THE NATIONAL FINANCIAL INCLUSION STRATEGY

CENTRAL BANK OF NIGERIA
Outline

✓ Introduction
✓ Definitions of Financial Inclusion
✓ Financial Inclusion and National Economic Development
✓ The National Financial Inclusion Strategy
✓ Key instruments for implementing the National Financial Inclusion Strategy
✓ Financial Inclusion Stakeholders and their key Roles and Responsibilities
✓ Where we Are: CBN
✓ Where we Are: Other stakeholders (PENCOM, NAICOM, SEC)
✓ State Government Collaboration/Participation
✓ Challenges
✓ Conclusion
1. Introduction

- Dearth of financial services exclude people from contributing to growth and development.
- As at 2012, according to a survey by the Enhancing Financial Innovation and Access (EFInA), about 39.7% or 34.9 million adult Nigerians were excluded from financial services.
- In order to reduce the number of the excluded population, the Central Bank of Nigeria (CBN) launched the National Financial Inclusion Strategy (NFIS), in October 2012.
- The Strategy focuses on interventions that will increase access to: payments, savings, credit, remittances, pension, insurance under affordable terms and conditions.
- The overall aim is to empower people, promote savings, increase the level of investment by diverse economic groups, catalyze increased productivity, improve income, reduce poverty and also promote a sound, safe, vibrant and stable financial system.
- The Strategy recognizes various stakeholders and apportioned roles and responsibilities to them on the basis of their comparative advantage.
- This presentation takes a look at the Strategy itself and delves into the specific stakeholder roles and responsibilities as well as challenges.
2. **Definitions of Financial Inclusion**

<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>• Provision of range of quality and available financial services to the underserved and financially excluded</td>
</tr>
<tr>
<td>Wikipedia</td>
<td>Delivery of financial services at affordable price and terms to the generality of the populace especially the disadvantaged and low income segment of the society.</td>
</tr>
<tr>
<td>United Nations Development Programme</td>
<td>• Reaching out to poor and low-income people and providing them with affordable financial services tailored to their needs.</td>
</tr>
<tr>
<td>Centre for Financial Inclusion</td>
<td>• State in which all people who can use financial services have access to a complement of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients</td>
</tr>
</tbody>
</table>
Nigeria FI Strategy Definition

Financial Inclusion: Adult Nigerians having easy access to a broad range of formal financial services that meet their needs and are provided at affordable cost.

Service characteristics:
- Diversity
- Affordability
- Focus on the formal sector
- Appropriateness—meets the need.
3. Financial Inclusion and National Economic Development

- Increased production of goods and services.
- Support reduction of food related inflation.
- Promote low cost models for financial services.
- Engender better credit assessment and portfolios.
- Strengthen risk management of financial institutions and support institutional viability, safety and soundness.
- Boost exports, increase foreign exchange earnings, stabilize exchange rate and support efficient management of foreign reserves.
- Boost confidence of the public and promote savings, investment and general economic growth.

National Target: Reduce adult financial exclusion in Nigeria from 46.3% in 2010 to 20% in 2020. Specific targets were as follows:

<table>
<thead>
<tr>
<th>Services</th>
<th>Level in 2010</th>
<th>2020 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments</td>
<td>21.6%</td>
<td>70%</td>
</tr>
<tr>
<td>Savings</td>
<td>24.0%</td>
<td>60%</td>
</tr>
<tr>
<td>Credits</td>
<td>2%</td>
<td>40%</td>
</tr>
<tr>
<td>Insurance</td>
<td>1%</td>
<td>40%</td>
</tr>
<tr>
<td>Pension</td>
<td>5%</td>
<td>40%</td>
</tr>
</tbody>
</table>
The Nigerian National Financial Inclusion Strategy: Strategy Targets Contd

Channels for outreach and provision of the services are to increase in terms of units per 100,000 as follows:

