economic Growth". The forum, according to the NSE, is aimed at promoting the growth and development of the Nigerian Islamic Finance industry and facilitate the growth of a new asset class in the capital market.
- ❖ It was reported that the interbank segment of the foreign exchange market received a boost of \$210million from the Central Bank of Nigeria (CBN). The figures obtained from CBN showed tat authorized dealers in the wholesale segment of the market were offered \$100 million, while the Small and Medium Enterprises (SME) segment received\$55 million. Also \$55 million was allocated to customers requiring foreign exchange for invisibles such as tuition fees, medical payments and basic travel allowance.

ENERGY



- ❖ Coming to the end of the tenure of state representatives; the ministers and advisers. President Buhari appointed Dr Thomas John as the acting alternate Chairman of the Governing Board of the Nigerian National Petroleum Corporation.
- ❖ Oil prices rallied towards 65 dollars per barrel on fears of a U.S. military attack on Iran that would disrupt flows from the Middle East, which provides more than 20 per cent of the world's oil output.
- ❖ Rainoil Limited, an integrated oil and gas company, through its social media has unveiled plans to intensify its expansion agenda, in the retail sector by improving market access and increasing presence in many States in the country. Beginning with Gombe State, Kwara State and now Ilorin.
- ❖ Oil and gas industry is set to speed up the adoption of robotics in upstream, midstream, and downstream activities with the aim of driving efficiency and productivity in the face of uncertainties. A report released on 'Robotics in Oil & Gas' by a global think-tank, Global Data, said the global robotics industry moves from yearly growth rate of 16 per cent from \$98.2 billion in 2018 to \$277.8 billion in 2025.

POLITICS/POLICY



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- ❖ An Abuja Federal High Court recently dismissed a pre-election suit against Ogun State governor, Dapo Abiodun, over his alleged failure to participate in the NYSC scheme. They also concluded that a candidate does not have to participate in the National Youth Service Corps (NYSC) programme to contest in a governorship election. Giving the reason that even though National Youth Service Corps (NYSC) is required for employment into the formal sector in Nigeria, a governorship candidate is only required to be educated up to at least School Certificate level or its equivalent to be eligible to contest.

AGRICULTURE



- ❖ It was reported in Minna, that Governor Abubakar Bello The Niger State Government has concluded arrangements to procure 10 new tractors at the cost of N1.8 billion to boost its access to farmers in the state for the 2019 farming season.
- ❖ Recently, The Institute for Agricultural Research (IAR), Zaria developed a new cowpea variety that would inject N48 billion into country's economy annually.
- ❖ Ecobank Nigeria entered into a strategic partnership with the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) with a N15 billion first tranche in agricultural value chain financing scheme. It was reported that the partnership agreement was announced during a business meeting with the management of NIRSAL, where it was announced their plans to invest at least 70 billion in agriculture financing within the next three years.

FINANCIAL TECHNOLOGY



- ❖ Astute Wheel a fintech provider recently launched its third-generation software to provide advisers with new technology that address new issue. AstuteWheel managing director Hans Egger said that the latest version of the program comes with new functionality and a new way of taking up the AstuteWheel offer as well as addressing a number of compliance issues.

- ❖ KiaKia Bits Ltd, a licensed lender that uses big data, machine learning and artificial intelligence to deliver credit services to individuals and MSMEs across Nigeria recently, its lending space operating under the trademark has expanded its operations with its 320SQM office space in Abuja, in order to serve small businesses.

HEALTH



- ❖ The federal government of Nigeria recently decided to invest over \$180million domestic resources on Nigeria's health care system, exclusive of the 2019 budgetary allocation sector, to help address the issue of limited public funding for health projects in Nigeria and to improve on the country currently health indices
- ❖ The Nigeria Centre for Disease Control (NCDC) and the Robert Koch Institute (RKI) have signed a joint declaration of intent, to mark the start of a new project to strengthen health security in Nigeria. As part of the project, RKI will provide technical expertise and advice to NCDC, towards strengthening International Health Regulations (IHR) capacity. The partnership between NCDC and RKI is a mutually-beneficial opportunity for national public health institutes to collaborate, towards global health security. It greatly demonstrates the fact that countries are mutually dependent on each other, for health security.
- ❖ The federal government of Nigeria has confirmed that Abia state is entitled basic health care services worth N1.08billion in the recently launched basic health care provision fund (BHCPF). It said the amount is equivalent to medical bill for 635,000 women with normal deliveries; 1.8 million under-5 childhood illnesses or over 1.3 million cases of malaria, in addition to 332 public sector facilities that would become truly functional as a result of the programme.

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Nextzon Business Services

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Our Services include:

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- ▶ Corporate Governance
- ▶ Customer & Market Research
- ▶ E-business
- ▶ IGR Expansion
- ▶ Performance Enhancement Project
- ▶ Performance Management
- ▶ SME Solutions
- ▶ Transaction Advisory.

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