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Macroeconomic stability and the role of financial institutions in promoting financial inclusion in Nigeria

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MACROECONOMIC STABILITY AND THE ROLE OF FINANCIAL INSTITUTIONS IN PROMOTING FINANCIAL INCLUSION IN NIGERIA

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1.0 BACKGROUND

Financial inclusion is on the front burner of contemporary economic discourse. The attention it is receiving is energized by its observed potency in engendering inclusive growth. Widening inequality in developed countries and the concurrent existence of high economic growth and high incidence of poverty are symptomatic of non-inclusive growth. It is paradoxical that the Nigerian economy grew by an average of 7.5 per cent between 2004 1nd 2010, yet poverty levels increased from 54 per cent to 70 per cent in the comparable period. So, where does the growth go to? There has been several attempts to explain this phenomenon. One school of thought points to differential return to factors of production in different functional sectors of the economy- the so called inclusive growth factor.

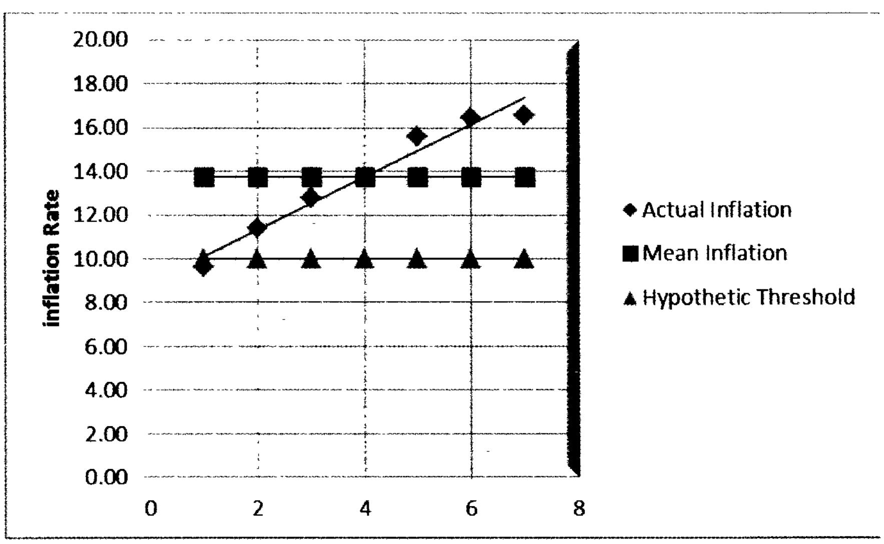
Policymakers know that non-inclusive growth is laced with ingredients of community implosion so That urgent efforts are being made to realign social benefits to move in tandem with the growth of the domestic product. Making finance available for the vast majority of populace is one sure means of lifting above the poverty line and this is the need for conscious financial inclusion.

Positive growth of the economy is prerequisite for financial inclusion but the stability of the economy is sine qua non for economic growth. Therefore, the discussion of financial inclusion is best served when encased in the framework of the extent to which the economy is stable. Thus, the next section highlights ramifications of macroeconomic stability.

1.1 Macroeconomic Stability

There is evidence that economic growth proceeds inversely with macroeconomic instability. Technically, there are numerous inclinations in the computation of the macroeconomic stability index. Ismihan (2003) was simplistic and utilized the current value of the variable (say X), the minimum value and the maximum value over a time period, to determine the index. In the model, the mathematical difference between the Xn (current X) and the Xmn (minimum X) divided by Xmx (maximum X) minus Xmn indicates the instability index. Jaramillo and Sancak, 2007) is more complicated in that the index is derived by aggregating weights of inflation, exchange rate, reserves (relative to base money, and fiscal balance relative to GDP after dividing each by their respective standard deviations. Reserves and fiscal balance enter the model as negatives. This approach should yield a more robust result given implied simultaneity in the interaction among the variables.

Chart 1. Inflation Jan – July 2016



However, for the purpose of this paper, we could measure instability in the economy by swings of the inflation and exchange rates. Wide swings of inflation and exchange rate around their mean values, over time, indicate instability. In this sense stability of the economy would depend on the factors that 'surprise' inflation and exchange rate dynamics. Thus, one simple extraction of instability would be taking the standard deviation of the variables in their time series. Monetary policy might be deployed to counteract instability of inflation and exchange rate, while fiscal policies have also been deployed to deal with instability arising from governments' financial operations. Government could unsettle the national income equilibrium from many directions. From the demand side, we could extract the effect of a change in government expenditure on income by paying attention to the marginal propensity to save, and the sensitivity of demand for money with respect to interest rate and income.

