

# Creating An Inclusive Economy For The Nigerian Woman

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# Outline

- I. Introduction
- II. Conditions for Achieving An All- Inclusive Economy
- III. The Role of the Financial system
- IV. Past experience at providing Finance for Development
- V. Current Initiatives
- VI. Challenges
- VII. The way forward
- VIII. Concluding Remarks

# Introduction

- Nigeria's poverty incidence is 54% with some areas as high as 95%
- According to the UNDP Human Development report women make up about 70% of the poor in Nigeria
- Even though primary/secondary school enrolment has almost 50/50 male/female proportion (and even slightly higher for females in some Eastern states), the male/female literacy rate is still at about 60/40

# Introduction

- Women provide 70% of Nigeria's agricultural labour force.
- Many Nigerian women are self-employed
- Less than 30% of Nigerians have bank accounts .
- Less than 5% of women have bank accounts.
- Women have little or no rights to land in Nigeria.
- Women work longer in the poorest paying jobs.
- Women have much less access to formal financial services than men

# Introduction

- This trend must be reversed to create an all-inclusive economy for:
  - The Nigerian economy to be one of the Next 11 countries (N11s), after Brazil, Russia, India and China (BRICs), which have the potential for tremendous economic growth in the next two decades
  - Nigeria to achieve its potentials and meet the Millennium Goals and also achieve President Umaru Musa Yar'Adua's 7-point agenda.
  - The country to be one of the top 20 economies in the year 2020

# Introduction

- Access to finance is critical to the achievement of an all inclusive economy. Consequently the presentation focuses on the role of the financial system, past efforts at making finance available for the poor, the challenges and the way forward.

# Conditions for Achieving An All- Inclusive Economy

- Need for policies that will engender growth in financial services and overall economic growth and development
- Creating macroeconomic stability (enabling environment) for the legitimate pursuit of means of livelihood.
- Provision of robust financial infrastructure (local, state and national) to support the business and vocational activities of the citizens.
- Creating and offering loan facilities and other services.

# The role of Financial System

- Banks play intermediation role—deposit taking/lending
- Resource allocation—from surplus units to deficit units
- The financial system facilitates risk sharing—spreads/reduces risk faced by economic agents
- The financial system generates wealth in the economy
- It promotes trade
- There is strong link between economic development and the state of an economy's financial system



# Past experience in providing Finance for Development

- Rural Banking Programme
- People's Bank (Government's social lending)
- Family Economic Advancement Programme (FEAP)
- Nigerian Agricultural Credit Guarantee Scheme
- NERFUND
- Sectoral allocation of credit and concessional interest rates
- Nigerian Directorate for Employment (NDE)
- Community Banks
- Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB)
- National Poverty Eradication Programme (NAPEP)

# Past experience in providing Finance for Development

- Small & Medium Enterprises Equity Investment Scheme (SMEEIS) was a voluntary initiative in 1999 by the Bankers Committee through CBN's moral suasion, to assist in providing finance to the small enterprises
- About N40 billion was raised but as at end 2007, only 60% had been utilised in 523 projects nationwide.
- The location of projects was skewed in favour of urban area (Lagos/Ogun and Cross River [Tinapa] got 70% of projects.
- 12 states had no SMEEIS projects at all

# Current Initiatives

- Based on this realisation, the CBN has taken various policy steps to help create a financial system that will:
  - Bring robust and reliable financial services to all Nigerians
  - Help reduce poverty and engender growth & development
  - Boost the real sector and generate employment

# Current initiatives

- Banking sector reforms
- Foreign Exchange & money market reforms
- Payment System Reforms
- Microfinance sector reforms
- FSS 2020 Initiatives
- Others -Africa Finance Corporation, Entrepreneurship Development Centres (EDCs), etc

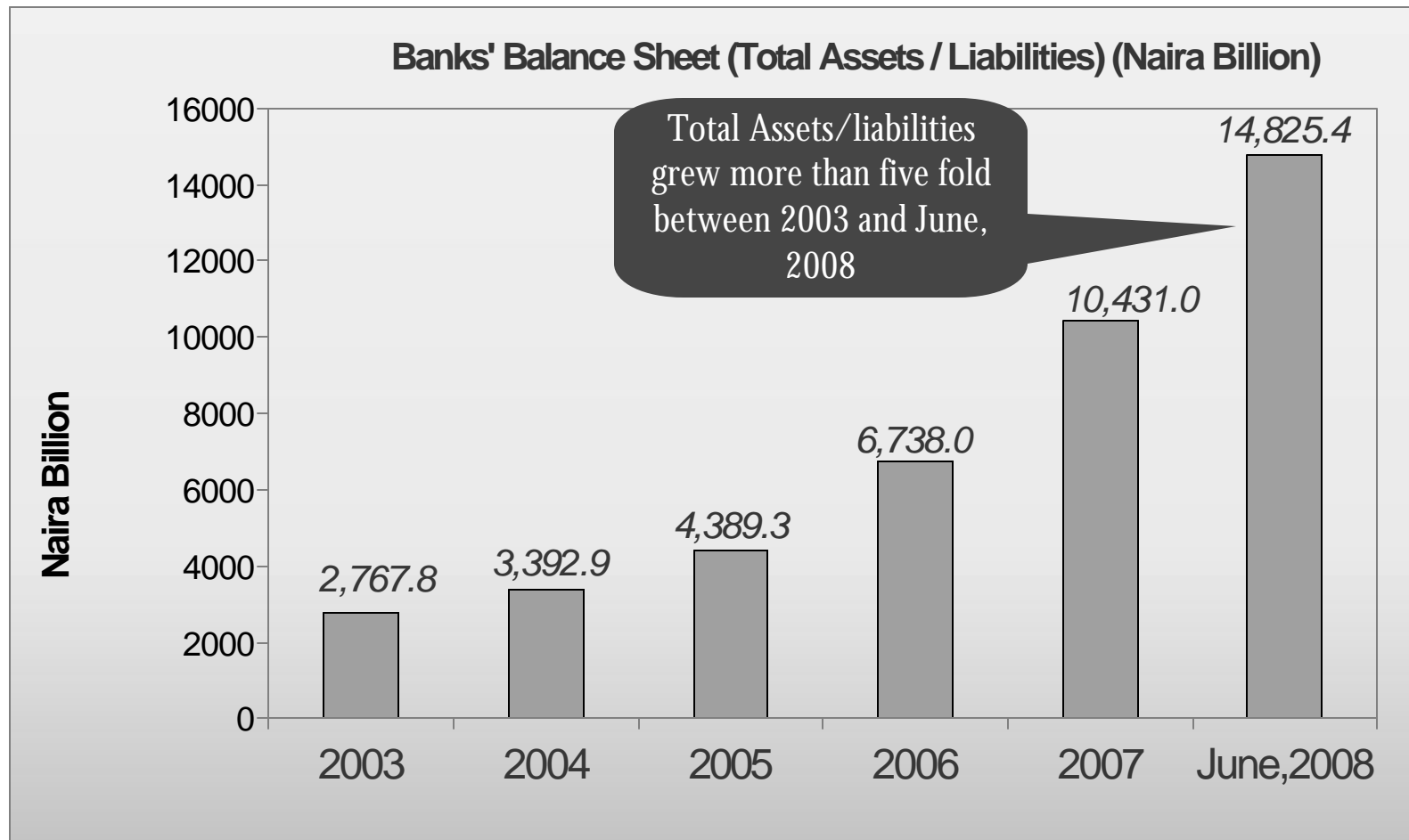
# Current Initiatives

## **Outcome of Banking Sector Reform:**

- Asset Base grew by approx. 418.57% between 2003 and June, 2008
- About 12 banks with over \$1 billion in Tier 1 capital, by end June, 2008
- Microfinance Banks – 780 licensed and more on the way
- Branch Expansion outside Nigeria – 46 in all.
- Share of Banks in NSE most capitalized companies rose substantially – 30% (2003); 63.5% (June, 2008)

