

*Essays in Honour of Mr. Adetunji A. Oyeyipo, SAN.*  
**PROMOTING FINANCIAL INCLUSION IN THE NIGERIAN BANKING  
SECTOR: STRATEGIES AND IMPLICATIONS FOR CORPORATE  
FINANCE**

**Damilola Obanijesu Oyawole<sup>403</sup>**

**ABSTRACT**

*Despite the significant growth of the banking sector in Nigeria, access to formal financial services remains limited while many individuals and businesses, particularly in rural and underserved areas are excluded.<sup>404</sup> This lack of financial inclusion has led to a range of negative consequences, including reduced economic growth, increased poverty and inequality, and limited opportunities for entrepreneurship and innovation. To address this problem, policymakers and stakeholders in the banking sector are implementing various strategies and initiatives to promote financial inclusion, but their effectiveness and impact on corporate finance in Nigeria are not yet fully understood. It is against this backdrop, that this paper explores more practicable strategies that can be employed to enhance financial inclusion in Nigerian banking sector. It also examines the implications of financial inclusion for corporate finance, and goes further to highlight the importance of creating an enabling regulatory environment, fostering partnerships between financial institutions and other stakeholders, and addressing challenges such as infrastructure limitations and financial literacy.*

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<sup>403</sup> A 500 Level Student, Common Law Department, University of Ilorin, Ilorin, Nigeria.  
+2349033182827, obanijesudamil@gmail.com

<sup>404</sup> Oladeinde Olawoyin, 'As POS Merchants Target Nigeria's Unbanked Population, Banks' Troubles Haunt Them' *Premium Times* (18 July, 2022)  
<https://www.premiumtimesng.com/news/headlines/543413-as-pos-merchants-target-nigerias-unbanked-population-banks-troubles-haunt-them.html?tztc=1> accessed on 30th May 2023.

## **1.0.0: INTRODUCTION**

Financial inclusion can be likened to extending an invitation to new individuals to join an elite club or religious organization and equipping them with the necessary tools such as access, guidance, and empowerment to become lifelong members.<sup>405</sup> The process of achieving financial inclusion can be challenging, akin to progressing through different levels of difficulty in various activities. In Christian circles, there is great celebration when a ‘soul has been won’ before embarking on the more challenging phase of sanctification. In essence, this is why financial inclusion is pursued, despite the argument that excluded individuals are either impoverished or economically unproductive. Financial exclusion is very much a symptom of poverty; as it is a cause of it.

The Nigerian government, in its National Financial Inclusion Strategy adopted in 2011, had set for itself an ambitious target to financially include 80 per cent of its adult population by the year 2020.<sup>406</sup> Needless to say, that target was not achieved as only 64 per cent were included by the end of 2020.<sup>407</sup>

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<sup>405</sup>Financial inclusion is a process of engaging all social groups and disadvantaged groups in having access to formal financial systems. This definition underscores the comprehensive and multi-faceted nature of financial inclusion, encompassing accessibility, availability, and utilization of financial services. Accessibility pertains to the level of penetration and ease of access to financial services for potential users. Availability evaluates the extent to which these services are provided and made accessible. Utilization, on the other hand, gauges whether the available and accessible financial services are effectively utilized by individuals or businesses. See; Sarma M. ‘Index of Financial Inclusion’ ICRIER, Working Paper No 215, June 2008.

<sup>406</sup>Bassey Udo, ‘Nigeria Targets 80% Adult Financial Inclusion by 2020’, *Premium Times* (14 January, 2019, <<https://www.premiumtimesng.com/business/business-news/305762-nigeria-targets-80-adult-financial-inclusion-by-2020.html?tztc=1>>= accessed on 30th May 2023.

<sup>407</sup>Ayodeji Adegboyega, ‘Nigeria Misses Financial Inclusion Target’ ,*Premium Times* (4 June, 2021) <<https://www.premiumtimesng.com/news/top-news/465694-nigeria-misses-financial-inclusion-target.html?tztc=1>> accessed on 30th May 2023.

The government further set a target to financially include 95 percent of its population by 2024,<sup>408</sup> while efforts have been made by the government, regulatory agencies of the financial system and the private sector, lingering challenges may however serve as pushbacks in the short to medium term.