Monetary authorities are apologists of demand-side economics and hope that reining in inflation would steady the economy. This supports the price stability objective of most central banks. Although inflation has received a lot of review, it is tricky to handle in the policy realm. Is inflation pro-growth or anti-growth? The current economic outlook in Nigeria is a vindication of the dual functional relationship between inflation and growth. The gross domestic product of Nigeria declined by 1.8 per cent in the first quarter 2016 coinciding with inflation exceeding its threshold. This is the support for the current increase in the monetary policy rate of the Central Bank of Nigeria. The increase in the policy rate also helps to stabilize the movement in the exchange rate.

The macroeconomic environment lulls or kindles the zest for financial inclusion. A sound macroeconomic landscape assures safety and soundness of deposit money banks, which are principal agents in driving financial inclusion, and enhancing orderly investment and consumption. The next section discusses financial inclusion and related concepts

2. FINANCIAL INCLUSION AND RELATED CONCEPTS

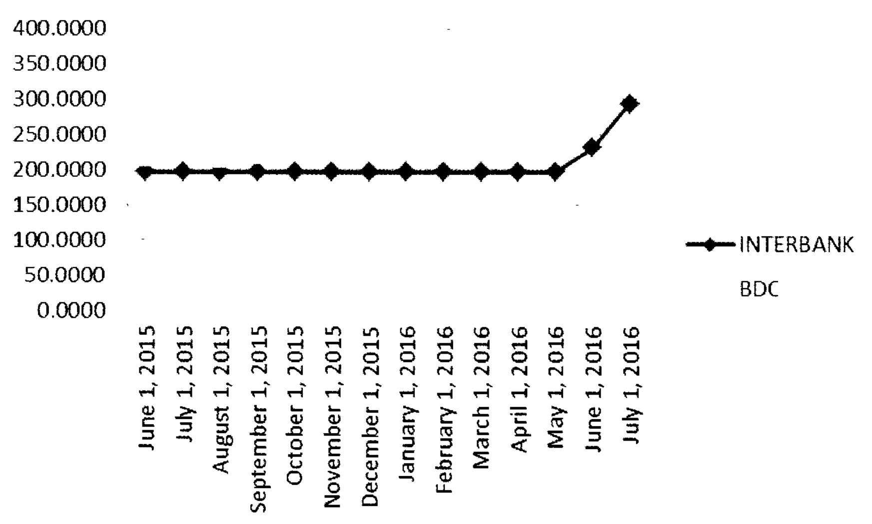
2.1 Financial Inclusion

Financial Inclusion is generally seen as the delivery of financial services such as savings, credit and insurance to the disadvantaged and low-income segments of the society at affordable costs. Financial inclusion could also be defined as a process or situation which allows for ease of access to, or availability of and usage of formal financial systems by members of the economy. It describes a process where all members of the economy do not have difficulty in opening bank account; can afford to access credit; and can conveniently, easily and consistently use financial system products and facilities without difficulty. It is the process which ensures that a person's income is maximised, expenditure is controlled and can exercise informed choices through access to basic financial services (PCC Financial Inclusion Strategy, 2009 in Kama and Adigun, 2013).

The Centre for Financial Inclusion defines financial inclusion as "a state in which all members of a society have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. It is a state where financial services are delivered by a range of providers, most of them private sector, and reach everyone who can use them, including the poor, disabled, rural, and other excluded populations" (Centre for Financial Inclusion, 2010).

The concept is in a state of flux because more and more countries are embracing it as a practical policy objective. Thus, different agencies try to define and re-define it. Not just that, key financial organizations, IMF and the World Bank have lent strong support requiring that the different definitions be harmonized to ensure ease of comparison. According to the G20 2015 Report, financial inclusion refers to a state in which all working-age adults have effective access to the following financial services provided by formal institutions:

Chart 2. Exchange rate of the naira



credit, savings (defined broadly to include transaction accounts), payments, insurance and investments. 'Effective Access' is emphasized to show that access must be convenient and responsible tailored to the needs of financially excluded and underserved.