# Current Initiatives....

## Outcome of Banking Reforms



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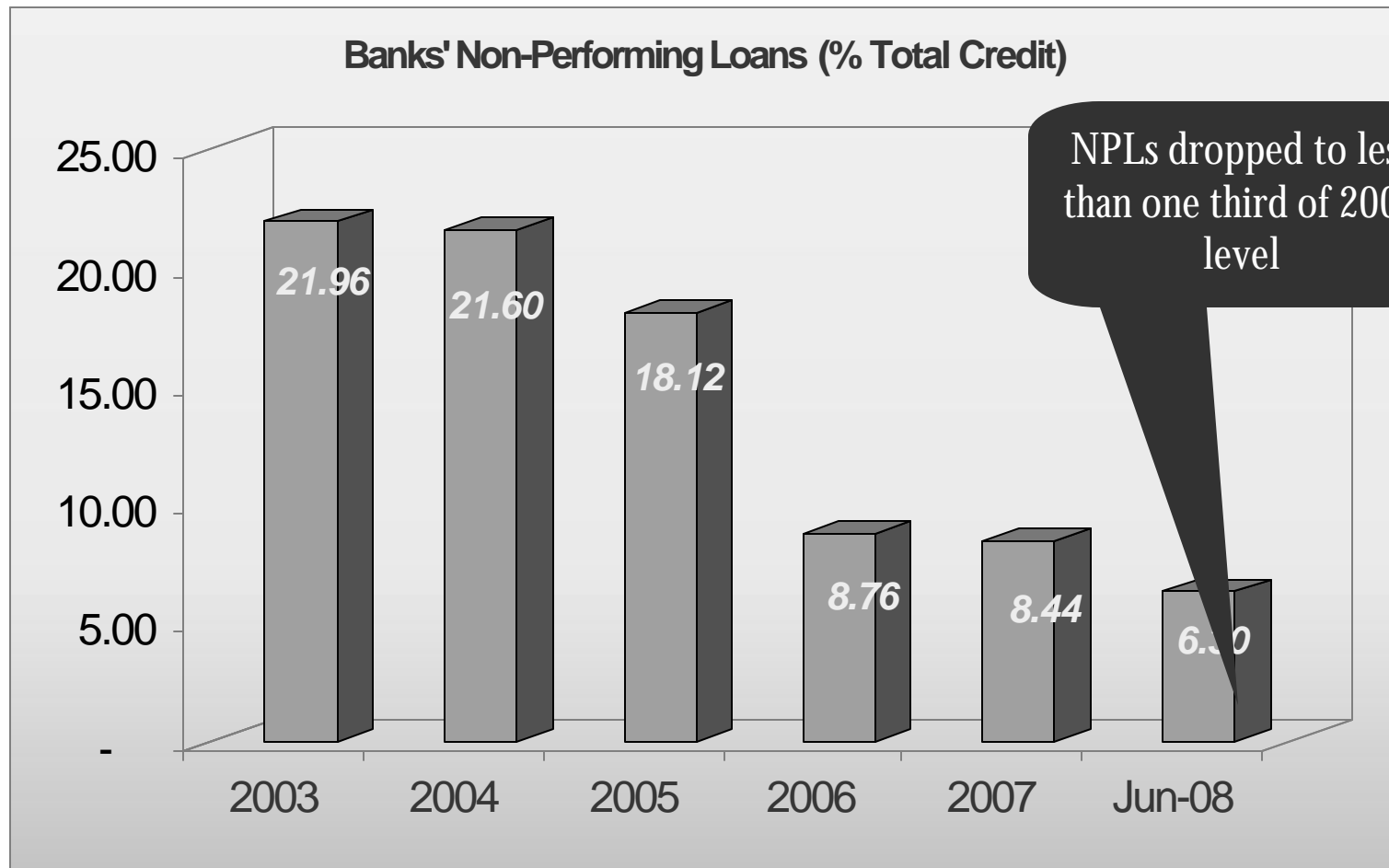
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Total assets/liabilities grew almost five fold from 2003 level  
user, 2/11/2008