For instance, only 59.7 percent of households have a bank account and 81.5 percent of these bank account owners are urban dwellers.<sup>409</sup> With over 35 million Nigerians lacking access to telecommunications services and digital financing services, according to the Nigerian Communications Commission,<sup>410</sup> this raises concerns of accessibility for the underserved and financially excluded Nigerians.<sup>411</sup>

The main barriers to financial inclusion in Nigeria remain institutional exclusion, affordability, low awareness, limited access to banks, irregular or little income, unemployment, lack of trust, too much-required documentation, etc. This paper is, therefore, timely as it explores effective strategies and implications of

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<sup>408</sup> KwenJ. & Faminu G., 'Nigeria Targets 95% Financial Inclusion by 2024', *Business Day* (25 November, 2022) <<https://businessday.ng/news/article/nigeria-targets-95-financial-inclusion-by-2024/>> accessed on 30th May 2023.

<sup>409</sup>*Ibid*, (no. 3)

<sup>410</sup>Sam Tunji, '35 Million Nigerians Lack Access to Digital Financial Services, Others – NCC' *Punch* (16 March 2022) <<https://www.google.com/amp/s/punchng.com/35million-nigerians-lack-access-to-digital-financial-services-others-ncc/%3famp>> accessed on 30th May 2023.

<sup>411</sup>'Out of the 59 million unbanked adults, 73 percent do not have the required documents to open a tier 3 bank account, furthermore, only 38 percent of adults in rural areas are within proximity of financial access points/financial service providers, 84 of these adults are Financial Services Agents, and as of November 2022, 92.63 million Nigerians had registered under the National Identity Number, however, the Verify Me digital ID report estimates that over 100 million Nigerians are not captured in the ID system out of a population of over 200 people.' See; Temitayo Jaiyeola, '100 million Nigerians Don't Have Recognised ID, Says Report' *Punch* (7 March 2022) <<https://punchng.com/100-million-nigerians-dont-have-recognised-id-says-report/?amp>> accessed on 30th May 2023.

promoting financial inclusion in the Nigerian banking sector, with specific focus on corporate finance.

### **2.0.0: OVERVIEW OF FINANCIAL INCLUSION IN NIGERIA**

The notion of offering financial services to marginalized communities can be traced back to the 19th century when credit unions and cooperative banks were first established.<sup>412</sup> However, since the early 2000s,<sup>413</sup> there has been a significant shift in global attention towards financial inclusion, with policymakers, financial institutions, and development organizations placing it at the forefront of their agendas.

In the past, the government of Nigeria has implemented various publicly funded initiatives and policies aimed at improving the provision of financial services in rural areas. These initiatives primarily targeted the impoverished population. Notable among these schemes were the rural banking program, sector-specific credit allocation, the implementation of concessional interest rates, and the agricultural credit guarantee funds scheme.<sup>414</sup> Additionally, several institutions were established to support these efforts, including the Nigerian Agricultural and Co-operative Bank Ltd (NACB), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the People's

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<sup>412</sup>Felix Akinnibi, 'Financial Inclusion in Nigeria' <<https://cowrywise.com/blog/financial-inclusion/>> accessed on 30th May 2023.

<sup>413</sup>*Ibid.*

<sup>414</sup>Otiwu Kingsley & Okere P. A., 'Financial Inclusion and Economic Growth of Nigeria: The Microfinance Option', *IJIER* (2018) 6 (2) <<http://ijier.net/ijier/article/view/949>> accessed on 30th May 2023.

Bank of Nigeria (PBN), the Community Banks (CBs), and the Family Economic Advancement Program (FEAP).<sup>415</sup>

In December 2005,<sup>416</sup> the Central Bank of Nigeria<sup>417</sup> introduced a policy framework for microfinance with the aim of improving the accessibility of financial services for micro-entrepreneurs and low-income households. The objective was to enable them to expand and modernize their operations, thus making a significant contribution to rapid economic growth. This policy not only brought microfinance activities under the regulatory oversight of the CBN but also aimed to provide economically active individuals in the low-income bracket with sustainable access to financial services. Additionally, the policy sought to create an environment of financial inclusion, fostering the capacity of Micro, Small, and Medium Enterprises<sup>418</sup> to contribute to economic growth and development.

