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MANAGEMENT OF FINANCIAL INCLUSION STRATEGY IN NIGERIA

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Abstract

Financial Inclusion is becoming very important in the financial system because of its obvious advantages as a stimulus to economic growth and stability. Underpinning the fact that financial inclusion is regarded now as panacea for poverty alleviation in the developing countries. To this end, the CBN has been on the driver's seat for the introduction, projections and the success of the scheme in Nigeria. The aim of this paper is to examine lucidly and illustrate different strategies adopted by the CBN in particular and other governmental financial agencies in stimulating financial inclusion; the extent of the success of the scheme, its positive impact in the economy and the challenges facing the full realization of the objectives of financial inclusion in Nigeria.

Keyword: *Financial Inclusion, Poverty Alleviation, Financial Strategies, Stakeholder Participation*

INTRODUCTIONS

Developing countries like Nigeria are coming to realize the importance of financial inclusion and they have been adopting different strategies to deepen and broaden the scheme. More emphatically, they looked at it as a veritable tool for economic growth and development and a potent instrument for catching up with other developed countries. And to follow the footsteps of emerging countries such as China, India and some Asian countries which were able to mobilize their recourses to see the development of financial inclusions. It is hoped therefore, that if Nigeria adopts consistent and effective policies that will engender financial inclusion from 36% it is currently to about 70% and that will give Nigeria a quantum leap to economic development. The above deduction is based on the premises that the low income group consist the greatest number of the population in Nigeria and mobilizing them into financial inclusion will lead to accumulation of saving and investable funds, which are the keys to economic growth. This view is also supported by Mehratra et al (2009) when he opined that access to financial services allows the poor to save money outside their house safely, and helps in mitigating the risks that the poor faces as result of economic shocks. He went further to argue that though, the degree of "public inclusion" may be different from a typical public goods like defense, but there should be no doubt that financial inclusion meets the two features of public goods thus can be regarded as a "quasi-public goods." The point to note is that financial services should be made available to all adults by removing unnecessary rigidities that will prevent them from having access to financial services. The critical focus of financial inclusion is delivery of financial services such as loans, money transfers, savings, insurance, and pensions to the poor and low income persons. CBN focusing on the global importance of the financial inclusion has decided to launch the "National Financial Inclusion Strategy" in 2012. This went a long way to create awareness of financial inclusion and underscores the fact that the scheme is one of the agents of economic development. It is against this back ground, that the banks should be tailoring the financial products to every adult.

It is quite necessary to define financial inclusion, in order to set a clear agenda the scheme. Also make sure that the input of the stakeholders are considered, and map out the strategy to increase financial services from 36% to 70%, considering the fact that financial inclusion is a critical factor for the economic growth and the backbone of the economy of Nigeria. Financial inclusion is therefore, making available financial products such as savings, deposits, money transfers, payments, pension, loans and insurance to the poor or low income group from the age of 18 and above, such services should be delivered to them at a very affordable cost. In Sub-Sahara Africa only about 24% has access to financial services. However, Sinclair et' al (2009) defined financial inclusion as a state in which all people have access to banking and insurance services as well as financial literacy and capabilities. National Financial Inclusion Strategy (NFIS) is of the view that financial inclusion is achieved when adults' have easy access to a broad range of financial products designed according to their needs and provided at affordable costs. These products include payments, savings, credits, insurance and pension.

The United Nations has stated the goals of financial inclusion as follows:

i. Access at reasonable cost for all households to a full range of financial services including saving and deposits services, payment and transfers, credits and insurance.

ii. A sound and safe institution, governed by a clear regulation and industry performance standards.

iii. Financial and institutions sustainability, to ensure continuity and certainty of investment; and Completion to ensure choice and affordability to clients.

However, a comprehensive definition was given by Centre for Finance Development (2010) "a state in which all who can use them 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 could reach every one who can use them including the poor, disabled, rural and the excluded population." It is disturbing that about 64% of adult in the developing countries are not integrated into financial inclusion this calls for the countries to put more effort to increase the number of adults that are financial inclusive.

In Nigeria the Central Bank of Nigeria (CBN) has taken positive steps to encourage financial inclusion, in believe it will help them to achieve some of their core mandates; such as to ensure monetary and price stability and promote sound financial system in Nigeria. In view of the above fact, the CBN has therefore, injected a lot of resources in promoting the financial inclusion in Nigeria.