# Current Initiatives....

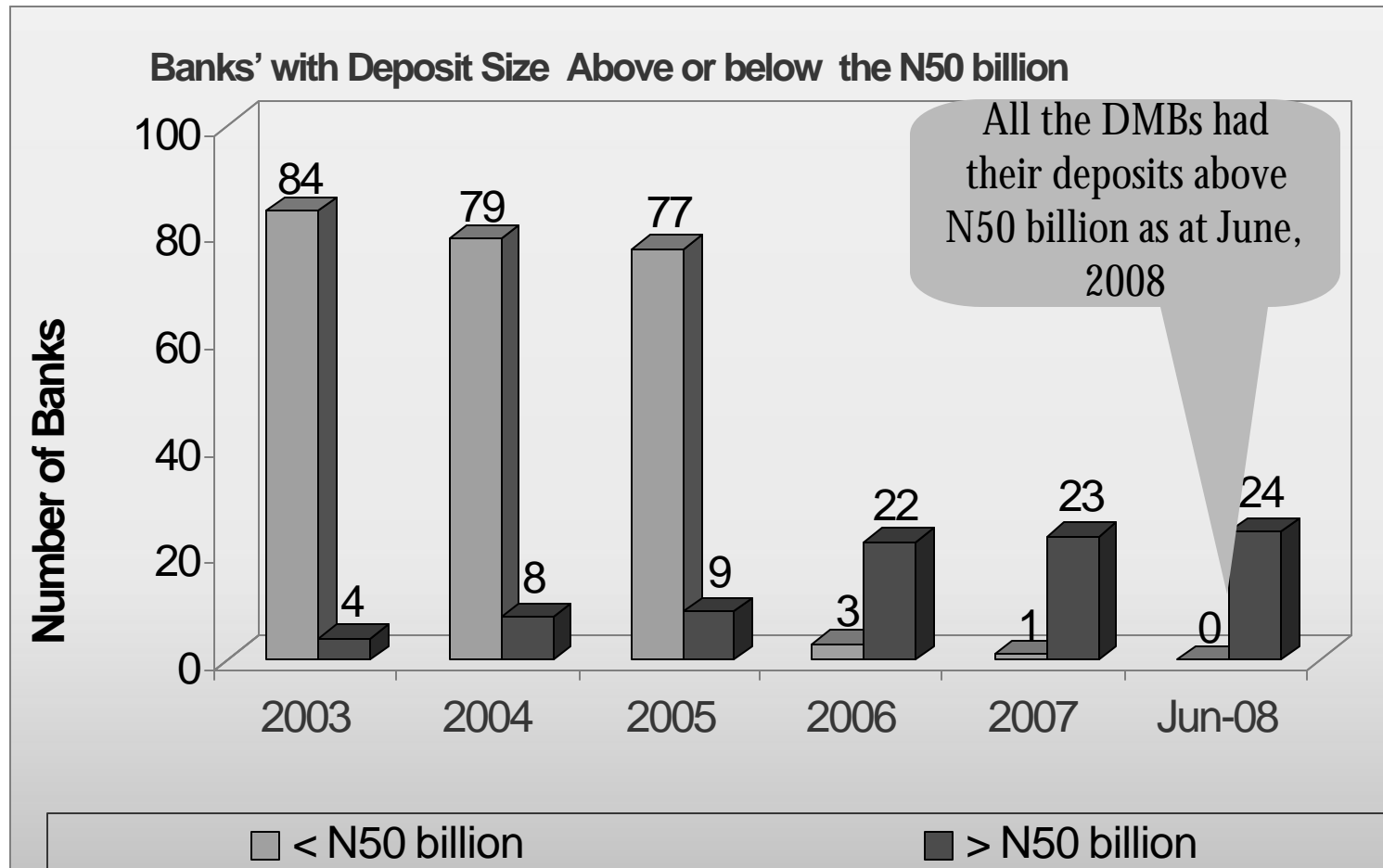
## Outcome of Banking Reforms





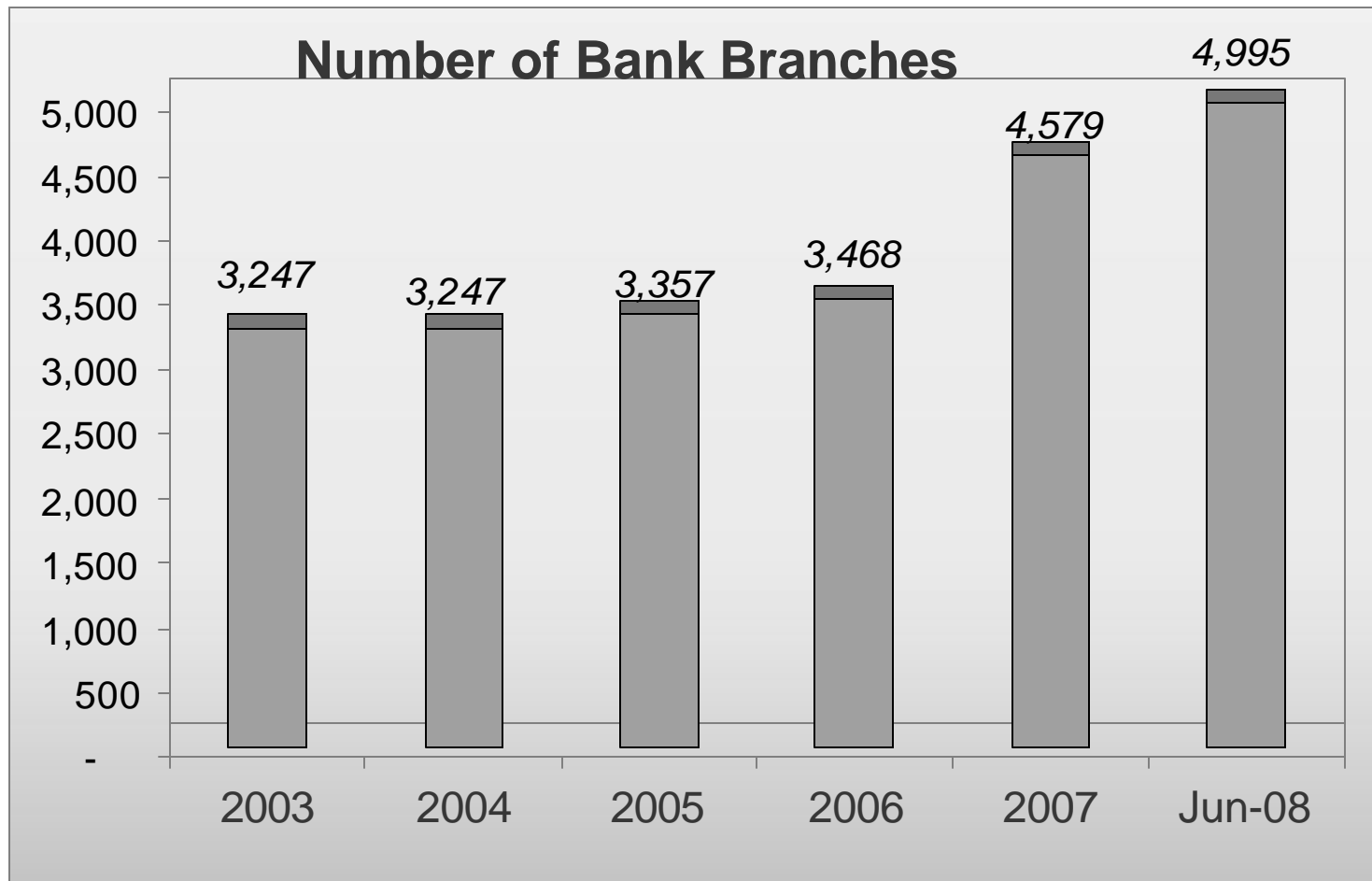
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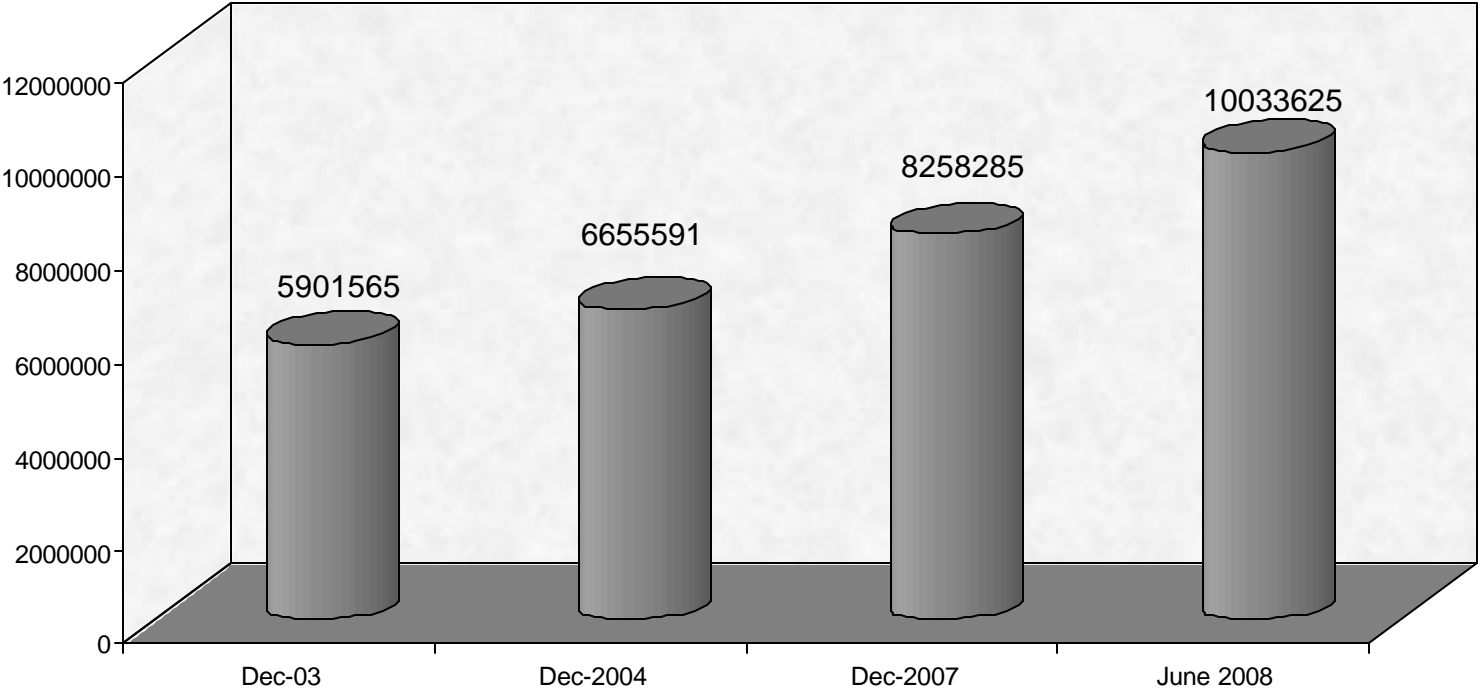
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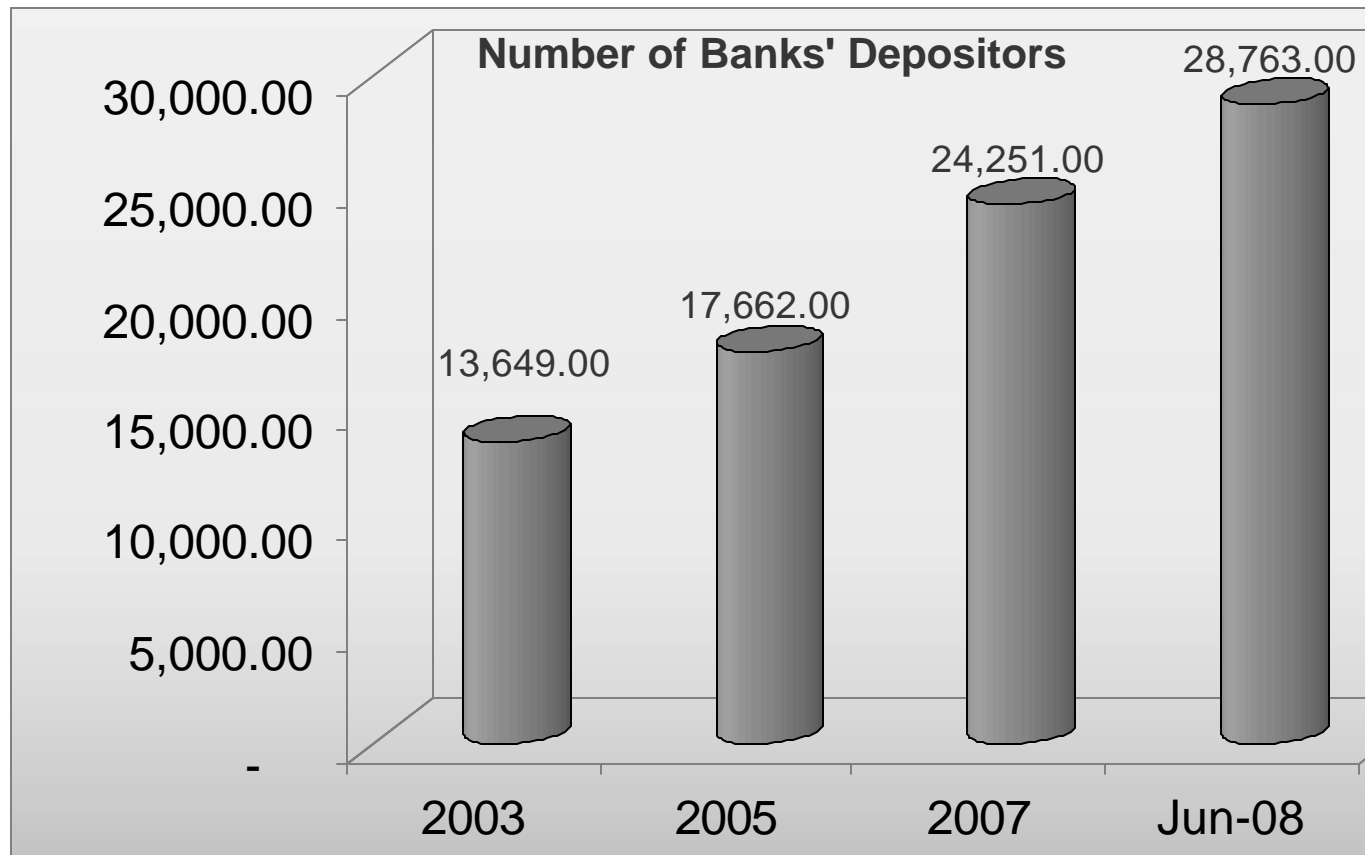
## Outcome of Banking Reforms

