



Keynote Address by
Governor Godwin I. Emefiele, CON
At the 9th Annual Banking & Finance Conference
of the Chartered Institute of Bankers of Nigeria (CIBN),
8 September 2015

1. **Good morning Distinguished Ladies and Gentleman**, it is my pleasure to deliver the keynote speech at the 9th Annual Banking & Finance Conference of the Chartered Institute of Bankers of Nigeria (CIBN) holding in Abuja. Before I begin, I would like to use this opportunity to thank the organisers of the conference and the members of CIBN for the privilege to address this eminent assembly. As a Fellow of the institute, I am always delighted to be in your midst to network and rub-minds with you; a course which I find very enriching.

2. The theme of this year's conference, **"The Financial Services Industry Agenda for a New Nigeria,"** is indeed apt in the realities and challenges of today's economic environment. The strategic importance of the financial sector and its services in an economy is best appreciated when likened to a city without water. A spectacular mistake in planning would be to assume that a city can survive without a well-functioning water utility. Analogously, in the absence of the fictional barter system, an economy cannot endure without a well-functioning financial services industry. Therefore, just as utility services is germane in planning a new city, as we chart a sustainable path for the economic development of

Nigeria the strategic importance of the financial services industry must be recognised.

3. Before I go too far, let me provide you with some background on the recent developments in the economy. Over the last year, the Nigerian economy, like most others, has been confronted with many challenges due essentially to three exogenous shocks. These include the sharp decline in crude oil prices, end of the Quantitative Easing Programme of the US Fed, and the heightened geopolitical tensions following the annexation of Crimea by Russia. The effect of these is a dwindling of our overall economic fortunes, as net outflows increased and pressures escalated in critical financial markets. We have seen our GDP growth slowed from 6.2 percent at the end of 2014, to about 4 percent in the first quarter of 2015 and 2.4 percent in the second quarter of 2015. Though still single digit, inflation has crept to 9.2 percent in July 2015. The exchange rate continues to experience upward pressure due essentially to following the sustained activities of speculators and rent-seekers in the face of the reduced dollar inflow. Poverty and unemployment remains adamantly prevalent.

4. While this development is not peculiar to Nigeria, given comparable experiences of Brazil, Russia, China, Kazakhstan, etc. it provides an opportunity for us to re-structure, re-invent, and re-strategize in order to diversify our economy, reduce our dependence on foreign markets and become self-sufficient. Again, just as water is critical in a city, the financial services industry is central if we must achieve this self-sufficient new Nigeria. Liquidity, capital and finance are requisite in this regard.

5. The Nigerian financial services industry must realise its locus in our strategic aspiration and duly balance its profit motives with some patriotic considerations. To achieve our self-sufficiency goal and boost domestic productivity, it is imperative that the industry re-orient itself by supporting strategic development sectors and infrastructural projects. It is true, like Adam Smith noted that these entities are not in the business for benevolence – however, we should strive not to sacrifice long-term national developments for short-term profits. It will interest you to know that in today's advanced economies, such as the United States, England, Japan, and France, evidences indicate that the financial industry deliberately supported development and productive sectors using “direct methods” of intervention. Our financial industry can be re-oriented to support the rapid development and industrialisation of the Nigerian economy.

6. At the Central Bank of Nigeria, we have realised the importance of the industry as an agent of development, and by balancing our macroeconomic stability objective with a development financing goal have already adopted this view. Hence, in addition to pursuing the mandate of price and financial system stability the CBN has increasingly taking the lead to provide complementary developmental functions by creating an environment for Nigerians to live better and more fulfilled lives. Rather than being competing goals, we deem our mandates of price stability and sustainable economic development as complementary. This complementarity is underlined by the CBN's ability to play a critical role in boosting aggregate supply, eliminating demand gaps, and creating employment.

7. Ladies and gentlemen, I wish to emphasize that the bane of our economy today is the prevalence of aggregate supply constraints and its effect on price and macroeconomic stability, poverty, unemployment and diminished wellbeing. Therefore, there is the need to undertake initiatives and schemes that will, in the long run, promote the development of productive sectors and expand our aggregate supply capacity. It is in this regard that the CBN is targeting specific productive sectors of the economy that have the capacity to create jobs on a mass scale, reduce our dependence on foreign developments and significantly reduce our huge import bills. In view of this, the CBN has focused its development financing efforts on key sectors of the economy including: Power; Agriculture; Micro, Small and Medium Enterprises (MSME); Education etc. These sectors were methodically selected, as they are essential for simultaneously achieving the goals of economic growth, job creation, poverty reduction, broader diversification of the economy. Let me provide a brief highlight of our efforts in some these sectors.

