Nigerian Diaspora and Remittances: Transparency and Market Development

Nigerians can be found in most countries of the world. Nigerians are numerous in the United States and the UK, followed by South Africa, UAE and other European countries such as Italy & Spain. Finding Nigerians in South America lately has been for me a surprise. Talking to a group of them in Chile as they were selling Chinese goods in the street was very interesting. They were Igbo, one of the two main tribes along the Yorubas and Houzas. So is my friend Uche Agbor, owner of Ark Technologies, an ATM/Kiosk fintech in Lagos, to whom I owe most of my cultural understanding of Nigeria and its people. Uche adds: "*Most Nigerians are entrepreneurs, resourceful, always working, hustling; Igbos in particular. I travel a lot and I found Nigerians doing business everywhere. Education is also critical for us*".

Highly entrepreneurial, Nigerians do well in most countries where they land. As a survey showed, Nigerians in the US are one of the highest educated migration groups. The Migration Policy Institute found that 29% of the Nigerian diaspora older than 25, held a master's degree, PhD or an advanced professional degree compared to 11% of the US population overall. This survey was based on analysis of US census bureau data for 2009 to 2013 that showed that India-born immigrants were in first place. These facts, plus the tight family associations Nigerians have, also mean that they tend to send a slightly higher remittance average than other migrant groups.

How large is the Nigerian Diaspora?

The size of the Nigerian Diaspora is anyone's guess, estimates ranging from 2 million to 15 Million[1]. The Nigerian Diaspora Commission[2] (NDC) appointed in November 2018 the first Chairman and Chief Executive Officer, Hon. Abike Dabiri-Erewa. As the NDC sets to unite all Nigerians abroad, coordinate their potential contributions to the country and advocate for their rights and needs at home it might also shed light on the number of Nigerians abroad. The NDC "*has the responsibility to coordinate and organize Nigerians in and from the Diaspora to contribute human capital and material resources, including their expertise, for the development of Nigeria and its constituent states*," said Senator Ita Enang when officially announcing the passage of the Bill that created the NDC.

The largest Nigerian Diaspora community is in the US with around 400,000 followed by the UK with more than 200,000. We must note that Nigeria is the third largest Commonwealth country by population and the English language is the main language in the country. The British Empire formally annexed the country in 1861 and became a British protectorate in 1901. Colonization lasted until 1960 when an independence movement succeeded in gaining Nigeria its independence, but political turmoil and military regimes went on for nearly 40 years. Nigerian emigration can be divided into four stages: the civil and political unrest in Nigeria in the '60s, the downfall of the petroleum boom in the 80s, the mid-1990s with the dictatorship of Sani Abacha and, finally, the last 20 years of mass migration, that has accounted for 50% of the Nigerians now in the UK and the US that arrived in this latest period.

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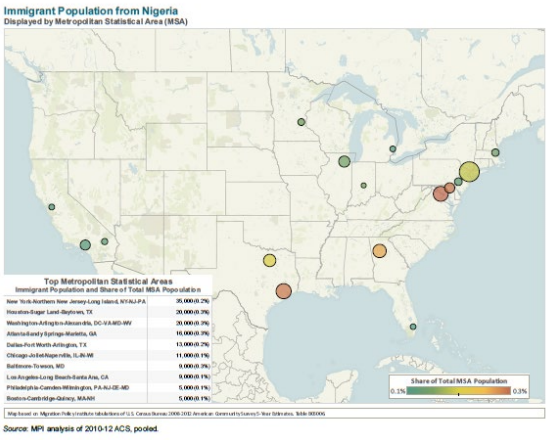
[1] Pew Research Center (April 3, 2019) reports in https://pewrsr.ch/31LO3SU : "*Nigeria receives the largest share of remittances to the region despite an emigrant population of population of 1.3 million that is smaller than that of Somalia (2 million) and South Sudan (1.8 million)*". Many articles cite an article in the Nigerian Tribune, 8 September 2014 entitled "Remittances from diaspora Nigerians as lubricant for the economy" where it states: "*In 2014, 17.5 million Nigerians lived in foreign countries, with the UK and the USA having more than 2 million Nigerians each*"

[2] We have invited the NDC to join us at IMTC AFRICA 2019 in Lagos

MPI in a June 2015 document[3], reported that there were 376,000 Nigerians Immigrants and their children living in the US and was the largest source of African immigration to the country. Of those, around 55% were 1st generation Nigerians and the rest comprised mostly of 2nd generation Nigerians (62% having both Nigerian parents).



