Report on the

SECOND ANNUAL SYMPOSIUM OF THE NIGERIAN MICROFINANCE PLATFORM

THEME: CONSOLIDATION IN THE MICROFINANCE SECTOR AND THE IMPACT ON FINANCIAL INCLUSION IN NIGERIA

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Executive Summary

The second annual symposium of the Nigerian Microfinance Platform was held on Thursday, 19th May, 2016 at Chelsea Hotel, Central Area, FCT Abuja with the theme: **Consolidation in the Microfinance Sector and the Impact on Financial Inclusion in Nigeria**. The Symposium, which held with the support of NPF MfB, ACCION MfB, AFOS Foundation, and LAPO MfB, brought together directors and senior management of the member banks of the Nigerian Microfinance Platform, regulators and other stakeholders, including legal practice, the academia, the commercial banking sector as well as consulting.

The Chairman of the occasion was the Governor of the Central Bank of Nigeria (CBN), *Mr. Godwin Emefiele (CON)*, who was represented by *Alhaji Ahmad Abdullahi*, Director, Other Financial Institutions Supervision Department {OFID} CBN, who was also the Keynote Speaker. The Goodwill Addresses were delivered by *Mr. Hans Joachim Maurer*, the MD/CEO of AFOS Foundation, *Mr. Joel Azubuko Udah Esq. DIG (Rtd)*, the Chairman, Board of Directors, NPF Microfinance Bank Plc, *Alhaji Umaru Ibrahim*, MD/CEO, Nigeria Deposit Insurance Corporation (NDIC) and Senator Rafiu Ibrahim Adebayo, Chairman, Senate Committee on Banking, Insurance and Other Financial Institutions

Four technical papers were delivered by the following; *Ms. Bisi Lamikanra*, Partner and Head, Management Consulting, KPMG Nigeria, *Mrs. Tope Akin-Fadeyi*, Head, Financial Inclusion Secretariat, CBN, *Ms. Modupe Ladipo*, Non-Executive Director, EFInA and *Mr. J. J. Etopidiok*, Director, Special Insured Institutions Department, NDIC.

There was a consensus that the microfinance sub-sector is ripe for consolidation, but the process also comes with its associated risks. Some of the risks highlighted were that the efficiency gains due to economies of scale might end up in higher profit for the MfB, rather than being passed on to the consumers. If this risk is not effectively mitigated, consolidation will not promote financial inclusion. Also, consolidation may weaken competition because the succeeding firm may gain more control in a certain area.

To mitigate the risks of consolidation, some policies need to be in place, such as culture and ego management, and strategies for managing the consolidated MfBs. It was also emphasized that consolidation is just one of several tools to sustain growth in the microfinance industry, as many other options including better corporate governance, rural focus, technology and innovation need to be exploited.

The panel discussion that followed was moderated by *Mr. Olufemi Fabamwo*, Director, Currency Operations Department, CBN and the discussants were *Mrs. NwannaJoel-Ezeugo*, ACCION

MfB, representing the MD, *Ms. Bunmi Lawson, Mr. Akin Lawal*, MD, NPF MfB, *Mr. Valentine Whensu*, President, National Association of Microfinance Banks, *Dr. Godwin Ehigiamusoe*, MD, LAPO MfB, *Mr. Sesan Bamisile*, former Director OFID, DFD and Audit, CBN, *Mrs. Tokunbo Martins*, Director, Banking Supervision Department, CBN, and *Mr. Muyiwa Balogun*, Partner Olaniwun Ajayi LP.

The panel discussion concluded that consolidation is good and has several benefits, which range from good corporate governance to better trust and confidence from the target market for the industry. However, despite all the numerous benefits of consolidation, MfBs need to be careful in their approach to it. A gradual approach through strategic alliance, agent banking, cooperatives and non-bank financial institutions was advocated. Three important issues were highlighted as:

- Strong institutions that are strategically focused, well managed and have technically competent boards.
- Sound policies that give room for growth in the right direction and allow suitable mentoring, while ensuring that the microfinance institutions are operating within the regulations.
- Investments to build capacity to run those strong institutions

It was also commonly agreed that there is a need for MfBs to rethink their business strategy and model of doing business so as to ensure sustainability.