<table>
<thead>
<tr>
<th>Channel</th>
<th>2010</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch of DMB</td>
<td>6.8</td>
<td>7.8</td>
</tr>
<tr>
<td>Microfinance Bank Branches</td>
<td>2.9</td>
<td>5.0</td>
</tr>
<tr>
<td>ATMs</td>
<td>88.5</td>
<td>203.6</td>
</tr>
<tr>
<td>POS Mobile Agents</td>
<td>13.3</td>
<td>850.0</td>
</tr>
<tr>
<td>Mobile Agents</td>
<td>0</td>
<td>62.0</td>
</tr>
</tbody>
</table>
## TABULAR DATA ON TOTAL VOLUME AND VALUE OF E-PAYMENTS TRANSACTIONS
### JANUARY 2012 - JULY, 2014

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MOBILE MONEY</td>
<td>2,297,688</td>
<td>15,509,334,783.20</td>
<td>15,930,181</td>
<td>143,371,761,234.90</td>
<td>15,105,675</td>
<td>162,256,546,515.95</td>
</tr>
<tr>
<td>ATM</td>
<td>375,487,756</td>
<td>1,984,658,822,828.75</td>
<td>295,292,940</td>
<td>2,828,938,997,570.12</td>
<td>214,630,836</td>
<td>2,003,138,073,443.44</td>
</tr>
<tr>
<td>POS</td>
<td>2,555,045</td>
<td>48,008,310,260.43</td>
<td>9,402,255</td>
<td>161,016,329,389.87</td>
<td>10,730,147</td>
<td>165,091,250,310.95</td>
</tr>
<tr>
<td>WEB</td>
<td>2,276,464</td>
<td>31,567,364,087.30</td>
<td>2,900,473</td>
<td>47,316,331,493.86</td>
<td>2,730,768</td>
<td>36,247,404,260.26</td>
</tr>
<tr>
<td>NIP</td>
<td>4,452,098</td>
<td>3,891,026,304,080.40</td>
<td>17,111,532</td>
<td>10,844,922,940,070.40</td>
<td>20,236,905</td>
<td>10,788,590,271,473.20</td>
</tr>
<tr>
<td>NEFT</td>
<td>28,741,726</td>
<td>13,660,032,665,711.80</td>
<td>30,034,009</td>
<td>14,307,317,707,843.10</td>
<td>17,073,334</td>
<td>8,630,231,602,351.40</td>
</tr>
</tbody>
</table>
5. **Key Instruments for Implementing the National Financial Inclusion Strategy**

**Agent banking:** The delivery of banking services outside traditional bank branches, through touch points such as existing retail stores and petrol stations or via technology such as 'Point of Sale' (POS) devices and mobile phones.

**Mobile banking/mobile payments:** Access to financial services through mobile phones that are either directly linked to a bank account or use of mobile wallets as intermediary virtual money accounts.

**Linkage models:** Enhancement of financial and business cooperation between conventional financial institutions (deposit money banks and development finance institutions)/government and microfinance banks/institutions for wholesale funding and on-lending transactions.
5. Key Instruments for Implementing the National Financial Inclusion Strategy

**Client empowerment:** Increase of bankability of population through coordinated national financial literacy initiatives that are complemented by consumer protection.

**Tiered KYC requirement:** Documentations and requirements for opening accounts are based on the risk envisaged with those customers.

**MSME Development Fund:** This will provide wholesale funds for MFBs and MFIs to enable them lend to their customers.

**Cash-less policy:** simply put, promotes less use of paper and coin money to settle transactions owing to the cost effectiveness, convenience, speed.
6. Financial Inclusion Stakeholders and their Key Responsibilities

- BANKS
- INSURANCE FIRMS
- REGULATORS (CBN, NDIC, NAICOM, PENCOM, NIMC, NCC; SEC)
- DEVELOPMENT PARTNERS & EXPERTS
- GOVERNMENT AND PUBLIC SECTOR INSTITUTIONS
- OTHER FINANCIAL INSTITUTIONS
- TECHNOLOGY/TELECOMMUNICATIONS FIRMS
Federal Government