LITERATURE REVIEW

Strategies Adopted by the Central Bank of Nigeria (CBN) to Encourage Financial Inclusion

The CBN over the years has been very proactive in stipulating policies that would stimulate financial inclusion in Nigeria. This is with the support of the Federal Government. It is most logical, that CBN being in charge of monetary policy should provide a strategic lead in ensuring the success of financial inclusion. This is in consideration of the fact, that majority of the population is financially excluded as indicated by the fact that about 60% of the currency in circulation is outside the banking sector. It should be noted that before the introduction of financial inclusion, majority of the traders preferred holding their money in cash rather than putting them in the banks. The reason behind their action is non-robustness of the financial sector and the inconvenience encountered in those days in the banks by the customers in getting banking services. The financial service delivery by the banks was very poor, manifested by unnecessary delays in putting and withdrawal of money from the banks. Coupled by the fact, there were few branches of banks located in each town, the customers had to travel long distances to obtain banking service. The main reason for the poor banking service delivery was the banking process was not automated; all the banking functions were undertaken manually. In fact, the banking sectors were very slow to adapt to modern Information technology, possibly because of low capital base and serious scarcity of liquidity in the banking industry. Not until the consolidation policy of 2004 when all the banks recapitalized from N5 billion to N25 billion that the banking industry was awash with huge liquidity and many banks injected the surplus funds in the provision of Information technology which led to automation of banking processes, and propelled the introduction of electronic banking process; inclusive of Automatic Teller Machine (ATMs,) Point Of Sale (POSs,) and other Core Banking Solutions (CBS).

Past Strategies

The CBN in the late 1970s has made efforts to encourage financial inclusions and one of the strategies was the adoption of rural banking. The policy directed all the banks to establish at least one branch in each local government of 774. That was to ensure that banking was taken to grass root level to inculcate to the rural inhabitants the culture of banking habits and ensure seamlessly integration of the poor and the rural inhabitants into financial inclusion.

The aim of the CBN in introducing the rural banking model was to stimulate the rural banking through the following: according Okorie (1990) were;

1) Provide a platform for the mobilization of savings in the rural areas through the diffused network of branches in all parts of the society
2) Encourage banking habits among the largely agrarian rural population.
3) Provide credit for the growth of small scale industries and entrepreneurs and
4) Promote balanced development and eventual reductions in the rural- urban migrations

Martin Oluba (2008) noted that this policy helped in the opening of 500 branches in the 774 local governments and reduces the currency outside the banking sector from 61.1% in 1977 to 40.9% in 1989. However, it was further reduced to only 15% in 2014 with the introduction Cashless Policy.

It should be noted however, as result of banking distress experienced in the 1990s, many of the branches located in the rural area folded up. Nevertheless, the CBN took another positive action to stimulate rural banking culture by giving directives to the banks to lend certain percentage of their lending funds to the small scale industries located in the rural areas. The aim is to encourage the location of industries in the rural areas and make available to those industries investable funds that they greatly needed for their survival and to stop migration of rural youths to urban areas. It was hoped that the robustness of those industries will stimulate rural employment. The banks were very reluctant to lend money to the rural small scale industries because of the inherent risk in giving such loans and demanded that the government should guarantee the loans. Kama et al (2013) noted that banks which failed to meet up with these limits were not only subjected to fines and penalties but were also made to transfer whatever was the shortfall amount to either the CBN or to the development bank. It should be noted that that some banks, preferred depositing their funds in the CBN or Industrial development banks than lending it to the local entrepreneurs, at least such deposits are secured.

Another major step taken by the government to promote the delivery of financial services to the rural areas was the establishment of People's banks with the aim to ensure financial inclusion of the rural adults into the banking systems, by accepting deposits and granting micro credits to the rural dwellers. The government established the bank in 1989 to encourage savings from the low income group and lend money to them; more especially artisans who are starved of loans from the banks because of their inability to meet the stringent conditions set out by the commercial banks. These loft ideas made the People's bank to spread to almost every local government for the first two years of establishment. Despite the initial enthusiasm, the bank was liquidated because of fraud, inefficiency, defective and inconsistency banking policies and lack of good governance that was crucial for the effective management of any bank.

Furthermore, in 1990 the government encouraged the licensing of the Community banks (CB} established by various Communities. The CBs targeted the mobilization of idle funds in the communities, through savings in the CBs and to engage in the delivery of small financial services to the rural populace. They are not allowed to participate in the foreign exchange market or to issue cheques nor allowed into the clearing house. Various communities were encouraged to establish CBs and those who meet up the required capital base were given matching grants. "The total of reporting community banks stood at 50 with total asset base of N8.9billion , the total deposits also reached over 5.7 billion with loans and advances of about 2.9billion" CBN Statistical Bulletin (2003). However, due to mismanagement and outright fraud many of the Community Banks collapsed, in a bid to safe their licensees many of the CBs diverted to other functions outside their mandate such as trading and importation of finished products.

Specifically, in 1988 National Economic Reconstruction Fund (NERFUND) was established with the objective of growing small and medium-scales (SME) by granting them loans both locally and foreign, especially those SMEs located in the rural Areas. In Addition; Family Economic Advancement Programmer (FEAP) was also established. The main focus of the project is to assist the rural women who were considered venerable and unable to obtain loans from the commercial banks as they had no bank accounts or even collaterals to tender to the banks. The money was granted to them to engage in petty trading or other trade that may require small capital to operate. The problem of this noble scheme was sustainability, it was terminated when there was a change of government.

