

# Remuneration Levels and Practices in the Financial Technology/Micro Credit Industry

## Introduction

Technology is bringing rapid changes to how businesses create value across sectors. In the Financial Services Industry (FSI), the emergence of Financial Technology (FinTech) has brought significant disruptions, resulting in mergers and acquisitions, overall industry growth as well as emergence of new players. Business survival and continued relevance, therefore, depend on the ability to proactively and effectively adjust business models to align with the rapidly changing landscape. As part of their transformation agenda, FSI companies are leveraging social media (which now serves as a major marketing channel), and investing massively in digital transformation, Artificial Intelligence (AI), Alternative Data, Big Data, Cloud-enabled Business Models, Robotics Process Automation (RPA). The objective is to achieve cost efficiencies, improve digitisation and faster transactions, etc. The growth prospects that come with these have intensified the war for talent, as the key players seek competitive advantage as well as carving a niche in the market.

Attracting, retaining and motivating the talent required to drive strategy execution, therefore, requires keeping abreast of pay market trends and developments. KPMG partners with key FinTech players by providing valuable market insights as well as advice on aligning remuneration with their corporate transformation objectives. We also provide similar partnership in other sectors such as: the Consumer Markets, Banking, Insurance, Legal Services, Oil and Gas, Pension. Through this, we empower companies to take informed decisions on leveraging an effective and aligned rewards strategy.

This publication provides key highlights from the 2018 Remuneration Survey amongst Microfinance Banks, IT/Telecoms and Electronic Payment companies. We hope the findings will enable companies take better decisions in reviewing their rewards strategies for 2019 and beyond. Other objectives of the Survey include:

- Assist companies to determine market competitiveness of their pay
- Provide robust information on key HR / Rewards policies and practices
- Create a platform for participants to collaborate, on a regular basis, to share information, while maintaining professionalism and confidentiality
- Provide reliable and robust information to take informed pay decisions
- Contribute to the development of sound rewards practices.

## Profile/Demographics of Survey Participants

- Nineteen (19) companies
- Turnover of between ₦0.1 billion and ₦315 billion
- Covers Graduates to Executive Management
- Staff strength of 22 to 627 employees

## Survey Methodology

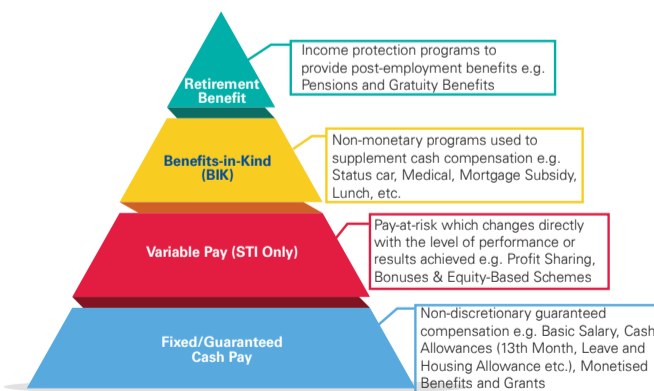
**Source of Data:** We utilised annual payroll of incumbents and, in line with global standards, ensured the age of data was at least three (3) months old.

**Valuation of Benefits:** We adopted current market value of benefits or spending limits, amortising over the replacement period, as applicable. For Pension and Gratuity, we considered the annual employer contribution and benefit accrual, respectively.

**Job Matching:** We adopted the Whole-Job Classification Methodology in determining equivalent jobs/grades across the companies. The methodology is non-quantitative and matches jobs/grades based on job content and factors, rather than title. The job matching results formed the basis of benchmarking compensation across staff levels.

