



## Central Bank of Nigeria

### Overview of the National Financial Inclusion Strategy and the Role of Banks in Promoting Financial Inclusion in Nigeria

KEYNOTE ADDRESS BY

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## 1.0 Protocol

2.0 I am delighted to have been asked to deliver the keynote address at this special forum themed "*From Data to Action: Making Financial Inclusion Real in Nigeria*". This more-so as this forum is coming up on the heels of the recent launch of the National Financial Inclusion Strategy (NFIS) by His Excellency, the President of the Federal Republic of Nigeria.

3.0 Enhancing Financial Innovation and Access (EFInA), as you are all aware, will today, present its findings on the 2012 edition of its Access to Financial Services Survey which will provide an assessment the current position of financial inclusion in Nigeria as we begin full implementation of the NFIS.

4.0 It is worthy of note to mention that the 'Access to Financial Services Survey since its inception in 2008, has filled a vacuum in the area of availability of financial data, which would otherwise have constituted major hindrance to the realization of targets of some of the nation's major transformational initiatives. It not only provides information to the general public, but acts as a veritable data bank that continues to be reference material for academicians, researchers, policymakers, international development partners and investors, ultimately creating a positive impact on the Nigerian economy.

5.0 Ladies and gentlemen, as you are aware, the Central Bank of Nigeria spearheaded the development of the NFIS which was recently launched on 23<sup>rd</sup> October, 2012. In developing this strategy document, the Bank drew baseline information from the results of the 2010 EFInA Survey and used it as the benchmark for its target setting. I am also pleased to note that while Nigeria's Financial Inclusion strategy was being developed, EFInA was always on hand to provide the necessary technical support.

6.0 Permit me at this point to take a few minutes to provide a brief highlight of the NFIS because it is important for this audience to fully understand the relationship between the provision of accurate data, policy making and implementation. The Bank in collaboration with other key stakeholders came up with a strategy for financial inclusion because of the clear rationale that a more financially inclusive society promotes a sounder financial system, through the development of a diversity of institutional arrangements for financial services and products and funding from non-volatile savings. Financial inclusion facilitates the realization of monetary and price stability through increased savings, investment and productivity.

7.0 The National Financial Inclusion Strategy is a blue print to guide the activities of various stakeholders in Nigeria towards reducing the percentage of financially excluded adults from 46.3% in 2010 to 20.0% by the year 2020. It proposes definite strategies to increase the percentage of adult with access to payment services to 70 percent; savings to 60 percent, credit, insurance and pensions to 40 percent by the year 2020. Equally, in terms of the channels by which banking services are provided, the strategy defines target rates for the number of branches per 100,000 adults of deposit money banks (7.6), microfinance banks (5). The no. of units of ATMs, POSs and mobile agents per 100,000 adults are expected to increase to 59, 850, and 62, respectively by the same target year.

8.0 In order to attain these aggressive targets which have been set, we will also require some key interventions in some critical areas. The Bank, working in partnership with key stakeholders in the financial industry, will need to embark on an aggressive and sustained financial literacy programme to educate the targeted demographic on how to access financial products and services as a means to empower and transforming their lives. It would also implement Tiered Know Your Customer (KYC) requirements and pursue unique identification to



ease the burden of customers in accessing financial services. All of this would require a robust consumer protection framework to build up and sustain trust and confidence in the financial system. In addition, a critical part of the strategy requires the implementation of agent banking and the development of the Micro Small and Medium Enterprises Development Fund (MSMEDF) to strengthen financial sector players to meet the stated targets of the strategy.

9.0 Ladies and Gentlemen, I am pleased to note that even ahead of the formal launch of the strategy; we have begun to make tangible progress on some of these key initiatives. The National Microfinance Policy Regulatory and Supervisory Framework has been revised, and a National Microfinance Development Strategy has been prepared ahead of the formal take off of the MSMEDF. In partnership with other stakeholders, the Central Bank of Nigeria has begun work on a financial literacy framework for which we will commence implementation of in the first quarter of 2013.

Towards the realization of these objectives, the CBN established a full-fledged and functional Consumer and Financial Protection Department which is now developing a comprehensive Consumer Protection Framework for the financial services sector. The guidelines for agent banking are being validated ahead of their launch and significant progress has been made in the implementation of mobile banking. We are at the final stages in preparing a framework for implementation of tiered KYC requirements and the banking industry is about to complete the process of establishing a unique first-level identification mechanism for those who do not meet the standard identification requirements.