Recent Strategies

The financial system has undergone some positive changes from 2004; the government and the regulatory authorities have formulated and implemented policies specifically targeted to grow financial inclusion. This is done by creating incentives that will help the low income group that constituted the largest population in Nigeria to have accounts in the various banks. One of those strategies targeted to grow financial inclusion is Financial Stability Strategy 2020 (FSS2020). Kama et al (2013) noted that one of the critical initiatives in this direction was the incorporation of financial inclusion as one of the cardinal objectives of the Nigeria Financial Strategy2020 (FSS2020). The FSS2020 represents a holistic and strategic road map and framework for developing the Nigeria sector into a growth catalyst that will enable Nigeria be one of the 20 largest economies by 2020. It is noted, that CBN has been at the forefront in propelling this FSS2020 with political support from the federal government. The secretariat of this scheme is located at CBN and some of their staff deployed there to help to see the success of the scheme. The stakeholders may be regarded as government and the supplier of financial services such as the banking institutions, non-banking institutions, insurance companies, pension institutions, regulatory financial institution, and technology providers together with their regulatory bodies. These institutions are very critical to the success of the project as they provided the strategic lead.

The most important initiatives within the value chain of the FSS2020 that actually strengthened the financial inclusion are as follows:

i. Development of varied financial products

ii. Enhancement of payment processes
iii. Development of credit system, and
iv. Encouragement of a saving culture

The scheme stressed emphatically that FSS2020 will go a long way to integrate adults who are 18 and above into the banking system, at a very affordable price and the easiest convenience and with dignity and to create incentive for the low income to be attracted to the banking services. However, FSS2020 scheme will also enhance financial inclusion.

Another banking policy that the CBN introduced to deepened and broaden financial inclusion is Non-interest Banking which was established in 2011. Although, the merits and demerits of it were hotly debated in financial circles due to its religious implications it should be pointed out, that Nigerians are very sensitive in religious issues and the scheme was looked upon as a means to Islamized Nigeria. Nevertheless, since the introduction of the Non- interest banking model only two banks has been licensed. It is hoped that non-interest banking will pull into a large number of Muslims population into the banking system who have aversion to the conventional banking that charge interest on loans granted to their customers which is against the Muslims' religious dictum. Another advantage according to Umar (2011) Non-interest financial services are expected to enhance oversight and regulation through an added component of good corporate governance. It would also help to attract foreign direct investment, especially from the Middle East and South East Asia where a lot of investors have funds waiting to be invested in Shari'ah-complaint financial products as evidenced by the exponential growth in international 'Sukuk.' In view of the above, these banking products will surely grow financial inclusion and trigger economic growth.

Furthermore, the CBN wanted to leverage at the advantage offered by micro finance banking by granting operating license for the establishment of Microfinance banks (MFBs.) The major objective of microfinance banking is to offer financial services to the economic active poor and low –income earners, such financial service are micro credits, savings, deposits transfers etc. These active poor may not have access to conventional banking system, therefore, this will go a long way to enhance financial inclusion and alleviate poverty. However, CBN gave a comprehensive definition of MFB as any company licensed to carry on the business of providing microfinance services, such as savings, loans, domestic funds transfer, and another financial services that are needed by economically active poor, micro, small and medium enterprises to conduct or expand their business as defined by these guidelines.

It is noted that many of the CBs where converted to MFBs with the condition of those CBs to capitalize to N20million, and those who may wish to operate in a state and open branches within a specified state or Federal Capital Territory, the minimum capital requirement is N1.0billion. In view of the above, Communities, individuals, trade unions, non-governmental institutions, and self-help groups were all encouraged to establish MFBs with the hope that the model is potent tool for financial inclusion as it will attract majority of the unbanked individuals. The enthusiasm exhibited by both the individuals, government and the regulatory authorities triggered quantum growth of MFBs. Kama et al (2013) noted that by end of December 2011, following the increased confidence and activities of the microfinance banks, the asset and liabilities of the MFBs had reached N190.7 billion from N55.1 billion in 2006, while the loans and advances given by MFBs also increased by N16.0billion in 2006 to over 67.6 billion at the end of December 2011. A review of the loan portfolio structure showed that short-term loans, at the end of December 2011 accounted for 89.7 percent of the total. However, to strengthen and reposition the MFBs, the government and CBN decided to redefine the policy of MFBs to achieve a greater performance. National financial Inclusion Strategy (NFIS) noted that as at 2011 Nigeria has 866 MFBs, the majority which was community banks and are now single branch institutions. It further noted that the biggest challenges for MFBs are the high refinancing cost and compounded by a low focus on deposits.