The G20, recognizing the importance of financial inclusion had developed a body of principles to guide the drive. These principles include;

a. Leadership

Cultivate a broad-based government commitment to financial inclusion to help to alleviate poverty.

b. Diversity

Implement policy approaches that promote competition and provide market-based incentives for delivery of sustainable financial access and usage of a broad range of affordable services (savings, credit, payments and transfers, surance) as well as a diversity of service providers

c. Innovation

Promote technological and institutional innovation as a means to expand financial system access and usage, including addressing infrastructure weaknesses.

d. Protection

Encourage a comprehensive approach to consumer protection that recognizes the roles of government, providers, and consumers

e. Empowerment

Develop financial literacy and financial capability.

f. Cooperation

Create an institutional environment with clear lines of accountability and coordination within government; and also encourage partnerships and direct consultation across government, business, and other stakeholders.

g. Knowledge

Utilize improved data to make evidence-based policy, measure progress, and consider an incremental "test and learn" approach by both regulators and service providers.

h. Proportionality

Build a policy and regulatory framework that is proportionate with the risks involved in such innovative products and services, and is based on an understanding of the gaps and barriers in existing regulation.

I. Framework

Consider the following in the regulatory framework, reflecting international standards, national circumstances and support for a competitive landscape: an appropriate, flexible, riskbased AML/CFT regime; conditions for the use of agents as a customer interface; a clear regulatory regime for electronically stored value; and market based incentives to achieve the long-term goal of broad Inter-operability and interconnection.

2.2 Measures of Financial Inclusion

There are several measures of financial inclusion. The IMF Financial Access Survey started in 2004 adopts the following indicators of financial access and usage:

Access Indicators

1. Number of commercial bank branches per 1000 km2
2. Number of commercial bank branches per 100, 000 adults
3. Number of ATMs per 1,000 km2
4. Number of ATMs per 100,000 adults

Usage Indicators

1. Number of borrowers from commercial banks per 1000 adults
2. Outstanding loans from commercial banks (% of GDP)
3. Number of depositors with commercial banks per 1000 adults
4. Outstanding deposits with commercial banks (% of GDP)

There are other indicators used by other organizations interested in financial inclusion. The AFI Core Set of Financial Inclusion Indicators measures access with indicators like

1. Number of access points per 10,000 adults at a national level and segmented by type and by relevant administrative units

Table 2. Financial Inclusion by Geopolitical Zones in Nigeria

Zone	Inclusion/Exclusion	2014	2012
North East	Formally Included	26.1	25.7
	Informally included	5.4	14.8
	Excluded	68.4	59.5
North West	Formally Included	35.4	22.5
	Informally included	8.6	13.7
	Excluded	56.0	63.8
North Central	Formally Included	48.9	48.2
	Informally included	18.5	19.5
	Excluded	32.7	32.4
South West	Formally Included	62.6	57.7
	Informally included	12.7	17.5
	Excluded	24.8	26.8
South South	Formally Included	52.3	52.3
	Informally included	15.0	17.6
	Excluded	32.7	30.1
South East	Formally Included	63.3	52.0
	Informally included	11.3	22.4
	Excluded	25.4	25.6

2. Percentage of administrative units with at least one access point
3. Percentage of total population living in administrative units with at least one access point.
   It measures usage with indicators like
4. Percentage of adults with at least one type of regulated deposit account (in countries where these data are not available, use as proxy the number of deposit accounts per 10,000 adults)
5. Percentage of adults with at least one type of regulated credit accounts (in countries where this data is not available, use as proxy the number of loan accounts per 10,000 adults

2.3 Financial Exclusion

Financial exclusion is the inability of individual, household or group to access formal financial products and services. To Mohan (2006), financial exclusion signifies lack of access by certain segments of the society to appropriate low cost, fair and safe financial products and services from mainstream providers. According to K. C. Chakraborty "Financial Exclusion" is the lack of access by certain consumers to appropriate, low cost, fair and safe financial products and services from mainstream providers. Financial exclusion can make poor people vulnerable to loan sharks. It breeds poverty and hinders overall development of a country. It not only widens the "Rich-Poor divide", it also leads to "Social exclusion".