The largest number of Nigerians are found in Texas (Houston, Sugar Land, Baytown and Dallas Fort Worth) and the New York-New Jersey Metropolitan Area. There are pockets of Nigerians in the Washington, DC Area (DC, VA, MD & WV), Atlanta (Sandy Springs, Marietta) and Chicago (Jolliet-Naperville).

An interesting fact in the publication is that it accounted for a large number of US-based Nigerian Diaspora Organizations: 67 of them with many different initiatives (social, cultural, health, women empowerment, etc.).

In the UK, the latest published estimates[4] are that 190,000 people that were born in Nigeria live in the UK, 102,000 of them with Nigerian citizenship. It is reported that 75% live in London and surrounding areas, in the boroughs of Lambeth and Southwark with Peckham - one of the most diverse areas of the country - with the most Nigerian-born people in Britain[5].

With 45% of Nigerians adults saying in a survey[6] in 2018 that they plan to move to another country within five years, the highest share among 12 countries surveyed across four continents, the Nigerian Diaspora will certainly grow even more in the next decade.

How large is the Nigerian Remittance Market?

One of the most fundamental acts of Nigerians when leaving the country is sending money home. Family is key for Nigerians and supporting their families back home is the ultimate expression of love, commitment and duty of Nigerians in the Diaspora. And in that sense, no country in Sub-Saharan Africa receives more remittances than Nigeria, estimated by the World Bank at around 24.3B per year and 6% of GDP.

This makes Nigeria the sixth country in the world in remittance inflows. Egypt at 28.9B is in fifth place, with Mexico, The Philippines, China and India on top. It is true of Nigeria, as it is for other countries, that many analysts dispute this estimate. But it must be stated that it is an estimate of remittances sent through formal channels and does not account for the informal channels. None of the executives of the institutions that I visited in Nigeria on July 2019, in preparation for IMTC AFRICA 2019 in Lagos in September, could give me similar estimates, most of them giving figures of 10-15 Billion. All did point out that they feel lately that there is a marked tendency for the informal sector to keep diminishing.

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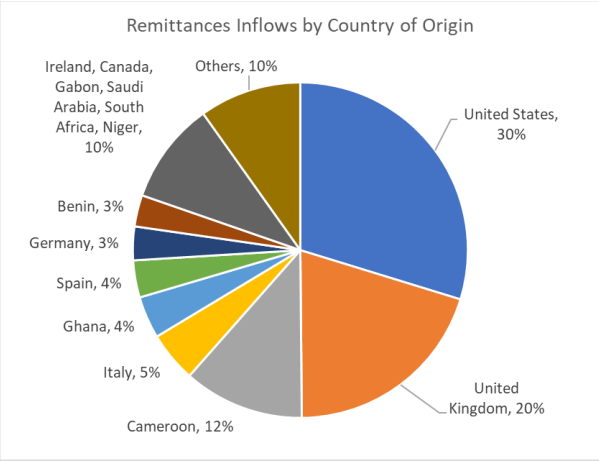
[3] The Nigerian Diaspora in the United States - Migration Policy Institute - http://bit.ly/2KEJLqO
[4] Number of Nigerians living in the UK - Office for National Statistics UK http://bit.ly/31JVoCv
[5] BBC NEWS | UK - Born Abroad - Nigeria https://bbc.in/33GSznx
[6] Many in Nigeria, Tunisia, Kenya plan to leave country in next 5 years - Pew Research Center - March 27, 2019 https://pewrsr.ch/2NdVVbS



The United States sends about one third of the total volume of remittances to Nigeria, followed by the UK with 20%, then Cameroon with 12% and in that order Italy with 5%, Ghana and Spain with 4% each, Germany and Benin with 3% each , Ireland, Canada, Gabon, Saudi Arabia, South Africa and Niger with close to 2% each.

UAE has for sure a top spot, but the information is not available.

In the US, Nigerian Remittances are in 7th place[7], with Mexico topping the charts at 30B per year, followed by China (16B), India (12B), Philippines (11B), Vietnam (7B) and Guatemala (7B).

Is the CBN strategy to formalize remittances working?