The above notwithstanding, CBN also formulated policy that will facilitate the banking system to adopt E-banking products and electronic payment System with a view of increasing the scope of financial inclusion in Nigeria, the payment system involves the automation of banking processing more specifically the payment system. However, it was the consolidation policy that gave a boast to more application of electronic payments system, which involves installation of many ATM machines; increasingly use of POSs and mobile money payment instruments in the processing of transfer of money, payments, and online purchases. Due to the obvious advantages of the deploying electronic payment systems by the banks, the ATMs are becoming the main avenue of payments which enhance the banking inclusions. Accordingly to Roland Berger Report (2011) 77.0 per cent of Nigerians save for emergency purposes and any financial channels that will support ability to withdraw funds quickly and easily will serve the populace well. The report went further to note that constant availability of cash was important and as such insufficient funds situations at ATMs and POSs must be avoided so as to build trust of the population in the channels. The banks must aggressively deploy ATMs and POSs in all their branches and make sure that they are always well maintained and equipped, the problem of constant breakdown of payment machines and lack of network in most machines installed are worrisome because of long queue of lines presently being experienced in the ATM centers. These are disincentive to many people and will make them to lose confidence in the use the of e-payment machines. The CBN has recently licensed many mobile money providers to enhance the e-payments and this has helped in decongesting banking hall from those who wish to transfer money and transact other financial services as they can now do it at the comfort of their homes. In view of the above, mobile banking through the use of cell phones has created a great impetus to attract the unbanked sector of the economy.

Another strategy the CBN pursued was to issue policies that will improve the financial system with a view to build confidence, increase greater use of e-payment system and ensure the effective and efficient operation of the financial system, was the introduction of Biometric Verification Number (BVN) for all customers of the banks, which will go a long way to eliminate electronic fraud and instill confidence in the use of the electronic payments. The BVN is a national switch platform to capture all electronic payments within the economy, the automated payment system designed to engender trust and confidence in the user.

Closely related to this, is the introduction of the Nigeria Uniform Bank Account Number. Nevertheless to say, that all these lead to the improvement of payment system and enhance its efficiency and attract more customers in the use of such banking facilities. Its observed that the poor present 36 per cent payment penetration in the use of e-payment is not very impressive and this underpinned the fact that more pragmatic polices must be adopted by CBN to enhance the growth of e- payment system, which will serve as an engine for financial inclusion.

The introduction of 13 point agenda of the banking consolidation is the recommendation by the CBN to the Government for the enforcement of law against the issuance of the dud cheques. Recently the government has decided to enforce the law in other to improve the use of cheques as safe means of payments and also to strengthen the payment system.

To further engender confidence in the financial system, the CBN established Consumer Protection Department to intervene against dispute between the customers and the banks and in furtherance of the financial inclusion. The department embanked on financial illiteracy campaign, these involves enlightening the public on the importance of being included in the banking system with the understanding that people will participate in the demand for financial service, if they become aware of the services. CBN has taken a step further by going to the secondary schools to enlighten them on different services offered by the banks to widen and deepened Financial inclusion through financial literacy. The aim is to teach the youths the importance of having bank accounts. NFIS (2012) observed that financial literacy is a central pillar to the enhancement of financial inclusion, particularly when occupied with consumer protection. It went further to stress that in Nigeria; the level of financial literacy has so far not been measured across the population spectrum, although some estimates have been made.

THE IMPART OF THE STAKEHOLDERS IN IMPROVING FINANCIAL INCLUSION

The stakeholders that are critical success factors in driving Financial Inclusion, as defined by FSS2020, are as follows: banks, other financial Institutions, insurance, regulators, technology/telecommunications firms, public Institutions and development partners/experts. NFIS (2012)

Banks

These include Deposits money banks, Mortgage Institutions and Microfinance; made up of 21 DMBs, and 868 microfinance banks. The DMBs are playing a major role to deepen financial inclusion strategy. The banks are adopting aggressive marketing strategy to attract and retain their customers by designing superior products that appeal to them. They create products that appeal both the poor and the low income in other to capture that segment of the market leading to the expansion of financial exclusions. To the effects, DMBs are best positioned to derive financial inclusions efficiently and effectively.

DMBs have undergone a lot of interventions by CBN and the most notable was the Consolidation Policy that lead to the liquidations of many banks that could not met up the capital requirements of $25billion stipulated by CBN. And in 2009 after the stress texts of the banks by CBN and Nigeria Insurance Deposit Company (NIDC), CBN went ahead to acquire about five banks which were deem to have failed the texts, due to continuous erosion of their capital base and serious liquidity problem. Consequent upon, their management were sacked by CBN and caretaker Board was appointed to take over the management of the affected banks. Furthermore, Asset Management Corporation of Nigeria (AMCON) acquired three nationalized banks and that brings the numbers of banks that are operating to 21.

The total assets of the banks have, grown from 2006 to 2011 to 29% and deposits to 35% and these factors have led to increase in the number of branches of the banks considerable. "CBN has developed a mobile payments framework which incorporates three options: bank-led, bank-focused, and non-bank-led models. A total of 11 provisional mobile payments licenses have been awarded, including three banks: namely United Bank for Africa (UBA), Guaranty Trust Bank (GTB), and IBTC (NFIS, 2013).

