
IMPACT OF BANK VERIFICATION NUMBER ON NIGERIA'S ECONOMY

ALHAJI KAWUGANA
FEDERAL POLYTECHNIC P.M.B 0231 BAUCHI, BAUCHI STATE NIGERIA
alhajikawugana@gmail.com
FARUNA SIMON FARUNA
Sfaruna@gmail.com
FIRST BANK OF NIGERIA PLC

Abstract:

The issue of Bank Verification number is very sensitive to Nigerians. This is because it has a tremendous effect on their lives. The BVN will be used to fish out and blacklist fraudsters in the Nigerian financial system. The aims of this write-up are to examine the effect of Bank verification number on the Nigerian economy so as to suggest the way forward. The data used are obtained from secondary sources such as journals, newspapers; reports etc. It was discovered that there is high level of corruption and fraud in the Nigerian financial system. It is recommended that the Bank verification number enrolment if properly managed, it will not only enhance credit advancement to bank customers, but also reduce reported cases of scam, fraud and account impersonation while at the same time assist commercial banks in keeping authentic records of their clients and simplify banking operations

KEY WORDS: Bank, Verification, Number, enrollment, fraudsters

Introduction:

The Bank Verification Number, BVN, is a unique identification number for all Bank Customers within the Nigerian banking industry (CBN). BVN is a biometric authentication Of Each Bank Customer, Especially Those Who make electronic and cashless transfers through a unique set of digits. Going by the spate of frauds and cashless policy, the Central Bank of Nigeria (CBN) in conjunction with all Nigerian banks in February this year, launched the BVN project to enhance the operation of banks. The initiative is part of the overall policy of the Financial Sector Strategy, FSS, to ensure that Nigeria becomes one of the twenty largest economies in the world by the year 2020.



According to the apex bank, customers are expected to walk into a selected bank fill and submit the BVN enrolment form. Following this, such customer will present him or herself for facial and fingerprint capturing. Thereafter, an acknowledgment slip with the transaction identification will be issued to the customer whose enrolment will be confirmed and a unique Bank verification number, generated. The customer will immediately be notified via sms with the bank verification number. This is in compliance with the directive from the Central Bank of Nigeria (CBN) that by the 30th of June 2015, all bank customers should have the BVN while as from march same year, transactions valued at hundred million naira and above should only be allowed for customers with bank verification number. The Central Bank of Nigeria considered the exercise as a key component of knows your customer policy of banks. It is also a plan to eliminate fear in banks and make the country to be in league with developed countries of the world.

It is believed that if the Bank verification number enrolment is properly managed, it will not only enhance credit advancement to bank customers, but also reduce reported cases of scam, fraud and account impersonation while at the same time assist commercial banks in keeping authentic records of their clients .Apart from these, the Bank verification number will simplify banking operations especially inter-bank transfers improve services and reduce unnecessary queues within banking halls.

At this junction, observers believe that there is need for the apex bank to consider extending the enrolment period in view of the large number of Nigerians who are yet to be registered.

Steps of Enrolling Bank Verification Number

The Central bank of Nigeria in collaboration with the Bankers committee launched the Bank verification number (BVN) project in February 2014.As part of the overall strategy of ensuring the effectiveness of Know Your Customer (KYC) principles, the Bank verification gives each bank customer, a unique identity across the Nigerian Banking industry.

The central bank of Nigeria has observed that Deposit Money Banks are making steady progress towards the enrolment of their customers. However; the attention of Central bank of Nigeria has been drawn on the need to clarify certain grey areas in the process of enrolment of the customers on Bank verification number.



