Bullion

Volume 36
Number 3 *Vol. 36 No 3 - Vol 37 No. 1 July 2012 - March 2013*

Article 10

3-2013

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COMMUNICATING FINANCIAL INCLUSION POLICY IN NIGERIA: THE ROLE OF THE MEDIA

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INTRODUCTION

The CBN has shown great foresight and has been at the forefront in the effort to ensure that greater numbers of Nigerians that are currently financially excluded are brought into the fold, through effective policy initiatives that are hinged on global best practices. For instance, in 2012 the Bank incorporated information and knowledge that will eventually lead to the formulation to amend existing regulatory frameworks, including recommendations on microfinance, mobile financial services (MFS) and agent banking.

The first phase of the process was completed when it launched the Financial Inclusion Strategy (FIS)" on 23-24 October 2012 in Abuja, Nigeria. The second phase included undertaking peer learning exchange visits to cover agent banking, MFS and microfinance, and to support development of the regulatory frameworks. The three areas were identified as ones that presented the greatest learning potential for fast-tracking financial inclusion in Nigeria.

CBN has since organized a troika of teams that comprised 3-4 people each for the purpose of carrying out knowledge exchange visits to learn and build the capacity of the bank, and to develop an appropriate regulatory framework for second-tier microfinance institutions, as well as agent and mobile banking.

Clearly, developing an appropriate regulatory framework for the second-tier microfinance institutions, as well as agent and mobile banking is the first best step, given the importance of microfinance institutions when it comes to expanding access to and usage of financial services. It is the platform for low cost financial services to the general public.

The CBN's aim of educating and imparting skills on financial system inclusion to journalists who through their media would inform the general public about this all-important subject that has the potential to greatly influence inclusive economic growth especially at the grassroots level.

WHAT IS AND WHY FINANCIAL INCLUSION?

The questions one would probably want answers to are "what is financial inclusion and why financial inclusion?"
In Nigeria, the poor and indeed the less privileged have no access to finance and financial services, and so remain outside the loop. They are the 'financially excluded'. They have difficulties in accessing finance because of the high barriers to entry, high cost of services; lack of awareness and of course, illiteracy. It is for these reasons that financial inclusion became an imperative issue.

Enhancing Financial Innovation & Access (EFInA), in its 2012 survey on access to financial services in Nigeria showed that 34.9 million adults representing 39.7% of the adult population were financially excluded. Globally, it is estimated that about 2.5 billion people still lack access to formal banking services or are financially excluded.
In some countries of Africa, as much as 90 percent of the population lacks access to the formal financial system and this impedes their participation in the economy, and restricts their ability to buy goods and services, to borrow, to save, or to invest in their future and that of their community and country.

According to EFInA, high levels of financial exclusion pose two major threats to economies and their expansion: first, in the absence of finance, people who are not connected with the formal financial system lack opportunities to maximize their income and expand their businesses.

Secondly, vast unutilized resources, in form of money in the hands of people who are in the informal sector could impede a country's economic growth and potential.

EFInA describes financial inclusion as the provision of a broad range of high quality financial products, such as savings, credit, insurance payments and pensions, which are relevant, appropriate and affordable for the entire adult population, and especially the low-income segment. According to EFInA, an inclusive financial sector is characterized by the diversity of financial services providers, the level of competition between them, and the legal and regulatory environments that ensure the integrity of the financial sector and access to financial services for all.

KAZA SUDHAKA of the Reserve Bank of India, Central Office also defines financial inclusion "as an extension of banking and financial services to the section of the populations, which have been hitherto excluded from such services."

The plight of the financially excluded population came strongly to the fore in the early 1990s and spurred a host of global response by governments, which in turn, began to fashion regulations tailored towards addressing the issue.

A recent report published by the European Commission (Leyshon and Thrift 1993), highlighted the origin of the term financial exclusion. It noted that it was first coined in 1993 by geographers who were concerned about limited physical access to banking services as a result of bank branch closure. The report also noted that throughout the 1990s there was also a growing body of research relating to difficulties faced by some sections of societies in gaining access to modern payment instruments and other banking services, to consumer credit and to insurance.

There was also concern about some people lacking savings of any kind. It was in 1999 that the term financial exclusion seems first to have been used in a broader sense to refer to people who have constrained access to mainstream financial services (Kempson and Whyley, 1999).

Research and studies carried out including discussions among experts within the European Union Commission research project led the Commission to propose the following definition of financial exclusion:

"Financial exclusion refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong".

