

Banking Service Provision for Traditional Markets Initiative

Growth and Employment in States - Wholesale and Retail Trade (GEMS4) is an economic development project jointly funded by the World Bank and DFID/UKaid. Its aim is to facilitate non-oil, private sector led economic growth. GEMS4 is focused on increasing incomes and employment opportunities in the wholesale and retail sector, by providing solutions to systemic constraints and the inclusion of small and micro enterprises into better functioning market systems. The overarching goal is the creation of 10,000 new jobs and increased incomes for 500,000 people, especially for the poor and for women. Utilizing the Making Markets Work for the Poor (M4P) approach, GEMS4 is working with market actors, linking them and changing market incentives so they serve each other better. The project is also building local capacity so the market better meets the long-term needs of the poor.



The Constraint

The constraint is the absence of a secure, convenient and efficient payment solution for wholesalers and retailers in informal markets. Traders in Northern Nigeria often travel as far as 150 kilometers, to get to the nearest bank. Due to this kind of inconvenience, their cost of doing business is unreasonably high. The GEMS4 baseline study for the Banking service provisions initiatives indicated that 75% of wholesalers and 85% of retailers in the markets make their biggest business-related payments in cash. Only 6% of wholesalers and retailers regularly transfer payments into a bank account.

Agricultural commodities - especially perishable produce - are traded in very high volumes in traditional markets. Many traders' daily turnover is between N500,000 to N1,500,000 (£1400 - £4200) in cash. Because cash transactions take place over long distances (between suppliers and traders) cash is moved by road at considerable risk of loss or theft. In urban locations, traders have to leave the market to queue at bank branches located away from the market. The opportunity cost to traders is

significant and for this reason messengers collect cash and deposit into bank accounts - the fee for the informal service is often very high.

Financial institutions in the country have failed to see a commercial opportunity in better serving market actors; consequently a significant number of traders are excluded from accessing financial services because they fail to meet the KYC requirements of the Central Bank of Nigeria (CBN).

The Initiative

This initiative involves working with mobile money industry actors to facilitate the introduction of bank-led mobile payment solutions that target wholesalers and retailers in wet and traditional markets. Wholesalers and retailers benefit from a secure, convenient and efficient payment mechanism that lowers their business costs, increases their income and frees up time to sell higher volumes of goods and services. Financial institutions benefit through facilitated access to a new market for their financial services.



Partners: Stanbic IBTC and First Bank and Fresh Fruit and Vegetable Dealers Association of Nigeria (FFVDAN).

The Strategy

To implement the initiative GEMS4 engaged with the Central Bank of Nigeria to change the KYC regulation that placed very low limits on the size and number of financial transactions allowed for mobile money transactions. Since then, GEMS4 partners, Stanbic IBTC and First Bank trained agents and rolled out the mobile-money services targeted at wholesalers and retailers in informal markets. The cost of the mobile payments is affordable to most of the micro business operators and the reduced cost of transactions positively influences business growth.

Results

In February 2015, GEMS4 succeeded in influencing a major financial regulation, which has enabled financial inclusion for over 120,000 individuals and enterprises. The project is in the process of conducting a comprehensive impact assessment to determine the economic value of the regulatory change.

To date, 145 agents have been trained to provide secure, efficient payment mechanism and 4,000 traders have benefited from the service and now have increased productivity. GEMS4 partners, Stanbic IBTC and First Bank have benefited from access to a new market for their financial services.

Mobile money facilitates financial inclusion, drawing low income, unbanked traders into the mainstream of economic activity, a major prerequisite for effective market participation. It enables users earn more each trading day and creates opportunities for them to integrate their functions into the value chain of larger market players.

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