2.4 Inclusive Growth

According to the Wikipedia, inclusive growth basically means making sure everyone is included in growth, regardless of their economic class, gender, sex, disability and religion. Inclusive growth approach takes on long term perspective and the focus is on productive employment rather than merely direct income redistribution as a means of increasing income for excluded groups. Thus inclusive growth approach took a long term perspective of development. According to World Bank, the growth said to be inclusive when the growth to be sustainable in long run and it should be broad based across the sector and inclusive of large part of countries labour force. Inclusiveness should understand in the sense and focusing on equality of opportunity in terms access to markets, resources and unbiased regulatory environment for business and individual.

2.5 No frills Accounts

No frills account is a basic banking account that requires either nil or very low minimum balance and charges aimed at making such accounts accessible to vast majority of the population. No-frills accounts provide basic banking facilities to the poor and in the process promote financial inclusion.

2.6 Financial Services

Financial Services refer to the services provided by the financial market. Financial Services is also the term used to describe organizations that deal with the management of money. Examples are the Banks, investment banks, insurance companies, credit card companies and stock brokerages. Financial Services can also be termed as, any service or product of a financial nature that is maintained by a Party or by a public body that exercises regulatory or supervisory authority delegated by law. They include firms within a market, that provide a variety of money and investment related services. Financial Services are not limited to deposit-taking, loan and investment services, but also include insurance, estate, trust and agency services, securities, and all forms of financial or market intermediation including the distribution of financial products.

2.7 Unbanked and Under-banked

The word unbanked is an umbrella term used to describe diverse groups of individuals who do not use banks or credit unions for their financial transactions. They have neither a checking nor savings account. The Federal Deposit Insurance Corporation (FDIC) described the unbanked as those adults without an account at a bank or other financial institutions and are considered to be outside the mainstream financial fold for one reason or the other. The under-banked on the other hand is a general label describing two consumer segments: individuals with no bank accounts (unbanked) and individuals with bank accounts who regularly use nontraditional financial institutions such as check cashers and payday lenders. Some school of thoughts however describes the under-banked as those consumers having either a checking or savings account, but also rely on alternative financial services.

2.8 Inclusive Finance

Inclusive finance refers to the range of banking products and services made available to the poor and low income segment of the society. These people are usually edged out of the formal banking system due to their low income. With inclusive finance therefore, such category of people are able to finance their activities, save money, support their families and hedge against the risks of everyday life. Inclusive finance products and services include microloans, micro-insurance, money transfers, micro-pensions and savings products. They are usually provided by a variety of financial institutions, including microfinance institutions, cooperatives, micro-insurance brokers, banks, etc.

2.9 Trends in Financial Inclusion in Nigeria

The Enhancing Financial Inclusion and Access (EFInA) reported that of the total number of adults in Nigeria, 60.5 per cent were financially served, while 39.5 were excluded. However, of the total financially served 48.6 per cent were formally served while 11.9 were informally served. The comparable numbers for 2010 were 53.7 per cent for financially served and 46.3 per cent excluded. Table below shows trends in targets and achievements since the launch of the financial inclusion strategy.

3. IS THERE A ROLE FOR FINANCIAL INSTITUTIONS IN PROMOTING FINANCIAL INCLUSION

3.1 Some Opinions in Literature

Questions about the role of financial institutions in promoting financial inclusion appear rhetoric because there would not be a discussion of inclusion if there were no organized machinery for sourcing and allocating resources in the economy. This is the main role of financial institutions if we agree that they are entities that engage in finance and finance related transactions including investments, loans and deposits, so that economic agent has one form of interaction or another with them. To set the tone for the discussion, it is important that the strands of views in literature are presented as building block.

Access to safe, easy and affordable credit and other financial services by the poor and vulnerable segment of the society is regarded as a pre-condition for accelerating growth and reducing income inequalities and poverty. More so, access to a well-functioning financial system with equal opportunities, enables economically and socially excluded people to integrate better into the society and actively contribute to development and protect themselves against economic shocks. In this regard, financial institutions being at the forefront of extending financial services to the wider sections of the population, plays significant role in engendering financial inclusion and promoting growth. An organized financial system comprising commercial Banks, microfinance banks, co-operative banks, agricultural credit societies and post offices caters to the financial services needs of the people, thereby promoting financial inclusion. Financial institutions therefore play a crucial role in bringing financially excluded people into the formal financial fold, even as policies of the government and Central Banks towards financial inclusion are implemented through financial institutions (Ravikumar 2013).