At the start of the decade, Western Union and a few Nigerian-owned companies and agents were serving the community. The reason for the narrow offering was a mix of apprehension and a lack of knowledge and understanding of the community. The need for a sound compliance system and the few choices in terms of availability of paying institutions in the country was also a perceived problem. At the same time, the informal channels were dominated by Hawala-type institutions, exchanging Naira in the country (used to pay remittances to beneficiaries), with US Dollars abroad. This efficient system has been used by many traders and exchangers for decades with the big fear always residing in what is the source of funds of Nairas in the country, where do these Dollars abroad go and what type of business is this type of compensation abetting.

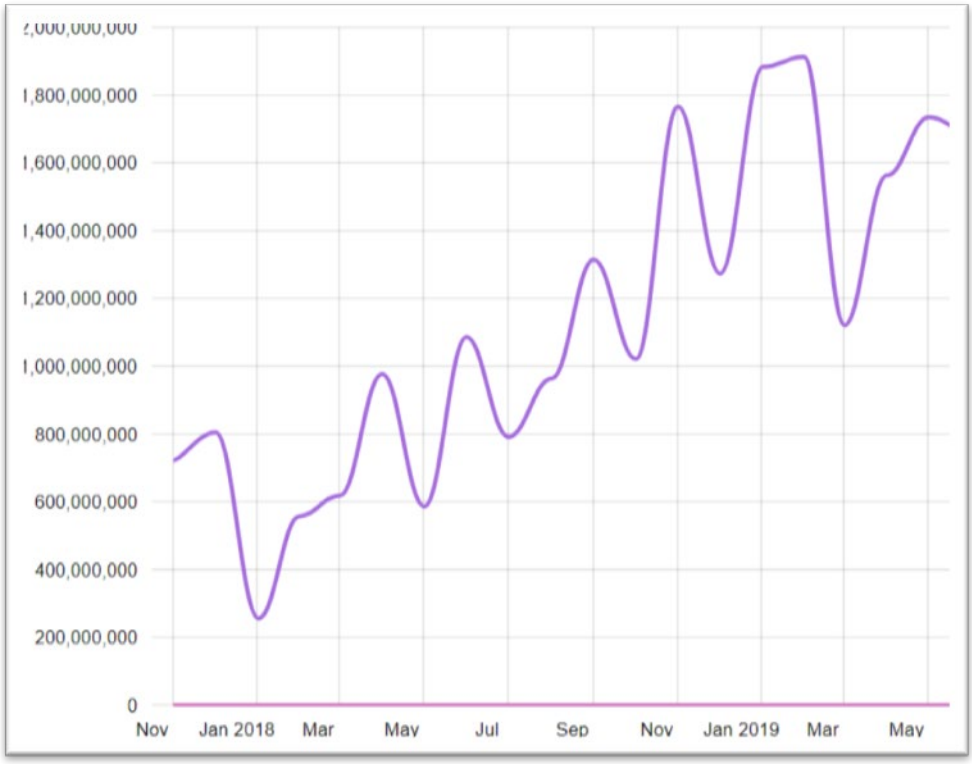
In August 2016, a decision of the Central Bank of Nigeria to bring order to the remittance market left for a little while that year, only Western Union, MoneyGram and Ria Money Transfers, as CBN approved International MTOs, to work in the official market. That brought a lot of turmoil to the market but in the subsequent months more MTOs were approved. That's all past and gone as the CBN relaxed its rules, more companies have been authorized to cater to the Diaspora and pay through authorized institutions in the country. In my last count, there are more than 60 companies authorized by CBN.

The remittance market in terms of companies abroad serving the Nigerian Diaspora is growing now at a fast pace as remittance volumes to the country increase, partly due to organic growth and partly due to more funds being channeled through official channels.

Aggregators are also now serving foreign MTOs making it easier for companies to enter the Nigerian Market.

[7] Remittance flows by country 2017 - Pew Research Center - April 3, 2019 https://pewrsr.ch/2Z0zCxm

This chart from data taken from CBN[8] shows this increase in remittances flowing to formal channels.



Will mobile wallets and the new payment services banks (PSBs) benefit remittances?

It is still a wait and see. After CBN authorizes payment services banks, it will take time to see the impact on the market of Telcos being allowed finally to offer themselves financial services, and remittances. As it has happened in many countries, the protection of banks against Telcos overtaking the mobile service market, as it happened in Kenya has led regulators, pressured by banks, to let these local banks to develop their mobile banking & payment offerings before they allow Telcos to step in. It is a double-edge-sword-approach where only time will tell how beneficial to the country and the population this scheme is.

