

Central Bank of Nigeria's Expectations of the Benefits and Challenges of Developing the eNaira

Dr Hassan Mahmud,

Director Monetary Policy Department, Central Bank of Nigeria.

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Mitigating Measures to Ensure Success of e-Naira



Objectives of eNaira

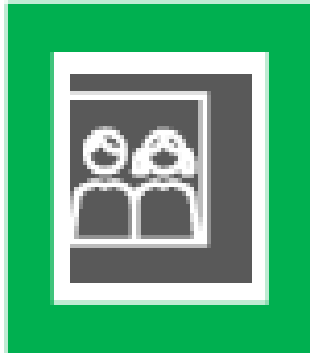




eNaira Design Principle



Inclusive



The eNaira should foster the inclusion of all Nigerians in the financial system and enable access to financial services.

Innovation



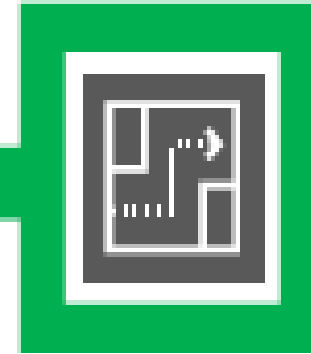
The eNaira will provide a platform that fosters continuous innovation and collaboration across different sectors of the economy.

Efficiency



The eNaira will enable fast and efficient payments, reduce transaction and setup costs, and widen direct participation in the payments value chain.

Resilience



The eNaira will strengthen the existing payment system by serving as a key alternative means for digital transactions in the country.

Proudly Nigerian



This ensures the digital currency embodies the Nigerian identity and can address the payment needs within the Nigerian payment system.

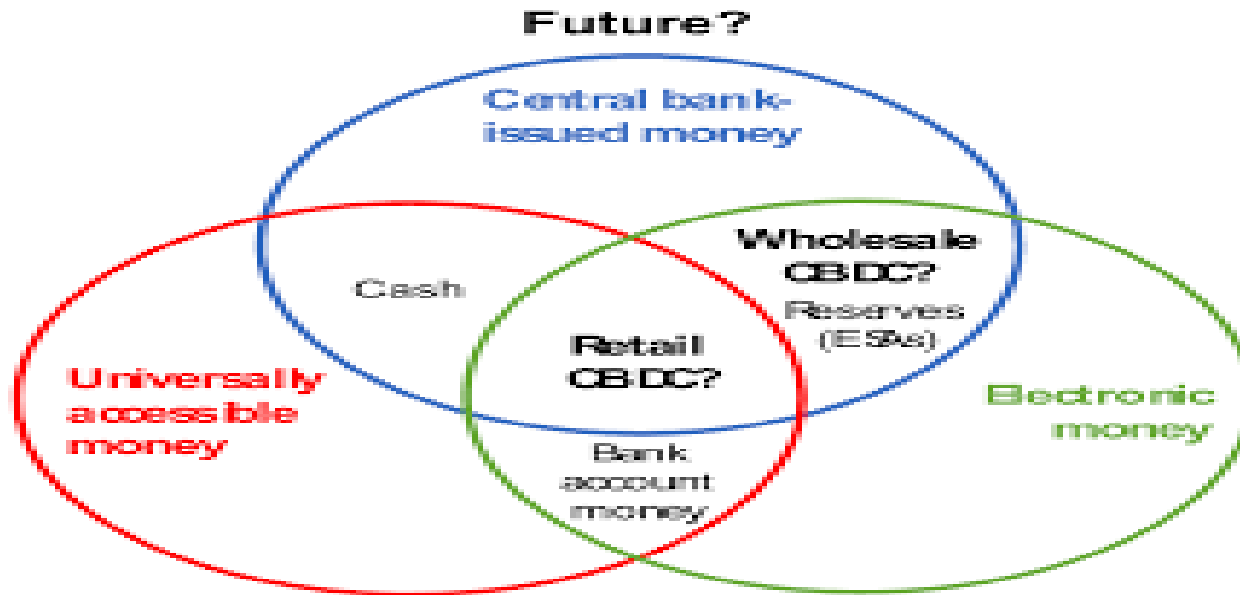


Rationale for the E-Naira



❖ Recent technological advancements in the area of artificial intelligence, big data, cloud computing and so on have introduced a quantum of new private sector financial products and services such as digital wallets, mobile payments apps, and cryptocurrencies.

