



**Central Banks
and the
Development
Agenda – The
CBN Experience**

Sadiq Usman
Central Bank of Nigeria



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Presentation Outline

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- CBN Interventions
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Introduction – Brief on Nigeria

- Nigeria has land area of 923,768 square kilometres and richly endowed with a vast natural resource base
- Population of about 168 million
- Per capita GDP is US\$1,106.77
- More than 70 percent of the population reside in the rural and semi-urban areas and most household incomes are derived from agriculture
- Agricultural production accounts for 42 per cent of GDP
- The oil sector has an exaggerated effect on the economy



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Introduction...Nigerian Banking Crisis

- Nigeria was not insulated from the crisis, especially the second round effects
- Nigeria had external shock arising from high dependence on exports of crude oil as well as foreign capital inflows
- For Nigeria, the impact was felt through various channels
 - Reduced Foreign Direct Inflows and Remittances
 - High Capital Outflows
 - Lower Crude Oil Demand
 - Low Crude Oil Prices
 - Concentration of Exposure to Capital Market and Oil and Gas



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Introduction...Nigerian Banking Crisis

- Capital market was hardest hit with grave consequences for banks exposed to the market
- A section of the banking industry was significantly exposed to the downstream oil & gas sector which as oil prices tumbled
- Other factors responsible for the grave condition of some banks
 - Lack of regulatory coordination
 - Poor corporate governance
 - Poor disclosure and transparency
 - Lack of an effective fiscal quarantining mechanism
 - Weaknesses in the supervision and enforcement process
 - Weaknesses in the business operating environment



Introduction....Banking Reform

- CBN Reform process has been underpinned by 4 critical pillars;
 - **Enhancing the quality of banks**
 - **Establishing financial Stability**
 - **Enabling financial sector evolution**
 - **Position the banking sector to contribute to the development of the real economy**



Introduction

The mandate of the Central Bank of Nigeria is to:

- Ensure monetary and price stability
- Issue legal tender currency in Nigeria
- Maintain external reserves to safeguard the international value of the legal tender currency
- Promote a sound financial system in Nigeria; and
- Act as banker and provide economic and financial advice to the Federal Government



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CBN's Developmental Activities

- Monetary authorities should continually aim to create conducive business climate
- Through measured interventions and the art of equilibrating the demand and supply of liquidity
 - Reining in inflation and
 - Incentivizing savings
- Central Banks, especially, in developing countries must come to terms with the broader role fostered on them



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CBN's Developmental Activities

- Promotion of Access to Finance
 - Real Sector Financing
 - Agricultural Financing
 - SME Financing
 - Microfinance
 - Financial Inclusion
 - Infrastructure Finance
- Capacity Building
 - Entrepreneurship Development
 - NYSC Venture Development
 - Certification for Management of Microfinance Banks
- Building of Institutions for Economic Development
- Development of banking culture and network



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CBN Interventions

- Given the importance of the real sector and the identified financing gaps, the CBN has introduced targeted interventions
 - To improve financing for the real sector
 - and to boost its contribution to sustainable development
- These recent targeted interventions have been introduced with the active support and participation of the Bankers' Committee



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CBN Interventions

S/N	Programme	Year Established	Target Group	Nature of Intervention
A. AGRICULTURAL FINANCING				
1.	Agricultural Credit Guarantee Scheme Fund (ACGSF)	1978	Small Scale Farmers	Fund provides 75 per cent guarantee in respect of loans granted by banks for approved agricultural purposes and interest rebate to farmers. Loans guaranteed were below N10.0 million. Substitutes to collateral securities are allowed for group or small-scale or micro-enterprise loans extended on short-term basis
2.	Interest Draw Back (IDP)	2003	Farmers under the ACGSF	Interest rebate of 40 per cent to farmers who fully repaid as scheduled
3.	The Agricultural Credit Support Scheme (ACSS)	2006	Medium Scale Farmers	Loans granted were above N50.0 million and with interest rebate of 6 per cent when repaid on schedule. It is an initiative of the FGN & CBN with the active support of the Bankers' Committee. It is a virtual fund of N50.0 billion
4.	N200 billion Commercial Agricultural Credit Scheme (CACs)	2009	Commercial Agricultural Enterprises	Financing of commercial agricultural enterprises at single-digit interest rate (9%)
5.	Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL)	2010	Farmers and agricultural value chain	De-risking financing of the agricultural value chain and providing farmers with affordable financial products