Notwithstanding all these, it is safe to say that Nigeria's journey towards financial inclusion began fully in 2010<sup>419</sup> when the CBN joined forces with ten other countries to form the Maya Accord, a partnership under the Alliance for Financial Inclusion. Through this accord, each country made individual commitments to promote financial inclusion within their respective jurisdictions. This significant milestone marked the initiation of the National Financial

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<sup>415</sup>*Ibid.*

<sup>416</sup>*Ibid.*

<sup>417</sup> Hereinafter to be referred to as 'the CBN'.

<sup>418</sup> Hereinafter to be referred to as 'MSMEs'.

<sup>419</sup>Obinna Chima, 'CBN Outlines Policy Initiatives to Accelerate 95% Financial Inclusion Target' *This Day* (January, 2023) <<https://www.google.com/amp/s/www.thisdaylive.com/index.php/2022/11/29/cbn-outlines-policy-initiatives-to-accelerate-95-financial-inclusion-target/amp/>> accessed on 30th May 2023

Inclusion Strategy in 2012,<sup>420</sup> accompanied by the establishment of governance and policy frameworks that served as guiding principles for executing the strategy. These frameworks provided a solid foundation and clear direction for the implementation of the National Financial Inclusion Strategy, with the primary objective of expanding access to financial services across the country.

### **2.1.0: PAST EFFORTS AT FINANCIAL INCLUSION IN NIGERIA**

The government's initial significant policy initiative to foster financial inclusion was the implementation of the rural banking program in the late 1970s.<sup>421</sup> The Central Bank introduced this scheme in 1977, aiming to establish at least one bank branch in every local government area across Nigeria.<sup>422</sup> Commercial banks were assigned targets to set up more than 750 rural branches as part of the program.<sup>423</sup> The implementation of the scheme occurred in multiple phases, commencing in 1977, and by 1980, approximately 500 branches had been established across rural areas.<sup>424</sup>

The implementation of these initial policies also had an impact on the level of financial inclusion, as evidenced by the gradual decrease in the ratio of Cash Outside Bank to the Stock of Narrow Money Supply in the economy. This ratio

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<sup>420</sup>Onyinye Nwachukwu, 'Nigeria Begins Review of its Financial Inclusion Strategy' *Business Day* (1 November, 2017) <<https://businessday.ng/amp/markets/article/nigeria-begins-review-financial-inclusion-strategy/>> accessed on 30th May 2023

<sup>421</sup>Okorie A., 'Rural Banking in Nigeria: Determining the Appropriate Policy Variables' A Research Report – (ARSSS, 1990) 42.

<sup>422</sup>*Ibid.*

<sup>423</sup>*Ibid.*

<sup>424</sup>*Ibid.*

declined from 61.1 percent in 1969 to 44.3 percent in 1979 and further to 40.9 percent in 1989.<sup>425</sup>

Moreover, in order to foster a culture of increased savings and promote banking practices, the government introduced the People's Bank and facilitated the establishment of community banks.<sup>426</sup> The People's Bank was founded in 1989<sup>427</sup> with the purpose of catering to the financial needs of the underprivileged by accepting small deposits and providing microcredit to economically disadvantaged members of society. During its initial years, the People's Bank experienced rapid expansion, extending its services to various regions across the country. The number of branches grew significantly, from 169 in 1990 to 228 in 1992, and eventually reaching 275 by the end of 1994.<sup>428</sup> However, the effectiveness of the People's Bank was hindered by bureaucratic processes within the government, which prevented it from making a substantial impact.

Some of the other specific institutional initiatives aimed at facilitating funding and growth of MSMEs, and small businesses included the National Economic Reconstruction Fund (NERFUND)<sup>429</sup> and Family Economic Advancement Programme (FEAP).<sup>430</sup> Between 1988 and 1994, NERFUND disbursed a total of

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<sup>425</sup>Martin O. N., 'Basic Thoughts on Reversing the Trend of Financial Exclusion in Nigeria', ERJ Volume B. No. 21, 2008, 23.

<sup>426</sup>Aderibigbe J.O., 'The Role of the Financial Sector in Poverty Reduction', CBN Economic and Financial Review, Vol. 39, No. 4, 60-99.

<sup>427</sup>*Ibid*, 61.