- Invest in infrastructure, such as a fibre-optic network for the telecommunications sector and solar panels to generate cheap electricity for rural areas
- Undertake necessary reforms e.g. collateral reforms, consumer protection act
- Contribute to the MSME Development Fund
- Maintain adequate security for Bank branches and agents
- Institute data protection and new land reform acts
- Set aside budget for social and minimum guaranteed pensions
### Federal Government Ctnd

<table>
<thead>
<tr>
<th>NIPOST</th>
<th>Ministry of Education</th>
<th>National Bureau of Statistics /Surveyor General’s Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Act as a agent for deposit money banks, microfinance banks and/or mobile services providers</td>
<td>• Institutionalize financial literacy programs within educational institutions through agencies such as National Universities Commission and Universal Basic Education Commission</td>
<td>• Conduct surveys and provide data for financial inclusion</td>
</tr>
<tr>
<td>• Act as distribution center for financial literacy materials</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Central Bank of Nigeria

• Develop Guidelines for:

  Agent banking
  Tiered Know Your Customer Requirements
  Financial Literacy
  Consumer Protection
  Mobile Payment System
  Regulation of banks
  MSMEs Development Fund
  Cash-less policies

• Educate stakeholders on regulatory provisions

• Promote pilots to demonstrate the business case for financial inclusion.

• Create incentives for extending financial services to disadvantaged groups.
Establish the MSME Development Fund.
Implement financial literacy programmes.
Create awareness among stakeholders on their roles and responsibilities and Coordinate the implementation of the Strategy
Review and revise roles and responsibilities of stakeholders
Ensuring that appropriate arrangements are made for financial inclusion data gathering and publishing of the same
Maintain a database for financial inclusion in Nigeria
Track and monitor progress on financial inclusion vis-à-vis the targets set
Address capacity building initiatives on financial inclusion issues
**Nigeria Deposit Insurance Corporation (NDIC)**

- Sensitization on the Corporations programmes to ensure client support for Financial Inclusion in schools and colleges.
- Build capacity of NDIC employees to brace up to the challenges of implementing the financial inclusion strategy.
- Promote collaboration between DMBs and MFBs for enhanced intermediation of financial services.
- Conceptualizing guidelines and framework that support the adoption of agent and mobile banking systems.
Apex Association of Financial Institutions

**DFIs**
- Provide wholesale funding for lending to low income clients
- Implement targeted financial inclusion programs – credit guarantees, refinancing
- Provide capacity building to MSMEs to improve their financial literacy and credit worthiness

**Bankers Committee & Apex Association of MFBs/MFIs**
- Monitor the implementation of Financial Inclusion in relation to deposit money bank roles
- Contribute to the review process of the strategy document
Financial Institutions: Deposit Money Banks and MFIs

- Implement the tiered KYC framework
- Leverage (multifunctional) ATM and POS channels to expand reach and reduce costs
- Take advantage of the social and commercial components of the MSME DEVELOPMENT FUND
- Implement a no-frills (zero balance) account
- Develop innovative products for serving low income rural Nigerians
- Implement the agent banking model to extend outreach
- Focus on delivering financial services to the poor and informal segments profitably, to prevent mission drift
- Participate in shared services initiatives to reduce channel costs
**NAICOM**

- Define and implement insurance literacy programs along with insurance companies
- Enforce quick settlement of claims and sanctions for infractions
- Enforce compulsory insurance products
- Incentivize insurance companies to develop micro-insurance products, Islamic insurance (Takaful) and similar products to serve low-income/rural individuals
- Leverage ongoing work by NIMC to identify individuals and increase the integrity of insurance systems
- Support initiatives for insurance agents to increase outreach in rural areas

