e-Government and Financial Inclusion: The Road Nigeria needs to travel

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Technical Session 4: Financial Inclusion

e-Government and Financial Inclusion: The Road Nigeria needs to travel

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Discussants:
- Mr. Gabriel Aduda, Director, Economic Policy & Research Management Department, Federal Ministry of finance
- Dr. Babajide Fowowe, Senior Lecturer - Department of Economics, University of Ibadan
- Mr. Paul Tswanya, Vice President, Government Services and Solutions, Sub-Saharan Africa - Mastercard
"Nothing will have a greater impact on the way governments interact with citizens and each other than their effective use of technology."

*Bill Gates, Microsoft Government Leaders Conference – March 27, 2001*
Financial Inclusion Secretariat
Central Bank of Nigeria

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Domain of e-Government

- **Build External Interactions**
  - Improving the interactions between government, agencies and businesses in order to enhance quality, convenience and cost.
  - Building the social and economic capacities and capital of local communities.

- **Improve Government Processes**
  - Cutting process costs, improving the input to output ratio by cutting financial costs and/or time costs.
  - Managing process performance through planning, monitoring and controlling resources (human, financial and other).

- **Connecting Citizens**
  - Enhancing accountability in the relationship between government and citizens.
  - Improving services delivered to members of the public along dimensions such as quality, convenience and cost.

Source: eGovernment for Development: www.egov4dev.org/success/definitions.shtml
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What really is Financial Inclusion?

“Financial inclusion is achieved when adult Nigerians have easy access to a broad range of financial services that meet their needs at an affordable cost.”

The services include, but are not limited to:

I. Payments  
II. Savings  
III. Loans  
IV. Insurance  
V. Pension  
VI. Investments*

*Capital Market products and services, including mutual funds and collective investment schemes; Inaugural National Financial inclusion Steering Committee, January 2015
The overall target of the National Financial Inclusion Strategy is the reduction of the percentage of adult Nigerians that are excluded from financial services from 46.3% in 2010 to 20% in 2020.

**DEFINITION OF FINANCIAL ACCESS**

- **Banked**: use a deposit money bank, use electronic cards, savings, current or fixed deposit account, mortgage, overdraft, non-interest banking product;
- **Formal other**: use other formal institutions and products including Insurance, microfinance, pension schemes or shares. It also includes remittances,
- **Informal only**: use only informal services and products, savings clubs/pools, esusu, ajo, or moneylenders; informal remittances e.g. via a transport service or recharge card,
- **Financially excluded**: not in previous categories, may use loan/gift from friends or family, loan from employers, as well as remittances via friend/family member.

These four strands are mutually exclusive
Financial Inclusion Across Geopolitical zones

Why do we need Financial Inclusion?

Financial Inclusion enables underserved people and communities to have access to financial services that would:

- enhance their economic opportunities;
- boost productivity in various sectors and,
- contribute to economic development.
“Economic growth that results in a wider access to\nsustainable socio-economic opportunities\nfor a broader number of people, regions or countries,\nwhile protecting the vulnerable, all being done in\nan environment of fairness, equal justice, and\npolitical plurality.”

_African Development Bank:_
Briefing Note for AfDB’s Long-Term Strategy, Briefing Note 6 – Inclusive Growth Agenda, 2012
### Inclusive Growth: Linkages and Implications for Nigeria

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Support</th>
<th>Stimulation</th>
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<tbody>
<tr>
<td>Reduction in income inequality and economic growth</td>
<td>Support for building household assets and improved standard of living</td>
<td>Stimulation of micro-entreprise and job creation</td>
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<td>Institutional capacity building through transparency and accountability</td>
<td>Increase in density of financial services in rural areas</td>
<td>Strengthen integrity of the financial system, win-win collaboration between stakeholders</td>
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<td>Opportunity to bridge the infrastructure gaps and reduce cost of operations</td>
<td>Avenue for Innovation and quality standards in service delivery</td>
<td>Development of appropriate regulations to support national development</td>
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## Inclusive Growth: Identified Issues

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<th>Income, Enterprise and Mobility</th>
<th>Transparency/Trust</th>
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<tr>
<td>Education/Literacy</td>
<td>Technology, Unique Identification</td>
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<tr>
<td>Eligibility/Process</td>
<td>Governance, Consumer Protection</td>
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<td>Private-sector Development</td>
<td>Infrastructure development and maintenance</td>
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EFInA Access to Financial Services in Nigeria 2014 survey
African Development Bank: Briefing Note for AfDB’s Long-Term Strategy, Briefing Note 6 – Inclusive Growth Agenda, 2012*
Central Bank of Nigeria

- Setup the Financial Inclusion Secretariat to coordinate stakeholder implementation efforts towards the 80% target achievement for the National Financial Inclusion Strategy.