❖ Nigeria’s mobile penetration rate is estimated at 51.0 per cent



❖ Nigeria ranked as the leading country per capita for Bitcoin and cryptocurrency adoption in the world (Statista 2020).²

❖ Nigeria traded \$9.3 million worth of Bitcoin, 496.15% higher than South Africa and 97.45% higher than Kenya (Useful Tip 2020)³

❖ eNaira is part of the overall National Strategic Economic Development Plan

❖ *These developments are putting the use of physical cash to the margin*



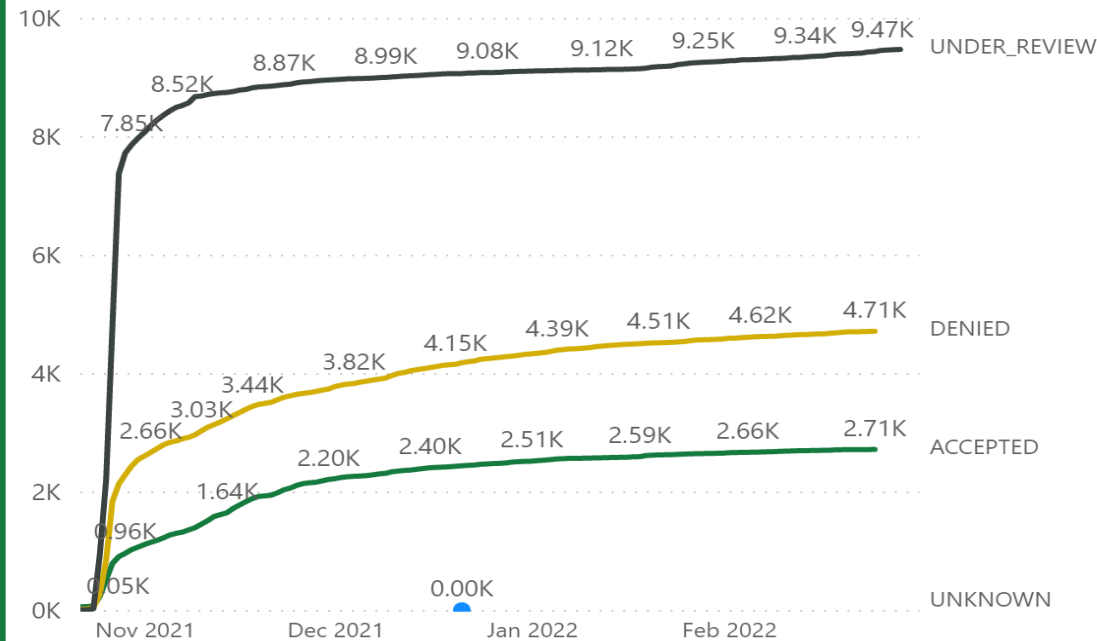
- (Blank)
- April
- August
- December
- February
- January
- July
- June
- March
- May
- >
- 2021
- 2022