Telcos must develop separate entities as Payment Services Banks; it will be the first step upon receiving authorization, so the deployment of services will take time. I do think remittances could be impacted fairly soon if the right partnerships are built and marketing efforts are appropriate, both in the country and in the Diaspora communities.

The challenge by PSBs could be strong. MTN Group's Nigerian unit has just recently become the most valuable company on the Lagos stock exchange just three months after listing. MTN Nigeria Communications Plc has a market capitalization of US $7.8 B and competes head -to-head for that spot against Dangote Cement Plc, owned by Mr. Aliko Dangote, Africa's richest person. After MTN, Dangote

[8] We have invited CBN to inaugurate IMTC AFRICA 2019 in Lagos and welcome the conference participants

and Nestle, two banks follow, GTBank and Zenith Bank, both with market capitalizations of less than US $2 B

Are Nigerian banks truly committed to facilitating remittances?

This is a question that I often ask myself as I visit and/or meet banks at the IMTC Conferences due to the love/hate relationship, banks (in general) have always had with remittances. On one side is derisking or the non-provision of banking services to MTOs, fintechs and other non-bank financial services institutions. On the same side is the entrance and exit of large commercial banks in the remittance field, sometimes due to compliance worries that have more to do with the perceived expense and the lack of expertise to run a good risk management program. The third is more compelling: As a Bank, do I really want remittance clients? Do their use of other financial services is worthwhile to me, the bank? Do the foreign exchange differential that is received from remittances, worthwhile?

I do no doubt that as of now there is a strong commitment by some of the banks in Nigeria to facilitate remittances and develop partnerships with international MTOs. IMTC AFRICA in Lagos in September will be interesting in this sense. I always remind banks that MTOs form close relationships with their distribution network entities, even if nowadays the industry has become commoditized, and close partnerships mean developing joint marketing campaigns, a commitment to excellent customer service, attention to detail, etc.

Will fintech development benefit remittances?

I have no hesitation to say that the development of fintechs will benefit remittances as it is benefiting payments as a whole, both domestic and international, not only in the P2P space but also in the near future with the development of P2B and B2B sectors. As I discussed with Seun Folorunso from FintechNGR, the Fintech Association of Nigeria, our partners in IMTC AFRICA, Nigeria can lead the fintech field, not only because of the creativity in the sector and the support the association has received, but the untapped market, ready to see a boom. On September 24, in IMTC AFRICA's Pre-Conference Forum on Remittances Innovation, we will explore with FintechNGR, its members and interested parties, how to spark innovation, develop partnerships, as well as open minds to the benefits of blockchain & virtual currencies.

With the work of BIAN - the Blockchain Industry Association of Nigeria, the NBA – Nigeria Blockchain Alliance and the BNUG – the Blockchain Nigeria User Group, we expect to see major developments of this technology in the country soon.

Although the bitcoin market is very active in Nigeria, the Central Bank doesn't seem to have plans anytime soon to regulate Bitcoin and other virtual currencies. BNUG has in its website a list of a dozen Crypto Exchanges in Nigeria[9].

A P2B service that should be available very soon in Nigeria is Bill Payment services offered to the Diaspora. This service can grow exponentially when financial institutions develop a way to efficiently provide this service and offer it to international MTOs.

[9]Best Nigeria Crypto Exchanges you can trade Cryptocurrencies - http://www.blockchainusers.org/node/15

Will the government's financial inclusion program impact remittances?

I have always been a skeptic in terms of financial inclusion programs that develop to be more government PR and politics than real accomplishments. I do believe the importance of financial inclusion as I believe remittances are a tool to make financial inclusion of remittance families a reality. I also think that Microfinance Institutions are the key to financial education, which in turn is key for financial inclusion, and the help of government programs on inclusion should be directed there, instead of private institutions. In a meeting with ANMFIN - Association of Nonbank Microfinance Institution of Nigeria in Abuja in July I was struck with the work they do and the thousands of microfinance groups they are helping to grow and develop.

How the financial inclusion initiative will impact remittances needs to be analyzed focusing on the projects that are set in motion.

Is Compliance an important aspect of Nigerian Remittances?

In any financial services institution nowadays, whether is a bank, a non-bank, a fintech and a virtual currency provider, compliance and risk management are key. And not only in the CTF – Counter-Terrorism Financing, which in Nigeria is a constant threat, and money laundering, another problem that no country in the world can claim to be free from, but also fraud, which sadly in Nigeria, is rampant. We all have received emails with fraudulent messages connected to Nigeria and other countries and it is surprising that still many people get tricked, especially in the US.