Archana (2013) was also of the opinion that financial institutions play an important role in the mobilization and allocation of resources in any country, noting that this was evident given the immense contribution of banks to the process of financial inclusion. He added that banks are the key pillars of any country's financial system and therefore commands immense public faith and respect. According to Sekhar (2013) the role of financial institutions in promoting financial inclusion can be thought of in two forms of exclusion. One is exclusion from the payments system i.e. not having access to bank accounts, while the second is exclusion from formal credit markets, forcing the excluded to approach informal and exploitative markets. He asserted that limited access to affordable financial services such as savings, loan, remittance and insurance services by the vast majority of the population in the rural areas and unorganised sector constraint the growth impetus in these sectors, noting that these basic financial services broadens livelihood opportunities and empowers the poor to take charge of their lives. He concluded that in addition to these benefits, financial Institutions imparts formal identity, provides access to payments system as well as savings safety nets like deposit insurance.

The Microfinance Focus in its 2014 Asia Microfinance Forum stated that improving access to financial services for the world's poor, to a large extent, hinges on the actions of financial institutions, which are often the primary, and in some cases, the only provider of these crucial services in many parts of the world.

Khaitan (2014) viewed financial development as not only promoting economic growth but can also help divide it more evenly. He argued that certain forms of financial development, particularly those that broaden access to finance, can benefit the poor disproportionately by

Table 3. Financial Inclusion Targets and Outcome (% of Total Adult Population)

Targets	2010	2014*	2015(f)	2020(f)
Payments	22	24	53	70
Savings	24	32	42	60
Credit	2	23	26	40
Insurance	1	1	21	40
Pensions	5	5	22	40

Source: EFInA 2014

increasing capital flow and increasing efficiency of capital allocation thereby reducing inequality. He added that better access to credit by the poor enables them to pull themselves out of poverty by investing in their human capital and microenterprises, thus reducing aggregate poverty, noting that financial depth has a significant impact on poverty reduction through channels such as entrepreneurship and inter-state migration of workers towards financially more developed states. He further stated that the role of financial services was to help customers maximise the benefits from their human and material resources while minimising the impacts of adverse shocks on their lives, emphasizing that financial products do this through interaction with the natural financial flows of the household. He therefore cautioned that the wrong financial tools or irresponsibly delivered financial services – can have adverse effects, suggesting the importance of effective consumer protection in particular to ensure positive effects on micro stability.

Joseph and Varghese (2014) also noted that banking and financial services play crucial roles in the growth and development of an economy, adding that a well-functioning and inclusive financial system is linked to a faster and equitable growth. They therefore posit that it is necessary to provide individuals with easy and affordable institutional financial products or services popularly known as financial inclusion. They however emphasized that for financial inclusion drive to be effective, there was a need for coordinated action amongst financial institutions, the government and related agencies to facilitate access to financial services to the financially excluded. They argued that on its own part financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development

On his part, Agunleye (2015) opined that one of the important pre-requisites for building confidence of the depositors, particularly among the low income segment of the society is deposit insurance. By insuring deposit liabilities of all licensed banks and such other deposit-taking financial institutions such as micro-finance banks, deposit insurance engenders confidence in the financial system, which positively impact financial inclusion.

From, above renditions, it is simple to infer the unison that financial institutions are indispensable in the promotion of financial inclusion. Therefore, the job before us is to relate these roles which financial institutions play to the Nigerian environment.

3.2 The Role of Financial Institutions in Financial Inclusion in Nigeria

Financial institutions operate within a financial system. The latter describes the organization of actors that facilitates the exchange of funds among lenders, investors, and borrowers. We could discuss financial system at the global, regional of national stratum. Focus is on the national level here.

For the financial system to operate optimally, enforcement of contracts must be assured. This is the need for the enactment of laws and codes of conduct. The banking system is a sub-set of the financial system and is supervised and regulated by the Central Bank of Nigeria. And this activity of the central bank ensures stability in the system. The stabilizing role of the Bank has two main facets. The maintenance of price and monetary stability has already been mentioned. For emphasis, it relates to minimizing the volatility in the inflation rate and exchange rate of the naira. The second concerns financial stability, which is the term for explaining the state of the financial system when financial markets and other institutional set-up could withstand economic shocks and provide efficient intermediation of financial resources,

Prima facie, macroeconomic stability and financial system stability may appear not to be mutually exclusive so that the attainment of one means the attainment of the other. In fact, policymakers would appreciate this condition which, unfortunately, the recent global financial and economic crisis proved was not the case. There is current research to link the reaction function of central banks to the balance sheet of deposit money banks so that operating targets could simultaneously work macroeconomic and financial stability. You may join the research effort.

