

Chapter 6

Trust flows downhill: The Central Bank of Nigeria, Trust and digital credit

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Abstract²

That Trust can be fostered through central banking has been established as a model of Trust through the work of scholars such as Roseveare, Carruthers, and Haber, North and Weingast amongst others, who focused on institutional development and the role of politics in this institutional development. These scholars have established that Trust “flows downhill”, that is, is constructed top-bottom, from how apex regulatory institutions manage national finances. Whether these apex regulatory institutions are competently run or not in turn shapes the formation of Trust “midstream” and “downhill” the economy.

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² This is the abstract for the PhD thesis chapter. Here, for the purpose of the WiSH seminar, I only highlight the section on the NIBSS NIP.

6.3 The Success Story of the Nigerian Interbank Settlement Scheme (NIBSS) Instant Payment (NIP): Accelerating the velocity of money in Nigeria

Much of the academic and policy discussion of outstanding public sector digital finance outcomes in developing countries has been dominated by discourse on India's Unified Payments Interface (UPI) facilitated by the Digital ID Aadhaar. This conversation is often couched in the broader conversation about India's Digital Public Infrastructure (DPI) or the "India Stack", and how it is revolutionizing access to services in the world's most populous country (Nilekani 2008; IMF 2023; Balakrishnan 2023; Sasi 2025; Sarma 2025).

Much less has been written about other African or developing country success stories of public sector innovation in digital finance, or in the broader DPI discourse, although there is a growing literature on Brazil's PIX real-time payments system, the payments layer of the national DPI anchored on the nation's biometric ID (Lobo and Brandt 2021; Duarte et al. 2022; Aurazo and Gasmi 2024). Some of the most cited best-in-class examples of DPI within financial systems are from developed countries, such as Singapore's singpass (IMF 2023).

In this section I briefly discuss the success of Nigeria's implementation of fast (or real-time) payments, the NIP, which has revolutionized financial inclusion for millions of Nigerians, particularly MSMEs in the country. Within the context of DPIs, the NIP has been described as the payments layer of Nigeria's DPI (Esser et al. 2024; Co-Develop 2024; Mensah and Jumah 2024), which also includes the Digital ID administered by NIMC,

and a consent-based data exchange administered by the Nigeria Data Protection Commission (NDPC).

The NIBSS NIP, which was implemented in 2011³ during the tenure of Sanusi Sanusi as the CBN governor, was a public sector innovation, the first in Africa and ahead of even the United States (Nigeria implemented fast payments ahead of the US), which again highlighted the role of the CBN as a public sector PoE.

The NIBSS NIP is seen as a best-in-class example by international development organizations like AfricaNenda Foundation which led a peer-learning visit including Central Bank heads across Africa to understudy from June 16 to 20 2025 - when the NIBSS NIP launched its upgrade featuring AI-enabled capabilities including cross-border payments functionalities (Premium Times 2025; AfricaNenda 2025). This acclaimed success is another narrative-defying account from Nigeria's public sector, known amongst political science scholars and governments as the prototype of bad governance, within a "neopatrimonial" country where corruption leads to persistent failure in public sector provision (Adebanwi 2012; Roll 2014).

The NIBSS Instant Payment (NIP) is Nigeria's version of the global technology standard of Fast Payment System (FPS). According to the Committee on Payments and Market Infrastructure (CPMI), the FPS is defined as payments in which the transmission of the payment message and the availability of final funds to the payee occur in real time or near

³ NIBSS itself was incorporated in 1993 and commenced operations in 1994.

real time and on as near to a 24 hour and 7 day basis as possible (World Bank 2021).

With 3.4 billion transactions in 2021, 7.9 billion in 2023 and a projected 19.7 billion in 2028, the NIP is the 7th largest FPS payments system in the world, behind India, China, Thailand, Brazil, South Korea and the United Kingdom, and ahead of the United States; and has catalysed the rapid growth of Nigeria's fintech (Ironsi 2022; ACI 2025). In 2024 the NIBSS facilitated N1 quadrillion worth of payments (\$2.4 trillion) (Aro 2025).

