



Nigeria's Financial Inclusion Strategy

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Introduction

- Nigeria is the largest economy in Africa with Gross Domestic Product (GDP) of \$569 billion in 2014 and an average growth rate of 7% over the last decade. Nigeria has a population of 170 million with Agriculture as the driving force of the non-oil sector of the economy and the mainstay, employing about 70% of its population.
- However, poverty and unemployment have remained the major challenges facing the country. While the number of people living under extreme poverty in Nigeria is estimated at about 60%, the rate of unemployment has been reported to be 23.9%. The reason for these unfortunate statistics has been traced to the inability of economic growth to trickle down to the poor.



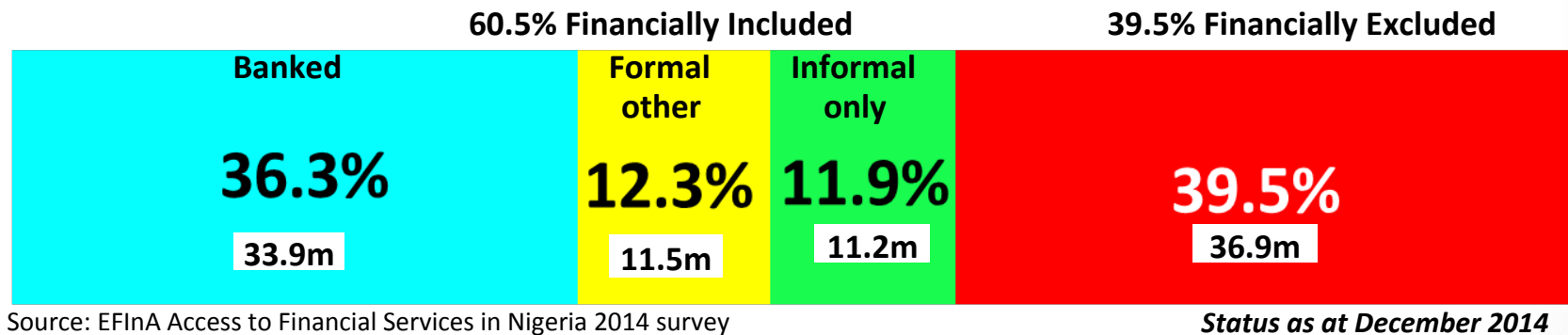
Introduction

- Access to financial services has also remained a major challenge to development in Nigeria. In 2010, **39.2 million** people representing **46.3%** out of **84.7 million** adult population were excluded from financial services. In addition, **54.4%** of these were women while **80%** of the excluded people resided in rural areas.
- In a bid to enhance the access of micro-entrepreneurs and low income households to financial services, financial sector stakeholders led by the Central Bank of Nigeria (CBN) in 2012 introduced the ***National Financial Inclusion Strategy (NFIS)*** with the overall target of reducing the percentage of adult Nigerians that do not have access to formal financial services from **46.3%** in 2010 to **20.0%** in 2020.
- The strategy also proposed specific targets for the identified services comprising ***payments, savings, credit, insurance and pension***, as well as targets for the corresponding channels of service delivery.



National Financial Inclusion Strategy – Overview & Implementation Update

- ❑ The NFIS outlines targets for financial products including Payments as well as channels of delivering the services e.g. physical branches and Mobile Money.



- ❑ The strategy goals are driven by a broad range of coordinated interventions, among which is the transformation of existing **Know Your Customer (KYC)** regulations into a **simplified, risk based - tiered framework** that allows individuals who do not meet formal identification requirements to enter the banking system.