We had mentioned the fact that macroeconomic stability would support investment and growth of the economy it could be extrapolated to show that the CBN promotes financial inclusion by ensuring stability in the economy. With respect to the deposit money banks ensuring financial stability would ensure they are safe and sound and able to execute businesses smoothly. Financial inclusion, we hope, should be a positive externality from this.

Stability aside, over the years the CBN has taken concrete steps to foster financial inclusion in Nigeria. You are aware that the financial inclusion strategy launched in January 2012 was an attempt to formalize financial inclusion as a tangible target of policy. Some of the tenets of the strategy included raising confidence in the banking system and creating awareness about financial transactions and services. It also was to provide seamless payment platforms to accommodate the needs of all segments of the economy.

Since the launch, the Bank has created a dedicated financial inclusion office and a consumer protection department. These advance financial literacy and provide an accessible avenue for consumer complaints and dispute resolutions. Tables below show some indicators of efforts at financial inclusion sourced from CBN 2015.

Chart 3. Selected Financial Soundness Indicators (%) of the Nigerian Banking Industry

	2011		2012		2013		2014		2015*	
Indicators	**End June**	**End Dec**	**End June**	**End Dec**	**End June**	**End Dec**	**End June**	**End Dec**	**End June**	**End Dec**
1. Asset Based										
Nonperforming loans to total gross loans	11.6	5.8	4.5	3.7	3.9	3 4	3.5	2.9	5.3	5.0
Liquid assets (core) to total assets	11 6	16 0	14.3	16 2	13.7	16.8	11.7	11.4	18.5	16.3
Liquid assets (core) to short-term liabilities	15.2	21.8	19.4	22.1	19.0	23.1	16.6	16.7	27.1	25.0
2. Capital Based Indicators										
Regulatory capital to risk-weighted assets	4.2	17.9	17.7	18 3	18.9	17.1	16.4	17.2	17.5	17.5
Regulatory Tier 1 capital to risk-weighted assets	4.5	18.1	17.8	18.0	18.5	17.1	16.1	15.5	15.1	17.4
Nonperforming loans net of provisions to capital	40.7	7.1	4.3	3.8	5 9	5.8	5.6	4.1	5.5	7.4
3. Income and Expense Based Indicators										
Interest margin to gross income	49.4	31.0	67.7	62.0	65.2	63.9	62.7	51.2	62.2	65.0
Noninterest expenses to gross income	70.6	24.4	59.2	64.8	62.7	68.1	65.5	56.9	63.1	64.7
Personnel expenses to noninterest expenses	41.1	67.8	39.3	42.5	39.5	36.9	38.5	36.6	35.0	40.1

** Provisional*

Table 3. Summary of Transactions in DMbs

Description	2014	2015	Change	% Change
Total No. of Borrowers	125,371	157,501	32,130	25.63
No. of Borrowers with outstanding credits	48,837	61,580	12,743	26.09
No. of Credit/facilities	78,341	120,750	42,409	54.13

Table 4.1 : Electronic Card Transactions

Payment Channel	Number of Terminals		Number of Transactions		% Change (Volume)	Value of Transactions (₦ Billion)		% Change (Value)
	June 2015	Dec 2015	June 2015	Dec 2015		June 2015	Dec 2015	
ATMs	15,935	16,406	206,605,285	226,982,338	9.86	1,900.39	2,069.86	8.92
POS	134,561	139,182	14,924,041	18,796,892	25.95	200.88	247.63	23.27
Mobile	-	-	18,773,872	25,159,490	34.01	192.04	250.31	30.34
Internet (Web)	-	-	3,328,020	4,653,341	39.82	39.81	51.77	30.04
Total			**243,631,218**	**275,592,061**		**2,333.12**	**2,619.57**	

Table 4. : Licensed Payment System Operators

Licence –Type	Number	
	June 2015	Dec 2015
Card Schemes	3	3
Mobile Money Operators	19	21
Payment Solution Service Providers	3	3
Payment Terminal Service Providers	14	14
Switches	6	6
Third Party Processors	2	2
Total	**47**	**49**