<sup>428</sup>Central Bank of Nigeria, 'CBN Statistical Bulletin 2003', <<https://www.cbn.gov.ng/documents/statbulletin.asp>> accessed on 30th May 2023

<sup>429</sup> NERFUND, established in 1988, was created to provide both local and foreign funds for small and medium-scale businesses

<sup>430</sup> FEAP was primarily established to assist rural women who lacked access to finance in developing their businesses.

over N300 million and USD\$80 million to finance various projects in the country.<sup>431</sup>

### **2.2.0: RECENT DEVELOPMENTS IN FINANCIAL INCLUSION IN NIGERIA**

Latterly, as part of its ongoing initiatives to expand financial access to more individuals in Nigeria, the CBN has introduced a digital platform called Sabi Moni.<sup>432</sup>The platform is specifically designed to support and facilitate the expansion of financial education in the country by equipping individuals with the necessary expertise to drive this important initiative. The CBN Governor highlighted that financial literacy is the primary catalyst for achieving financial inclusion.<sup>433</sup>

To bridge the gaps in financial inclusion, the National Financial Inclusion Strategy 2022 focuses on key strategic priorities. These include increasing the adoption and usage of financial services among priority demographics such as women, youth, MSMEs, rural dwellers, and particularly addressing the needs of the Northern region of the country.<sup>434</sup>

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<sup>431</sup>Amieyeofori V. F., 'Enhancing Nigerian Economic Growth through Integrative Financial Inclusion Strategy' *IJSSMR* 2 (5), 2019, 38.

<sup>432</sup>'CBN To Fast-Track Financial Inclusion with Launch of SabiMONI' *Daily Trust* (16 May, 2023) <<https://dailytrust.com/cbn-to-fast-track-financial-inclusion-with-launch-of-sabimoni/>> accessed on 30th May 2023

<sup>433</sup>*Ibid.*

<sup>434</sup>National Financial Inclusion Strategy (Revised) – Central Bank of Nigeria' <[https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.cbn.gov.ng/out/2019/cd/national%2520financial%2520inclusion%2520strategy.pdf&ved=2ahUKEwjSk-rbzaL\\_AhVUiVwKHZNIA7kQFnoECBMQAQ&usq=AOvVaw1gK5TI\\_kaWT8621wQw1DsJ](https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.cbn.gov.ng/out/2019/cd/national%2520financial%2520inclusion%2520strategy.pdf&ved=2ahUKEwjSk-rbzaL_AhVUiVwKHZNIA7kQFnoECBMQAQ&usq=AOvVaw1gK5TI_kaWT8621wQw1DsJ)> accessed on 30th May 2023.



Also, expanding digital financial services and platforms is also recognized as a crucial priority area to enhance financial inclusion.

The current version of the platform consists of fifteen (15) modules encompassing diverse facets of financial literacy. These modules delve into subjects such as needs and wants, non-interest finance, fraud and scam awareness, budgeting, and investing.<sup>435</sup> Participants who successfully complete the course will be designated as Certified Financial Literacy Trainers, reflecting their acquired expertise in the field.

### **3.0.0: CHALLENGES TO FINANCIAL INCLUSION IN THE NIGERIAN BANKING SECTOR**

As highlighted by Moghalu,<sup>436</sup> billions of individuals worldwide face limited or no access to financial services, underscoring the urgency of enhancing financial inclusion on a global scale. He noted major challenges within the general economic conditions, which are also challenges facing financial inclusion in Nigeria:

- The vast majority of the financially excluded 40 million Nigerians lack the basic knowledge of the services and benefits derivable from accessing formal financial services.<sup>437</sup> Financial literacy at its lowest ebb

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<sup>435</sup>*Ibid*, (no. 24).

<sup>436</sup>Moghalu K. C., 'The Challenge of Financial Inclusion: The Nigerian perspective' Being text of remarks at the 2011 global policy forum of the Alliance for Financial Inclusion (AFI) at Riviera Maya, Mexico on September 28, 2011.

<sup>437</sup>'Financial Literacy as a Tool for Deepening Financial Inclusion' *Business Day* (June 27, 2018) <<https://businessday.ng/amp/financial-inclusion/article/financial-literacy-tool-deepening-financial-inclusion/>> accessed on 30th May 2023.

has remained a major impediment to the progress of the financial inclusion.

- Another challenge is the inability of the populace to save due to the double-digit inflation in the economy,<sup>438</sup>with its attendant effects on real interest rate and continuous loss of money value. The disincentive negative real interest rates are obviously discouraging potential savers from saving and thereby shutting them out in the uncertain tides of other non-bank saving schemes.
- The rate of poverty seems not to have reduced as the progress of most of the poverty-reducing Millennium Development Goals has been very slow.<sup>439</sup>
- The uncompetitive wage levels in the public sector where the low-income earners and groups are predominant in number are rather excluded financially.