Number of Banks' Shareholders



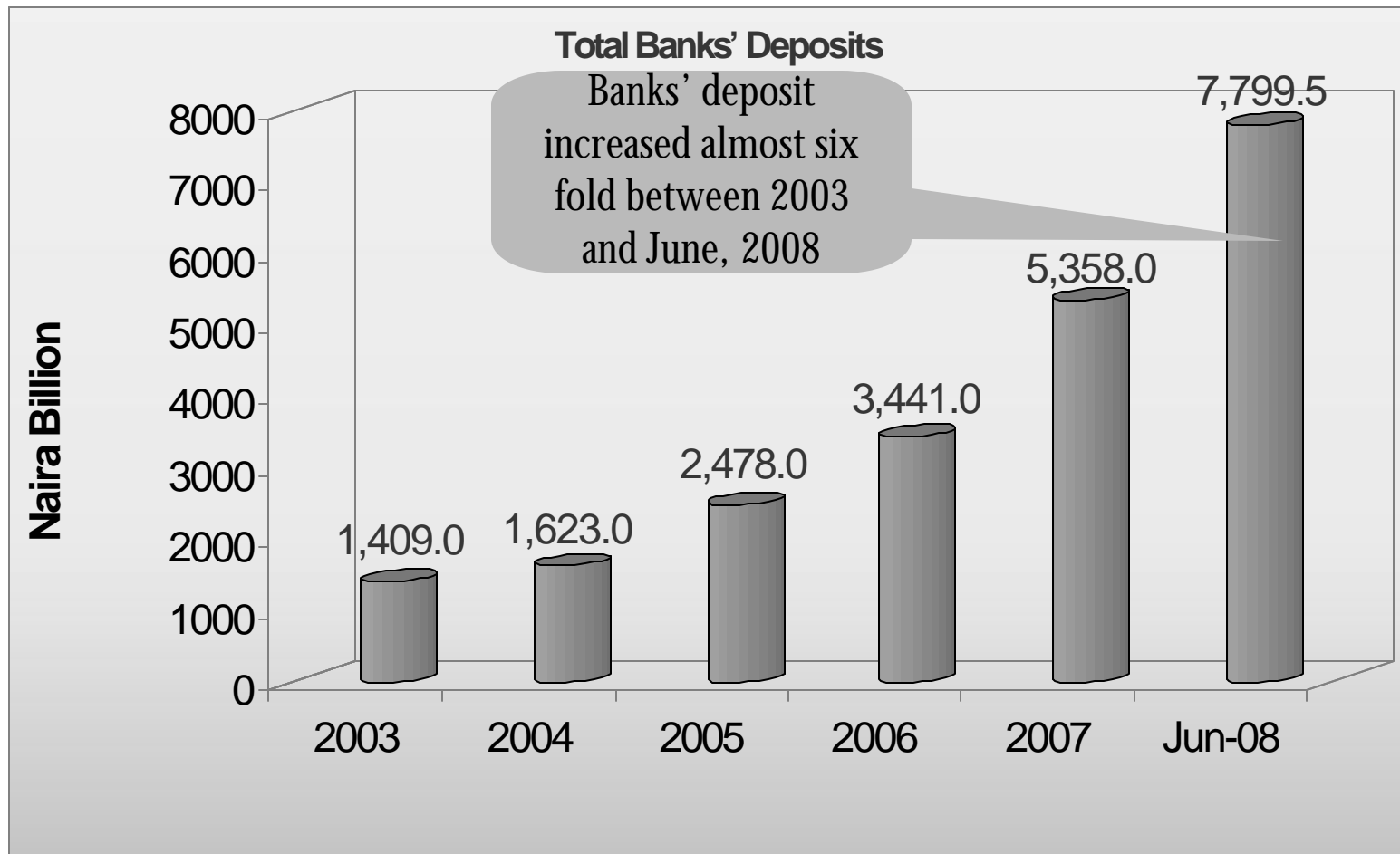
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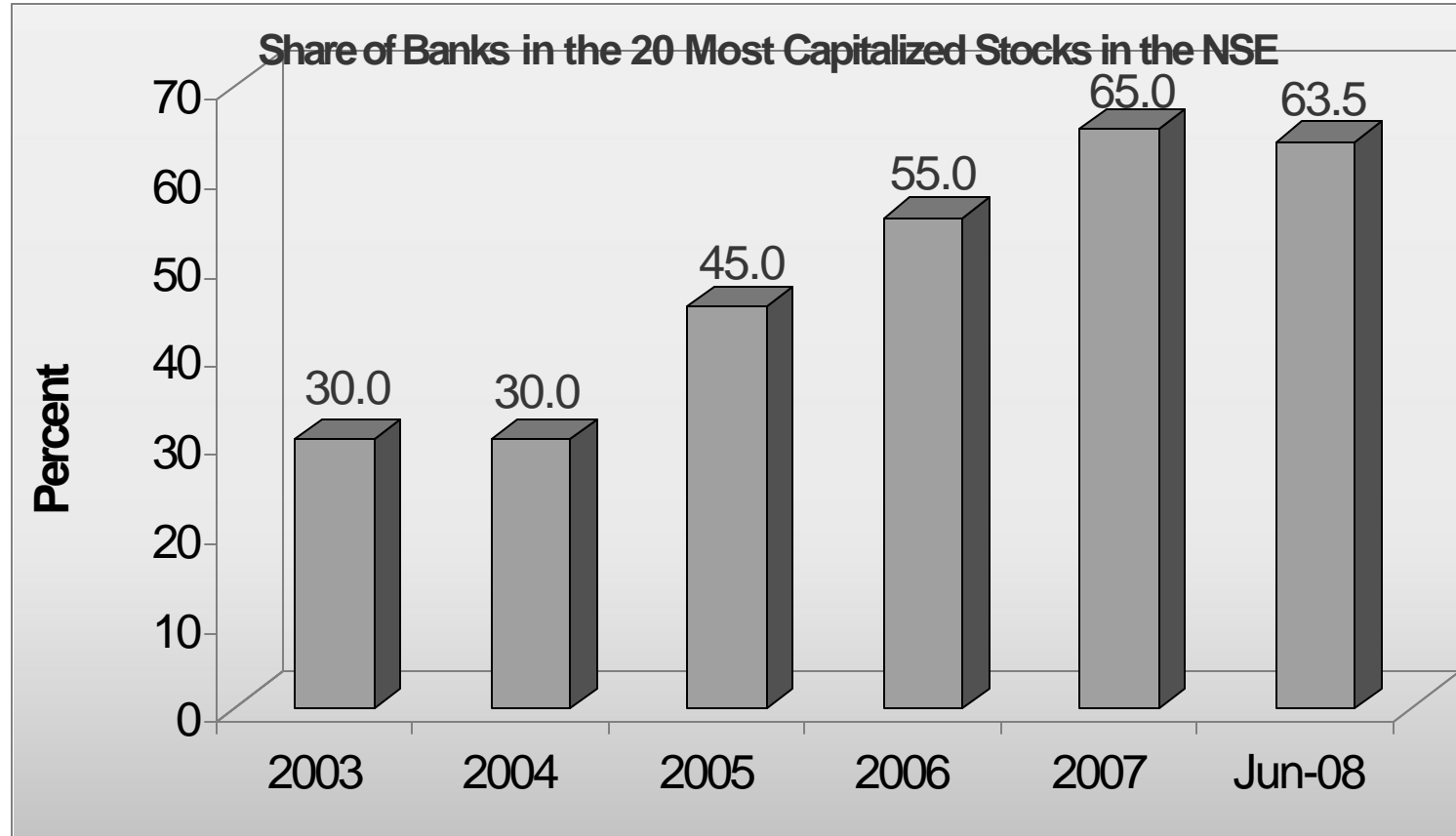