There is also a widespread recognition that financial exclusion forms part of a much wider social exclusion, faced by some groups of people who lack access to quality essential services such as jobs, housing, education or health care.

According to a report published by Consultative Group to Assist the Poor (CGAP) in its journal, the most fundamental force in the evolution of thinking about what approaches to regulation and supervision will best promote an enabling environment for financial inclusion—and in elevating the prominence of the subject—has been the increasing involvement of the G20 and global financial Sector Standard-setting Bodies (SSBs).

The G20 Leaders' decision to include financial inclusion as one pillar of that influential body's multi-year global development agenda, and to include among the elements of the 'G20s Financial Inclusion Action Plan ongoing engagement with the principal SSBs to improve treatment of financial inclusion in their standards and guidance and financial sector assessments, has had a particularly important effect.

I want to agree with what many economists have said about financial inclusion – that it is no longer only a development concern but a cornerstone of economic development framework and model, and that it is a policy goal, complementary to stability, integrity and consumer protection.

That is why improving access to the formal financial sector by all segments of society is a unique challenge that cannot be tackled with just foreign aids and government handouts. This is why governments all over the world are formulating policies that work, especially in our society where people do not have proper identification, a fixed address or formal employer recommendations.

The CBN interestingly recognizes these challenges and has prepared appropriate responses. It plans to reduce the exclusion rate to 20.0 percent by 2020 in accordance with its commitment to the Maya Declaration and hopes to deliver this through the following mechanism:

a, **Simplified Risk - based Tiered Framework** - to transform the "Know-Your-Customer (KYC)" regulation into a simplified Risk-based Tiered Framework that allows individuals currently without the required formal identification to come under the banking system.

b) **Agent Banking Regulatory Framework** – to deliver banking services (outside the traditional bank branches), through touch-points such as existing retail stores and petrol stations or via technology such as 'Point of Sale' (POS) devices and mobile phones.

c) **National Financial Literacy Framework** - to up-scale the level of awareness of Nigerians on financial products and services.

d) **Consumer Protection Framework** - to safeguard the interest of clients and sustain confidence in the financial sector.

e) **Mobile-Payment System and Cash-less Policy** - to increase access to financial services through mobile phones either directly linked to a bank account or mobile wallets as intermediary virtual money accounts.

f) **Establish Linkages** – to build financial and business cooperation between conventional financial institutions (deposit money banks and development finance institutions), government and microfinance banks/institutions for wholesale funding and on-lending transactions.

g) Introduction of Credit Enhancement Schemes and Programmes – to further empower micro, small and medium enterprises through:

- Introduction of a Micro, Small and Medium Enterprises Development Fund, 60 percent of which will support the on-lending activities of microfinance banks and institutions to women enterprises and clients;

- Establishment of the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) to de-risk bank lending to agriculture and promote value chain financing;

- Optimization of the Entrepreneurship Development Centres (EDCs);

- Increased access of SMEs to the Restructuring and Refinancing Facilities; and

- Effective implementation of the SME Credit Guarantee Scheme.

All of these are capable of making the 2020 target achievable but it's also important to remind the CBN that 2020 is not very far away. After all"changes have a way of sneaking up on us," as noted by the Centre for Financial Inclusion, (CFI).

GLOBAL TRENDS

CFI identified five important demographic trends that it suggests governments consider as they chart a path toward full financial inclusion.

1. Half a billion more people. World population is just now at 7 billion, and by 2020 it will reach 7.5 billion. All but a billion people will live in what were once known as developing countries, (but that designation will seem quaint and hopefully we will have some new language in use). India and China will account for 3 billion. As birth rates fall, population growth will begin to slow. The population of Eastern Europe is already starting to shrink; while that of Africa will continue to grow after all other regions have leveled off.

2. Population aging and youth bulges. One of the biggest trends is the ageing of the world's population, caused both by fewer births and by rising life expectancy. Average life expectancy in developing countries will rise from about 65 today to about 68. In most developing countries year 2020 will see a bulge in the working age population, as well as a growing elderly population – nearly a billion people over the age of 60. In many of these countries the elderly have until very recently been only a small fraction of the total population. At the same time, Africa and the MENA region will also be experiencing a youth bulge, with many new labor force entrants. In some countries, notably China and India, gender-selective abortion already accounts for an imbalance in births of boys in relation to girls. By 2020, this imbalance would have begun working its way into the young adult population, with dismal consequences.