It has therefore become necessary for the bank to issue the under-listed clarifications for the stakeholders to note and implement

- A) Where an existing customer wishes to register with Bank verification number with his/her, capturing his signature and photo identification document may not be necessary, as the banks is expected to have those record during the account opening
- B) Where an existing customers wishes to do a change of name after his/her enrolment of bank verification number, due diligence should be exercised and appropriate legal document should be obtained, before the change is effected
- C) In order to fast-track the process of enrolment process:
 - 1) Deposit money bank are expected to give more attention to the enrolment of their customers
 - 2) All the Deposit money Bank are required to enrol at least 40% of the customers on or before 31st December 2014 and 70% on or before 31st march 2015
 - 3) All deposit money bank are required to fully integrate their core banking system, latest 31st October 2014,to ease the enrolment process
 - 4) All the new loans must have bank verification number as a condition precedent to drawdown, with effect from 31st November 2014
 - 5) All credit customers must have the bank verification number by 31st December,2014
 - 6) The Central bank of Nigeria will monitor compliance

According to the apex bank, customers are expected to walk into a selected bank fill and submit the Bank verification number enrolment form, with identification (Drivers Licence, National I.D Card, International passport and Voters Card). Following this, such customer will present him or herself for facial and fingerprint capturing. Thereafter, an acknowledgment slip with the transaction identification will be issued to the customer whose enrolment will be confirmed and a unique Bank verification number, generated.

The customer will immediately be notified via sms with the bank verification number.

This is in compliance with the directive from the Central Bank of Nigeria (CBN) that by the 30th of June 2015, all bank customers should have the Bank verification number while as from march same year, transactions valued at hundred million naira and above should only be allowed for customers with bank verification number.

Process of Linking the BVN with Customers Account

When the customer receive bank verification number via sms have to visit the bank physically for the linkage of his other accounts in other banks. The central bank of Nigeria has noted the need to improve on the processes for linking the Bank verification number with customers account; such that the customer does not necessarily have to visit the banks physically visit the banks for the linkage (CBN FEBRUARY 26, 2015)

In addition to the existing procedures, the central bank of Nigeria recognised a couple of other ways through which customers would forward their bank verification number to deposit money banks (DBMs) for linkage with their accounts:

1. Internet Banking and ATM

Deposit money Banks are required to provide an interface on their internet banking platforms and ATM channels, to enable customers log-in with their password or PIN and submit their bank verification to the banks. Thereafter, the bank could use the web service provided by NIBBS to validate the bank verification number and other details of the customer in other to take appropriate decisions, whether to link or to reject the request, thereby necessitating a physical visit to the banks

2. Email and Formal Letter

Where email messaging already exists between banks and customers, Deposit money banks could leverage on this facility or a formal letter to obtain bank verification number from their customers. Thus customers could send their BVNs to their account officers using any of these channels. Thereafter; the bank could verify the signature of the customer and validate the BVN before linking same to the account

3. Self-Service Portal

Customers can use a self-service portal driven by NIBBS to log in with their BVNs and obtain a pass code that will be used to complete the required information online, indicating the accounts (number and name) in all banks. On a daily basis, NIBBS will provide a report showing all the required, to enable banks links the BVNs with the customers accounts.

Importance of Bank Verification Number



THE Bank Verification Number, BVN, is another important step the Central Bank of Nigeria, CBN, is using to strengthen the security of banking transactions and to ensure that fraudulent transactions are minimised, if not totally eliminated. The campaign is on, but the public may not realise its importance until it closes in June 2015. Yet as the public embraces the initiative with enthusiasm, it should be aware that some fraudsters are trying to undermine the exercise by providing seemingly easier registration options for bank account holders. They request these details online and threaten that the account would be closed if the owner does not provide them the details. Their target is the account holder's money. The best way of enrolling remains direct communication with one's bank. BVN uses biometric technology to register customers in the financial system. It records these physical features which are unique to individuals – fingerprints and the face. The record would be used to identify the person afterwards. Once a person's biometrics have been recorded, and BVN issued the account would be accessed through BVN. The major objectives of the initiative are to protect bank customers, reduce fraud and strengthen the Nigerian banking system. Biometric enrolment is helpful to people who cannot read and write. Their finger prints and pictures would serve the same purpose as signatures. Multiple account holders would be covered with a single registration in any of the banks where they have accounts. BVN will help the banking system reduce situations where loan defaulters, for instance, move from one bank to the other and the banks extend new credits to them, without knowing their history. Banks would be able to track transactions across all banks in Nigeria with more ease. As CBN implements the BVN initiative, it has to ensure the security of the data, from rogue bankers and also importantly from damage, as has been the experience with other sectors that engaged in biometric enrolments. It should also create measures to punish banks that might exploit the information they have to blackmail customers with whom they have disagreements. BVN is a great initiative that would reduce illegal banking transactions and improve national financial intelligence gathering. The interests of account holders should be accorded importance so that their increased confidence in the banking system would improve the financial standing of banks. Customers will use banks more when they know that their transactions are safe. BVN offers vast opportunities to protect customers, banks and the entire financial system. The CBN



should enhance the security of BVN to protect the entire financial system. It should be on the watch for technologies to keep improving BVN capacities.