Microfinance Banks

The objective of CBN to establish microfinance banks is to offer micro finance services to the poor and to the low income populace in order to increase the span of financial inclusion. However, low capital, lack of qualified bankers, low staff capacity, high operating cost, none market strategy to attract deposits and deliver services made them not to achieve these lofty objectives.

The total number of MFBs as at July 2011 stood at 866 and majority of them were formally community banks who met the capital base now transformed into MFBs. Majority of Micro finance banks are located in the South-East and South West over 500 MFBs serving about 3.8 per-cent adults population, 14 percent use credit products while 4 per-cents uses ATMs.(CBN Statistical Bulletin 2011)

Development Finance Institutions (DFI)

The Institution was established to aid the farmers to get easy access to loans and the soft loans were extended to the women groups too. The loan attracted a single digit interest of 8 percent per annum. DFI has extended their branches to the rural areas to reach out to the grass root level and encourage the poor famers mostly residing in rural areas and without adequate collateral to have access to loans. The loans were also extended to the self-help groups and cooperation etc. and by this means encouraging financial inclusion.

DFI has not been making profits due to the loan defaults by their customers which depleted their capital base considerably and made the banks to be in serious liquidity problems. The customers regarded such loans extended to them as 'a national cake'.

The Bank of Industry (BOI) targets Small and Medium Scale Enterprises (SMEs) across all sectors of the economy to offer loan to them, more specifically, those who could not obtain loan from the DMBs at affordable interest rate. Some of the interventions include N5 billion Small Business Development Fund, the USA 4 million accesses to Renewable Energy Products and N 3 billion MSME Development Fund. NFIS (2012), however, the bank is a profit making government institution established not only to grant loan to SMEs at one digit interest rate but also to sustain itself by making profit. It is worthy of note, that the bank made a profit of N2.6 billion in 2010. This is encouraging, considering the fact that BOI is government bank and its major mandate is not to make profit but to grant soft loans to Small and Medium Scale Industries.

Insurance

One of the drivers of financial Inclusion in Nigeria is insurance sector; however the penetration of the sector in the Nigeria financial market has been limited due to poor market strategy, difficulties in making insurance claims by the customers, and insufficient awareness etc. It is against this background, that the Insurance Sector only target Cooperate Intuitions and these factor have prevented them from making positive impact in the expansion of financial inclusion. Nevertheless, vehicle insurance is most popular because of the existing law making it compulsory for the insurance of every vehicle. However, due to limited liquidity and low capital base of majority of the insurance companies were experiencing, that prompted Nigeria Insurance Commission (NICON) to issue a circular requiring recapitalization of the of the insurance companies in 2007 and those that could not meet the dead line of recapitalization were required to liquidate and that brought the insurance companies to 49.

Pension Intuitions

The pension scheme exists all over the world to provide retirement benefits to retiree. However, it has been in Nigeria since colonial government who promulgated Pension Ordinance of 1951 and amended under Pension act No 75 of 1987, this scheme was funded by the government through budgetary allocation and was being administered by Pension Department of Office of Head of services of the Federations. The pension scheme has been ineffective because of corruption, weak administration; poor funding by the government, lack of transparency, these observed challenges made the government to enact the 2004 Pension Reform act (PRA), it was established as a Compulsory Pension Scheme. The main objective of this scheme is to ensure that every retired person whether private or public receives their retirement benefits as and when due and to inject transparency and efficiency in the management of pension funds.

The State Governments refused to leverage on the lofty idea of the scheme because only 17 of the 36 States Government have passed the bills to adopt and implement the (PRA). Currently annual contribution grew from N60 billion in 2005 to 2009 billion in 2010 as noted by National Pension Commission, (PenCom) (2011). PenCom which is the regulatory body of all pension providers has been empowered to enforce discipline and sanctioned those employees who failed to remit or late remittance of the contributions and ensure that pension fund administrators pay the retiree as and when due and their rightful entitlement. To ensure that the scheme is a driver for the financial inclusion, NFIS noted that although the pension industry in Nigeria has shown a promising start, interventions are needed for it to realize its potentials – which is significant – and cater to a wider segment of the Nigeria populations.

E – Banking Product and Electronic Payment System

Banking transactions performed through electronic networks is referred as e-banking, in fact electronics banking involved the use of ATMs, POSs and mobile banking and other internet banking that facilitate the conduct of banking transactions which is paperless. The transactions are instantaneously performed and may not need the presence of the customer before the transaction is carried out. Another important advantage is speed and convenience it offers to the customers and the bank alike in transaction of financial business. It is against this back drop that deployment of e-banking will go a long way to enhance financial inclusion because of its dynamic impact on the financial sector. The CBN has recently encouraged banks to embark in electronic banking processes, and banks are expected to invest heavily in e-banking to make it easy and convenient for the customers to transact banking business, more especially in the use ATMs, POSs, mobile banking and even home banking with the hope it may positively quicken the banking processes and their profitability.