Other barriers to financial inclusion in the Nigerian banking sector are:

- The common belief that if a certain financial model or system works successfully in other countries, such as Kenya, it can be replicated in Nigeria. However, the reality is that Nigeria's cultural and economic landscape differs significantly, as the country is predominantly cash-based. There is also a misconception that the high rate of mobile phone

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<sup>438</sup>Mary Izuaka, 'Nigeria's Inflation Hits 22.2% as Food Prices Rise' *Premium Times* (May 15, 2023) <<https://www.premiumtimesng.com/business/business-news/598559-breaking-nigerias-inflation-hits-22-22-as-food-prices-rise.html>> accessed on 30th May 2023

<sup>439</sup> Mary Izuaka, '133 Million Nigerians Living in Poverty – NBS' *Premium Times* (17 November, 2022) <<https://www.premiumtimesng.com/business/565993-133-million-nigerians-living-in-poverty-nbs.html?tztc=1>> accessed on 30th May 2023

users automatically translates into a large number of mobile money subscribers. This assumption is flawed because many individuals within the unbanked population are resistant to embracing electronic financial transactions and still prefer traditional ‘do-it-for-me’ services.<sup>440</sup> This is evident in the strong trust and reliance on informal financial providers like ‘*adashe*’,<sup>441</sup> ‘*esusu*’,<sup>442</sup> and ‘*ajoo*’,<sup>443</sup> in Nigeria.

- Financial inclusion in Nigeria exhibits both low overall levels and significant disparities. While the gender gap in financial inclusion is relatively small, other gaps related to factors such as age, education, income, and urban-rural divide are more pronounced compared to peer countries and Sub-Saharan Africa as a whole.<sup>444</sup>
- The lack of a responsible regulatory framework for financial products and services targeted at individuals with low income discourages both private and public sector banks from engaging in such offerings. For instance, extensive documentation requirements act as barriers that prevent underprivileged segments of society from accessing financial products and services.<sup>445</sup>

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<sup>440</sup>Ayodeji Adegboyega, ‘Why We Don’t Keep Our Monies in Banks – Unbanked Nigerians’ *Premium Times* (22 May, 2019) <<https://www.premiumtimesng.com/news/top-news/330898-why-we-dont-keep-our-monies-in-banks-unbanked-nigerians.html?tztc=1>> accessed on 30th May 2023

<sup>441</sup>Colloquial name for group savings in the north.

<sup>442</sup>Colloquial name for group savings in the east.

<sup>443</sup>Colloquial name for group savings in the west.

<sup>444</sup>Akudugu M. A., ‘The Determinants of Financial Inclusion in Western Africa: Insights from Ghana’, *Research Journal of Finance and Accounting* (2013) 4(8), 95.

<sup>445</sup> Out of the 59 million unbanked adults, 73 percent do not have the required documents to open a Tier 3 bank account; furthermore, only 38 percent of adults in rural areas are within proximity of financial access points/financial service providers and 84 of these adults are Financial Services Agents.’ See ‘Access to Financial Services in Nigeria 2020 Survey’

#### **4.0.0: STRATEGIES FOR PROMOTING FINANCIAL INCLUSION IN THE NIGERIAN BANKING SECTOR**

During the recent international financial inclusion conference in Abuja, the Federal Government introduced five significant policy frameworks and initiatives aimed at achieving a financial inclusion rate of 95 percent by 2024.<sup>446</sup> These policies include the Revised National Financial Inclusion Strategy, National Strategy for Leveraging Agent Networks for Women's Financial Inclusion, National Fintech Strategy, Nigeria Financial Services Maps, and Payment System Vision 2025.