National Financial Inclusion Strategy – Overview & Implementation Update

Financial Inclusion rates: Geopolitical Zones

<u>North West</u>	<u>2014</u>	<u>2012</u>
Formally included	35.4%	22.5%
Informal only	8.6%	13.7%
Financially excluded	56.0%	63.8%

<u>North East</u>	<u>2014</u>	<u>2012</u>
Formally included	26.1%	25.7%
Informal only	5.4%	14.8%
Financially excluded	68.4%	59.5%

<u>North Central</u>	<u>2014</u>	<u>2012</u>
Formally included	48.9%	48.2%
Informal only	18.5%	19.5%
Financially excluded	32.7%	32.4%

<u>South West</u>	<u>2014</u>	<u>2012</u>
Formally included	62.6%	57.7%
Informal only	12.7%	17.5%
Financially excluded	24.8%	24.8%

<u>South East</u>	<u>2014</u>	<u>2012</u>
Formally included	63.3%	52.0%
Informal only	11.3%	22.4%
Financially excluded	25.4%	25.6%

<u>South South</u>	<u>2014</u>	<u>2012</u>
Formally included	52.3%	52.3%
Informal only	15.0%	17.6%
Financially excluded	32.7%	30.1%

improvements in the North West zone, offset by decline in the North East zone

Source: EFINA Access to Finance in Nigeria Survey, 2014



Financial Inclusion Initiatives per sector

Central Bank of Nigeria and the Banking Sector

- The Central Bank of Nigeria set up a Financial Inclusion Secretariat within the Bank to coordinate the implementation of the National Financial Inclusion Strategy. The Secretariat has carried out the following:
 - Inaugurated multi-agency Financial Inclusion governing committees to oversee the implementation of the National Financial Inclusion Strategy
 - Set up 4 (four) working groups to address implementation challenges with regards access points (***Financial Inclusion Products Working Group***), dispersion of the availability of products and services (***Financial Inclusion Channels Working Group***), special interventions with a focus on Women, Youth and People Living with Disabilities (***Financial Inclusion Special Interventions Working Group***) and Financial Literacy (***Financial Literacy Working Group***).
 - Inaugurated Digital Financial Inclusion steering committee to oversee implementation of the Digital Financial Services Project aimed at providing a roadmap for digitizing cash payments across the country.
 - Embarked on several mass sensitization campaigns to improve financial inclusion awareness in rural areas.



Financial Inclusion Initiatives per sector

Other financial inclusion activities of the Banking sector

• Payment



• Savings



• Credit



- **Bank Verification Number (BVN):** The CBN and Bankers Committee launched the BVN to provide unique identity that can be verified across the Nigerian Banking Industry
- **Digital Financial Services Project:** The Bank in collaboration with the Bill and Melinda Gates Foundation and the Federal Ministry of Finance have signed a tripartite agreement to digitize payments across the country.
- **Agent Banking Framework:** The CBN approved the framework for licensing Super Agents to drive Shared Agent Network, license issuance ongoing.
- **National Collateral Registry:** The CBN has approved the Framework for the National Collateral Registry to promote the use of movable assets as collateral for micro, small and medium businesses.
- **Know Your Customer (KYC) Framework:** A three Tiered KYC requirement policy is in place for financial institutions under the regulatory purview of the CBN. This enables the reduction of cumbersome account opening requirements for low income people.
- **MSME Development Fund:** N220 billion MSME Development Fund launched and disbursement is on-going to entrepreneurs with specific focus on women and people living with disabilities.
- **Financial Literacy:** The Financial Literacy framework has been approved and a stakeholder workshop is currently being planned in preparation for implementation
- **Financial Inclusion targets for the Banking Sector:** The Financial Inclusion Secretariat is working with the Bankers Committee to develop 5-year financial inclusion targets for commercial banks which would include state breakdown per Deposit Money Bank (2016 - 2020).



Financial Inclusion Initiatives per sector

Insurance, Pension and the Capital Market

Progress Update: Insurance Sector

- The National Insurance Commission (NAICOM) has launched the Takaful and micro insurance guidelines and set up a Micro-insurance Steering Committee as part of its efforts to promote Financial Inclusion in Nigeria

Progress Update: Pension Sector

- The National Pension Commission targets to financially include 20million people in the nearest future by extending coverage to the informal sectors of the economy by securing the passage of the 2014 Pension Reform Act and this brings in the informal sector, as well as makes it mandatory for State Governments to participate in the Pension Scheme.