They major mobile network operators in Nigeria namely; MTN, Globcom, Etisalat and Airtel, these four lead the market with a combined market share of approximately 89 per-cent, CBN in order to give a push for the use of mobile payment “granted license to 14 mobile payment providers and by the end of January, 2012, the 14 mobile payment were reported to have recorded 35.07 transactions worth 288 million” Kama et.’ al (2012)

CBN to deepened the financial inclusion in the rural areas has approved 2 models of mobile money services by issuing “The Regulatory framework and Guidelines on Mobile Money Services in Nigeria” which classified the two models as follows; Bank and/or its consortium as lead initiator and non-bank lead, which is corporate organization duly licensed by CBN as initiator. The bank- lead model allows a bank either alone or consortium of banks, whether or not partnering with other approved organizations, seek to deliver banking services leveraging on the mobile payment system, while the lead initiator should be a bank or consortium of banks, stating that the non-bank lead model allows a corporate organization that has been duly registered by CBN to deliver mobile money services to customers.

Central Bank of Nigeria

The CBN is the major driver of the financial inclusions to that effect it has taken proactive measures such as given directives to the financial institutions and establishments of additional departments in the bank to specifically targeted to promote policies for the expansions of the financial inclusions. They are as follows Development Finance Department, Banking Supervision Department and Financial Policy and Regulations.

Development Finance Department

The Department has undertaken the development and implementation of various initiatives that enable the sustainability delivery of financial services to special sector of the economy and they have designed products that support capacity building initiatives that is critical for the financial inclusion, conducting a periodic impact assessment for existing schemes, funds and initiatives relevant for financial for incorporation into an overall tracking mechanisms. The paucity of data has been a problem for accurate planning and implementation of financial policies in Nigeria, but the DFD will now coordinate the collection of data on credit enhancement, and savings inducement to aid monitoring of financial inclusions.

Banking Supervision Department

The key role as noted by NFIC is developing standard for examination and supervising Deposits Money Banks, monitoring issues and providing reports on obstacles and enablers. They also track branches and the number of and the type of branches within the network of the banks, the department normally supply data on savings, credits, and payments to enhance the expansion of financial inclusion in the banking industry.

Consumer Protection Department is also another department in the CBN that promotes the financial inclusion scheme. Their major mandate is conflict resolution between the banks and their customers in respect to disagreements, this helps to build confidence in the banking sector. They also undertake the implementation of this policy by communicating regularly the changes in the banking sector and how they impact on financial inclusions to the shareholders and the public, more specially they also supply information on new policies and how CBN regulations are impacting on the financial inclusion.

THE REASONS FOR FINANCIAL INCLUSION STRATEGY

The convincing reasons CBN and other government agencies are propelling the policy of financial inclusion are because of the importance of the scheme on the financial sector, inclusive of the fact is a driving force for economic growth. This is supported by Burgess and Pande (2005) when they noted that “financial inclusion matters for a number of reasons. First there is impact of financial inclusion and financial development more generally, on long economic growth and poverty reduction, and thus on the macroeconomic environment." And while Levine (2005) is of the view that access to appropriate financial instruments may allow the poor or otherwise disadvantaged to invest in physical assets and education, reducing income inequality and contributing to economic growth. The above assentation summarized the merits of financial inclusion.

One of the core functions of the CBN is to ensure monetary and price stability and financial inclusion is one of the instruments CBN is using to achieve the mandate. Monetary Policy generally involves the mechanism of injection and mopping up of funds to establish liquidity equilibrium in the economy and this can be done effectively if all the funds are within the control of CBN through Deposit Money Banks. And financial inclusion is one of the strategies adopted by CBN to deepened and straighten monetary and price stability.

The financial inclusion encourages the use of interest rate as an instrument of monetary control as well. When the interest rate is low, saving, holding and purchase of fixed assets such as land and arrays of equities will increase, while a rise of interest rate may encourage savings and a rise in investment. In order words, if CBN wants to reduce currency in circulation it raises the interest rate and vice versa, thereby increasing the use of interest rate as a tool for monetary transmission.

It needs to be pointed out that financial inclusion encourages savings which leads to investment and therefore economic growth. When the rural people and the hitherto unbanked population are encouraged to open banks accounts in the various banks, this will act as stimulus to save money in the banks instead of keeping them in the house thereby exposing the fund to greater risks. This wills actual increase the loanable funds of the banks to their customers and increase in investment funds which will stimulate economic growth and development.

Again, people with bank accounts can easily benefit from CBN soft loans for the poor and other disadvantaged people, mostly women and CBN disburses such loans through the banks. It will also give the poor and rural dwellers access to loan from the banks instead of borrowing from the money lenders at cut throat interest rates. This will help them to solve their immediate problems. They will benefit from such scheme as Anchor Borrowers Programe introduced by the CBN to diversify the economy. The programe is aimed at creating ecosystems agriculture firms invited to link out small holders farmers who are the engine of agriculture production in Nigeria. In fact the rural farmers were targeted for the loan at a single digit interest rate, any farmers without bank account cannot therefore benefit from such laudable scheme.