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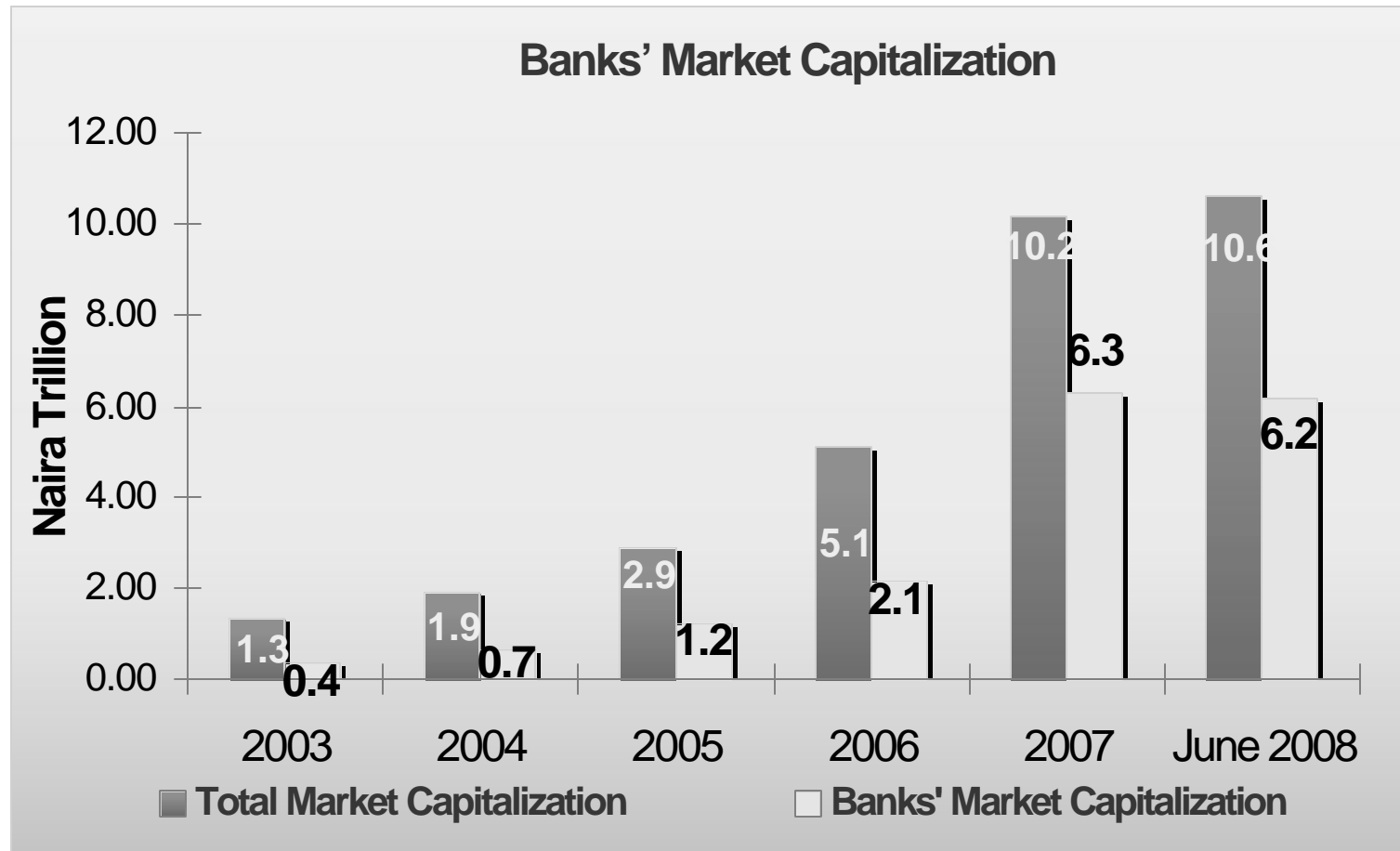
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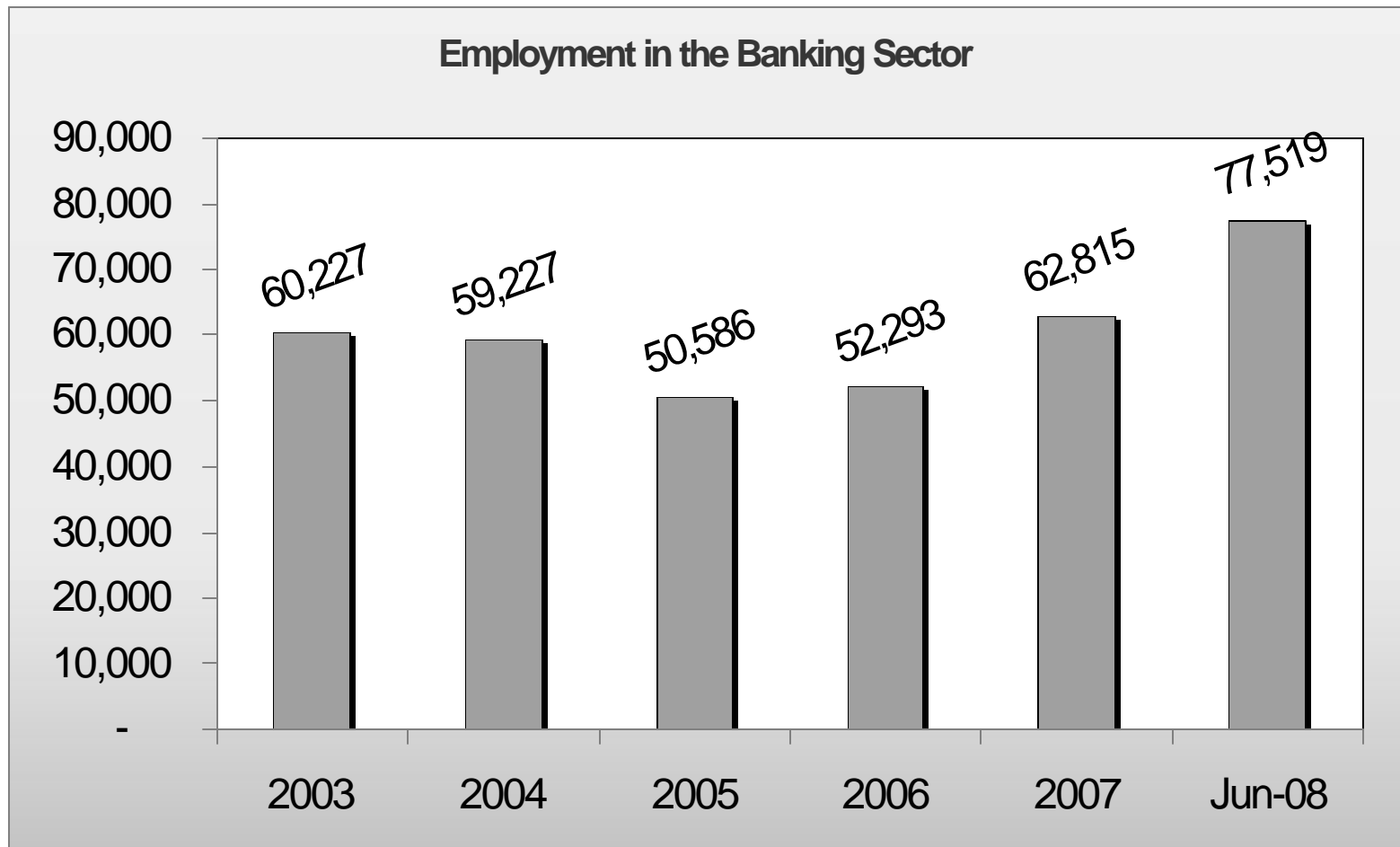
