

## **Frequently asked Questions on Financial Inclusion**

### **1. What is financial inclusion?**

Financial inclusion simply put, means bringing those who are currently not enjoying financial services such as savings, credit, payment, pensions, insurance, remittances amongst others into the financial system and by so doing, access and use such services for economic /other activities that better their lots. Financial services can be accessed from formal sources such as banks and development/other regulated formal institutions as well as from the informal sector such as from cooperatives, non-governmental organizations and credit union. In most cases the objective of most countries is to bring the excluded population into the formal sector which is perceived to be more dependable, less risky and more efficient, as well as create the platform for capturing transactions in the interest of economic and monetary policy.

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### **2. Why did Nigeria develop the national financial inclusion strategy?**

Nigeria developed the national financial inclusion strategy to provide the blue print that will guide and support stakeholder activities in advancing financial inclusion in the country. Before the strategy, there were several uncoordinated financial inclusion programmes from the Central Bank of Nigeria and the institution it regulates, government at federal and state levels, development partners and other organisations. The Strategy endeavours to present a comprehensive picture of the activities and maps out modalities for coordination, complementarity and synergy among the stakeholders.

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### **3. How will financial inclusion benefits the average Nigerian and the entire national economy?**

Most average Nigerians particularly in rural and peri-urban areas don't have access to financial services and as such, realization of their economic potentials has been impaired in the past. With financial inclusion, people can borrow from institutional sources that have been proposed in the strategy to support their business, increase their income, feed well, educated their children and aspire to improve their general living conditions. As income increase, such people will begin to save, accumulate assets and contribute more meaningfully and sustainably to general growth of the economy in terms of GDP and GND. When more people are empowered to contribute to economic growth, the pace of development will be faster. Financial inclusion is

generally therefore important to the country's vision 2020-20 of becoming the one of the largest economies globally.

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#### **4. What has Nigeria put in place to achieve its financial inclusion objectives?**

First the target set for the strategy nationally is to reduce the percentage of adult Nigerians that does not have access to financial services from 46.3% in 2010 to 20% in 2020. Equally, the strategy projected that 70% of adult Nigerian's should have access to payment services in 2020, 60% to savings and 40% each to credit, insurance and pensions. In order to achieve the above targets, the channels through which people can access the services such as branches of banks, microfinance banks, number of ATMs, mobile agents, POS, agents of deposit money banks are also expected to increase to specified numbers per 100,000 adults in 2020.

Accordingly, stakeholders are being encouraged and coordinated to ensure that the channel targets are met, while the Nigerian public is being sensitized to demand for, access and use the services available at these channels. Equally, regulators are being encouraged to develop relevant guidelines that will ensure that the number of access points increase. The Central Bank of Nigeria for instance, has issued guidelines on the agent banking and mobile money operations, both of which will make financial services available at points other than conventional brick and mortar branches that are often far from the people and difficult to reach. The Bank has also issued the tiered know your customer requirements which provides a window in tier one with simple documentation requirements, and by so doing, enable low income and rural people to open and operate accounts.

The financial literacy programme of the Bank in collaboration will enlighten both providers and the public on possible financial services and how best they can be provided and accessed. The MSME Development Fund provides subsidized interest funds for microfinance banks and institution to provide credit to customers who will demand for the services, while the consumer protection programmes will ensure that there is fair treatment of customers.

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#### **5. What have been put in place to ensure that the financial inclusion strategy is effectively implemented?**

The Central Bank of Nigeria has established a Financial Inclusion Secretariat to coordinate activities of stakeholders in implementing the strategy. The Data Management Office of the Secretariat will collect

information from stakeholders on pension, insurance, credit, savings and payment; and also provide analysis on progress being made from year to year. This will provide the basis for accountability, monitoring, evaluation and strategy review. The Financial Inclusion Strategy Coordination Office on the other hand, liaises with stakeholders, particularly the regulatory bodies such as the Nigerian Deposit Insurance Corporation, Securities and Exchange Commission, National Insurance Commission, Government, Pension Commission, and National Communication Commission amongst others. This is to ensure that they understand and perform their roles.

The responsibility for oversight of implementation of the Strategy rests with the Steering committee made up of apex regulators and the Governor of the Central Bank of Nigeria as Chairman. The Committee meets biannually to review progress and provides strategic direction for the stakeholders. In addition there is the Financial Inclusion Technical Committee which comprises Directors of relevant Departments in the CBN and their equivalents in relevant government Ministries, Departments and Agencies.

Currently, the activities of the Technical Committee are driven by four working groups namely, Financial Inclusion Channels, Financial Inclusion Products, Financial Inclusion Special Intervention (Youth, Women and People Living with Disabilities) and Financial Literacy Working Groups. The working groups address issues related to implementation in their assigned areas and report on progress to the Steering and Technical Committees.

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**6. Are there other parties apart from the Central Bank of Nigeria that will implement the Strategy?**

The Financial Inclusion Strategy for Nigeria is a national project and as such, there are various stakeholders involved in the implementation. The key stakeholders are broadly categorized into government and its agencies, regulators, financial service providers and their apexes infrastructure providers, mobile network operators and development partners, among others. Accordingly, each of these stakeholders has been assigned detailed roles as specified in the Strategy which they are expected to perform.

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**7. What procedure is put in place for us to know where we are each year on the achievement of the financial inclusion targets?**

The strategy document provides for an annual data gathering mechanism which upon analysis, will show where we are at any point

in time. So far, some studies are giving us indication on progress, for instance, the Enhancing Financial and Access 2012, Access to Financial Services Survey for Nigeria revealed that the national exclusion percentage dropped from 46.3% in 2010 to 39.7% in 2012, with all the geopolitical zones recording improvements in access levels. The survey which holds every two years will give information on progress on the targets.

Equally, the Central Bank of Nigeria is undertaking a collaborative work on financial service access points with the Bill and Melinda Gates Foundation. This provides a distributional picture on where the access points such as branches of banks, ATMs, POS, mobile money agents, microfinance banks and institutions, from which progress on access points per 100,000 as encapsulated in the Strategy can be derived.

The Central Bank of Nigeria intends to consolidate/collaborate more with all relevant agencies to generate necessary information that will tell the public where we are and also serve as a basis for strategy review. This is scheduled to be published in the Financial Inclusion Annual every year

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#### **8. In what way is Nigeria being supported by external development partners in our financial inclusion objectives?**

Foreign development partners have been demonstrating very remarkable interest in Nigerian financial inclusion agenda. In particular, the Alliance for Financial Inclusion (AFI) a global network of policy makers was instrumental to the development of the Strategy document and the printing of same. They supported the Central Bank of Nigeria to undertake Knowledge Exchange Programs to some countries to have experience on how such countries like Kenya, South Africa, Philippines, Cambodia, Brazil and Columbia were pursuing the course of financial inclusion.

The Bill and Melinda Gates Foundation has rendered support for the geospatial mapping of financial services access point in Nigeria and also funding consultants to support the Financial Inclusion Secretariat. At the domestic level, technical assistance is being provided on an ongoing basis by the Enhancing Financial Innovation and Access (EFINA), German Development Corporation, and the United Nation Development programme amongst others.