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CBN Interventions

B. SMEs FINANCING				
S/N	Programme	Year Established	Target Group	Nature of Intervention
6.	N200 Billion SME Re-financing/Restructuring Facility for Bank Loans to Manufacturing (SMERRF)	2010	Manufacturers	Refinancing/restructuring of banks' existing loan portfolios to manufacturers.
7.	SME Credit Guarantee Scheme (SMECGS)	2010	SMEs, agriculture value chain, and educational facilities	To provide 80 per cent guarantee to credit to manufacturing SMEs, agriculture value chain, and educational facilities.



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CBN Interventions

C. BANKING FACILITIES AT THE GRASSROOTS & RURAL AREAS

S/N	Programme	Year Established	Target Group	Nature of Intervention
8.	Microfinance Policy, Regulatory and Supervisory Framework for Nigeria	2005	Microenterprises	To make financial services accessible to a large segment of the potentially productive Nigerians with little or no access to formal financial services
9.	Rural Banking Programme	1977	Rural Areas	Making banking services available in the rural areas

D. INFRASTRUCTURE FINANCING

10.	N 300 Billion Power & Aviation Intervention Fund (PAIF)	2010	Power & Aviation Projects	Provision of long term funding for power and aviation projects at single-digit interest rate
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CBN Interventions

E. CAPACITY BUILDING

S/N	Programme	Year Established	Target Group	Nature of Intervention
11.	Entrepreneurship Development Centres (EDCs)	2006	Youths and micro entrepreneurs	Capacity building (to develop entrepreneurship spirit and skills of the unemployed youths and micro entrepreneurs)
12.	NYSC Venture Prize Competition Award	2008	NYSC Members	Giving awards to best three business proposals from both the State and National categories

F. DEVELOPMENT OF ECONOMIC INSTITUTIONS

13.	Support for the establishment of economic development institutions (BOI, Agric Bank, NEXIM, NAIC)	1972 to date	Farmers, SMEs and Industrialists	Access to finance- Agric Bank; Nigerian Agricultural Insurance Corporation (NAIC); Nigeria Export-Import Bank (NEXIM); Federal Mortgage Bank of Nigeria (FMBN); Bank of Industry (BOI); Abuja Securities and Commodity Exchange (ASCE)
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Financial Inclusion

- In addition to the various strategies highlighted above, which are targeted at unlocking finance to the critical sectors of the economy, the Bank is also focusing on building an inclusive financial sector by:
 - Designing a financial inclusion strategy for the financial services industry
 - Implementing programs on financial literacy
 - Facilitating the development of mobile banking
 - Exploring non-conventional banking models (e.g. non-interest banking)
 - Strengthening of the microfinance sub-sector



Challenges/Constraints

- Weak link between the major growth drivers, particularly agriculture, and manufacturing sector
- Inadequate or absence of basic economic and social infrastructure remains a major binding constraint on Nigeria's growth and development
- Investment climate
- Limited capacity of stakeholders – existence of skills gaps



Conclusion

- The CBN had in the 50+ years of its existence, stimulated developments in the real sector of the economy
- Its interventions have led to increased access to finance by farmers, entrepreneurs and other stakeholders
- These initiatives are also;
 - Deepening banking habits
 - Promoting the growth of the SMEs
 - Facilitating employment
 - Promoting diversification of the economy and
 - Leading to income generation in the rural areas



Conclusion

- In Nigeria, critical challenge today is how to create some irreducible minimum standards of financial system stability to facilitate economic growth and development
- The good news is that challenges of the Global financial crisis are being well managed in Nigeria
- To a large extent the reforms undertaken have succeeded in returning macroeconomic and financial system stability
- Interventions by the Central Bank of Nigeria should however, not be seen as a panacea to tackle the major challenges faced by the Nigerian economy
- Complementary reforms in other areas of the economy are absolutely necessary



◦ Thank you for listening.....

Sadiq Usman
SA – Economic Development
Central Bank of Nigeria
Email: asusman@cbn.gov.ng
Tel: +234 (0)9 462 39250



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