In the communiqué delivered by *Dr. 'Biodun Adedipe*, Chief Consultant, B. Adedipe Associates Limited, it was pointed out that the symposium had aggregated the issues pertinent to the growth phase that the microfinance banking sector is in at the moment, focusing on consolidation as a tool for increasing the number of stronger microfinance banks. Many advantages of consolidation were discussed as well as the best approaches to a consolidation exercise, the important risks to hedge against during the process, and other alternatives to consolidation in the sector's quest to serve more under-banked Nigerian citizens. Ultimately, if the consolidation process is well designed and the activities properly sequenced, the outcome should strengthen financial inclusion.

Communiqué

1. The issues discussed revolved around the advantages and disadvantages of consolidation in the microfinance industry and if consolidation should be market-driven or regulator-induced.
2. There is a need for greater geographical spread of MfBs across the country, particularly in the rural areas, to increase financial inclusion. There is still room for growth and spread across more regions.
3. The key imperatives for growth in the microfinance industry are:
   a. Strategic Focus
   b. Customer Centricity
   c. Data management and Insight
   d. Infrastructure
   e. Organisational Capacity
4. The MfB sector needs to move from the growth stage to the profitable stage in the industry lifecycle.
5. Consolidation of MfBs will lead to:
   a. Increase in access to capital
   b. Growth in client/product portfolio
   c. Geographical expansion
   d. Reduction in interest rates
   e. An overall improvement in the economy
6. MfBs have a primary purpose, which is to reach low income earners and ensure that those without access to financial services are served.
7. There is a need to find a lasting solution to the supply and demand side issues of the MfB sector:
   a. The supply-side issues include:
      i. Rising Cost of Credits
      ii. Limited Dispersion of Access Points
      iii. High Operational Costs
   b. The demand-side issues are mainly:
      i. Trust
      ii. Communication with customers
8. Consolidation, if implemented in the interest of the poor, has the potential to drive financial inclusion.

9. The top three criteria that clients consider for choosing the microfinance banks to patronize are:
    a. Proximity to the customer
    b. Time frame to obtain a loan
    c. Word of mouth from existing customers
10. Microfinance bank users stopped using MfB services due to:
    a. Irregular income
    b. Lack of trust in MfBs
    c. Liquidation rate of microfinance banks
11. Consolidation is just one of the many tools that can be used to sustain growth in the microfinance sector.
12. The three key elements of microfinance banking are:
    a. Customer value proposition
    b. Viable business case for MfB operators
    c. Healthy ecosystem
13. The key success factors for MfBs are:
    a. Ownership
    b. Asset Quality
    c. Low operating cost
    d. Product Differentiation
    e. Ease of Capitalization, loan disbursement channels, institutional capacity development, government support, etc.
14. The way forward for MfBs:
    a. Functional strategic planning: MFBs need to start thinking ahead, because they affect the industry and the economy as whole. They should start organizing periodic trainings and retreats for staff on how to grow bigger.
    b. Value-based annual budget.
    c. Adoption of planned opportunism (spend corporate resources on planned future).
    d. Market survey, intelligence & scanning.
    e. Lean operations; detailed analysis of avoidable and unavoidable costs is needed
    f. Availability of competitive loans (micro housing) and interest charges
    g. Development of Fee-Based Revenue (Health, Counseling)
    h. Balancing Profit Maximization with Social Performance Objectives
15. Credibility should be developed and sustained with staff, customers and other stakeholders.
16. NDIC has a policy/framework for providing assistance to MfBs and this policy has requirements and procedures that have to be followed. Some of these requirements are that

MfBs must be within the threshold of capital adequacy of not less than 5% and they must have sufficient collaterals to fund the loans they are looking for.

17. Recapitalization is important because it is a credit-driven business and will aid the acquisition of technology, which is important for driving business operation improvements.
18. Sustainability, system efficiency or credit reduction are the main focus of consolidation globally.
19. At the end of the deliberations it was clear that there was a good case for consolidation in the microfinance sector. The following were the advantages highlighted
    a. Promote system soundness
    b. Promote stability and enhance efficiency within the system
    c. Position MfBs to compete globally
    d. Allow the emergence of mega microfinance banks
    e. Widespread proper corporate governance on the back of adequate capital
    f. Deepen the capital market
    g. Enhance banks' liquidity and capitalization
    h. Improve depositor confidence as a result of better perception of the banks by depositors
    i. The ownership of the banks will be diluted as banks may become public limited companies, thus eliminating dominance of banks by few shareholders with the attendant challenges
    j. Elimination of dominance of a few banks and the predominance of listed banks, which brings greater transparency and corporate governance
    k. Supervision can become much more effective
    l. Banks should become more competitive regionally and globally
    m. Increased lending, as consolidation of deposit money banks resulted in increase in lending by 30-31% in 2005 alone
    n. Increased foreign investment loans into the banks and credit lines from foreign banks
    o. Increased capability of banks to partner internationally for foreign reserve management
    p. Growth in bank branches to almost 5,500 in 2009 from 3,300 before the consolidation
20. Consolidation Disadvantages:
    a. Possibility of acquiring huge liabilities
    b. Getting the buy-in of stakeholders.
    c. Operational and cultural challenges
    d. Legal challenges
    e. Inadequate capacity to cope with the exercise in terms of human and financial resources
    f. Managing stakeholder expectations