10.0 Nigerian banks have a major role to play in the promotion of financial inclusion in the country. The cost of finance and access to financial services usually act as a barrier to increased inclusiveness for many Nigerians especially those in rural areas. Approximately 80% of the unbanked population resides in

areas where the distance to the nearest bank branch could be quite significant. Banks need to develop appropriate savings mobilization products to boost their lending capacity. In order to do this, banks would need to downscale their credit services to low income and vulnerable groups (women, youth, physically challenged) through:

- Improvement in efficiency and cost of payment services through ATM/POS deployments and adoption of mobile/electronic banking
- Use of agent and mini-branch networks in the provision of banking services
- Setting up of microfinance subsidiaries

Banks also have to support the implementation of the Financial Inclusion Strategy through the provision of funds for financial literacy, enlightenment campaigns, research, SMEs finance and other real sector activities. The point must be made here that if the involvement of banks in financial inclusion not only strengthens the economy, it also makes good business sense.

11.0 Ladies and gentlemen, the importance of data in policy making, implementation, monitoring and review cannot be over emphasized. Data forms the empirical basis for setting targets, monitoring progress and assessing indicators for financial inclusion. It provides a platform for quantifying the levels of access and usage, specifying strategies to improve them, and a foundation for tracking progress towards desired goals and objectives.

12.0 The EFinA Access to Financial Services Survey findings which are being released today will offer updated sets of reliable data and statistics on the demand for and usage of a broad range of financial products (formal and informal) in Nigeria. It will provide:



- Indicators of financial penetration for both formal and informal institutions;
- Insight into the regulatory and market obstacles to growth and innovation in the Nigerian financial sector; and
- Information on the financial needs of the Nigerian adult population and how to better address them

13.0 The importance of accurate data is globally recognized, and the Alliance for Financial Inclusion (AFI) has identified that data and measurement are essential for the improvement of financial inclusion. In recognizing this, the Alliance for Financial Inclusion, has formed a Sub-Group known as the Financial Inclusion Data Working Group (FIDWG) composed of policymakers from its members, charged with the responsibility to design, define and document appropriate indicators, share experiences, modes of collecting and using financial inclusion data. Nigeria, a Steering Committee member of AFI, is also part of the Financial Inclusion Data Working Group (FIDWG). I am pleased to note that financial inclusion targets that we have set and indeed our strategy, are consistent with our Maya Declaration made at Riviera Maya, Mexico in September 2011, on the occasion of the Third AFI Global Policy Forum.

14.0 The first step identified by the FIDWG towards the implementation of the Financial Inclusion Action Plan is a stock-taking exercise of the current financial inclusion measurement initiatives of countries and relevant organizations. This includes household survey analysis, regulatory reporting, geographic mapping tools, as well as the identified components of financial inclusion (i.e. access, usage, quality, consumer protection, financial literacy, barriers, etc.), and the key performance indicators.

15.0 The World Bank, in support of creating necessary data on financial inclusion across the globe, published a Global Financial Inclusion (FINDEX)

database in April, 2012, with sponsorship from the Bill and Melinda Gates Foundation. The survey covered 145 countries and provided insight into the status of payments, savings, credit and insurance in the surveyed countries.

Individual countries are beginning to specifically design ways of collecting financial inclusion data tailored to the uniqueness of their particular countries. Mexico currently publishes a bi-annual report on a demand-side survey and is billed to publish the supply-side component soon. Members of AFI including Brazil, Kenya, Uganda, Burundi, Zambia, Philippines, Peru to mention a few, are giving serious consideration to generating financial inclusion data as a focal element of their financial inclusion pursuits.

16.0 In Nigeria, as part of efforts to monitor the implementation of the Financial Inclusion Strategy and progress against the defined targets, data will be provided by various stakeholders to the Financial Inclusion Secretariat, which will be established. This data will be for the purpose of monitoring and evaluation, as well as for the use of the general public.

The CBN is in the process of discussing with relevant stakeholders to execute a financial inclusion data programme for the country. This will have access, usage, affordability and other essential dimensions. This would require the support of relevant stakeholders including banks, insurance companies, pension fund administrators and regulatory agencies, amongst others.

The CBN will draw from the experience of EFINA to ensure that adequate collaboration is forged, quality is entrenched in the data gathering process and the needs of the stakeholders are met.

17.0 In conclusion, I would like to congratulate the Chief Executive of EFINA, Ms. Modupe Ladipo and her team for the consistent quality of the output of the Access to Financial Services Survey and their significant contributions to the

development of the Nigerian Financial Services Industry. I thank you all for your kind attention.

**Sanusi Lamido Sanusi**  
**Governor**  
**Central Bank of Nigeria**

**November 22<sup>nd</sup>, 2012**