Objective of the study

The purposes of the study are:

1. To use biometric information as a means of first identifying and verifying all individuals that have account(s) in any Nigerian bank and consequently, as a means of authenticating customer's identity at point of transactions.
2. To provide a uniform industrially accepted unique identity for Bank Customers.
3. To authenticate transactions without the use of cards using only biometric features and PIN Identification of blacklisted customers

Literature Review

With the increasing incidents of compromise on conventional security systems (password and PIN), there is a high demand for greater security for access to sensitive or personal information in the Banking System. In recent times, biometric technologies have been used to analyze human characteristics as an enhanced form of authentication for real-time security processes. Biometrics refers to identifying an individual based on physiological or behavioral attributes – fingerprint, signature etc.

The Central Bank of Nigeria through the Banker' Committee and in collaboration with all banks in Nigeria on February 14, 2014 launched a centralized biometric identification system for the banking industry tagged Bank Verification Number (BVN). The Central Bank of Nigeria (CBN) has said once fully implemented, the BVN will be used to fish out and blacklist fraudsters in the Nigerian financial system. This was made known by the director, Banking and Payment System of the CBN, Mr 'Dipo Fatokun at the Finance Correspondents Association of Nigeria (FICAN) Bi-Monthly Forum held in Lagos.

Fatokun who was represented by deputy director, Banking and Payments System Department, Musa Jimoh, stated that with the BVN there is no hiding place for the fraudsters.



While noting that a little over 19 million bank customers have their BVN, he stated that the reason “we have not been able to track them is because not everyone has a BVN. There are still some accounts today that don’t have a BVN.” However, when the cut off comes, any bank account that does not have a BVN cannot receive or take out money. So if you are a fraudster and you try to transfer money to an account that does not have a BVN, the system will reject it. If you are a fraudster and you transfer money to an account that has BVN then we know you.” (Fatokun)

Adding that the data collated will be harmonized with other biometric data collected by other security and identity agents in the country, “once we have that harmonization, there is no hiding place. If any account is used to defraud anyone, we will know who it is (Fatokun).” “We are coming to a situation today that if you are on the board of different companies and you go around to collect loan, we will know who you are. You can’t hide anymore because we will know you as a single entity so your exposure is known to the whole industry.” (Dipo)

Explaining that the absence of a unique identifier in the banking industry has had a negative consequence on the growth of e-payments, Fatokun said the CBN is taking strategic steps to ensure that the level of fraud arising from e-payment transactions are reduced to the barest minimum. Besides the BVN which gives a unique identifier in the financial sector, he said the CBN had mandated all Banks, Switches and Processors to comply with Payment Card Industry Data Security Standards (PCIDSS) and subsequently conducted an oversight on compliance which showed that most banks had been certified. Noting that the certification lasts for one year and banks are currently at various levels of re-certification, he explained that PCIDSS is a global compliance standard for any entity that stores, transmits or processes card payment data.

The apex bank, Fatokun said, also directed banks to set up systems that will enable the automatic refund of Automated Teller Machine (ATM) dispense errors to customers. The regulator has also issued guidelines for card issuance and usage meant to provide minimum standards and requirements for the issuance and usage of payment cards in the country.



“Its implementation enables issuing banks; other financial institution, processors and cards schemes upgrade and maintain their card operations to ensure optimum security, efficiency, cost effectiveness and customer friendliness (Fatokun).

The platform, he added, also serves as a tool for banks and other financial institutions to assess their card issuance portfolio and ensures that consumers that carry Nigerian -issued cards operate within acceptable standards. “From a regulatory perspective; the CBN acknowledges that less than optimal, inefficient or poorly designed systems will ultimately have a negative impact on systemic stability, economic development and growth. It has therefore consciously pursued the growth of a payments system that is safe, efficient, cost effective and reliable,” (Dipo)

He said payment systems have moved from the backroom to the boardroom of organizations given its strategic importance in today’s globalised world. He said a well-functioning payment system plays significant role in supporting the economy.