Closing related to this, the financial inclusion will lead to adoption of banking technology such as the ATM, POS, Mobil Banking, debit cards, and smart cards by the poor and not well educated rural populace, which will quicken banking processes, increase the delivery channels and reduce crowding in the banking halls, normally experienced before the introduction of banking technology in Nigeria.

THE CHALLENGES OF FINANCIAL INCLUSION

The constant banking crises which started in 1990s lead to liquidation many banks. The root causes for the banking crises were inadequate capital base, insider abuse, fraud and outright mismanagement and non-observation of cooperate governance by top management of the banks. However with the consolidation policy of 2004 when the CBN directed all banks to recapitalize from 10bn to 25bn, that further reduced the number of banks from 58 banks to 25 banks. There was another banking crisis when CBN carried out stress tests on the banks to determine the health of the banks and about 5 banks failed the test due to inadequate capital and serious liquidity problems and those banks were acquired by the CBN. The constant banking crises lead to the loss of confidence by the customers in the banking system also discourages the unbanked population from opening accounts in the banks, thus increasing the number of those excluded from the financial system.

Another important challenge is the constant break down and the malfunctioning of the banking platform, instead of these banking technology deployed to quicken the pace of banking transactions, it however became the source of frustration to the customers. In vast majority of cases, the ATMs and POSs are always out of services making it very difficult to cash money from the ICT platforms. These eroded the confidence of the existing customers on banking sector and made it unattractive to potential customers which inevitably discourage the expansion of financial inclusions. They were some key problems in use of these financial electronic gadgets in transacting financial business such as; inadequate installation of ATMs and POS, lack of constant internet connection, inadequate funds, and few functionality and these negative factors created problems and made it very hard for the customers to have confidence on the electronic banking.

Furthermore, another hydra headed problem is illiteracy by a large chuck of the population, more especially those living in the rural areas. This is critical because it will make it very hard for them to understand the advantages inherent in delivery of banking services to them. Therefore, they are effectively excluded from the financial services as the find it very hard to make the simplest financial transactions.

The above notwithstanding, the most disturbing factor is poverty that is prevalent in Nigeria coupled with a very low income. Despite the fact that Nigeria is the highest oil producing country in Africa, the level of poverty is very high to the extent that Nigeria is listed as one of the poorest country in the world. This situation created structural rigidity to expand financial inclusions and discourage savings and investment which are the engines of economic development. Financial inclusion can only be robust when the citizen are economically strong or at least have an average income that will stimulate savings. According to Moghalu (2011) the challenge of inadequate financial inclusion is not just for the developing economics alone but the high – income countries. Beyond the non-robustness and inefficacies of the financial system which determines the act of being excluded or included, the more fundamental issue of sub-optimal macroeconomic environment in the form of low income capacity and pervasive poverty level among the populace has played a more critical role of eroding the eligibility of the bulk of the financially excluded.

Another important challenge that prevents the populace to save is double-digit inflation that erodes their savings. The present inflationary rate is 18.20 percent brought about by stringent foreign exchange policies by CBN. The prices of goods and services are prone to both domestic and international economic shocks and this may result to imported inflation. It is an economic dictum that when the rate of inflation is greater than the rate of interest, the value of money saved will fall and this will discourage savings as is observed presently in Nigeria because of recession.

The low credit penetration is another problem that impacts negatively on financial inclusion. The DMB find it very hard to lend to individuals without collaterals no matter how effective the lending proposal may be. That is why microfinance was established to extend microcredit to low income people but it is ironic that, it is even easier to get credit from the banks than from microfinance bank, so the problem of credit extension to the low income earners continues to persist.

The banking sector in Nigeria continues to insist before the open accounts to customers on uniform Know Your Customer (KYC), irrespective of transaction type and risk. Currently, most countries that have successfully increased financial inclusion have adopted risk-based approaches to KYC; this has both maintained the integrity of the system and increased peoples' eligibility to participate in banking NFIS (2011). The adoption of uniform KYC has constitutes a major problem to financial inclusion, as it prevents many adults from opening bank accounts, because they do not have any mode of identifications. We strongly believe that the introduction of Biometric Verification Number (BVN) will eliminate the use of uniform KYC as an important instrument in the opening of accounts and that will critically enhance the financial inclusion strategy.

RECOMMENDATIONS

The CBN should advised Banks to open accounts with customers with zero amount and may even lend small funds to such customers, this will induce majority of the poor population to open accounts with banks. It is noted the strategy posted impressive performance in India and we hope if adopted in Nigeria will boast financial inclusion as well.

The CBN should advice the banks to relax the KYC requirement for opening accounts, which will surely simplify the procedure of opening accounts by the customers. However, the introduction of Biometric Verification Number {BVN) will reduce the demand for KYC as the plastic number contained all necessary information about the customer.