Wallet Activation

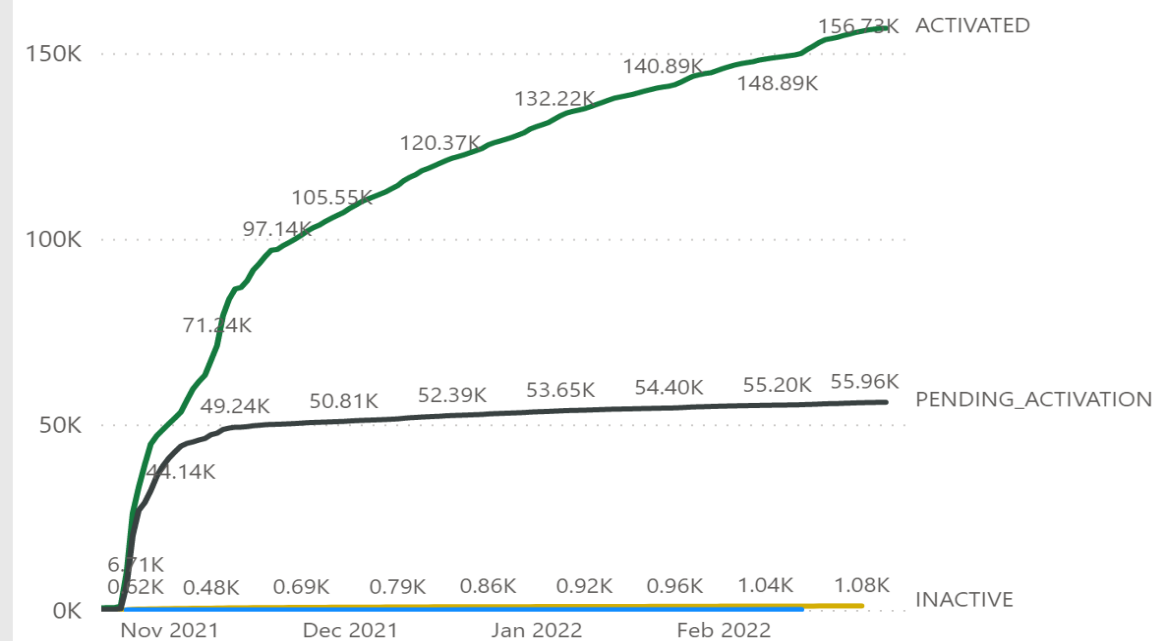
Report Date

28 February 2022

Merchant Wallet Activation Trend by Category



Consumer Wallet Activation Trend by Category



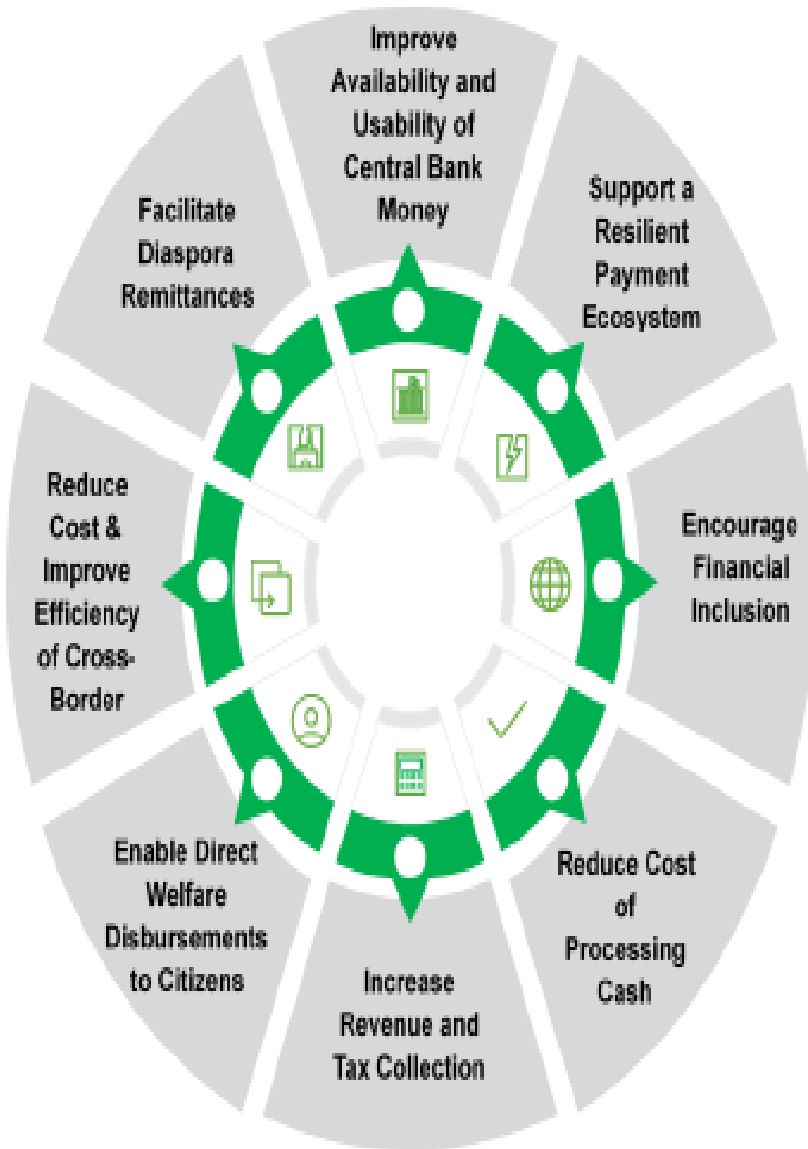
❖ significant increase in the early period of launch