He explained that such significance prompted the apex bank to promote a payment system where the underserved and non-served are integrated into formal financial services sector.

CBN captures 31m Nigerians in Bank verification number project

THE Central Bank of Nigeria (CBN) has captured no fewer than 31 million account customers in its Bank Verification Number (BVN) project aimed at ensuring unique identifier in the Nigerian banking industry.

CBN Director, Banking and Payment System, Mr Dipo Fatokun, disclosed this in a paper titled, ‘Nigeria’s progress towards the creation of a robust, trusted and inclusive Financial Services Environment’ delivered at the annual meeting of the ID4Africa movement on in Abuja.

Fatokun said the CBN had also linked a total of 43,959,282 banks accounts in the BVN project.

“To address the absence of a unique identifier in the Nigerian banking industry and to facilitate the creation of inclusive financial services environment.

“The CBN in collaboration with the Bankers’ Committee launched the BVN Project on Feb. 14, 2014, with the biometric solution, as a unique identifier for all bank customers.



“The objectives include the following: increase access, convenience, service levels across the industry; enable greater financial inclusion and integration of financial services into the economy, with its attendant positive impact on economic development,” he said.

Fatokun said the BVN was also targeted at promoting safe and sound financial system in the country.

He said that the BVN has helped in the provision of the unique identity for customers that impact other areas such as credit check, and non-repudiation of transactions.

According to him, the BVN has also helped to increase deterrent controls on financial transactions and reduce or mitigate fraud risk and identity theft

“Most importantly, it has created avenues for people who cannot write the regular signature to make financial transactions, thus, facilitating financial inclusion.

“As at December 2017, the implementation of the BVN Project recorded 31,426,091 registered BVNs and 43,959,282- accounts linked with BVN,” he said.

Fatokun explained that the BVN was part of the Federal Government’s strategy towards accelerating financial inclusion in the country.

“Nigeria launched its National Financial Inclusion Strategy in October 2012 with the goal of reducing the percentage adult Nigerians that are excluded from financial services from 46.3 per cent in 2010 to 20 per cent by 2020,” he said.

Fatokun added that a number of factors were identified as barriers to financial inclusion among Nigerians.

“The identified barriers to financial inclusion include lack of income, long distance to access points, lack of knowledge about financial services, the high cost of services and cumbersome requirements for account opening.

“In order to achieve the set target, and to address the aforementioned barriers, different measures and initiatives were put in place by the CBN.

“To address the cumbersome documentation requirement for account opening, the CBN introduced the Three-tiered Know-Your-Customer (T-KYC) in 2013, which was modified in July 2016.



“The three-tiered KYC guideline allows individuals who may not meet the formal identification requirements and in banks to operate and enjoy banking services within defined thresholds.

“The simplification consists of lowering the account opening requirements and less-paper documentation in exchange for the lower threshold.

“The CBN T-KYC is one of the initiatives for improving financial inclusion in Nigeria to facilitate easy access to a broad range of formal financial services,” he said.

Benefits of Bank Verification Number

If well implemented, there are certain benefits which the government and her economic experts explained can be derived from the properly implemented bank verification number (Central bank of Nigeria);

1. The Central Bank of Nigeria (CBN) has said once fully implemented, the BVN will be used to fish out and blacklist fraudsters in the Nigerian financial system.
2. When it is fully implemented any bank account that does not have a Bank verification number cannot receive or take out money. So if you are a fraudster and you try to transfer money to an account that does not have a Bank verification number, the system will reject it. If you are fraudster and you transfer money to an account that has Bank verification number then he will be arrested
3. The Bank verification number gives a unique identifier in the financial sector; Central bank of Nigeria had mandated all Banks, Switches and Processors to comply with Payment Card Industry Data Security Standards (PCIDSS) and subsequently conducted an oversight on compliance which showed that most banks had been certified.
4. Its implementation enables issuing banks, other financial institution, processors and cards schemes upgrade and maintain their card operations to ensure optimum security, efficiency, cost effectiveness and customer friendliness
5. The data collated will be harmonized with other biometric data collected by other security and identity agents in the country



