ACHIEVING SDG GOAL 1:

THE ROLE OF PAYMENTS DIGITISATION

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The United Nations Sustainable Development Goals (SDGs), built on the back of successes and learning points of the Millennium Development Goals (MDGs) have provided a clear direction for the development community in improving human outcomes across the world. In this article, we provide insights on how financial inclusion, one of the key success factors in the achievement of the SDGs can be accelerated by payments digitisation in the developing world.

The United Nations Sustainable Development Goals (SDGs) were adopted in 2015 as a sequel to the Millennium Development Goals (MDGs), with the goal of ending poverty, protecting the planet and ensuring prosperity for all by 2030. The SDGs are purposed to be achieved with a public, private and social sector collaborative effort. The importance of this systemic collaboration can seem a given, if not redundant at first glance, but if the lessons from the MDGs are anything to go by, this collaboration is perhaps the most important success factor.

The first goal of the SDGs is to end poverty in all its forms everywhere by 2030.[1] Achieving this goal is very critical to long-term global socio-economic stability. With more than 700 million people still living in extreme poverty globally, the future of a significant part of the world's population is significantly compromised. Poverty exposes people to long-term threats like "unemployment, social exclusion, and high vulnerability of certain population to disasters, diseases, and other phenomena which prevent them from being productive."[2] The reality of this situation is that most times, poverty generally begets poverty. People who are born into poverty struggle all their lives to break out of that cycle. The impact will only get worse without this systemic collaboration.

1. www.un.org No Poverty: Why it Matters
2. Op Cit

In Nigeria, around 110 million people still live in poverty.[3] This has long term implications on the peace and stability of the country. In response to this, the Federal Government, in its 2016 budget, allocated about N500billion (~US$1.6billion) to social intervention programmes. These social intervention programmes include conditional cash transfers to the economically vulnerable, loans to traders and those involved in informal trade.

In the spirit of systemic collaboration, the non-public sector has a significant role to play, using payment digitisation to efficiently manage the payment of these transfers. The importance of this is not far-fetched. In a collaborative report developed by Better than Cash, Bill and Melinda Gates Foundation and World Bank Group for the G20 titled, **"The Opportunities of Digitising Payments"**, the authors establish that a robust digital payment platform to support social intervention projects like the one being implemented by the Nigerian government can accelerate efforts towards achieving universal financial inclusion[4], a key success factor in reducing global poverty.

3. www.vanguardngr.com Over 100m Nigerians living below the poverty line - Osibanjo
4. G20 Partnership for Financial Inclusion: The Opportunities for Digitising Payments

More than 80% of sub-Saharan African adults make bill payments and remittances with cash, leaving ecosystem participants like the government, financial services producers, and consumers carry the high cost of cash acceptance, recording, storage, security and transportation.

The social intervention programme provides a huge leverage for the achievement of the Central Bank of Nigeria's (CBN) national strategy for financial inclusion, which aims to integrate, "all Nigerian adults, in particular those in the low income group to participate in a formal financial system that sustainably provides a suite of financial products that are affordable and accessible thus reducing poverty and improving household welfare."[5] Achieving this vision of financial inclusion is quintessential to the achievement of poverty alleviation in Nigeria. There is therefore a need for systemic alignments of critical success factors for poverty alleviation.

A 2014 report on the structure of spending in the Nigerian economy showed that US$0.24billion was spent in social welfare cash distribution to around 350,000 recipients. The current social intervention project intends to reach millions of economically-vulnerable Nigerians, many of whom are so due in part to the fact that they are financially excluded. We encourage the government to deploy a robust digital payments system to achieve the objectives of the social intervention programmes. Evidence has shown that a lot of countries in the world are beginning to see the sense in this. A research of 62 developing and high income countries, which represent around 81% of the global population, found that more than two-thirds of the countries polled have e-payments systems for citizens' social security contributions.[6]

5. *Bill and Melinda Gates Foundation: Digitising Government Payments in Nigeria*
6. *Op Cit*

Benefits of a Robust Digital Payments Infrastructure for Nigeria's Social Intervention Project For beneficiaries of these funds, digital payments provide speed and security.

Cash payments typically cannot move beyond the speed of the carrier, which can be very slow, given the huge transport infrastructure challenge much of rural Nigeria faces. This helps beneficiaries receive their transfers as and when due, preventing income shocks that might have severe health, economic and safety implications. Also, with the challenged transport infrastructure, cash movements carry large security risks, which also expose recipients to income shocks.

A digital payments system also encourages savings. "Digital payments create the opportunity to embed poor people in a system of automatic deposits, scheduled text reminders, and positive default options than can help them overcome psychological barriers to saving."[7] There is evidence from countries the level of take-up of financial services like "defined-contribution pension accounts, insurance products, and commitment savings products" is directly proportional to the level of digitisation of payments these people receive.[8] With better savings and investments, these beneficiaries are less vulnerable to external shocks. By taking insurance coverage for example on their productive assets (stock of agriculture equipment and inventory, as they are most and generally peasant farmers), helping them better manage shocks like sudden crash in prices of their commodities, adverse weather conditions and other unexpected mishaps.

There are also tremendous benefits to the government. A digital payments model for social intervention projects provides the level of transparency needed for projects to achieve efficiency objectives. It significantly prevents leakages through theft and payments to unintended recipients of the financial support. A robust digital payments system will provide identification support solutions that help the government eliminate these leakages. This efficiency objective is also achieved as a robust payments system provides long term cost savings by eliminating cost of cash movements. For example, the South African government reduced the cost of disbursing social grants by smart cards was 70% less than when payments were manual and the Bolsa Familia programme, the Brazilian government's social welfare scheme reduced its costs from 14.7% of payments to 2.6% when it integrated different benefits on one payment card.[9]

7. Op Cit

8. Op Cit
9. Op cit

CONCLUSION

We align with the United Nations and much of the international development community in the need for multi-sector collaboration in the achievement of the SDGs. In Nigeria, the government has made budgetary provisions for social intervention funds. State governments may also develop their own intervention responses. In all of this, we see a huge efficiency creation role for the private sector. This will have overall systemic benefits that will be beneficial to all participants, pushing the country further to achieving the objectives of the SDGs.

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