Nigeria can borrow from India the scheme of engaging Business Correspondents (BC) the CBN should permit banks to engage business facilitators and BCs as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery services, especially cash-in-cash out transactions, thus addressing the last-mile problems Wikipedia (2014). The CBN should consider granting lenience to reputable organizations to undertake this task; it will help to expand financial inclusion space and also added more impetus to the banks to bring banking to the door steps of rural dwellers which will increase the population of their customers.

The recent financial Literacy (FL) campaign the CBN is undertaking is a right step in the right directions if well executed. CBN is informed by the fact that financial literacy is a key to the effective financial inclusions, people can only participate in any scheme they aware of it. The CBN has taken the issue of FL to the secondary schools to inculcate to the youth the habit of obtaining financial services from the banks. CBN should also step up the scheme of financial inclusion through FL to the rural areas where majority of the population are excluded from the banking sector, so that they will appreciate they need for obtaining financial services. Specifically, financial literacy and consumer protection should be strengthened to ensure that the banks did not exploit the consumers unduly through the offer of financial products.

Banks should be encouraged to establish branches in the rural areas, the directives making it compulsory for the banks to have branches in all the 774 local governments which were earlier relaxed should be revisited. It is anticipated that the policy will go a long way to bring banking to the door steps of the rural populace and will strengthened one of the fundamental objectives of financial inclusion; that financial services is the right of all citizens.

Kama et' al (2013) opined that CBN must ensure a sound business environment which will allow a range of financial service providers to thrive and compete for their customers. The postulation is that branches are potent tool for good relationship with customers; therefore Banks should actually establish more branches to retain its market segment and the confidence of the customers. Agent banking framework currently under review should be finalized immediately and incentives should be put in place for the agents to serve a cross-section of financial services providers and facilitates shared services centers for agents as that will reduce cost of operation considerable by the banks. However, the government should provide the enabling environment such as the necessary infrastructures: electricity, good feeder roads in the rural area to attract the banks and reduce their cost of delivery services and enable them to make profits.

CBN should play pragmatic role which include cross-cutting initiatives, ranging from information campaigns like creation of virtual web: inclusion of financial literacy in school curriculum and training of school instructors as well as light disclosure policy and robust dispute resolution framework. These activities as an integral part of the financial literacy program should span several departments, agencies, in the financial markets.

Banks should invest more in e-electronic banking applications by employing modern banking technology to strengthen their services delivery through deployment of ATMs. POSs which encourage the use of hand held electronic devices like mobile phones, and micro ATM etc. This will speed up the transaction process of the banks and lead to effective delivery of services to the customers. The CBN should reverse the directives barring banks from operating off-site ATM network and should even go further to create incentives for them to locate ATMs of- site and mostly in the rural areas. Banks should endeavor to ensure that the ATMs do not lack money as it is at present and make sure they are in perfect working conditions, ATMs should be configure to offer services in indigenous languages. The CBN as a matter of urgency should develop guidelines for the banks on the minimum functionality of ATM such as deposits, bill payments, withdrawal etc.

The heart of investment in any economy is savings. Therefore, Nigerians should be encouraged to inculcate the habit of saving not only it will lead to investment but it will boast financial inclusion scheme. To this end, the CBN should be focusing on mobilizing of savings as a cheap funding and deemphasized collateral for loan administration. CBN should focus rather in supporting research and survey of demand of fund for a better understanding of cash flows. It will reinforced the tailored products and the automation, create efficient loan processes based on savings history and collateral, focusing further on linkage of grass-root organization with Deposit Money Banks by refinancing and safeguards on savings.

Nigeria Insurance Commission (NAICOM) should conduct surveys every two years on insurance demand, literacy and uptake levels, and should promote insurance literacy initiatives by creating awareness about importance of insurance and also of taking insurance policies. NAICOM should enforce regulation, particularly for compulsory products like vehicle license and mandate compulsory insurance for specified products while agents must be licensed and fake ones should be persecuted.

Pension Commission should be proactive to expand the space of pension registration by making it possible for private individual who are self-employed and cooperatives to participate in the contribution and should also develop a framework allowing for irregular contributions in the formal sector. Cooperatives and trade unions should be engaged in order to promote financial literacy and investment opportunities while Pension Fund Administrator should be broadened.

CONCLUSIONS

It needs not to be emphasized that Financial Inclusion is a veritable tool for mobilization of savings and therefore encourage investment in the economy which is a key to economic growth and development. It becomes absolutely necessary for the government to put the necessary enabling environment in place in order to encourage Financial Inclusions. And regulators such as CBN, NAICOM and Pension Commission should proactive to initiate policies and regulations that will expand and enhance financial inclusion space.

We equally observed that CBN in their quest to achieve one of their key mandates "to promote price and monetary stability" has been vigorously and aggressively adopting strategies to promote and deepen financial inclusion in Nigeria. This to no small measure will equally achieve the critical objectives of financial inclusions; which include robust economic inclusive growth and sustainable development.

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