8. *Infrastructure – Power Sector.* Over the past few months, the CBN has partnered with the Ministry of Power, Nigerian Electricity Regulatory Commission (NERC), Ministry of Petroleum Resources and Deposit Money Banks to set-up a Special Purpose Vehicle (SPV) to discharge existing legacy gas debts that had undermined gas supply to generating power plants in the country. It will also be used to settle the outstanding debt to Generating Companies by Distribution Companies. The SPV is structured as a low-interest loan of about ₦207 billion to be paid off over 10 years from a restructured and improved Multi-Year Tariff Order (MYTO). While this will play a key role in boosting investments in the power sector, the lingering power supply gap shows the need for additional measures to accelerate investments in the sector.

9. **Agriculture.** Four commodities including rice, wheat, fish and sugar jointly account for an annual food import bill of ₦1.3 trillion; even though we have the capacity to produce these locally. With its direct impact on GDP and job creation, agriculture as you will expect is a critical focus sector of the Bank. Over the last few years, the CBN has set up several funds to support development in the Agricultural Sector. Some of the schemes include the Agricultural Credit Support Scheme (ACSS) in 2006 and the Commercial Agriculture Credit Scheme (CACCS) in 2010. These can significantly improve the comparative advantage of Nigeria's domestic agriculture and positioned Nigerian farmers to tap into foreign markets. The CBN has also made efforts to finance agricultural value-chain activities through the Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL), which was established in 2011 and is now incorporated as a non-bank financial institution. Under NIRSAL, more than 224 projects valued at over ₦33.0 billion were guaranteed for the Federal Ministry of Agriculture's Growth Enhancement Scheme.

10. **MSME.** In many developed countries, this sector creates the bulk of jobs for the low-to-middle class and so cannot be ignored. The CBN's ₦220 billion Micro, Small and Medium Enterprises Development Fund (MSMEDF) prescribes a 50:50 ratio for on-lending to micro enterprises and SMEs. DMBs are encouraged to participate under the SME lending window to a maximum of ₦50 million per SME. It is expected that with the involvement of DMBs, there will be quicker utilization of the Fund, wider reach and enhancement of the Fund's overriding objective of job creation. The recently conceived movable collateral registry scheme will enhance the ability of individuals to access loans from the banks. This

model has yielded enormous success in the volume of loans provided to SMEs in Ghana, China and Vietnam.

11. **Education.** Dating back to the late 1990s, the CBN has played a prominent role, in its social responsibility drive under the Nigerian University Capacity Building Programme to ensure the production of a well-trained workforce essential in an increasingly knowledge-driven world. In 1998 the bank established the Nigerian Universities Grant Scheme under which 24 federal universities benefitted from grants to the tune of ₦445.0 million in total. The scheme was essentially to upgrade learning facilities in the universities, against the backdrop of dilapidated physical infrastructure and acute shortage of teaching aids. To enhance the pool of skilled manpower required to drive the Financial System Strategy 2020 (FSS2020), the Bank embarked on a second phase of direct intervention in Nigerian universities under the Collaborative Postgraduate Programme in Accounting, Banking and Finance and Economics. Through this collaboration, the CBN provides financial support to selected universities for the construction of a Centre of Excellence and the training of postgraduate students in the designated disciplines crucial to the financial industry.

12. **Distinguished guests,** let me reiterate that the current situation we find ourselves affords us an opportunity to change the structure of our economy in way that significantly reduces the demand for foreign exchange in Nigeria. The current development financing initiatives of the CBN are not misplaced and are neither at variance with history nor with experiences in other jurisdiction. Yet, the decision to elevate our development function is supported by, but not based on, the experiences of these other countries. It is based on a genuine appraisal and

understanding of what we need to do in order to get Nigeria on a sustained path of economic growth and development.

13. I wish to underscore the fact the CBN should not be deemed alone in this effort. The entire financial services industry has a role to play. There is need for the industry to set out deliberate and genuine agenda of development financing to fund critical infrastructural projects, education, SMEs, agriculture and manufacturing sector. The recent oil price crash and its effects on the ability of oil sector borrowers – which undermined the quality of banks’ assets – have brought to the fore the need to not concentrate lending in one sector, but to spread risks across all sectors. It also highlights the need to promote growth generating productive sectors as against focusing on those knotted to the vagaries of an exogenous market.

14. At this conference, I invite us all to put on our thinking hats so that we can debate and deliberate constructively on ways in which the financial services industry can facilitate the achievement of the goals of a new Nigeria. I am confident that, with the calibre of participants, the outcome of the plenaries at this conference will indeed be acclaimed. I thus encourage us all to participate actively in all the deliberations.

15. **Distinguished Ladies and Gentlemen**, I thank you for listening.

Godwin I. Emefiele, CON

Governor, Central Bank of Nigeria

September 8, 2015