Progress Update: Capital Market

SEC has embarked on a 10 year master plan (2015-2025) for capital market literacy. The focal point of SEC's financial inclusion agenda is the use of collective investment scheme and non-interest capital market products as a platform for encouraging access to capital market products targeted at financially excluded populations.



Key Implementation Update

External

S/N	Partner Agencies	Key Financial Inclusion Initiatives
1.	National Pension Commission (PENCOM)	<ul style="list-style-type: none">• Inclusion via Investments: Finalizing Regulations on Multi-Fund structure, to introduce ethical/non-interest investment fund• Now using part of RSA balance as equity contribution to own a house: Section 89 (2)• Bill for Pension Protection Fund approved by the National Assembly, also approved framework for the informal sector pensions• Integrating pension literacy into University curriculum• 2014 Pension Reform Act approved with major focus on informal sector and financial inclusion• Contributory pension schemes now expanded to employers with 3 employees
2.	Securities & Exchange Commission (SEC)	<ul style="list-style-type: none">• Establishment of a Financial Inclusion Division• Establishment of collective investment schemes e.g Mutual Funds for low-income earners• Setup of a 10yr Capital Market committee on Financial Literacy



Key Implementation Update

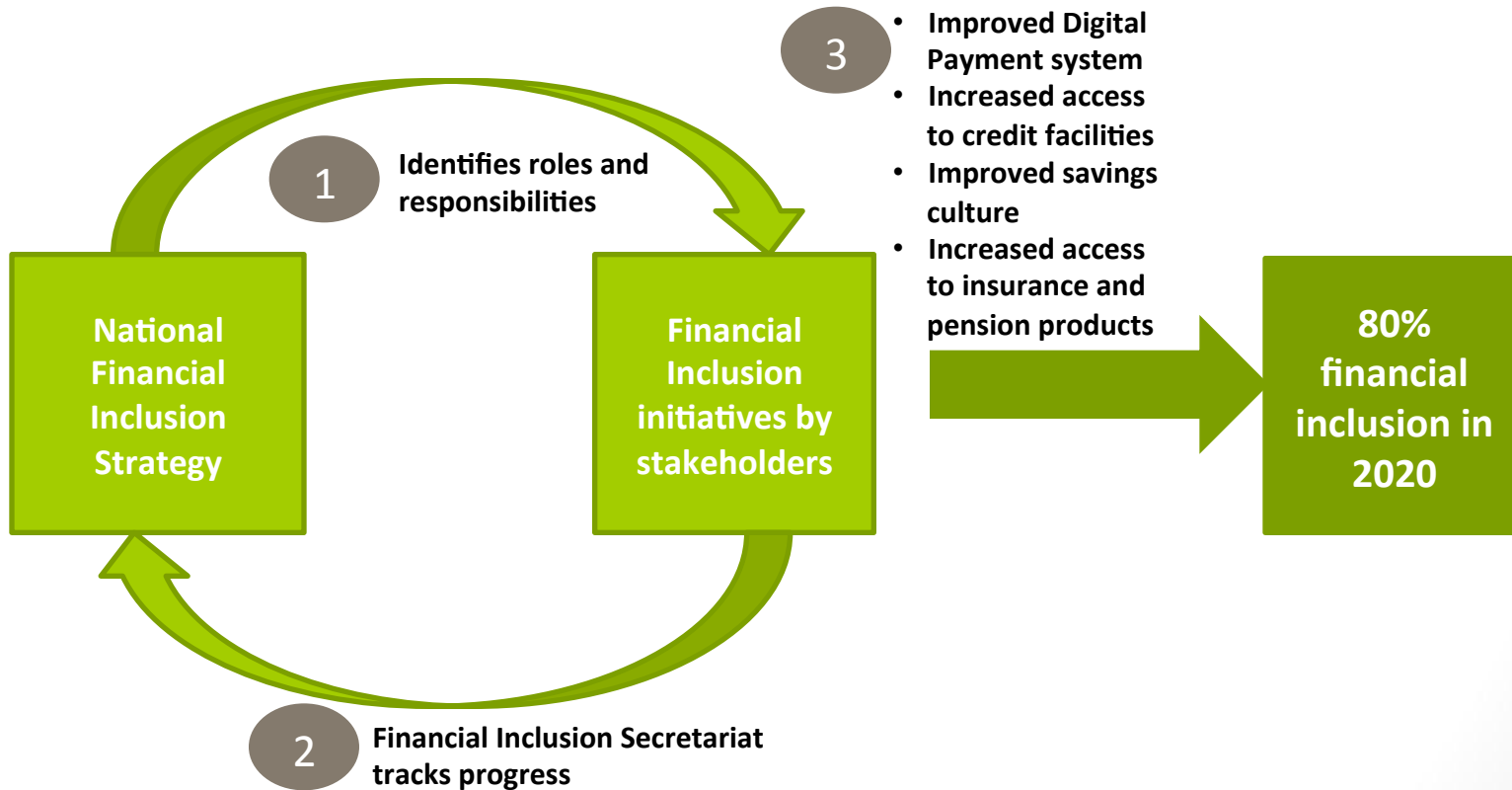
External

S/N	Partner Agencies	Key Financial Inclusion Initiatives
3.	National Insurance Commission (NAICOM)	<ul style="list-style-type: none">• Implemented micro insurance programmes with several State Governments where the government is responsible for paying the premia of the eligible indigenes as part of a poverty alleviation scheme.• Issued guidelines on Takaful (Islamic or Non-Interest) as a product that could reduce exclusion related to religious beliefs• Partnership between Insurance companies with Telcos to offer life insurance policy to Telco subscribers based on a premium daily deduction from airtime.
4	Ministry of Communication Technology	<ul style="list-style-type: none">• Set up a Broadband Council to drive the Broadband Initiative and enhance internet connectivity and infrastructure for the payment systems.• Licensing Infrastructure companies with the responsibility of undertaking the huge investment of long distance fiber optic cables from which Telco and others could draw transmission infrastructure and necessary connectivity for their operations.



