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**The Developing Space for Payment
Service Banks in Nigeria**

THE DEVELOPING SPACE FOR PAYMENT SERVICE BANKS IN NIGERIA

The Central Bank of Nigeria (“**CBN**”) on November 5, 2021 granted an [approval-in-principle](#) to MTN Nigeria Communications Plc (“**MTN**”) and Airtel Africa Plc (“**Airtel**”) to provide payment service bank (“**PSB**”) services in Nigeria.

The CBN’s primary objective regarding PSBs is to encourage financial inclusion and improve access to financial services for the unbanked segment of the population by leveraging on technology (i.e., mobile and digital platforms). Pursuant to the Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria of August 2020 (the “**PSB Guidelines**”), PSBs are required to operate primarily in rural areas and unbanked locations, targeting financially excluded persons with not less than 25% financial service touch points in such rural areas as defined by the CBN from time to time. PSBs are also required to deploy ATMs and Point of Sale devices in these areas.

PSB licensees are permitted to, among other things, accept deposits from individuals and small businesses, carry out payments and remittances services through numerous channels within Nigeria, issue debit and pre-paid cards, operate electronic wallets and provide financial advisory services (PSB Guidelines, Section 4). In essence, PSB licensees will be able to perform traditional banking services with the exception of activities such as granting loans, accepting foreign currency deposits and generally dealing in the foreign exchange market.

It is instructive to note that the permissible activities of PSBs are designed to complement banking services provided by traditional banks. This is especially the case when viewed from the limited subset of permissible activities compared to the whole gamut of traditional banking services. The issuance of PSB licences, with licensees playing in the traditional banking space albeit in a limited capacity, will stimulate competition with traditional banks. It must be said, however, that traditional banks are also well placed to compete especially with the use of mobile money agents under the bank-led model targeting the same demographics as the PSBs.

If the CBN grants a final licence to MTN and Airtel to operate PSBs, it would bring the total number of PSBs to five. It is also expected that such step will further assist the CBN in achieving the National Financial Inclusion Strategy’s objective of providing access to financial services to 95% of Nigerians by year 2024.

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