The predecessors to the NIP included the NIBSS Electronic Fund Transfer (NEFT) launched in 2004, an improvement on the manual and laborious clearing house system, which facilitated automated and electronic clearing and settlements. Also, Interswitch and eTranzact, launched in 2002 and 2003 respectively, were already working to provide electronic payment services to banks and were more widely used. NEFT was available to all major banks and was widely adopted, but it wasn't real-time. Transfer instructions from customers had to be batched together and processed during limited settlement windows in the day (Ironsi 2022).

At this time, the Central Bank of Nigeria (CBN) also directly provided inter-bank services, through the Central Inter-bank Funds Transfer Service (CIFTS) and the Real-Time Gross Settlement System (RTGS). While the RTGS provided real-time fund transfer services, it was relatively expensive, and mostly reserved for high-value transactions including settlements between banks. In 2011, the year the NIP was implemented,

the CBN directed all banks to adopt a standardized 10-digit account number format known as Nigeria Uniform Bank Account Number (NUBAN), instead of account numbers having varying lengths and formats. The uniform NUBAN format made it easier to validate electronic payments and routing under the NIP.

Nigeria was the first to implement Fast Payments in Africa in 2011, and even ahead of some developed countries like the United States. 21 countries in Africa currently implement FPS (Esser et al. 2024). What makes the NIP FPS unique is that it borne out of a process which took into consideration the unique needs of the local Nigerian users. In DPI literature this is called “user centricity” (Porteous et al. 2024). At the time when it was implemented in Nigeria in 2011, many countries in the world were still operating “T+1” or “T+X” days settlement regimes, when payments were only cleared one or more days after being made.

This is because in batch (non-instant payment systems), the clearing process - the process of reconciling payment requests from customers, does not happen in real-time. Payment instructions are collated in batches and cleared at particular times before settlement. Also, inter-bank settlement (inter-bank fund transfers) must be completed at the end of each cycle before funds are made available to the recipient. This introduces delays of hours or days. In Brazil for example, credit card transactions can take up to 30 days to get settled to the merchant (Irons 2022).

Fast payment systems like the NIBSS NIP work differently. When a bank transfer is initiated through NIP, the payment request is immediately sent

to the recipient's bank and funds are made available to the recipient almost instantly. Several other steps such as confirming the account balance of the sender, and validating the accuracy of the recipient bank account also happen very quickly. The settlement step between the banks is delayed to agreed times during the day. For these inter-bank settlements, banks have dedicated accounts in the CBN which NIBSS has access to and is able to offset using CBN's Real-Time Gross Settlement System (RTGS). Digital finance firms also use this FPS enabled by application programming interfaces (APIs) provided by NIP directly or a commercial bank to perform these bank transfers. In Nigeria, digital finance firms are technically "microfinance banks" who need cooperative agreements with the commercial banks to get some services implemented.

NIP payments can be made through the internet, mobile banking, PoS, Agents, USSD, ATM and bank branches although mobile payments dominate in Nigeria - roughly 43% of the total (World Bank 2021). The NIP is now the dominant channel for payments in Nigeria, accounting for 70% of all NIBSS payments processing, ahead of the NEFT, cheques and PoS terminals because of its unique selling points including speed, affordability, interoperability and reliability. In terms of pricing, each bank sets their policy on fees and this varies by transaction amount (from N40 to N500). Fees charged upon usage of the NIP is an incentive for sustainable (or private sector) investment in the technology infrastructure. Such incentives are not there in DPI-based payment services which are free of charge, which is a criticism of such systems, such as India's UPI (Venkatesan et al. 2024; Porteous et al. 2024). NIP is the closest and most

successful substitute to cash in Nigeria today (World Bank 2021; Ironsi 2022).

The NIBSS NIP was developed with “user centricity” in mind. User centricity is a concept which in DPI literature means taking into consideration the unique needs of the local users (Porteous et al. 2024). Like a senior official of the NIBSS explained⁴, “when we (NIBSS and banks) were designing fast payments, we looked at our local context: the local trader with N20,000 (\$13) worth of goods. If we have a system like in America where there is clearance T+1 day, that business will fail. So we created something for our local reality, which became a world first because fast payments were first implemented in Nigeria”. This emphasis on SMSEs is important because they represent approximately 97% of businesses in Nigeria, contributing to 46% of the GDP (PwC 2024).