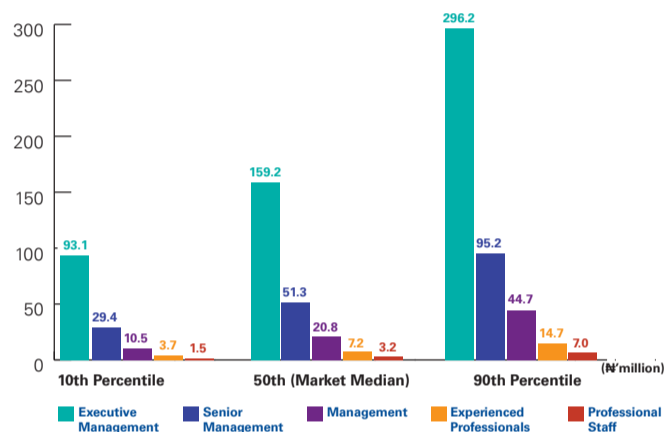
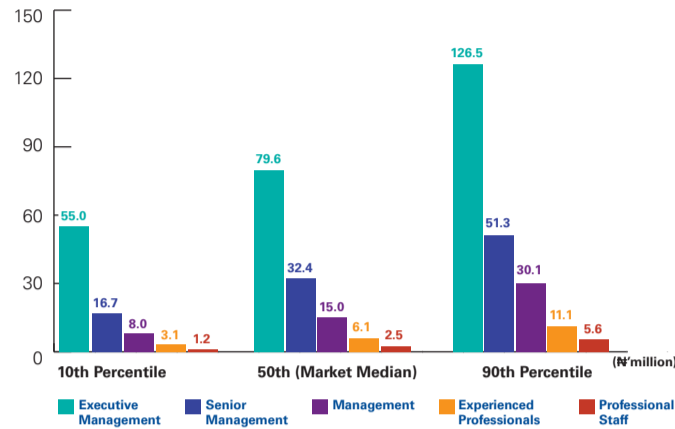
## Pay Elements Covered

We adopted a Total Remuneration approach, as follows :

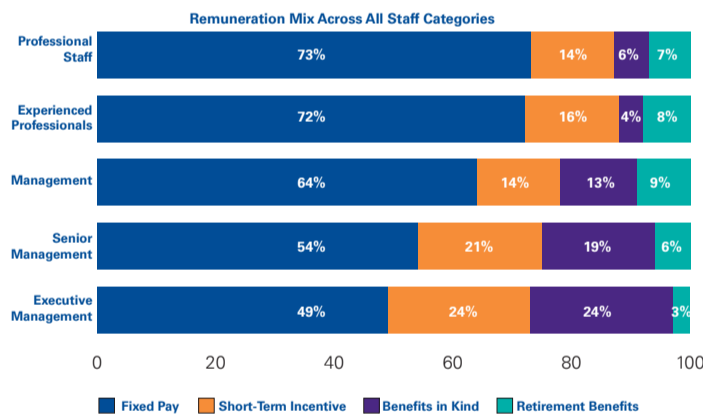


## Summary of Survey Findings

The pay ranges observed for Fixed Pay and TCE are presented in the charts below:

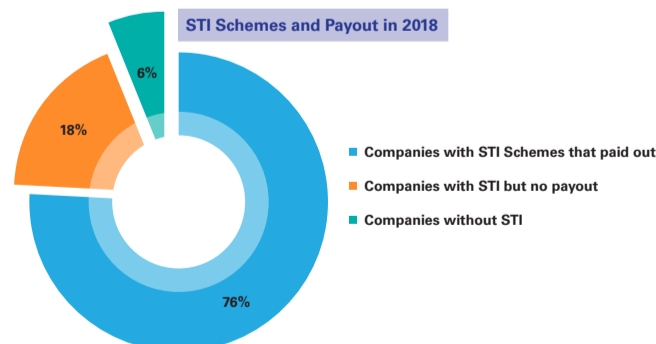


**Remuneration Mix:** Fixed Pay comprises the largest portion of pay across levels. STI is higher at more senior levels, but generally low when compared to leading edge practices that require STI to be about 100% of Fixed Pay at Executive levels.