g. Impediments to financing the real sector of the economy still linger. The relatively unchanged nature of the business environment, institutional bottlenecks, epileptic power supply, bad roads, poor and expensive infrastructural support and legal constraints still remain, and these may lead to high overhead costs and high interest rates.

21. MfBs need to rework their service delivery to reach more of their target market.
22. CBN is not enforcing consolidation now. However, if CBN deems it necessary, recapitalization will have to be done. The banks will be free to either raise capital through IPOs, private placements or rights issues. The other option will be to consolidate or acquire.
23. The Companies and Allied Matters Act recognises not just acquisitions but also takeovers and mergers.
24. The government needs to improve on its financial infrastructure efforts.
25. The three pillars that MfBs must pay attention to:
    a. **Institutions:** Particularly on how to get them stronger and be able to deliver their mandate.
    b. **Policies:** The CBN, NDIC and other regulators should create an environment conducive for developing financial inclusion.
    c. **Investments:** MfBs need to enhance capital and technology. Looking at the future where FINTECH is a key issue, MfBs need to anticipate how that will play out and position themselves accordingly.
26. The consolidation exercise should be a mix of regulator-induced and market-induced approaches.

The summary from the symposium is that the mandate for consolidation is for the operators to begin the process and at some point, the regulators should consider whether to use a minimum capital requirement to trigger action for stronger microfinance banks to help the sector and the economy as a whole.

Recommendations

1. The minimum requirement of ₦20 million for MfBs should be increased because it is often eroded within the first year of operations. This low capital base culminates in slowing down the growth of the industry.
2. There is a need for strategic policies, culture and ego management in order to ensure the survival of MfBs when they decide to consolidate.
3. The things that need to be in place for Microfinance bank sub-sector to achieve its growth potentials are:
    a. Increase in capital requirement.
    b. Increased use of technology
    c. Loan products tailored to meet target customers
    d. Proximity to customers and service improvement
    e. More focus on women, who constitute a large chunk of the active poor, adult population.
4. MfBs need to review their operational cost structure so they can eliminate unnecessary costs and also manage effectively their reputation to be sustainable.
5. MfBs would benefit a lot more by negotiating with ICT providers as a platform, rather than individually.
6. The Platform should organise a roundtable talk with the Federal Inland Revenue Service to address the issues in multiple taxation.
7. MfBs have to invest in training/capacity building for staff and also embark on extensive research.
8. MfBs should explore the *Agency Model (s*trategic alliances) before embarking on a consolidation exercise.
9. MfBs should develop legal and other tools (like legal audits) to know the real state of the liabilities of institutions they wish to acquire.

Welcome/Opening Remarks

Governor, Central Bank of Nigeria (CBN), Mr. Godwin Emefiele (CON)

Alhaji Ahmad Abdullahi, Director OFID, CBN, who represented the CBN Governor, welcomed everyone to the second annual symposium of the Nigerian Microfinance Platform. In the Governor's address, he reaffirmed the supervisory function of the CBN to the MFB sub-sector in the economy and underscored the importance of the sub-sector to the growth and development of the Nigerian economy. He said the CBN is very much interested in the MF sub-sector despite its relatively small size, because of the important role it plays as a veritable tool for financial inclusion and MSME financing in Nigeria.

He stressed the urgent need to give more attention to the issues of MSME financing and financial inclusion as important elements in the growth and development of the economy. He reassured the MFBs that CBN will work together with other development partners to address these challenges facing the sector.

On final note, he extended the Governors' goodwill message to the participants and trust that the theme of the symposium, which is ***Consolidation in the Microfinance Sector and the Impact of Financial Inclusion in Nigeria***, will help to strengthen these two key objectives of MSME financing and financial inclusion.

Goodwill Addresses

Managing Director / CEO AFOS Foundation: Mr. Hans Joachim Maurer

Mr. Maurer delivered a short but reassuring goodwill address that highlighted one of AFOS Foundation's objectives, which is to support the Nigerian microfinance banking sub-sector. Furthermore, AFOS will extend its support to the MfB customers to the point where their economic condition is stabilised in a sustainable manner.