❖ Activated wallets consistently increasing, suggesting gradual acceptance of eNaira



Year	Wallets	Vol. of Transactions	Value of Trans
	Millions	Millions	(N' Millions)
2022	8.35	303.01	18,659,420.00
2023	12.8	307.47	28,619,234.80
2024	20.7	315.37	46,284,754.80
2025	24.14	318.81	53,985,984.00
2026	27.59	322.25	61,687,215.20

- ❖ Both volume and value are expected to increase significantly over the next 5 years.
- ❖ This is expected to significantly reduce CIC.



What CBDC means for:

1

The Economy



Facilitates digital payments, leading to a potential to reduce cash handling costs by 5-7%



Deepens digital financial inclusion



Accelerates digitisation of commerce and development of e-commerce

Promotes formal cross-border payments for efficiency, convenience and affordability

2

The Government



Provides a reliable mechanism to distribute fiscal stimulus to citizens

Reduces tax leakages from tax evasion and illicit money flows

Reduces overall indirect cost of cash on the broader community

Promotes and supports the implementation of Government objectives

3

Other Stakeholders



Reaffirms Participants' contribution to nation building and financial enablement



Reduces inefficiencies from dealing with physical cash



Creates sustainable value pools by unlocking new market segments



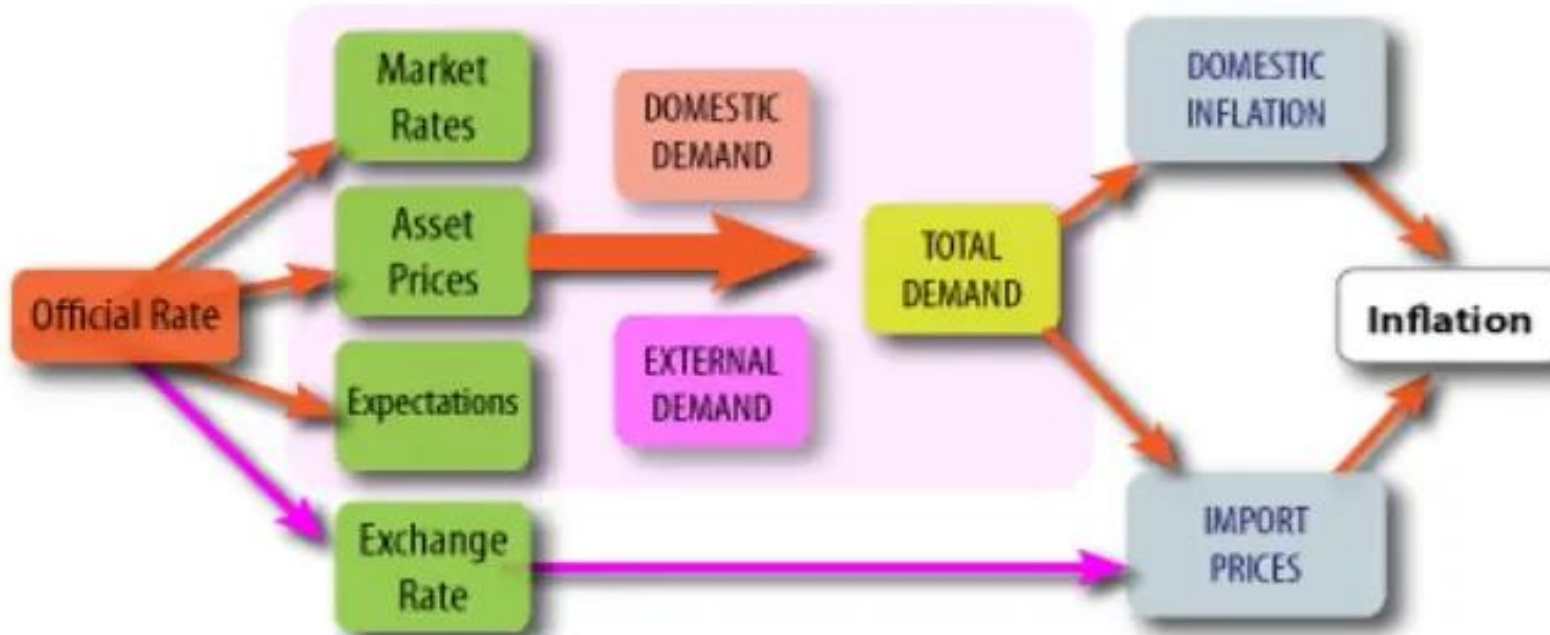
Unlocks new revenue and growth opportunities