The way forward: Outlook for Financial Inclusion in Nigeria

Financial Inclusion Outlook





The way forward: Outlook for Financial Inclusion in Nigeria

Stakeholders roles and responsibilities for financial inclusion implementation

Central Bank of Nigeria

- **Collaborate with State Government, other regulators and service providers:**
 - Lead development and implementation of initiatives on financial inclusion
 - Exchange financial inclusion data
- **Articulate FI targets** to DMBs, MFBs and MMOs and assign yearly awards
- **Report to FIS** on monthly basis

Regulators/Government Agencies

- **Collaborate with CBN, other regulators and service providers** develop and implement State-specific FI initiatives
- Make FI an **important subject in a Unit under the Governor**
- **Identify existing initiatives** which have potential to **leverage on financial inclusion**
- Facilitate **issuance of Certificates of Occupancy**

Service Providers

- **Perform analysis of financial needs of the financially excluded** and customize services accordingly
- **Define specific measures on how to achieve FI targets** (e.g. # of ATMs, # of agents, # of new customers)
- **Implement KYC requirements**
- **Let the CBN know issues** in targeting the excluded
- **Provide data to CBN on an ongoing basis**



Prospects for Financial Inclusion in Nigeria

Reduction in income inequality and economic growth

Support for building household assets and improved standard of living

Stimulation of micro-enterprise and job creation

Outreach to financially excluded people e.g. those living with disabilities, youth, the vulnerable and formally ineligible people

Increase in density of financial services in rural areas

Strengthen integrity of the financial system, win-win collaboration between stakeholders

Opportunity to bridge the infrastructure gaps and reduce cost of operations

Avenue for Innovation and quality standards in service delivery

Development of appropriate regulations to support national development



Challenges of Financial Inclusion in Nigeria

Low financial literacy levels

Poverty and poor savings culture

Inadequate infrastructure to support initiatives especially in rural areas

Security concerns affecting physical access to service points

Traditional/Religious beliefs discouraging uptake of services e.g. insurance

Low uptake of branchless banking enablers e.g. agent banking

Low risk appetite of service providers in reaching unbanked markets

Inadequate research data on serving disadvantage groups e.g. people living with disabilities