6. It is also a plan to eliminate fear in banks and make the country to be in league with developed countries of the world.
7. The Bank verification number will simplify banking operations especially inter-bank transfers improve services and reduce unnecessary queues within banking halls.
8. Bank verification number reduces reported cases of scam, fraud and account impersonation while at the same time assist commercial banks in keeping authentic records of their clients.
9. It is believed that if the Bank verification number enrolment is properly managed, it will enhance credit advancement to bank customers

Methodology

The study being a theoretical analysis of Bank verification number on the Nigerian economy at the grass root, employed the data used in these studies were obtained from secondary sources. The secondary data are ready made materials from other authors work. It is a firsthand source of gathering information from other peoples work on the same or similar topic. The researcher used the secondary source of data collection because of its availability, accessibility and reliability. The data were collated from different sources such as journals, Newspapers, Annual statistical bulletin of the central bank of Nigeria, Commercial banks reports and Central bank of Nigeria website.

Discussion of Findings

The findings of the study reveal that central bank of Nigeria had notified the general public to be very vigilant for not sending their Password/PIN to anybody when receive any text or message from fraudsters for updating or deactivation of account due to uncompleted bank verification number (Press Release by CBN)

The findings of the study showed some strategies for reducing Bad debt of Commercial banks. The strategies involve linking all individual account with single Bank verification that will be used to show the financial strength and position of a given customer



The findings of the study reveal that, as part of the overall strategy of ensuring the effectiveness of Know Your Customer (KYC) principles, the Bank verification gives each bank customer, a unique identity across the Nigerian Banking industry. The Bank verification number will simplify banking operations especially inter-bank transfers improve services and reduce unnecessary queues within banking halls.

The findings of the study further reveal that Bank Verification Number is a biometric authentication Of Each Bank Customer, Especially Those Who make electronic and cashless transfers through a unique set of digits. Going by the spate of frauds and cashless policy, the Central Bank of Nigeria (CBN) in conjunction with all Nigerian banks in February this year, launched the BVN project to enhance the operation of banks.

The initiative is part of the overall policy of the Financial Sector Strategy, FSS, to ensure that Nigeria becomes one of the twenty largest economies in the world by the year 2020

While noting that a little over 19 million bank customers have their BVN, he stated that the reason “we have not been able to track them is because not everyone has a BVN. There are still some accounts today that don’t have a BVN. “However, when the cut off comes, any bank account that does not have a BVN cannot receive or take out money. So if you are a fraudster and you try to transfer money to an account that does not have a BVN, e system will reject it. If you are fraudster and you transfer money to an account that has BVN then we know you.”(Dipo)

Conclusion:

Bank verification number appears to be very common in today’s society.

Once fully implemented, the Bank Verification Number will be used to fish out and blacklist fraudsters, reduce looting and expose the old and new looters of public funds in the Nigerian financial system.



Bank verification number will have some positive to the economic development of the nation. The initiative is part of the overall policy of the Financial Sector Strategy, FSS, to ensure that Nigeria becomes one of the twenty largest economies in the world by the year 2020. This will ensure the data collated to be used in harmonizing with other biometric data collected by other security and identity agents in the country. It is also a plan to eliminate fear in banks and make the country to be in league with developed countries of the world. The Bank verification number will simplify banking operations especially inter-bank transfers improve services and reduce unnecessary queues within banking halls.

Bank verification number reduces reported cases of scam, fraud and account impersonation while at the same time assist commercial banks in keeping authentic records of their clients.

Recommendations

Based on the findings of this study, the following recommendation were made

- 1) The Apex bank(CBN) should find a way of enlightening the general public on the importance of Bank verification number either through public enlightenment, radio, Television, Internet and organizing workshop and seminars
- 2) The capital base of micro finance should be increased to make it stronger to allay fears and make their customers have confidence on them
- 3) Technological advancement to create a file on the data base of the mother bank of micro finance to update their customers detail so that the Bank verification number of its customers will be authentic.
- 4) Fast-track the linkages of account with other bank
- 5) Bank verification number should be linked with other form of identification to have updated records



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