**Fixed Pay:** Most of the companies strive to deliver competitive Fixed Pay, as this determines employee's monthly take-home. Given the current tax laws, there is no longer any material advantage to adopting several cash allowances. The prevalent Fixed Pay components are Basic Salary, 13th Month, and other Cash Allowances, including Leave, Housing, Transport, Utility, Lunch, Passage / Ticket and Entertainment.

**Short Term Incentives (STI):** Although most companies operate STI schemes, the schemes need to be reviewed to ensure they are effective in achieving underlying objectives. The pay-out amount ranged from 3% - 282% of Fixed Pay.



## Long Term Incentives (LTI):

As part of the strategy for attracting, retaining and motivating talent, IT/FinTech companies adopt LTIs to foster a stakeholder mindset and provide the opportunity for employees to share in the wealth they help to create. Through LTIs, employees see the transformation as a journey of tremendous potential mutual benefit to all stakeholders i.e. become vested in the outcome.

**Benefits-in-Kind (BIK):** The prevalent BIK items per employee category are shown below:

Prevalent BIK in the Industry	Executive Mgt.	Senior Mgt.	Mgt.	Supervisory	Professional
Medical	●	●	●	●	●
Professional Membership	●	●	●	●	●
Club Membership	●	●			
Status Cars	●	●			
Vehicle Insurance	●	●			
Vehicle Fueling	●	●			
Vehicle Maintenance	●	●			
Gen. Set (including fueling)	●				
Mobile Telephone	●				

**Retirement Benefits:** All the companies operate pension schemes, in line with the requirements of the Pension Reform Act, 2014. In addition to pension, 16% of the companies operate gratuity schemes where benefits are based on terminal salary and years of service. However, there is a general downward trend in gratuity due to the related cost escalation and funding issues.

## Pay Trends:

- **Sustainability:** More companies are assessing relative size and efficiency of their businesses in taking pay decisions, in order to ensure affordability and sustainability. The report provides information on revenue, profits, staff cost, cost-to-income ratio, return on equity, profit margin, etc. to facilitate an informed decision.
- **Monetisation of Benefits:** As part of the measures to manage exposure to escalating cost of benefits as well as the associated administrative burden, a number of companies have monetised their benefits, either by defining a spending limit or extending the replacement period for BIK items such as status cars and generating sets.

## Conclusion

Across key sectors of the economy, KPMG is supporting businesses by providing valuable insights to enable them articulate winning and sustainable Rewards Strategies to attract, retain and motivate the talent required to unlock value for stakeholders. Partnering with KPMG on your remuneration matters gives you the opportunity to take advantage of our innovative compensation process that is supported by an experienced compensation team. We can provide you with the insight you need on your remuneration matters. We also provide open and bespoke tax, rewards and immigration training services. Some of our upcoming programmes are as follows:

Training Programmes	Date	Training Programmes	Date
Fundamentals of Base Pay Structure Design	07 May 2019	Understanding Executive Remuneration	09 Jul 2019
Managing Expatriate and Immigration Issues	09 May 2019 07 Nov 2019	Implication of IFRS Adoption for HR & Rewards Practitioners	16 Jul 2019
Leveraging Employee Recognition Program for Business Performance	14 May 2019	Designing Rewards Strategies that Drive Business Objectives	14 Aug 2019
Optimising Value for Compensation Survey	11 Jun 2019 06 Aug 2019	Pay-for-Performance: Strategies for Driving Employee Engagement	3 - 4 Oct 2019
Managing Total Rewards for Value Creation	2 - 3 July 2019	Analytical Skills for HR and Rewards Practitioners	08 Oct 2019

## We also provide the following services:

1. Board Remuneration Committee Support
2. Change Management
3. Contract Personnel Recruitment and Administration
4. Country Briefing
5. Executive Resourcing and Workforce Assessment
6. HR Function Optimization / HR Transformation
7. Immigration Support Services
8. Incentive Schemes Design
9. Organisation Design for Performance
10. Remuneration Strategy, Compensation Benchmarking and Design
11. Payroll Outsourcing
12. Talent Management
13. Training Programmes
14. Workforce Optimization / Workforce Cost Enhancements

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