



THE PLACE OF MICROFINANCE BANKING IN NATION BUILDING

Protocols

I am pleased to be in your midst today to have an interaction with the NEC of the Microfinance Banks in Nigeria. I want to first of all thank the leadership of the body for the letter of congratulation sent to me and reciprocate by congratulating you for the various giant strides you are making in microfinance banking environment in Nigeria. Over the years, your association has proved very relevant in sustaining the capacity building for its members, promoting ethical standard, and maintaining upward contributions to the building of the economy through supply of funds to the small, micro, and medium enterprises and the informal sector of the economy.

The entrance of Microfinance banking in the chronicles of banking in Nigeria came as a morning dew to millions of people whose businesses in the informal sector stood to be either forgotten or not factored-in by the Deposit Money Banks. This situation got to the point where over 70% of the population transacting millions of naira outside the banking industry. By implication, there was no means by which economic activities in this area could have been factored in to measure the volume of economic activities.

Microfinance, according to Jamil, 2008, refers to the entire flexible structures and processes by which financial services are delivered to micro entrepreneurs as well as the poor and low income population on a sustainable basis. It recognized poor and micro entrepreneurs who are excluded or denied access to financial services on account of their inability to provide tangible assets as collateral for credit facilities.

Microfinance Banks have therefore, become one of the trusted sources of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group.



When the Central Bank of Nigeria formulated the National Microfinance Policy in December 2005, their major aim was to deepen the access of micro entrepreneurs to financial services. A liberal access of micro entrepreneurs to financial services which is expected to boost, expand and or modernize the operations of small scale businesses so that this class of entrepreneurs can be economically empowered and thus be able to contribute to national economic growth and development.

The vision of microfinance in Nigeria is deeply rooted in the idea of Financial Inclusion Strategy of the Financial System Strategy. Microfinance banks are designed to be agents of transformation and consolidation. The responsibility of delivering of financial services at affordable costs to sections of disadvantaged and low income segments of society is so designed so as to attract the large chunk of funds circulating in the informal sector and use the opportunity to extend specific need services.

Some of the expectations from the public include, but not limited to; Credit Delivery, Boosting Small Scale Enterprises/Agriculture, Employment Generation, Improvement in Skill Acquisition, Facilitates Poverty Alleviation

There is no gain saying that the microfinance banking have a lot of expectations on them and giving the right environment, they are a veritable tool for nation building. Rural transformation, revamping of small scale and hence the achievement of the nations' financial inclusion strategy are all linked to the vibrancy of the microfinance banks.

The small and medium scale entrepreneurs in rural areas lack the necessary financial services, especially credit from the commercial banks; providing succor to these sector should be your utmost desire.

Fulfilling these expectations, however are not without challenges.

We are aware that majority of the Microfinance banks are having liquidity challenges in their operations. These have been made very obvious from the difficulties they also have in accessing the N200billion recently mapped out by the government for small and medium enterprises through the CBN. At the launch of the fund, CBN stated that it was designed to



further enhance access to finance by MSMEs with the following major objectives: (i) provide wholesale financing windows for participating financial institutions (MFIs), (ii) improve the capacity of the MFIs to meet credit needs of MSMEs (iii) provide funds at reduced cost to MFIs, (iv) enhance access of women entrepreneurs to finance by allocating 60 per cent of the fund to them, and (v) improve access of NGOs/MFIs to finance. The fund, which is said to be one of the elements in the micro finance policy of the federal government, which was launched in 2005 was to be implemented in stages.

We also can relate with the frustrations of the preventions of some micro finance banks to invest in treasury bills of the federal Government. This should not hinder you in making more impact to the economy as there are so much you can do within your operating environment to make progress.

I am very happy with the efforts that you all have put in to improve the capacity of practitioners under the sponsorship of CBN. However, I am disheartened to note that so many people working in so many microfinance banks are not aware of the practitioners' examinations. The Institute can partner with the leadership of this body to seek the CBN's approval to once again extend the window period to enable some of you qualify. While we plan the modalities for this action, those that have qualified have the mandate to talk their colleague into enrolling and taking the exams.

The microfinance also face the challenge of VAT by the FIRS which is considered a heavy to bear. We will partner on committee level to see this reversed so that you can have a better business environment.

Ladies and Gentlemen, The Chartered Institute of Bankers of Bankers of Nigeria will continue to support your aspirations in making better impacts in the economy. Over the last few years as we partner with CBN in providing a platform for your members to qualify as MCB, we know very well the enormous challenges you face in advancing the frontiers of the sub-sector, but one thing remains outstanding in life, "no nation achieves greatness in one day". We therefore



encourage you to strive more to make your practice the envy of the rest of the sub-sectors in the banking business.

I thank you for listening to me and let me and God bless.

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