##### **4.1.0: National Financial Inclusion Strategy (NFIS 3.0)**

This updated strategy builds upon the previous version, NFIS 2.0, introduced in 2019. Its primary objectives are to enhance the adoption and utilization of financial services among priority demographics, strengthen the infrastructure supporting financial services, expand digital financial services and platforms, and enhance coordination, capacity, and governance in advancing financial inclusion.<sup>447</sup> By focusing on these key areas, the strategy aims to drive

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<[https://www.google.com/url?sa=t&source=web&rct=j&url=https://a2f.ng/wp-content/uploads/2021/06/A2F-2020-Final-Report.pdf&ved=2ahUKEwi61dLI2aL\\_AhVPY8AKHVRHBX4QFnoECCAQAQ&usg=AOvVaw2\\_eaBERjmH2hIX7bu5Inws](https://www.google.com/url?sa=t&source=web&rct=j&url=https://a2f.ng/wp-content/uploads/2021/06/A2F-2020-Final-Report.pdf&ved=2ahUKEwi61dLI2aL_AhVPY8AKHVRHBX4QFnoECCAQAQ&usg=AOvVaw2_eaBERjmH2hIX7bu5Inws)> accessed on 30th May 2023

<sup>446</sup>Nkechi Onyedika-Ugoeze, 'CBN Targets 95%FinancialInclusion by 2024' *The Guardian* (28 November, 2022) <<https://guardian.ng/business-services/cbn-targets-95-per-cent-financial-inclusion-by-2024/>> accessed on 31st May 2023

<sup>447</sup>Bunmi Bailey, 'Five Strategies to Help Nigeria Meet FinancialInclusionTarget of 95%' *Business Day* (30 November, 2022) <<https://businessday.ng/financial-inclusion/article/five-strategies-to-help-nigeria-meet-financial-inclusion-target-of-95/>> accessed on 31st May 2023

sustainable growth and progress in achieving greater financial inclusion in Nigeria.

#### **4.2.0: National Strategy for Leveraging Agent Networks for Women's Financial Inclusion**

This strategy is a direct result of the framework designed to advance women's financial inclusion. The strategy aligns with the third strategic imperative outlined in the framework, which emphasizes the expansion of delivery channels to ensure greater accessibility for women customers and to bridge the gender gap in financial inclusion in Nigeria.<sup>448</sup>The CBN further highlighted that the strategy aims to achieve significant progress in this regard, including doubling the number of female financial services agents by 2024, as well as increasing the proportion of female to male agents from 15:85 to 35:65.<sup>449</sup>Additionally, the strategy will promote the development and implementation of at least 10 financial products or interventions specifically tailored to address gender-related needs, with a focus on leveraging agent networks.<sup>450</sup>

#### **4.3.0: Payment System Vision (PSV) 2025**

This new vision builds upon the previous success and accomplishments of the Payment System Vision 2020 (PSV 2020), which served as a roadmap for the

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<sup>448</sup>*Ibid.*

<sup>449</sup> 'Framework for Advancing Women's Financial Inclusion in Nigeria', <[https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.cbn.gov.ng/out/2020/df/framework%2520for%2520advancing%2520women%27s%2520financial%2520inclusion%2520in%2520nigeria\\_final\\_5mb.pdf&ved=2ahUKEwjb-4f28KL\\_AhWFh1wKHUDnAdEQFnoECBUQAQ&usg=AOvVaw311ISWy4JVes5xHS3mqGhZ](https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.cbn.gov.ng/out/2020/df/framework%2520for%2520advancing%2520women%27s%2520financial%2520inclusion%2520in%2520nigeria_final_5mb.pdf&ved=2ahUKEwjb-4f28KL_AhWFh1wKHUDnAdEQFnoECBUQAQ&usg=AOvVaw311ISWy4JVes5xHS3mqGhZ)> accessed on 31st May 2023

<sup>450</sup>*Ibid.*

transformation of the Nigerian payments system.<sup>451</sup> The updated document will serve as a guide for key stakeholders, directing their focus towards emerging trends and advancements that will shape digital innovations and payment systems in the future.<sup>452</sup> These include areas such as contactless payments, big data utilization, open banking, and other relevant developments in the industry.

#### **4.4.0: National FinTech Strategy**

The national fintech strategy presents recommendations for both the demand and supply sides of the fintech industry in Nigeria, aiming to promote the adoption and utilization of fintech solutions. The strategy is structured around two main objectives: ecosystem and governance.<sup>453</sup> It also highlights three key priorities, which include the deployment of principle-based rules, regulations, and foundational infrastructure necessary for the development of a vibrant fintech ecosystem.<sup>454</sup> The strategy seeks to establish a fintech ecosystem that facilitates rapid growth, active engagement, and effective collaboration among stakeholders.