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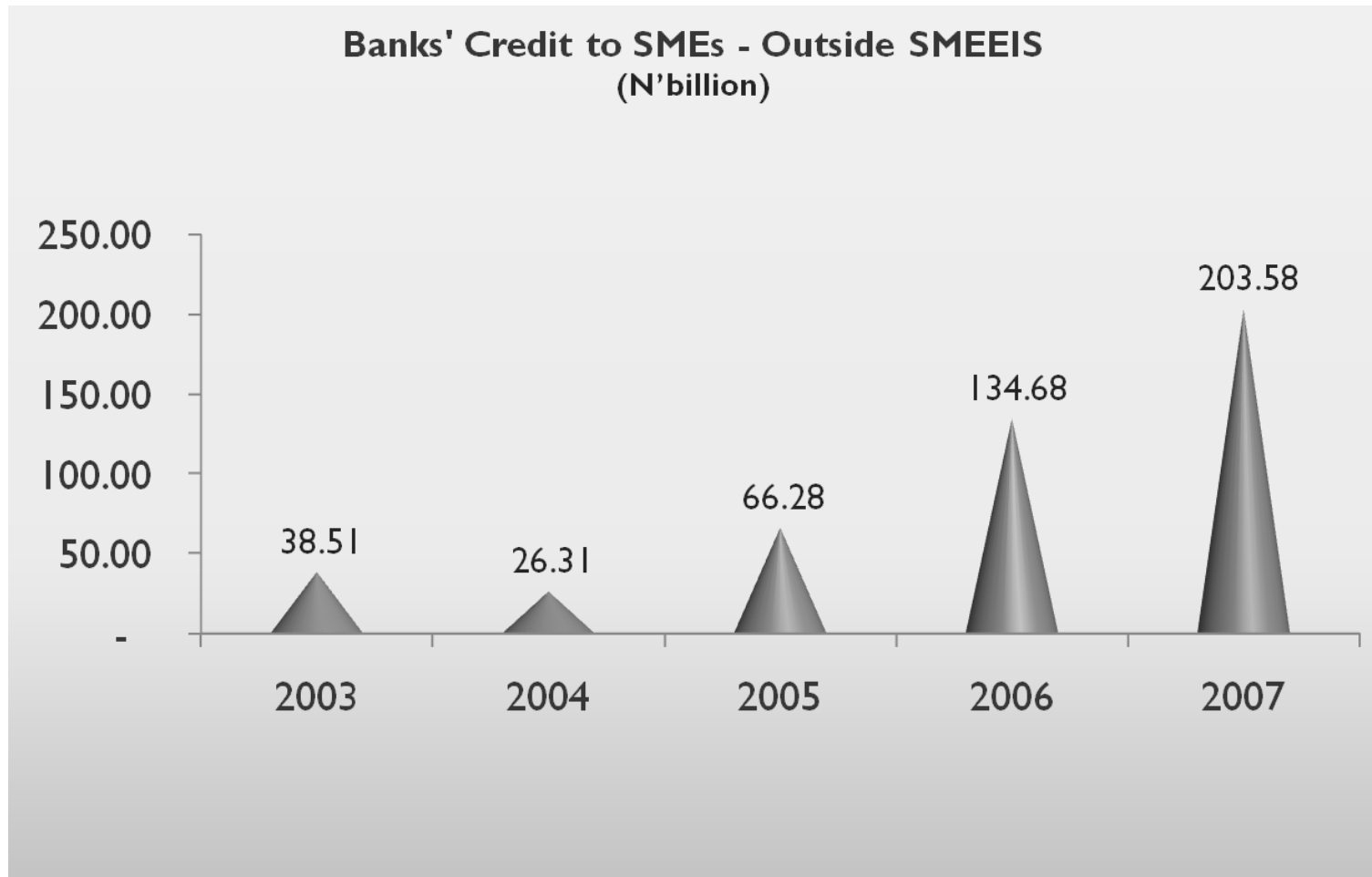
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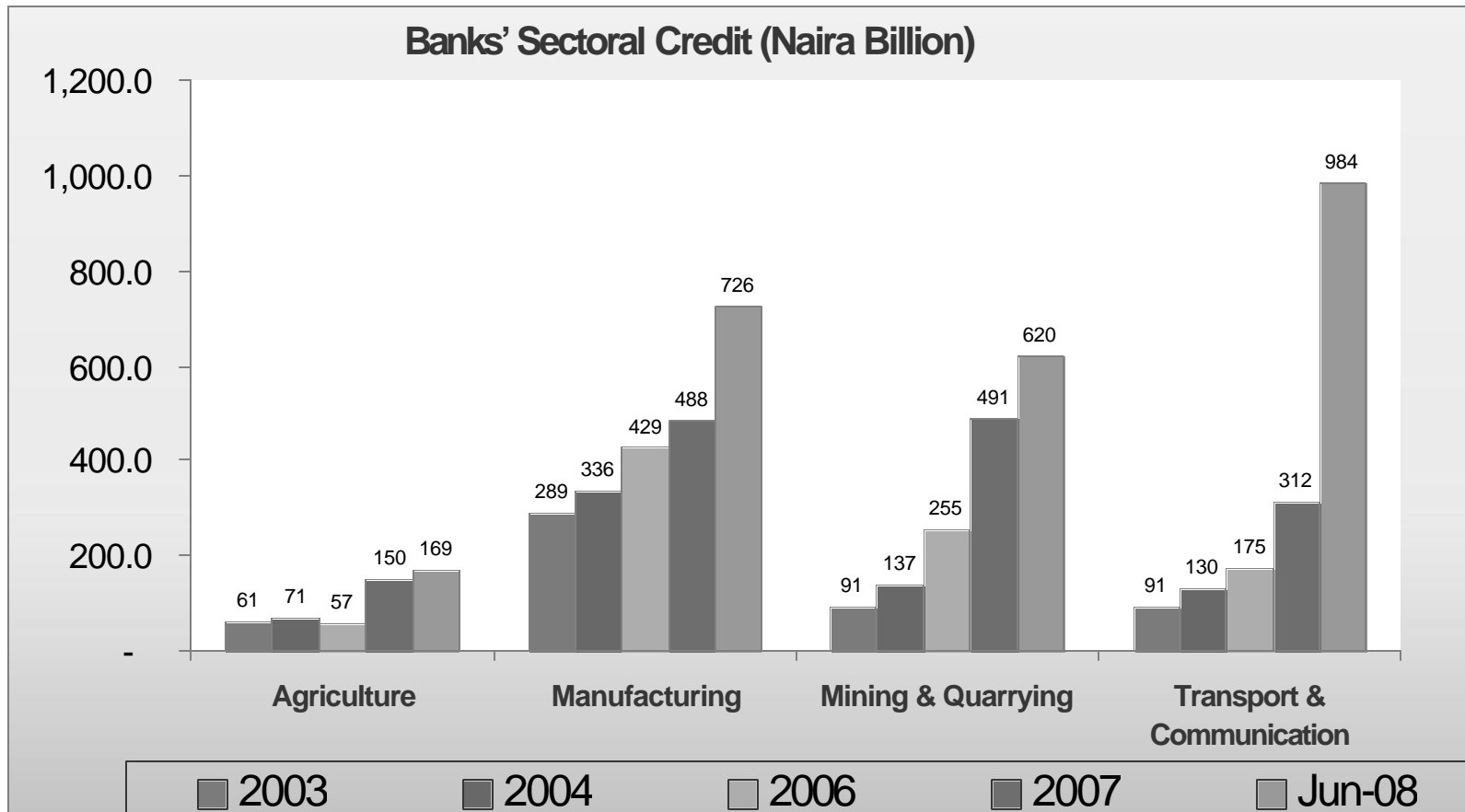