Table 3: Comparative Analysis of Key Consumer Complaints Indicators

S/No	Description	1st Half 2015	2nd Half 2015	Difference	%
1	Number of Complaints received	747	1,010	263	35.21
2	Number of Complaints resolved/closed	481	657	176	36.59
3	Amount claimed (₦' billion)	8.09	12.17	4.08	50.45
4	Amount refunded (₦' billion)	1.87	4.42	2.55	136.35
5	Amount claimed (US$ Million)	0.751	9.601	8.85	1,177.27
6	Amount refunded (US$ Million)	0.96	9.60	8.64	896.13
7	Mediation meetings held	14	18	4	28.57

On the supply side, the Bank has also engaged in direct financial interventions in priority sectors of the economy with the overarching goal of providing funding at affordable costs to the real sector. These interventions are necessary given the low levels of funding from competitive markets.

Table Sectoral Distribution of Credit

	June 2015		December 2015	
Sector	₦' Billion	Share of Total (%)	₦ 'Billion	Share of Total (%)
Oil and gas	3,215.26	23.78	3,307.87	24.82
Manufacturing	1,889.90	13.98	1,854.01	13.91
General: Household Consumer Goods/Hospitality/Religious	1,872.06	13.84	1,386.50	10.40
Information and communication	1,111.24	8.22	831.94	6.24
General commerce	859.53	6.36	1,020.69	7.66
Governments	696.87	5.15	1,053.97	7.91

Real estate	644.63	4.77	533.05	4.00
Construction	633.48	4.68	706.38	5.30
Agriculture, forestry and fishery	558.45	4.13	502.23	3.77
Finance and insurance	515.15	3.81	476.07	3.57
Transportation and storage	487.34	3.60	596.39	4.47
Capital market	414.23	3.06	437.28	3.28
Power and energy	180.72	1.34	198.71	1.49
Professional, scientific and technical activities	148.49	1.10	126.36	0.95
Education	83.7	0.62	74.52	0.56
Administrative and support service activities	65.93	0.49	61.14	0.46
Human health and social work activities	61.99	0.46	43.10	0.32
Activities of extra-territorial organizations and bodies	40.12	0.30	0.07	0.00
Mining and quarrying	20.1	0.15	11.71	0.09
Water supply, sewerage, waste mgt. & remediation activities	17.94	0.13	11.61	0.09
Arts, entertainment and recreation	6.13	0.05	12.20	0.09
Public utilities	0.06	0.00	82.98	0.62
Total	**13,523.32**	**100.00**	**13,328.77**	**100.00**

Some of these interventions include; Nigeria Electricity Market Stabilization Facility, Power and Aviation Intervention Fund, Micro, Small and Medium Enterprises Development Fund, Real Sector Support Facility, The SME Restructuring and Refinancing Fund, The Commercial Agriculture Credit Scheme, National Collateral Registry, The Agricultural Credit Guarantee Scheme Fund, The Nigeria Incentive-based Risk Sharing System for Agricultural Lending. Etc The Bank has also created entrepreneurial development centres for skills acquisition. Participants have been supported in venture capitals.

Table Financial Inclusion Activities 2015

Pursuant to the implementation of the National Financial Inclusion Strategy (NFIS), the following activities were executed during the review period:
Nation-wide Sensitization Campaign
The Financial Inclusion Secretariat embarked on monitoring visits to states in the country with lower financial inclusion in the country to assess the progress made on NFIS implementation within the year.
Nation-wide sensitization activities took place in Imo, Ebonyi, Katsina and Kaduna States to enlighten the public on financial inclusion. The Bank also conducted a financial literacy campaign tagged "CBN Fair" in Oyo, Ondo, Plateau, Bauchi, Kwara and Osun States.