Granted, the Federal Government has introduced significant policy frameworks and initiatives aimed at achieving the proposed financial inclusion rate for 2024,

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<sup>451</sup>Chijioke Nelson, 'Benefits of PSV 2020 Initiative, by CBN' *The Guardian* (1 February, 2015) <<https://guardian.ng/business-services/business/benefits-of-psv-2020-initiative-by-cbn/>> accessed on 31st May 2023

<sup>452</sup>*Ibid.*

<sup>453</sup>'Nigeria's National FinTech Strategy 2023', <[https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.afi-global.org/wp-content/uploads/2022/12/CBN-National-FinTech-Strategy-2023.pdf&ved=2ahUKEwiQurC88qL\\_AhWIdcAKHRWQBDYQFnoECBsQAQ&usg=AOvVaw2xIBFef33OwTHV3H3ShXmu](https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.afi-global.org/wp-content/uploads/2022/12/CBN-National-FinTech-Strategy-2023.pdf&ved=2ahUKEwiQurC88qL_AhWIdcAKHRWQBDYQFnoECBsQAQ&usg=AOvVaw2xIBFef33OwTHV3H3ShXmu)> accessed on 31st May 2023

<sup>454</sup>*Ibid.*

however, it fails to consider some very key strategies that must form the substratum of any financial inclusion initiative in the 21st century. They are:

#### **4.5.0: Technological Innovations**

Financial institutions face a significant challenge in tapping into the vast untapped potential of smaller towns and cities and providing them with suitable financial services. Prioritizing the implementation of core banking solutions becomes crucial for banks to accommodate the required volume and variety of services needed to cater to the low-income and rural population. Subsequently, adopting and sustaining a multi-channel approach utilizing handheld devices, mobiles, cards, micro-ATMs, branches, and kiosks, with seamless integration with the banks' CBS, becomes essential. The government, on its part, should implement appropriate policies that specifically encourage and facilitate technological research and innovation, aiming to make financial services easily accessible and cost-effective.

#### **4.6.0: Agent Banking**

Agent banks are existing businesses with a minimum of one year in operations. Agent banks make applications to banks to provide banking services on their behalf.<sup>455</sup> When the bank and the Central Bank approve the process, the agency is fully functional.

The expansion of the agent banking network has been remarkable, with the number of agents growing from 38,416 in December 2018 to 1.4 million by

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<sup>455</sup>*Agency Banking in Nigeria Explained*, <<https://www.investsmall.co/agency-banking/amp/>> accessed on 31st May 2023.

October 2022.<sup>456</sup> This notable growth can be attributed primarily to the implementation of the Shared Agent Network Expansion Facility (SANEF) initiative by the CBN and the Bankers Committee. Increasing the agent network is a crucial strategy to enhance the availability of financial access points per 100,000 people, thereby improving the accessibility of affordable financial services in rural areas and specific urban centers. The substantial growth of agent networks, particularly in the North-East region with a 67% increase in 2020, plays a vital role in advancing financial inclusion in the northern part of the country.<sup>457</sup> In Nigeria, one of the primary and widely adopted services offered through agency banking is cash-in and cash-out. This service, commonly known as deposit and withdrawal, allows customers to conveniently deposit and withdraw money through authorized agents. The Central Bank of Nigeria has actively promoted the growth of agency banking by leveraging technological advancements, however, this is an area that calls for more attention.

#### **4.7.0: Promoting the supply of appropriate financial products and services to MSMEs**

MSMEs have the potential to significantly contribute to economic growth and job creation. The government has recognized the importance of supporting MSMEs as part of its broader policy agenda.<sup>458</sup> Ensuring the participation of MSMEs in the financial sector as customers is crucial for achieving financial

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<sup>456</sup>Frank Eleanya, 'Despite Agent Banking Growth, Nigeria Still behind Peers in Mobile Money' *Business Day* (8 April, 2021) <<https://businessday.ng/banking/article/despite-agent-banking-growth-nigeria-still-behind-peers-in-mobile-money>> accessed on 31st May 2023.

<sup>457</sup>*Ibid*, (no. 14).

