



**FINANCIAL INCLUSION AS A DRIVER OF GROWTH AND  
DEVELOPMENT: POLICY PERSPECTIVES OF THE  
CENTRAL BANK OF NIGERIA**

**KEYNOTE ADDRESS AT EFinA INNOVATION FORUM**

**BY**

**DR. KINGSLEY CHIEDU MOGHALU  
DEPUTY GOVERNOR  
(FINANCIAL SYSTEM STABILITY)  
CENTRAL BANK OF NIGERIA**

**REPRESENTING  
MR. SANUSI LAMIDO SANUSI  
GOVERNOR  
CENTRAL BANK OF NIGERIA**

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It is my pleasure to deliver the keynote address at this forum organized by EFInA to deliberate on the global perspectives on Financial Inclusion and launch their report on the survey of the 2010 Access to Financial Services in Nigeria.

Let me begin by commending EFInA for the maiden edition of its financial access survey, which was conducted in 2008. Indeed, the results provided deep insight into the problem of access to financial services from both empirical and statistical perspectives. Furthermore, it has become a reference material for Nigerian researchers/stakeholders, as well as their foreign counterparts. The second edition of the survey, conducted in 2010, has again demonstrated the resilience and thoughtfulness of EFInA and also highlights the crucial importance of data collection, analysis and information dissemination in the financial sector.

The current results provide a fundamental basis for assessing how far we have come over the past three years in our effort toward financial inclusion. To us at the Central Bank of Nigeria, the intervention is supportive of our financial inclusion initiatives as it creates a platform that enables the Bank to monitor the impact of its programs. It also complements the efforts of the Bank on statistical and research related matters.



With just around 20 per cent of Nigeria's adult population having access to banking services (as of EfiNA 2008 survey), we consider that our banking and financial system is still in its infancy relative to its full potential as a driver of growth and development. Over the years, the CBN has been at the fore-front of financial inclusion initiatives in collaboration with stakeholders. The strategy adopted is based on the philosophy that economic growth would proceed at a faster, more sustainable and orderly manner if all the segments of the population have access to financial services. Accordingly, the Central Bank's intervention programs are aimed at empowering the large, medium, small and micro entrepreneurs to actively engage in the economic growth process through provision of access to financial services and such other empowerment.

The Central Bank initiated the Financial System Strategy (FSS 2020) in 2007. The Strategy provides a blue print for the financial sector to adequately respond to and meet the requirements of an overall National Vision, the Vision 20:2020 which envisages making Nigeria one of the 20 largest economies in the World by the year 2020. Accordingly, the vision defines the necessary institutional, technological, product, services, and infrastructural goals of the financial sector by 2020.

In order to specifically provide inclusive financial services, we are currently providing support to finance the agricultural sector through the Commercial Agricultural Credit Scheme (CACS) which



was launched with a ₦200 billion debenture based fund in 2009. It is gratifying to note that as at September, 2010, a total of ₦88.53 billion has been released to 79 projects/promoters and 12 State Governments. While the 79 projects are large-scale, the loans in favor of the 12 State Governments are meant for small holder farmers and cooperative societies in the rural areas of the benefiting states.

Equally, the Central Bank appreciates that the Small and Medium Enterprises (SMEs) remain the bed rock of growth and development in Nigeria, as in other countries. However, this sector, which is largely promoted by small-scale entrepreneurs has been crowded out of the credit market, owing to problems related to financial education, absence of collateral and inability to competitively package projects for financing.

In order to provide funds for promoters in this subsector, the CBN established the SME Credit Guarantee Scheme (SMEGS) and the Refinancing and Restructuring Facilities for SMEs in 2010. These two schemes are meant to create indirect incentives and direct finance for increased lending to SME across the country. As at end of September, 2010 a total of 516 SME promoters have received project support amounting to ₦199.67 billion under the RRF while projects valued ₦7.5 million have been guaranteed under SMEGS.