Strengthening of the Monetary Policy Transmission Mechanism

- ❖ Transmission lag of monetary policy impulses in Nigeria is currently estimated at 18-24 months

- ❖ In contrast to an average of about 3 months for the advanced economies



- ❖ Long transmission lag in Nigeria is due, among others, to the oligopolistic structure of the banking system

- ❖ *eNaira has the prospect to strengthen the competitive structure of the financial sector, leading to reduction in the transmission lag and ultimately improve the transmission mechanism*



- ❖ Disintermediation of the banking system
- ❖ Low level of financial literacy
- ❖ Legal and Regulatory Framework
- ❖ Loss of privacy
- ❖ Technological vulnerabilities (Cyber Security)
- ❖ Interoperability risk





- ❖ Strong support from the political authority
- ❖ The Nigerian government strongly supports the e-Naira.
- ❖ Framework of big data analysis, risk monitoring and early warning for e-Naira
- ❖ A tiered design of e-Naira wallet with different caps on transaction and balance for different types of e-Naira wallets



Mass Enlightenment Campaigns

Collaboration with Critical Stakeholders

e-Naira is treated as a substitute for MB and pays no interest

Leverage on Robust National Digitalization Policy





Concluding Remarks

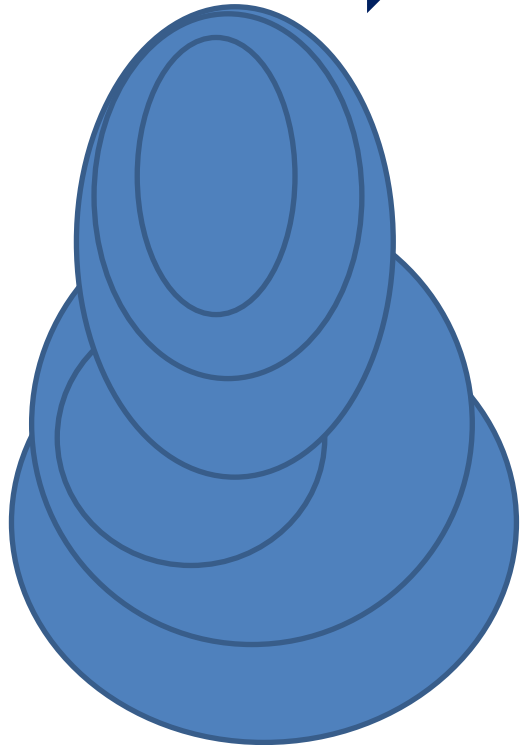
- Central bank digital currency has become the **GAME-CHANGER** in the payment space



- The **Central Bank of Nigeria** will forge ahead in the implementation of **eNaira**



- The CBN recognizes that there would always be teething challenges, but proactive measures would always be in place to **minimize vulnerabilities and avert setback.**





Concluding Remarks...



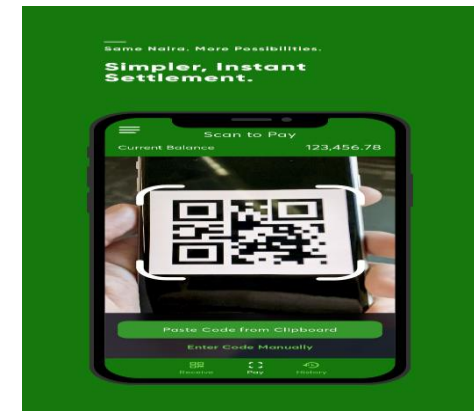
- Finally, the Bank will improve **the eNaira ecosystems**, and continue to explore new applications models in line with evolving economic and social developments



- The Bank would build on experience from similar jurisdictions while taking into account the **National development plans and local circumstances**



- The Bank will further **expand test scenarios** to cover all possible scenarios in various business categories





Thank you