And although fast payments generally work well across the financial sector in Nigeria, somehow, the emerging digital finance firms tend to implement it better. Whereas a fast payment system might be delayed for a few minutes or even up to two hours or more in the banking system (HSBC 2025; PwC 2025), digital finance firms in Nigeria have been able to maintain consistent implementations of the original “real-time or close to real time standard”. During my fieldwork in Nigeria in 2024, I spoke with traders and entrepreneurs in the Yaba and Ajegunle areas of Lagos who admitted that this speed of payments was critical to their adoption of digital finance firms instead of traditional brick and mortar banks.

⁴ Conversation on May 22 2025.

The rationale for them, like a shop owner in Tejuoso shopping centre Yaba Lagos explained⁵, was that, “we need to confirm that payments have been made immediately so that we do not keep our customers waiting”. In my interviews this was also true for Uber and Bolt drivers who needed to confirm receipt of payments instantly in order to minimize wait times after each trip⁶. Also, the instant nature of fast payments can be critical for time-sensitive payments like rent, bills, and health emergencies (Irons 2022). An official of NIBSS I spoke with in order to understand how digital finance firms achieved this feat put it down to the “internal processes” of these firms⁷, which meant that digital finance firms had dedicated in-house teams focused on resolving these transactions in a timely manner.

One of the challenges to implementing Fast Payments Systems across the world is the matter of managing the multiple public and private institutions and interests involved. A Bank of International Settlements (BIS) study suggested that the absence of the private sector in the governance of FPS was instrumental to the success and adoption of these systems in many countries of the world (BIS 2024). Nigeria was an early pioneer of a successful Public Private Partnership (PPP) in FPS implementation. The NIBSS, which operates the NIP FPS, is governed by a board where the Deputy-Governor of the CBN (Financial System Stability) chairs, together with representatives of 9 commercial banks.

⁵ Fieldwork Interviews in Yaba and Ajegunle, Lagos, 2024.

⁶ For customers who did not have debit cards linked to their Bolt/Uber accounts, and had to make bank account transfers.

⁷ Conversation on May 22 2025.

A senior NIBSS official explained that the “NIBSS NIP was a product of necessity. Bank leadership met and decided that this had to work because the impact of its failure on the economy would be immense. Imagine a scenario where hundreds of thousands of payments fail in a day or week in the country. The socio-economic-political impact will be huge. So, we became accountable to millions of Nigerians in a critical service where we had no prior example. There are nine banks on the board. The CBN Deputy Governor chairs the board. This balancing of private and public sector interests was critical to its success”⁸.

The NIBSS NIP - Nigeria’s implementation of the global FPS standard is an example, visible in innovative technology infrastructure and governance structure, which again demonstrates the unique public sector institutional development which has positioned the CBN as a Public sector Pocket of Effectiveness (PoE) in Nigeria. Dr Andrew Levin, Chief Economist at PwC once described the NIBSS as Africa’s greatest Fintech firm (Phillips 2019).

As described in the chapter of NIMC, national identity infrastructure in Nigeria have been sites of intense elite competition for rents (Breckenridge 2019), such that high profile corruption scandals running into millions of dollars have been recorded there. The NIP is also in a sense a national identity infrastructure⁹ - delivering payments on the back of the national ID backbone - and must have also involved millions of

⁸ Conversation on May 22 2025.

⁹ It is even enough that it is simply “infrastructure”, the provision of which has sometimes provided avenues for public officials to create “stomach infrastructure” for their patrons and clients. “Stomach infrastructure” is a new term for corruption in Nigeria coined in 2015, and is now recorded in the Oxford Dictionary of African Politics and has entered into Political studies literature (M. Yusuf 2019; Busari 2020).

dollars in procurement and contracting. That it did not involve sharp practices associated with many public sector institutions in Nigeria is a testament to how well the CBN is run.

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