3. Rising urbanization. Half the developing world will very soon (or already) be urban, and by some estimates, 80 percent of new economic growth will come from cities. Of particular note will be the rise of mega-cities: 33 cities with population over 8 million. There will also be a vastly increasing number of cities in the 1-8 million ranges. The housing and infrastructure challenges that accompany such urbanization are enormous.

4. Rising lower middle class. While poverty is certainly not about to disappear, many people are moving out of extreme poverty into a class that has been called "the developing world's middle class". This class is defined as people that are no longer below the poverty line, but well below OECD middle class standards - for example, people with a per capita incomes in the range of $2,000 – $3,000. In Mexico in 2000, for example, there were 12 million households in poverty, of which 7.2 million were very poor and 4.8 were moderately poor. By 2020, projections are that 2.1 million fewer households will be below the poverty line, and of the 9.9 poor families, only 3.1 million will be very poor, while 6.8 million will be moderately poor. For financial service providers, this represents over 4 million households who will enter or approach the lower middle class.

5. Environmental consequences of rising population with rising incomes. By 2020, global temperature will already have risen by 1 degree Centigrade from its twentieth century average. This will intensify environmental stress, including increased flooding in low-lying coastal areas (Bangladesh, for example), increased competition for access to fresh water, and more extreme weather conditions (both storms and droughts) making agriculture more precarious.

CFI notes that, if progress is to be made, "financial services will need to grow significantly faster than population growth. For providers, it is very good news that more people will move into the developing world's middle class, as people in this segment have sufficient income to be attractive customers to financial service providers using existing business models."

It says Urbanization will also help by making connectivity easier. "This will increase physical access and force a shift in focus from access onto the quality, price and fit of services. Demographic trends point to a need to develop products and services for population segments in addition to adults in the productive middle years. These segments include youth (where focus is already growing) and the elderly (where there is now very little emphasis). Environmental stresses will suggest a need for financial services such as weather insurance for crops, and alternative shelter finance for victims of recurrent flooding. These are just a few of many possible observations."

THE ROLE OF THE MEDIA

Nigeria is in a catch up race now and how these trends and the financial inclusion itself are communicated, by the media and many other interest groups central to the process, can have powerful effects on the public understanding, on its essence and, ultimately its success. That is why it is so important that financial inclusion regulation is effectively communicated in ways that serve both public understanding and the objective of the communicators.

The media, financial system players, educators and the Central Bank should seriously consider themselves the gatekeepers of today's financial inclusion information. The media determine, for most part, what the financially excluded and the general public hears, read and believe about financial inclusion. Along with that comes the responsibility to provide the facts, put them in perspective and help people determine how being financially included may affect their behaviour and lives.

Today, the Nigeria media, no doubt, is the most important single information source on financial inclusion. The financial journalists must be well equipped to be able to produce factual, intelligible, timely and measured information. The populace is getting more used to greater amounts of information. They have at the same time become more skilled at accessing it (mostly via the internet) and applying their own filters. They base their everyday decisions on what they hear or read in the mass media. This underscores the importance and value of the media, which provides the forum in which the relationship between regulator and the public is constructed and pursued, and it is also in this forum that the public can make moral judgment about financial inclusion. A very good question at this juncture is how the media and key government agencies like the CBN deliver accurate, relevant information to the public.

The very first step is to enhance the understanding of the citizens on why and what the Central Bank of Nigeria is trying to achieve through the financial system strategy, financial inclusion, and the impact of financial exclusion. Secondly, is to employ moderate approach in communicating new information to avoid short-term publicity gains, which could potentially trigger long-term distrust at the event of missed timelines in the policy implementation process. Thirdly, journalists and their media organisations must be creative when introducing readers to latest steps and actions of the regulators. They must first understand what is supposed to be achieved and what is eventually achieved by steps taken and then translate that accurately into a form that is both interesting and intelligible to the lay person. Fourth, the media must see itself as an important partner in this national project, demanding explanation as many times as possible so as to understand and be able to explain effectively the significance of financial inclusion and its overall goal. Fifthly, it is important for the media to properly understand and to provide the proper context, a rapidly changing world where nations are in a race to develop their people and integrate them into development programmes so they do not remain mere by-standers. Today's world is one in which mobile phones have helped to shrink boundaries, broadened the loop of the connected in a way that heightens national competition. The journalist of today has to be developmental in approach, sometimes putting aside its adversorial pretentions.

In all, the media's role cannot be over-emphasized. It must at all-time take into consideration the socio-cultural conditions under which they operate, without losing sight of the universal commitments of the profession.

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