<sup>458</sup>'MSME-National-Policy – SMEDAN' <<https://www.smedan.gov.ng>> accessed on 1st June 2023



inclusivity. It is acknowledged that MSMEs often face challenges in accessing suitable financial products and services. Many rely on personal financial products, which can hinder their long-term business sustainability. To address this issue, the CBN can collaborate with relevant stakeholders to facilitate the development and delivery of tailored financial products and services specifically designed for MSMEs operating in the country. An initial focus area for the CBN would involve gathering and analyzing recent data on MSMEs access to and utilization of financial products and services. This information will provide valuable insights for informing further strategies and initiatives aimed at improving the financial inclusion of MSMEs in Nigeria.

#### **4.8.0: Creating a regulatory and supervisory framework that promotes financial inclusion**

The concept of proportionality has gained importance in fostering a diverse range of financial service providers and promoting competition in the market. Implementing suitable frameworks can facilitate the development and availability of products and services that cater to the specific requirements of low-income or underserved customers. Well-designed regulatory frameworks not only address issues related to access and usage but also play a vital role in ensuring the provision of high-quality products and services in the market.

### **5.0.0: IMPLICATIONS FOR CORPORATE FINANCE**

#### **5.1.0: Access to Credit**

Increased financial inclusion in Nigeria has the potential to significantly improve access to credit for MSMEs and foster entrepreneurship and business

growth. Currently, many MSMEs in Nigeria face challenges in accessing formal credit due to various factors such as limited collateral, inadequate credit history, and a lack of awareness about available financial services.<sup>459</sup> However, by promoting financial inclusion, these barriers can be effectively addressed, unleashing the potential of MSMEs and driving economic development.

Also, mobile banking and digital lending platforms have gained popularity in the country, offering convenient and accessible financial services to a wide range of individuals, including MSMEs owners.<sup>460</sup> These platforms leverage technology to streamline the loan application process, assess creditworthiness using alternative data sources, and disburse loans quickly.

### **5.2.0: Financial Management for Businesses**

More individuals can open and maintain savings accounts, which offer a secure and convenient way to save money. Savings accounts provide a means for individuals to set aside funds for emergencies, future investments, or long-term goals.

Financial inclusion also facilitates access to insurance services in Nigeria. Insurance plays a crucial role in managing risks and providing financial protection against unforeseen events. Through financial inclusion efforts,

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<sup>459</sup>Chukwuemeka Uwanaka, 'World MSME Day 2021: Enhanced Financing for Nigerian Small Businesses' *The Cable* (8 July, 2021) <<https://www.thecable.ng/world-msme-day-2021-enhanced-financing-for-nigerian-small-businesses/amp>> accessed on 1st June 2023

<sup>460</sup>'Nigerian Fintech Company Raises \$10 Million to Aid Financial Inclusion' *Premium Times* (10 February, 2020) <<https://www.premiumtimesng.com/business/financial-inclusion/376530-nigerian-fintech-company-raises-10-million-to-aid-financial-inclusion.html?tztc=1>> accessed on 1st June 2023

individuals and businesses gain access to a range of insurance products, including health insurance, life insurance, property insurance, and crop insurance. These insurance policies provide a safety net, mitigating potential financial losses and safeguarding individuals and businesses from unexpected expenses.

### **5.3.0: Economic Impact**

Financial inclusion plays a vital role in poverty reduction. Access to basic financial services, such as savings accounts and credit, provides individuals with the tools to manage their finances, accumulate assets, and build a pathway out of poverty. Moreover, financial inclusion contributes to job creation in Nigeria. MSMEs are the backbone of any economy and are significant contributors to employment generation.<sup>461</sup> In addition to poverty reduction and job creation, financial inclusion plays a pivotal role in overall economic development in Nigeria. When a larger portion of the population has access to financial services, it stimulates economic activity and promotes inclusive growth.

### **6.0.0: CONCLUSION**

There is a global agreement on the significance of financial inclusion, as it plays a crucial role in promoting integrity and stability within a country's financial system, while also serving as a sustainable means to combat poverty. In the case of Nigeria, financial inclusion is even more pertinent as it serves as a platform

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<sup>461</sup> 'MSMEs: Over 440,000 Jobs Created in Nigeria through Our Intervention – AfDB' *Vanguard* (10 November, 2022) <<https://www.google.com/amp/s/www.vanguardngr.com/2022/11/msmes-over-440000-jobs-created-in-nigeria-through-our-intervention-afdb/amp/>> accessed on 1st June 2023

not only for the growth of the financial sector but also as a catalyst for driving inclusive economic growth, and effectiveness in corporate finance.