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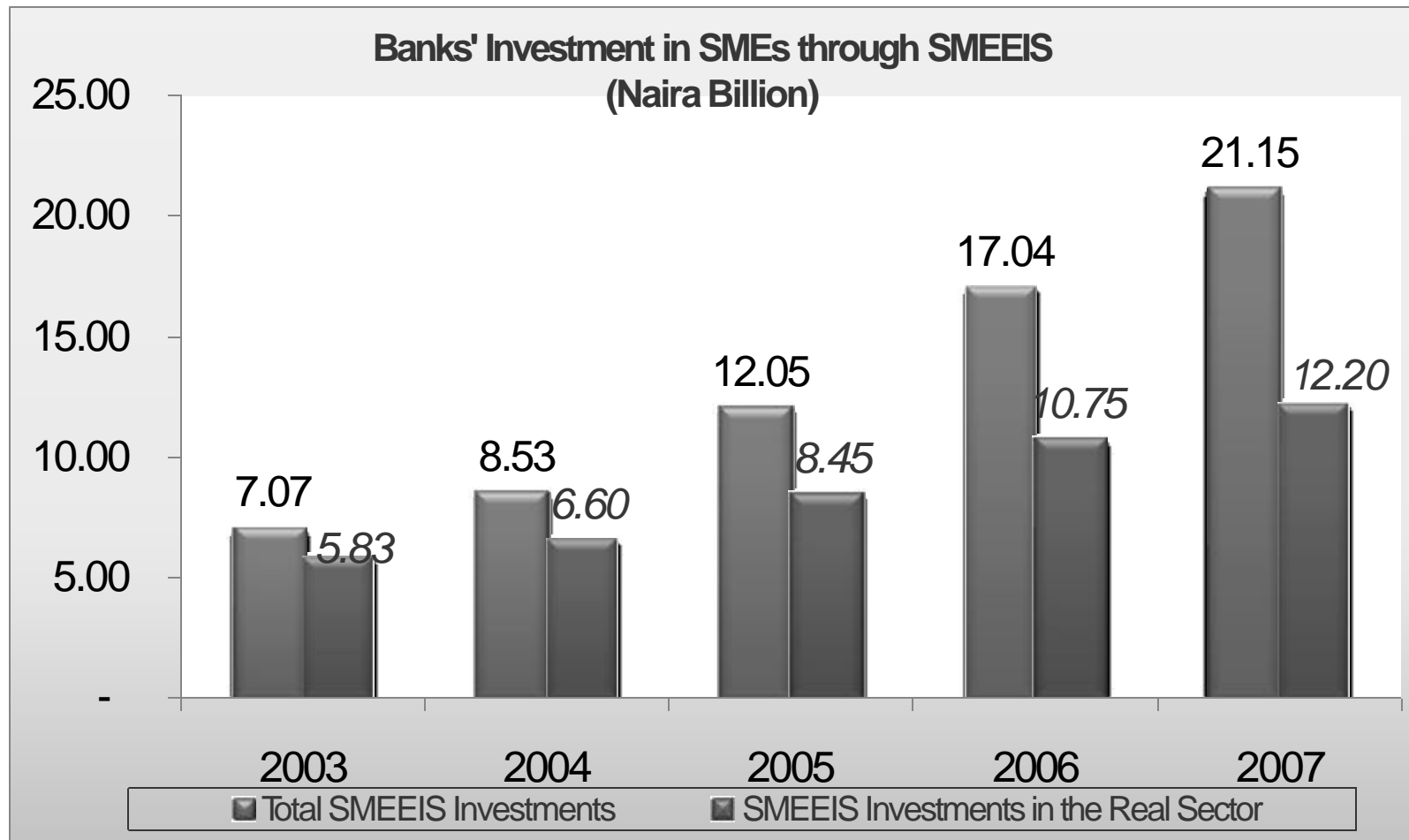
## Outcome of Banking Reforms



