

Is Nigeria Ready to Formalize Remittances and Become the Third-Largest Inbound Market Worldwide?

The [IMTC AFRICA conference](#) is taking place between September 24-26 at the EKO Hotel in Lagos, Nigeria. Of the various discussions taking place during this event, perhaps the most pressing is with regards to the true volume of Nigeria's remittance, a hotly debated topic within financial circles. As of currently, Nigeria is valued as the fifth largest remittance market, with a recorded volume of nearly 25 billion USD, however there is strong reason to believe that this is an underestimate. Local market stakeholders and connoisseurs consider the volume to be more so upwards of 40 Billion USD. If this were true, then it would squarely place Nigeria as having the third largest volume, rather than fifth.

This, among other serious topics, will be extensively discussed at IMTC AFRICA this year. Not only is it important to report and accept the most accurate figures, but it is also paramount that Nigeria formalizes the parallel markets, so as to officialise the statistics. Of course, this is easier said than done.

Why formalization is so necessary

Parallel markets, or informal markets, are notorious for skewing a country's volume, revenue, and wealth statistics; in an age where data is glorified it is clear to see why this is such a problem. Countries are valued and respected based on their stats, and if Nigeria's stats are not reflecting its true remittance then its significance is being missed.

The parallel markets are not only confusing Nigeria's volumes because of the amount of goods sold and exchanged outside of the government's line of sight, but also because it causes the country's fiat to be valued differently. The Nigerian Naira is traded at different rates on the parallel market than on the official market. For instance, as of August 6, the Central Bank of Nigeria valued 1 USD at 306 NGN (Niara), whereas the parallel markets revealed that 1 USD was *actually* trading at 360 NGN. Such a large discrepancy in the data reveals just a portion of the issues taking place. If the parallel markets are true, then Nigeria's financial and remittance markets are likely to be performing much better than the official records.

Nigeria's parallel markets have been prevalent for some time now, but the issue became serious in 2016 when the Central Bank of Nigeria [limited the amount of legal money transfers](#) to only three corporations: Western Union, MoneyGram, and Ria. This subsequently forced all other transfer operators to flock to the parallel markets, thus causing such disparity. If Nigeria wants to rectify this issue then it would need to (cautiously) remove this limit and carefully monitor the shifts in price.

[Leon Isaacs](#), the IMTC Co-Chair, will be discussing this situation extensively at the conference. As well as discussing the true value of the Niara and Nigeria's remittance volume, the IMTC conference will also be analysing questions about the dangers of the parallel market, and what

steps need to be taken by the Nigerian government and its banks to formalize these remittances. With recognised international companies admitting (off the record) that they can no longer compete with parallel market values, it is clear that the distance between the Naira's formal and informal rates is far too wide to be sustained.

Nigeria and the mobile industry

Another pressing topic at the conference is that of the mobile industry. In a recent development, the Nigerian government has begun allowing mobile companies to operate more freely within the country. Previously, mobile companies were required to form rigid agreements with banks before they could perform in the country, but that is set to change as mobile companies will soon be allowed to operate more independently. These companies will be known as Payment Service Banks, similar to how India allows mobile companies to operate.

This is huge news for the world of remittance as Payment Service Banks give unbanked and generally low-income residents the opportunity to own current and savings accounts, as well as register for debit cards. Once this change is fully authorized by the Central Banks, it is set to change the financial scales within Nigeria, drastically altering the country's remittance industry.

This, and more, will be extensively analysed at [IMTC AFRICA 2019](#) in Lagos. The conference will be filled with panel discussions, keynote speakers, and ample time to network with other leaders within the field of remittance.