**Insurance companies**

- Expand the current portfolio of insurance products to better address consumer needs for example micro-insurance, Islamic insurance (Takaful) and index-based insurance
- Increase the focus on outreach and specific sectors, e.g. lower-income segments
- Process and pay claims in a timely manner
PenCom

- Increase pension literacy programmes and activities to increase awareness about the availability and benefits of pension products
- Create a pension framework for the informal segment
- Advocate the compulsory inclusion of all states of the federation in the current pension scheme
- Amend regulations to allow the inclusion of smaller firms (those with less than 5 employees) and cooperatives/associations in the current pension scheme

- **Pension Fund administrators**
  - Leverage technology and expand collection and disbursement methods, e.g. e-channel payments
  - Engage cooperatives and associations in order to learn best methods for serving low-income clients
National Communication Commission

- Define a plan for the Federal Government to invest in fiber-optic cables along with mobile network operators
- Mandate dedicated bandwidth for data services to give priority to payments and other e-channels as a temporary measure to drive mobile payments
- Institute and publish statistics on network downtime

**Mobile payments operators**

- Implement the mobile payments framework
- Provide innovative mobile payments products to increase outreach
- Increase investment in infrastructure for the telecommunications sector, e.g. a dedicated percentage of earnings to go to infrastructure;
- Unstructured Supplementary Service Data: Protocol that allows mobile payments though SMS
Other Stakeholders

**Development Partners**

- Facilitate peer learning on financial inclusion
- Provide a knowledge base for financial inclusion

**Monitor the implementation of FI strategy**

**Provide technical and financial assistance for the implementation of the financial inclusion strategy**
Where We are: CBN

- **FINANCIAL INCLUSION SECRETARIAT**: Established in the CBN with two Offices, data and Coordination Offices.

- **AGENT BANKING FRAMEWORK**: The framework was issued in February, 2013 and clarifications released in August, 2013.

- **KNOW YOUR CUSTOMER (KYC) FRAMEWORK**: A three Tiered KYC requirement policy was issued on 18th January, 2013 for financial institutions under the regulatory purview of the CBN.

- **MSME DEVELOPMENT FUND**: N220 billion MSME Development Fund was launched on 15th August, 2013.

- **FINANCIAL LITERACY**: The Financial Literacy Steering Committee (FLSC) has been inaugurated and has commenced work with three Working Groups.

- **CONSUMER PROTECTION FRAMEWORK**: An advertisement has been placed in the National Newspapers inviting qualified consultants to bid for the development of the Consumer Protection Framework and outcome is being processed.

- **MOBILE PAYMENTS FRAMEWORK**: Framework in place and 20 mobile network operators licensed, framework undergoing review.

- **BORNO PILOT**: Financial Inclusion Secretariat set up, State MFB licensed, EDC set up in Maiduguri, State Government set aside N200 million for graduates of the EDCs.
A total of 17 banks responded to the request to provide update and the summary of their major financial inclusion activities were as follows:

- Institutionalization of financial inclusion into corporate strategy.
- Specific products that will support savings mobilization from diverse clienteles.
- Implementation of tiered KYC customer framework and creating means of easy customer identification and account opening.
- Target setting for ATM and POSs growth over the years.
- Financial literacy campaigns and education on the products and financial management.
- Establishment of customer help desks for resolution of disputes and engendering confidence.
- Development of specific financial inclusion framework that will guide corporate activities.
- Implementation of mobile money services in partnership with relevant parties.
- Piloting different products.
- Study tours to jurisdictions where certain products are working to learn more on how to implement.
- Adoption of agent banking and strategic steps for roll out.
- Use of biometric solutions for customer identification.
Pension reform in Nigeria has focused mainly on the formal sector, which covered an estimated 12 million employees.

However, the informal sector, which is at least five times the size of the formal sector, remains uncovered by the Nigerian Pension scheme.