# Current Initiatives.... Outcome of Banking Reforms

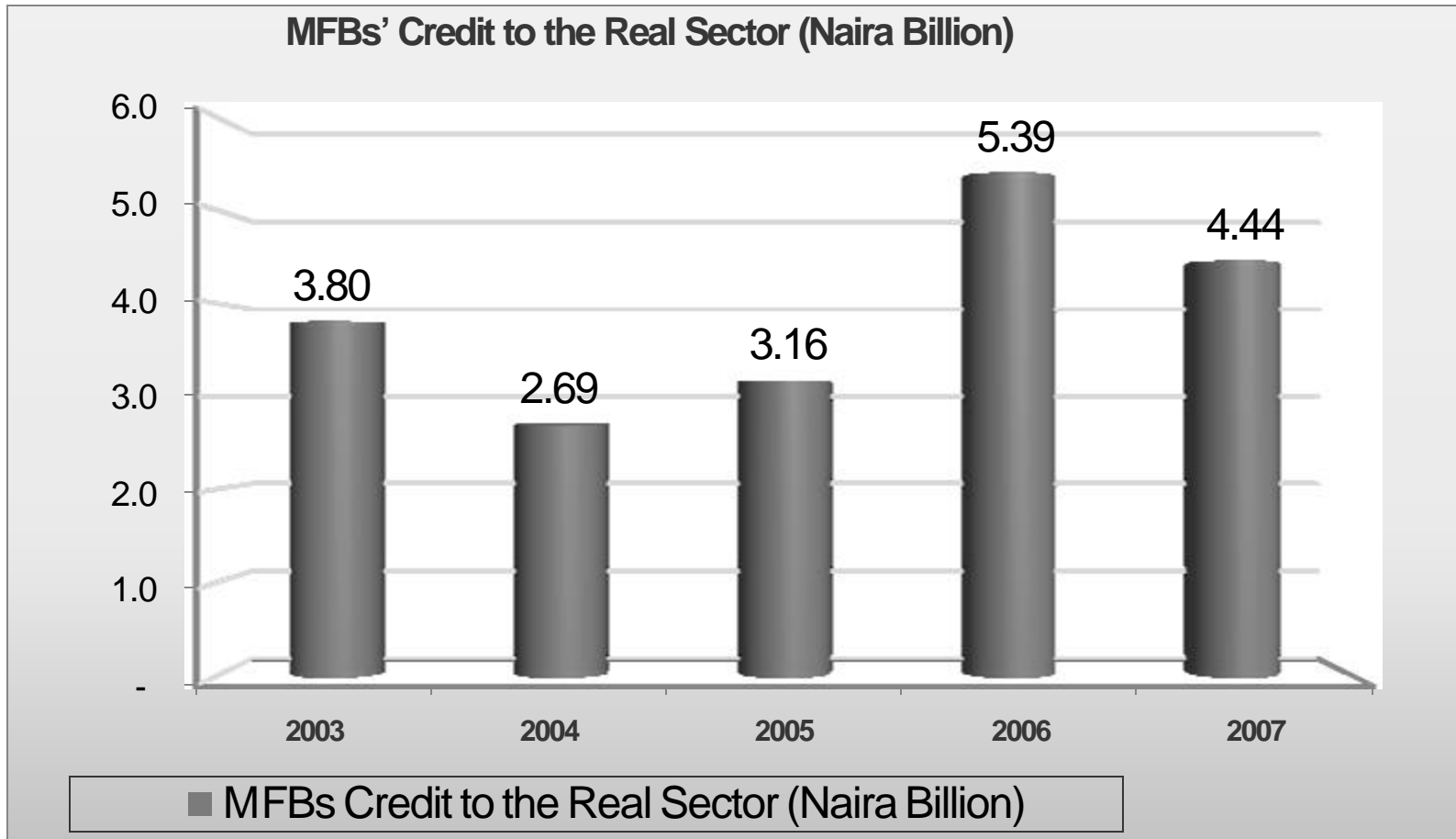


## Current Initiatives.... Outcome of Banking Reforms



# Current Initiatives....

## Outcome of Banking Reforms



## Current Initiatives....

### Outcome of Banking Reforms

<b>DMBs' Credit to SMEs As Percent of Total Credit</b>			
Year	Credit to SMEs (N'Bn)	DMB Total Credit (N'Bn)	Credit to SMEs as % of DMBs Total Credit (%)
2003	38.51	1,203.20	3.20
2004	26.31	1,519.24	1.73
2005	66.28	1,991.15	3.33
2006	134.68	2,524.30	5.34
2007	203.58	4,813.49	4.23

# Current Initiatives

<b>Financial Savings Ratio</b>					
<b>Year</b>	GDP (N billion) 1/	Non-oil GDP (N billion) 1/	Total Bank Deposit (N billion)	TD/GDP Ratio (%)	TD/Non-oil GDP Ratio (%)
<b>2003</b>	9913.52	5,799.60	1337.3	13.49	23.06
<b>2004</b>	11411.07	7,163.40	1661.5	14.56	23.19
<b>2005</b>	14572.24	8,907.40	2036.1	13.97	22.86
<b>2006</b>	18564.59	11,581.70	2852.0	15.36	24.63
<b>2007</b>	22907.31	15,747.60	4010.5	17.51	25.47
<b>June, 2008</b>	12,089.27	7,558.92	7,799.5	64.5	103.2
1/ GDP at Current basic prices					

# Current Initiatives ...

## *Microfinance Banks*

- In place of community banks, the CBN has set up a framework for establishing microfinance banks
- December 31<sup>st</sup> 2007 was deadline for all community banks to transform into microfinance banks
- About 790 now have full licences or Approvals in Principle

# Current Initiatives ...

## *Microfinance Banks*

- Improvements under the new microfinance banking regime:
  - Higher capital base (minimum of N20 million)
  - Scope for branch expansion provided they have free funds
  - Clearly defined business model
  - Capacity building programmes
  - More liberal ownership requirements
  - More stringent corporate governance regimes
  - Insurance for deposits



# Current Initiatives...

## Microfinance Banks

- On February 12, 2008, President Musa Yar'Adua launched the N50 billion microcredit scheme
- It is a public private sector initiative to pool funds for lending to the micro sector
- Banks will transfer the outstanding balance of about N20 b on SMEEIS to the fund
- States are to dedicate a proportion of their annual budgets to the scheme and there will be a matching grant for beneficiary states
- Borrowing will be at single digit rates

# Challenges To Providing Finance for women

- ***Supply Side:***

- Identifying profitable pools of market niches to service in relation to other viable options
- Managerial capacity to meet the large number of small accounts
- Documentation requirements
- Minimum entry requirements

- ***Demand Side:***

- Lack of proper identification
- Poor quality collateral
- Low savings capacity
- Cultural constraints against borrowing, interest payment, etc

## The Way Forward

- FSS 2020 as Road Map to the Future
- Before now the various sectors in the financial system have been involved in their individual reform processes
- FSS 2020 aims at having a comprehensive, consistent and coordinated reform system across the entire spectrum of the Nigerian financial system. This holistic approach is aimed at achieving the following objectives:

# The Way Forward

- Create a financial system that can sustain the Nigerian economy which could be one of the 20 largest economies in the world by the year 2020
- To make Nigeria Africa's financial hub
- To create an international financial centre in Nigeria
- **Entrepreneurship Development Centres (EDCs)**
  - CBN's effort to supplement the efforts of SMEDAN and others in skill acquisition and business management
  - Provide centres to teach skills on running businesses
  - The EDCs will be supported for a while and ultimately passed to the private sector
  - Women can apply to participate

# The Way Forward.....

## ..Legal Reforms And The New Economy

- The New Economy in Nigeria will be built on laws and many of them are either non-existent or are in need of amendment
- FIDA to help support advocacy groups to help engender an all-inclusive economy
- FIDA to participate in the legal reforms that are required to unleash the potential in various sectors like mortgage, consumer finance, credit and electronic banking. About 35 laws have been identified, including:

# The Way Forward.....

## ..Legal Reforms And The New Economy

### • **General**

- International Financial Centre Law – *New*
- Evidence Act - *Amendment*
- Laws and guidelines for easing and speeding up customs procedures – *Amendment*
- Consumer Bill of Rights
- Fiscal Responsibility Bill – *New*
- Creating commercial courts - *New*

### • **Credit**

- Equipment Leasing and Hire Purchase Laws –*Amendment/New*
- Law for establishing registries for moveable collateral assets in Nigeria - *New*

### • **Institutions**

- Banking and Other Financial Institutions Act (BOFIA) - *Amendment*
- Company and Allied Matters Act (CAMA) - *Amendment*

# The Way Forward.....

## ..Legal Reforms And The New Economy

- **Information and Communications Technology (ICT)**

- Cyber crime - *New*
- E-transactions and e-payments - *New*
- Privacy and data protection *New*
- E-documentation - *New*
- Electronic signature - *New*
- National identity - *New*

- **Investment Laws**

- Commodities trading (Derivatives – Options, Futures, Swaps etc) - *New*
- Taxation - *Amendment*

- **Insurance**

- NAICOM and Insurance Acts - *Amendment*
- Insurance and Pension Protection Fund - *New*

- **Mortgage (Real Estate)**

- Land Use Act - *Amendment*
- Tenancy laws - *Amendment*
- Mortgage insurance laws - *New*

# Concluding Remarks

- Women are a key segments of the Nigerian economy
- Recent initiatives if faithfully implemented will enhance gender equity and empower women
- To achieve that outcome, the legal reforms identified must be implemented and FIDA has a role to play.

Finally, all hands must be on deck in improving women access to finance and building an inclusive economy. We can do it!!!



**Thank You For Your  
Kind Attention**