Geospatial Mapping of Financial Access
The second edition of the Geospatial Mapping of Financial Access Points exercise, in collaboration with the Bill & Melinda Gates Foundation, was completed. An engagement meeting with the Federal Ministry of Finance on the Digital Financial Services project aimed at providing a roadmap for digitizing payments across the country was also organized in the review period. At the end of the Geospatial survey, a total of 50,838 financial access points were identified. Further work to be done include leveraging on the outcome of 2014 Geospatial mapping survey to develop a business case for service providers on expanding access points to unbanked and under-served areas.
Digital Finance Project
During the review period, the Financial Inclusion Secretariat hosted the Inaugural Digital Financial Inclusion Project meeting as per the Letter of Understanding executed by the Federal Ministry of Finance, the Central Bank of Nigeria and the Bill & Melinda Gates Foundation. The focus of the project is to increase the level of financial inclusion in Nigeria and to support the achievement of the 70 per cent payments target by the year 2020.
The Financial Inclusion Secretariat has been working with McKinsey & Co on a proof -of-concept (POC) to assess deployment of E-Wallets to farmers. A pilot POC kicked off with 68 Babban Gona farmers at a Local Government Area in the North-West region. Payments to these farmers were made electronically, with the project providing an opportunity for enrollment of farmers on the BVN platform. The lessons learnt are being expanded to guide the development of the detailed project implementation plan as mandated by the Project Steering Committee.
Financial Inclusion Product Launch forPeople Living with Disabilities
The Financial Inclusion Secretariat provided technical support towards the launch of a microfinance product for people living with disabilities (PLWD) . The Secretariat also drafted and released terms of reference for three research studies on National Savings Mobilization, Scaling up Agent Banking Adoption and Financial Inclusion of PLWD. The selection process was being finalized at the end of the period.
Engagement with Stakeholders
The Financial Inclusion Secretariat in collaboration with EFInA organized a 4day capacity building workshop for st akeholders focused on Financial Inclusion Eco-system, Consumer Insights, Agent Banking, Data Measurement and Impact Analysis. During the period also, the statutory technical committee meeting for the last quarter of the year was held to review the progress made by all stakeholders towards implementation of the NFIS and to plot the roadmap for 2016 financial inclusion activities. The Bank also participated in the Microfinance Conference in Dakar, Senegal on the theme "*Accelerating Innovative Rural Finance in Africa*" and the 2015 AFI Global Policy Forum in Maputo, Mozambique. The Maputo Accord was pronounced at the forum to elicit national commitment to target setting for SME growth.

Financial Literacy Activities
a. MoU for the Development of Financial Literacy Curriculum for Schools in Nigeria
As part of the effort towards the development and infusion of financial literacy content into the school curricula at the basic and senior secondary levels, the Bank and the Nigerian Education Research and Development Council (NERDC) signed an MoU for developing a financial literacy curriculum for schools.
b. Workshop on Development of Child-Friendly Financial Products
The Bank, in collaboration with the Child and Youth Finance International (CYFI), organized a workshop to build the capacity of banks in developing friendly financial products for children and youths in Nigeria. The workshop was attended by participants from 16 banks.

a. 2015 World Savings Day

The CBN commemorated the 2015 World Savings Day by conducting a schod mentoring programme in 14 states across the six (6) geopolitical zones of the Country. The objective of the mentoring programme was to introduce the concept and importance of savings, investments and other financial management issues to students in public schools.

Source: CBN 2015

4. DEPOSIT MONEY BANKS AND FINANCIAL INCLUSION

Deposit money banks are the fulcrum of financial inclusion. They provide the physical infrastructure for financial services. These range from real assets to apparels that aids the interface with customers. As go-betweens for monetary authorities and the economy, banks provide an organized platform for giving bite to policies. This is the often mentioned channels of transmission of monetary policy. More so, the various special interventions by the CBN are mostly consummated through the instrumentality of banks.

Perhaps, the most important role of banks in the drive for financial inclusion relates to that of intermediation. Efficient intermediation provides the pool of resources for investment. The savings rate determines domestic investment in a closed economy. Thus, DMBs through various outlets provide savings opportunities for surplus units in the economy. Not only savings, banks through their credit appraisals identify investment opportunities and allocate resources to the most productive sectors. Bank loans are the primary means of money creation that amplifies the monetary base.

Foreign investments are required to close the savings investment gap of a domestic economy. And the banks are the ones who provide the platform for foreign investors to apply their resources profitably. Administration of remittances are also a major component of the support which banks lend to the drive for financial inclusion.

Product innovation is key for financial inclusion. Given that financial constrained by so many factors, banks' inclination to developing products to cater for different segments of their customer base supports financial inclusion

5. CONCLUSION

It is important that we appreciate that understanding the role of banks in promoting financial inclusion would require us to switch from policy oriented mode to business. Yes, banks are in business for the satisfaction of their shareholders. Thus, it would be difficult to coerce a bank to open branches where it deems unprofitable. However, there currently, a talk about ethical banks and we could only hope the the sustainable principles as enunciated by the bankers' committee begins to yield fruits.

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