

## **Microfinance Policy Launch and Emergence**

Appropriate policy is critical to the development of sustainable micro finance institutions, sound micro finance practice and by implication viable micro enterprises in Nigeria. A micro-finance policy for Nigeria is expected to expand the financial infrastructure of the country to meet the financial requirements of the poor, low-income groups and micro-entrepreneurs. Serving such groups is expedient for three reasons. First, such services create benefits to the poor through provision of increased employment opportunities, reduction in poverty and vulnerability, empowerment, improved educational and nutritional level of family members, and better access to goods and services. Secondly, the micro-entrepreneurs constitute a target group to which micro-finance institutions could provide profitable service. Thirdly, it provides better economic opportunities for both clients and financial institutions that lead to growth and development of the entire economy.

In the past three decades, there has been overwhelming consciousness in Nigeria, on the need to put in the fore the improvement in the living standard of the people in all national economic and developmental policies. Efforts of Government have been geared towards narrowing the income gap between the urban and the rural sectors through breaking the cycle of unemployment, economic stagnation and poverty. The attainment of such economic growth or development efforts whether collective or individual, urban or rural needs to be financed and more often than not require enormous amount of capital infusion either from accumulated or procured sources.

The desire of stakeholders in the industry to address these major issues prompted the Federal Government of Nigeria, the World Bank, other multilateral agencies, private sector organisations and micro finance practitioners to organise the national conference on micro finance in September 2000. The communiqué issued at the end of the conference and the subsequent visit of the World Bank team to the Management of the Central Bank of Nigeria (CBN) strongly expressed the desire of participants at the conference to have the Bank take responsibility for developing appropriate policy, regulatory and supervisory framework for the operations of the Microfinance Institutions (MFIs) in Nigeria. This was based on its vantage position as the apex regulatory body of financial institutions in Nigeria and on the powers conferred on it by the provisions of Section 28 subsection (1) (b) of the CBN Act 24 of 1991 [as amended] and in pursuance of the provisions of Sections 56-61 of the Banks and Other Financial Institutions Act [BOFIA] 25, of 1991 [as amended].

An Inter-departmental Committee on Micro Finance Policy and Programme Development (MPPDC) comprising Development Finance Department (DFD), Research Department (RD) and Other Financial Institutions Department (OFID) was set up by the management of the CBN to handle the assignment. The Legal Services Department was later co-opted as a member of the MFPPDC to provide legal advice on the policy. The Management of the Bank approved that a baseline survey be conducted to enable the Committee achieves its mandate of developing appropriate policy, legal and regulatory framework. In year 2001, the Committee conducted the baseline survey on the activities of micro-finance institutions (MFIs) in Nigeria. Consequently, consultative stakeholders' fora were organized in year 2002 in four locations across the country (Akure, Bauchi, Kano, and Owerri). The inputs gathered from the four fora were used to produce the draft micro-finance policy. The draft was presented to the Management of the Bank in September 2003, requesting that the document be scrutinized at both national and international fora. Following the Management's approval on this, the 'National Meeting of Stakeholders on Micro-Finance Policy in Nigeria' was held from 26<sup>th</sup> to 27<sup>th</sup> February, 2004 to review the policy, while an International Validation Summit was also convened from 18<sup>th</sup> to 19<sup>th</sup> March, 2004. The contributions of participants at both fora were brought to bear on the policy. Between January and February 2005, members of the MFPPDC undertook a Microfinance Study Tour to India, Pakistan, Indonesia, Philippines and Uganda. The objective was to obtain practical experiences of countries which had successfully implemented microfinance policies with the view to enriching the policy.