Balancing social and commercial viability for serving the unbanked segment



Prospects/Initiatives

1. Access to Payments

S/N		Market Opportunities
a.	Review current payment processes and imbibe “Cashless Nigeria” initiatives via adoption of electronic payment channels for individual and enterprise needs	<ul style="list-style-type: none">▪ Multiple alternatives to cash – NIBSS Instant transfer, NEFT, RTGS, ATM, POS, Online and Mobile banking services. Transparency of payment transactions with secure, audit trails▪ Licensing of Infrastructure companies to undertake investment into long distance fiber optic cables to enhance Telco data connectivity. This will further strengthen the electronic payment system
b.	Adoption of Shared Services initiatives to reduce operational costs	Operational efficiencies on Cash management, Payments, IT infrastructure and Standards, General back-office operations.



Prospects/Initiatives

2. Access to Savings

S/N		Market Opportunities
a.	Promote Savings and Investment culture among employees to support building of household assets and improved standard of living	<ul style="list-style-type: none">▪ Establishment of collective investment schemes e.g. Mutual Funds to pool investible funds to access viable sectors of the economy
b.	Corporate direct and indirect investments in the real sector or the economy, exploration of capital market initiatives	<ul style="list-style-type: none">▪ A 10 year Capital Market committee on Financial Literacy has been set up within the <i>Securities & Exchange Commission</i> to support knowledgeable investment decisions



Prospects/Initiatives

3. Access to Credit

S/N		Market Opportunities
a.	Responsible borrowing and avoidance of over-indebtedness	<ul style="list-style-type: none">▪ N220 billion Micro Small and Medium Enterprise Development fund (MSMEDF)▪ Recent CBN policy on Movable collateral to secure credit facilities, central asset registry also under review to ensure transparency in the credit sectors
b.	Prudent review of credit terms and conditions, thorough analysis of organizational financial positions before undertaking credit obligations	<ul style="list-style-type: none">▪ Extensive Financial Literacy campaign and appropriate Financial Consumer protection guidelines being undertaken by CBN and other stakeholders



Prospects/Initiatives

4. Access to Insurance

S/N		Market Opportunities
a.	Promote micro-insurance for individuals and households	<ul style="list-style-type: none">▪ Partnership between Insurance companies and Telcos to offer life insurance policy to Telco subscribers based on a premium daily deduction from airtime.▪ Issued guidelines on Takaful (Islamic or Non-Interest) as a product that could reduce exclusion related to religious belief
b.	Organizational subscription to applicable insurance products to mitigate risks of life and properties – group life policies, workplace hazards, asset cover, etc.	<ul style="list-style-type: none">▪ Increased safety in the workplace, staff productivity arising from secure cover, preservation of organizational assets and sustainable growth



Prospects/Initiatives

5. Access to Pension

S/N		Market Opportunities
a.	Compliance with statutory contributory pension schemes for employees	<ul style="list-style-type: none">▪ Part of Retirement Savings Account (RSA) balance now available as equity contribution to own a house: <i>Section 89(2)</i>▪ Framework for the informal sector under review to cover previously excluded employees.▪ Regulations on Multi-Fund structure and ethical/non-interest investment fund also under review
b.	Timely remittance of employee pension contribution to nominated Pension Fund Administrators (PFAs)	<ul style="list-style-type: none">▪ Pension funds Investments in viable sectors of the economy and returns accruable to employees



Outlook for Financial Inclusion in Nigeria

- 1 Facilitate long-term commitment of stakeholders to the achievement of the strategy goals - ***Governance***
- 2 Scale up financial inclusion rates – ***Strategy Targets***
- 3 Deepen outreach to specific segments– ***Women, Youth and People living with disabilities, MSMEs***
- 4 Address dispersion of Financial Access points – ***Rural Outreach***
- 5 Stakeholder Engagements - ***Collaboration and partnerships***
- 6 Digital Financial Inclusion Project – ***Tripartite implementation***
- 7 Monitoring and Evaluation – ***Management Reports***