The enormity of the financial access gap in Nigeria and financial inclusion challenges calls for the creation of an appropriate/conducive environment for the private sector and other stakeholders to play their own part. This was a major reason for the launching of the Microfinance Policy in December, 2005, a step which has created room for the emergence of microfinance banking in Nigeria. As we know, some of the microfinance banks have not been able to practically perform effective microfinance banking and address the problem of access to finance by low-income individuals.

As a result, the Central Bank of Nigeria has had to take steps to reposition the microfinance sector to play its full potential role as one of a number of key channels to foster financial inclusion. One of such steps is the initial revocation, in September, 2010 of the operating licenses of the 224 MFBs that were found to be 'Terminally Distressed' and 'Technically Insolvent' pursuant to S.12 of BOFIA 1991 (as amended), and the imminent issuance of a revised Microfinance Policy and regulatory Framework before the end of 2010.

For the Central Bank of Nigeria, making the microfinance sector work is a task that must be done. The CBN will spare no effort in ensuring that operators and other stakeholders play their roles and responsibilities effectively. The CBN is currently implementing the certification programme for microfinance banks and supporting the activities of the apex associations of microfinance



banks and the unlicensed microfinance institutions (MFIs) – mostly non-governmental organizations -- in collaboration with development partners. We are also preparing grounds to establish the Micro, Small and Medium Enterprises Development Fund to provide wholesale funding, and refinancing facilities, for the on-lending activities of microfinance banks and institutions.

But financial inclusion goes well beyond microfinance. The Central Bank of Nigeria plans to focus on achieving a comprehensive financial education and inclusion of unbanked Nigerians as a major strategic goal beginning in 2011. This is a necessary and logical priority after financial stability would have been substantially achieved by recapitalizing and strengthening the commercial banks in which the CBN intervened to restore stability in our banking system, through ongoing mergers and acquisitions and the work of the Asset management Corporation of Nigeria (AMCON). The CBN will be restructuring and repositioning its Development Finance function to more effectively drive the strategic imperative of financial inclusion going forward.

There is now a global awakening on financial inclusion. A number of developing countries in Asia and Latin America have made great progress in the area of financial inclusion, and we see this as a strategic priority for the Central Bank of Nigeria if we are to achieve the goals of the FSS 2020 and ensure that access to finance contributes to the country's economic development. Nigeria, through the CBN, is a member of the Alliance for Financial



Inclusion (AFI) and has participated in its activities of the global alliance since 2009.

Drawing inspiration from the knowledge and global best practices gathered through these networks, we will be taking new and pragmatic steps in the immediate future to deepen the financial sector and strategically address the access challenge. In this regard, we are collaborating with AFI for a technical assistance program that will encourage the usage of mobile payment system, through mobile phones, and the use of the postal system, to extend financial services to remote locations.

The CBN has set up a committee that will conceptualize a framework for an effective financial literacy and consumer protection programme in Nigeria. The committee has begun its work and it is expected that a blue print will be generated in the first quarter of 2011.

As we move to the next stages in our financial inclusion work programs, the need for more collaboration amongst stakeholders has become paramount. The CBN will establish more focused partnerships with commercial and microfinance banks in order to realize a common vision of financial inclusion. In this context, we expect that the new banking model that the CBN has set out recently will also foster greater financial inclusion by encouraging banks to drill down into the bankable population in the six regional zones of Nigeria and in the rural areas to create credit, deposit



services, profits and wealth for the banks and their customers in a win-win scenario. The new banking model includes regional banking licenses as a distinct class of banking licenses under the commercial banking category, as well as specialized banks such as development, mortgage and non-interest banks. We believe that the new banking model, which abolishes universal banking, will deepen access to finance for Nigerians.

Let me conclude by calling on all stakeholders present to take advantage of the opportunity created at this meeting to jointly propose an appropriate framework for making proper use of the information which shall be unveiled today by the launching of the 2010 EFINA survey. Since we have facilitators from other countries, I am confident that we shall achieve the second objective of this forum which is “sharing thoughts on the global perspective to financial inclusion”.

I thank EFINA for convening this important forum and wish all participants a fruitful and rewarding session.