11th IMF Statistical Forum
MEASURING MONEY IN THE DIGITAL AGE
November 15-16, 2023 | Washington, DC
#StatsForum
eNaira Central Bank Digital Currency (CBDC) for Financial Inclusion in Nigeria

NOVEMBER 15, 2023

Peterson K. Ozili
Central Bank of Nigeria
eNaira Central Bank Digital Currency (CBDC) for Financial Inclusion in Nigeria

NOVEMBER 15, 2023

Peterson K. Ozili
Central Bank of Nigeria
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

<table>
<thead>
<tr>
<th>Region</th>
<th>2021</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East &amp; Africa</td>
<td>31%</td>
<td>44%</td>
</tr>
<tr>
<td>Latin America</td>
<td>24%</td>
<td>36%</td>
</tr>
<tr>
<td>Europe</td>
<td>17%</td>
<td>26%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>8%</td>
<td>16%</td>
</tr>
<tr>
<td>North America</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>10%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Explosion in digital payments

Digital Payment Market Size, By Region, 2018 - 2030
(USD Billion)

Source: Polaris Market Research Analysis
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

Sender  ▶  Nigerian Central Switch / CBN Real Time Gross Settlement (RTGS)  ▶  Receiver
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.
Declining use of cash in Nigeria
Explosion of cryptocurrency adoption

- 33.4m Nigerian citizens use cryptocurrencies to store and transfer assets.
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
There is rising global and local interest in eNaira information on the internet. Local interest in eNaira information is stronger in Northern states.
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 won't 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