- To this end, a survey that would facilitate the participation of the informal sector in the Contributory Pension Scheme (CPS) has been conducted.
- The Commission is also reviewing the Regulation on Investment of Pension Assets which is expected to boost participation of persons working in the informal sector and increase coverage of the scheme.

The Commission engaged recovery agents to recover all outstanding contributions from 15,000 employers of labour who either did not register their employees into the CPS or were not making full remittance of contributions into the Retirement Savings Accounts (RSAs) of their employees.

The Commission obtained the support of the Federal Government to ensure compliance by making it mandatory for all bidders for contracts from any Federal Government Agency to provide evidence of implementing the CPS.

The Commission has continued to engage other regulatory agencies and labour organizations for assistance in ensuring compliance.
Where We are: NAICOM

• Microinsurance Diagonalostic Study conducted in partnership with GIZ German Development Agency visited 11 states of the Federation to assess demand and supply of microinsurance visit to several government agencies to identify policy issues throughout 2012.

• Microinsurance workshop with microfinance banks, insurers, cooperatives, brokers, agents with 120 participants in attendance was held on 24th October 2012.

• Microinsurance product development training was held for insurance operators on February 2013 and was attended by several insurance companies.

• International Microinsurance Conference was held in partnership with Munich Re Foundation on the 10th & 11th Sept 2013 with two hundred delegates in attendance to discuss Microinsurance as a tool for financial inclusion in Nigeria.

• Takaful guidelines was launched on Friday 22nd November 2013 with workshop attended by Hon. Minister of States for Finance and Microtakaful as a product to address financial inclusion on faith bases.

• Microinsurance guideline was launched and released in December 2013 to cover financial inclusion, consumer protection and proliferation of insurance products.
Where We are: NAICOM CTD...

- Microinsurance Steering Committee was inaugurated in January 2014 to identify how micro insurance can be implemented in Nigeria to meet the needs of the grassroot.

- Microinsurance Key Performance Indicator training was held at NIA in partnership with GIZ on 11th – 13th Feb 2014.

- Microinsurance Products - Mobile Insurance:
  - Airtel - Padi4Life insurance cover. For N20 daily premium the subscriber would benefit N500,000.00 insurance cover
  - MTN - N15 daily premium the subscriber would benefit N350,000.00 insurance cover
  - Lapo Microfinance Bank – Provides Life cover to all its borrowers.
  - Paga –Alternative distribution channel for microinsurance products.
  - Delta State Microinsurance Scheme – Provides insurance under its poverty alleviation programme

- Microinsurance National Coordinator is to be appointed in due course to coordinate nationally financial inclusion program.

- Several awareness programmes to eliminate public negative perception
  - Visit to royal leaders in Jos, Plateau State
  - MDRI – Enforcement of Compulsory insurances
  - Seminars for journalist on Financial Inclusion
  - Exhibition Stand in North East Summit

Where We are: SEC

- Establishment of a Financial Inclusion Division on the 1\textsuperscript{st} January, 2014
- Encouraging the establishment of collective investment schemes e.g Mutual Funds
- A 10 year Capital Market committee on Financial Literacy has been set up
- Other detailed structures for Financial Inclusion being developed.
State Government Collaboration/Participation

- State Governments participation is essential to Financial Inclusion and collaboration between the Banking industry and the state governments will provide traction in achieving set out targets.

- State governments buy-in and commitment to increasing inclusion will ultimately alleviate poverty in each state.

- Developing social safety net programmes for indigenes of the state provides incentive to save, increasing purchasing power of the people ultimately increasing economic activity in the region.

- State Governments could also contribute to inclusion efforts by deliberately pushing more activities through the financial system e.g G2P payments.