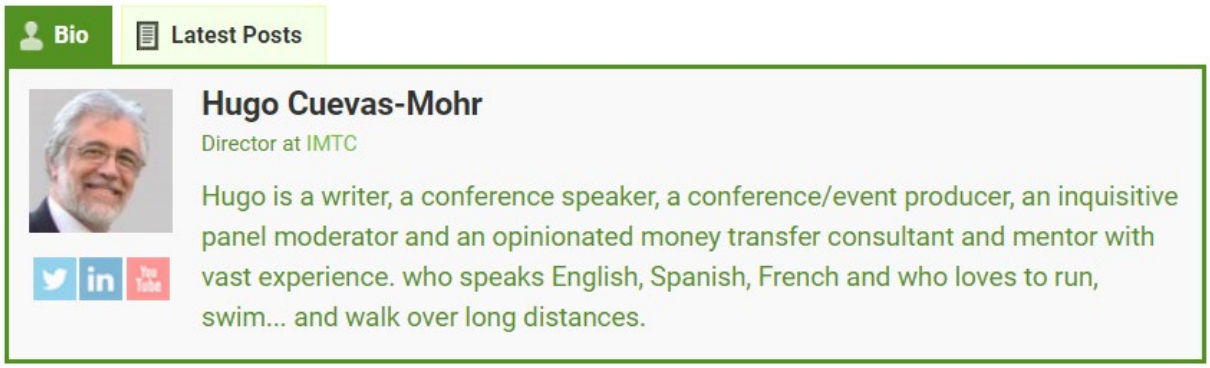
When discussing the Money Transfer Compliance Course in IMTC AFRICA's Pre-Conference Day with the financial institutions in Nigeria that I visited in July this year, I felt that certain compliance actions taken in other countries, such as the U.S. Department of Justice against MoneyGram in November 2018[10], were not totally understood. And in the remittance industry, the work on both sides of a remittance corridor, between the sending and the paying institution, is critical. International money transfer compliance expert Zory Munoz, which will be instructor teaching the course in Lagos in September 24 is very aware of this fact: "*I have lost count of the number of countries and institutions I have visited across the world and even if most of them are keenly aware of the importance of compliance, there are many gaps that need to be addressed, as we work together to develop better systems to control and manage risk*".

MTOs and other institutions that cater to the Nigerian Diaspora must get to know the Bank Verification Number or "BVN" Program in Nigeria that has placed the country as one of the top in the world with an advanced country-wide biometric system that began in 2014/ 2015. This is an advanced KYC system that certainly helps in providing reliable identification of remittance beneficiaries.

[10] In November 2018 the U.S. Department of Justice reported that MoneyGram had breached the provisions of its 2012 deferred prosecution agreement (DPA) and as a result of its compliance failures, it processed at least $125 million in additional consumer fraud transactions between April 2015 and October 2016 and hence it had agreed to forfeit US 125 Million. See http://bit.ly/2NkpmJ9 . The funds are earmarked to go to victims who lost money in the various fraudulent scams, such as lottery winnings, money left by a distant relative, "Nigerian prince" and other romance scams.

Can the industry work together for the benefit of Nigerians, remittances and Nigeria as a whole?

In my many talks with international MTOs and Nigerian Financial Institutions that led to the development of the IMTC AFRICA programme I certainly feel that there are many individuals, both in Africa and abroad, that know the remittance industry in West Africa and want to genuinely contribute to the facilitation and formalization of remittances. Most everyone in private institutions understands some of the regulatory difficulties that Central Banks face when opening the market to new players and allowing a more diverse and competitive market to grow while promoting innovation and transparency. Regulators in many countries are convening broadly-based Industry Councils to hear the market players and build a dialogue that benefits the country and the users of these financial services, within the country and internationally.

In IMTC we are committed to helping this happen.

With so much vitality, creativity and entrepreneurship in Nigeria you will have to be too pessimistic not to believe in the rise of Nigeria. This vitality, creativity and entrepreneurship is embodied by the likes of Olubankole “Banky” Wellington, a singer, rapper, actor, businessman and politician, and in the Nigerian Diaspora, the “Nigeria’s secret weapon” as reported by CNN and the Economist, is embodied by the likes of Keji Giwa, Anne-Marie Imafidon or Modupeola "Dupsy" Abiola, just to name a few. Come on Nigeria, there is a lot of work to do in the field of remittances and cross-border payments!