- Inaugurated the National Financial Inclusion Steering and Technical Committees comprising cross-functional stakeholders to provide Executive-level oversight and commitment to the 2020 goals.

- Launched several Empowerment schemes to promote access to finance e.g. N220 billion Micro Small and Medium Enterprise Development fund (MSMEDF).

- Establishment of the National Collateral Registry (NCR) for movable assets.

- Licensed 21 mobile money operators, released guidelines for Agent Banking, Shared Agent Network, Financial Literacy and Tiered Know Your Customer (KYC) Requirements.

- Promotion of Digital Financial Services through the Cashless Nigeria initiative.

- Establishment of Entrepreneurship Development Centres at Geopolitical zones.

- Initiated automation of consumer protection complaints management to improve the efficiency of issue resolution.
Industry Stakeholders: Sample Apex Regulators

**Federal Ministry of Finance**: Anchoring several Government-led social safety net programs to promote access to finance for Nigerians. Collaborating with the Central Bank of Nigeria, Federal Ministry of Agriculture on the Nigerian Agricultural Payment Initiative (NAPI) for farmers.

**Federal Ministry of Communications Technology**: Initiated a bill to enable NIPOST provide financial services as agents of banks and undertook steps to promote investments in long distance fiber optic cables from which telco/others stakeholder could draw transmission infrastructure and necessary connectivity for their operations.

**Nigeria Deposit Insurance Corporation (NDIC)**: Drafting framework for extending deposit insurance coverage to individual subscribers of mobile money operators in Nigeria, providing Deposit Insurance coverage to Microfinance Banks, Primary Mortgage Banks and Non-Interest Banks. Also developed curriculum for teaching deposit insurance and other financial literacy modules in Nigerian universities.

**National Pensions Commission (PenCom)**: Secured the passage of the 2014 Pension Reform Act that included the informal/private sector in the Contributory Pension Scheme, as well mandatory State Governments participation in the scheme.
### Industry Stakeholders: Sample Apex Regulators

**Nigerian Communications Commission (NCC):** Harmonizing of USSD short codes for mobile payment transactions amongst Network Operators and Providers. Collaborating with the CBN to develop harmonized guidelines and framework for the operation of Mobile Payment Services and implementing the Broadband initiative to increase penetration and drive down price of mobile payment services.

**National Insurance Commission (NAICOM):** Implementing micro insurance guidelines, issued guidelines on Takaful (Islamic/Non-Interest) to reduce exclusion related to religious and/or cultural beliefs and supporting partnerships between Insurance companies and Telcos to offer life insurance policy to Telco subscribers based on a daily premium deduction from airtime.

**Securities and Exchange Commission (SEC):** Established a financial inclusion division, promoting collective investment schemes and non-interest capital market products, launched a 10-year capital market master plan (2015-2025).

**National Identity Management Company (NIMC):** launched the National e-ID card which provides identification number to promote unique identification of Nigerian.
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Government's Call to Action

Harmonize Identity schemes
- National ID Card, Bank Verification Number, Drivers’ license, Permanent Voters’ Card, International Passport, SIM Card Registration

Enhance Financial Capability of citizens
- Financial Literacy, Empowerment Schemes, Enlightenment Campaigns, Consumer Protection

Expand Digital Channels for financial services
- Cashless Nigeria - Electronic G2P Payments, Increased dispersion of electronic channels, scaling up Agent banking and Mobile payments

Foster Public-sector Innovation
- e.g. Government Integrated Financial Management Information System (GIFMIS)
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Citizens' Call to Action

**Payments**
- Embrace Cashless Nigeria
- Adopt Shared Services to reduce operational costs

**Savings**
- Imbibe Savings culture
- Diversify income streams

**Credit**
- Ensure Responsible borrowing
- Leverage Credit enhancement schemes

**Insurance**
- Subscribe and mitigate risks to life and properties
- Explore Micro-insurance, Takaful/Non-Interest Insurance

**Pension**
- Compliance with statutory contributory schemes
- Leverage informal market pensions

**Investment**
- Explore mutual funds and collective investment schemes
- Explore investments in the real sector of the economy
Panel Discussions

1. Prospects and Challenges within the Public-private sectors in serving low-income segments in Nigeria

2. Addressing Consumer level issues in Government-led programs to promote inclusive growth

3. Impact of Inclusive growth on households and nation building
80% by 2020

...working together, we can achieve our goals and give Nigerians the chance to live longer, better and more fulfilled lives.

Godwin Emefiele
Governor, Central Bank of Nigeria

Further discussions and enquiries? fis@cbn.gov.ng

Thank you.