- Several benefits of ensuring that indigenes in each state are financially included exist as follows;
  - Alleviation of poverty
  - Economic development
  - Political stability
State Government Collaboration/Participation Ctd…

Borno State Pilot implementation- State Government Collaboration

- The Bankers’ Committee agreed to begin pilot implementation of the Financial Inclusion Strategy in Borno State as a result of its situation of having the highest rate of financial exclusion in the country, 68 per cent

- The State Government was engaged in February 2013 and collaboration between the CBN and Borno State government has yielded the following results;
  - A secretariat in the Office of the Executive Governor was created to liaise with the CBN and other stakeholders on the implementation.
  - The state set up a Microfinance Bank to cater to the financial needs of indigenes and reach out to the financially underserved.
  - The State ministry of Education committed to undertake steps to inculcate the financial literacy curriculum in the Educational System of the State with effect from 2014
  - The Governor of the State approved an amount of N200 million to be disbursed as loans to the graduates of the Entrepreneurship Development Centre (EDCs) which was set up in 6 geopolitical zones to develop skills of entrepreneurs.

- Although activities in the region are currently on hold as a result of the security challenge, these efforts can be duplicated across the country as financial inclusion is a viable developmental policy that will put an end to youth restiveness and ensure development.
### CHALLENGES AND PROSPECTS:
The following factors are impinging on the drive for financial inclusion in Nigeria:

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Prospects</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Identity Management</strong></td>
<td>The implementation of the Banks’ Customer Verification Number has reached an advanced stage and will help address this issue.</td>
</tr>
<tr>
<td><strong>Power and Telecom Infrastructure</strong></td>
<td>While we are increasingly leveraging technology to reach the unbanked at affordable cost, the poor power and Telecommunication infrastructure requires fixing. The Federal Government has been consistent in the implementation of reforms in this regard. Additionally, alternative options are being considered such as the adoption of NIGCOMSAT satellite footprint to compliment services of GSM providers</td>
</tr>
<tr>
<td><strong>Financial Touch Points</strong></td>
<td>The Central Bank of Nigeria has released guidelines for agency banking and it is expected that growth in this vertical will impact positively by creating more access points to the un-banked. Furthermore, the bank is collaborating with NIPOST to use its vast network for the extension of financial services to rural/remote areas</td>
</tr>
<tr>
<td><strong>Education/Sensitisation</strong></td>
<td>The financial literacy level is been aggressively addressed through various initiatives some of which involve top executives in the banking industry addressing school children while various grassroots sensitisation and awareness campaign are going on across the country</td>
</tr>
</tbody>
</table>
## CHALLENGES AND PROSPECTS:
The following factors are impinging on the drive for financial inclusion in Nigeria:

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Capacity Building</strong></td>
<td>The CBN in conjunction with the Bankers Committee has agreed on a Competency Framework which addresses skill gaps across the financial services industry and modalities for bridging the gaps are being implemented</td>
</tr>
<tr>
<td><strong>Cultural Issues and Biases</strong></td>
<td>We are continuously educating and sensitizing the public. A lot has been achieved with the introduction of faith-based financial services and products</td>
</tr>
<tr>
<td><strong>Coordination</strong></td>
<td>We regularly provide forum for all stakeholders to be on board and to avoid duplicity of efforts to optimise available resources in effectively tackling financial inclusion</td>
</tr>
</tbody>
</table>
8. Conclusion

- Every segment of the population of any country can contribute to growth process.
- Finance is a critical element for engagement in economic activities and contribution to growth.
- Financial Inclusion programmes have attracted the attention of governments, regulatory authorities, mobile phone operators, policymakers and researchers in order to ensure increased access.
- In Nigeria, various policies and interventions that affect financial inclusion goals and aspirations have been implemented over the years.
- Efforts have not yielded optimal results and hence the exclusion gap continue to persist.
- To Address the situation, investment in financial inclusion has become imperative.
- The staring point is necessary target and road map and this is what the Strategy is all about.
- Cooperation is necessary by all stakeholders in order to enhance the achievement of the targets.
- There are benefits to the economy in terms of financial empowerment, economic opportunities, productivity, improvements, GDP growth, wealth creation, savings and investment.
THANK YOU