Managing Director / CEO, Nigeria Deposit Insurance Corporation (NDIC): Alhaji Umaru Ibrahim

Alhaji Ibrahim was represented by Mr. Feturi E. Otedoh who stressed that the symposium presents a great opportunity to rethink a sustainable financial inclusion option for the MfB sub-sector. He pointed out that MfB activities since 2012 have increased significantly and in order to sustain this growth, CBN needs to develop a revised guideline for the sub-sector. The Nigerian MfB sub-sector's peculiar issue of huge portfolios and deposits as well as complex structures also needs to be reviewed. The operators in the MfB sub-sector need to strongly urge the regulators (CBN) to develop measures to strengthen the sub-sector without prejudice.

He further made a description of what the journey of Nigerian Microfinance Platform (NMP) has been like. In doing this, he explained how the platform has been at the forefront advocating for the new guidelines for MfBs. The platform has pioneered measures on service sharing among MfBs, which has helped to reduce operating cost. Equally, he pointed out how the platform has taken measures to deploy functional IT platforms for MFBs as well as collaborated with development partners to evolve sustainable funding for micro-housing. Mr. Otedoh brought to the attention of the participants how the platform has developed functional enterprise risk management solutions for use by MfBs and continue advocating for local and offshore intervention funds for micro-credit stimulation.

NDIC has sought various ways to add value to the members of the platform, one of which includes the minimization of the deposit insurance risks they face. The corporation sponsors and organizes sensitization workshops for MfBs as well. He reassured that the corporation will continue to be in partnership with the platform. In his final words, he made the following recommendations by the Corporation to the platform:

- The platform should join the regulatory bodies to create effective microfinance bank business model.
- To take measures to minimize the operating costs of MFBs.

- The platform should ensure MfBs offer micro-products at right prices to the public.

The Senate President, represented by Senator Rafiu Ibrahim Adebayo

Senator Rafiu Ibrahim Adebayo began with the view that appointed senators must work closely and energetically as much as possible for the Nigerian economy to move forward. One of the ways this can be achieved is through the role that microfinance institutions play in the economy, which in fact accentuates their importance to any economy, and as such the Senate is ready to work hand in hand with the MfBs. In addition, the Senate is ready to review any motion, lobby the regulators, and interface with the masses through various constituencies in order to ensure the growth of MfBs.

He encouraged MfBs to do away with the fear that comes with consolidation and put the interest of the sub-sector, banking sector at large and the economy at heart. Noting emphatically, that the sub-sector needs consolidation now as there is a need to come together to re-align to build stronger strategic MfBs.

He concluded by assuring the platform that the Senate will work with the MfBs all the way and they will always be open for discussion and collaboration on how to move the industry forward.

Joel Azubuko Udah Esq. DIG (Rtd), Board Chairman, NPF Microfinance Bank Plc

While many speakers had pointed out the importance of the microfinance sector to the economy, Mr. Udah recognized the importance of the MF Platform to the sub-sector. The platform is an avenue that provides the opportunity for cross fertilization of ideas, which if implemented will bring progress and boost the fortunes of the microfinance industry in Nigeria.

NPF Microfinance Bank Plc as a major player in the industry, is fully committed to support ideas that would drive the sector such as full participation in conferences, seminars, etc, all of which seek to improve the lot of the microfinance industry. The bank will especially ensure the enthronement of the much needed good corporate governance practice, consolidation to strengthen weak microfinance banks, and most importantly financial inclusion of every economically active person.

He further stressed the importance of employing the financial inclusion strategy as not only to provide cheap source of raising inevitable capital; but also a way to help the poor to save money and mitigate the risks that poor people face during economic downturn and shocks. Therefore, policies that are geared towards this venture will surely bring about rapid positive economic changes in the country.

He admonished all participating microfinance banks to be strong and gear up to play this vital role. Much as MfBs need to consolidate to achieve stronger financial institutions, it is important that consolidation be simplified and made both meaningful and effective.

He opined that the challenges to be surmounted in order to enhance financial inclusion in Nigeria include the following:

1. Low financial literacy of the large population, with the attendant poor understanding of the products being marketed by staff of microfinance banks.
2. Low propensity of the target group to save due to the inflationary trends, which has eroded the real value of their income. Hence, the active poor are left with no choice but to save via non-banking methods.
3. The worrisome pace of economic growth and increase in the level of poverty in the society.

These notwithstanding, MfBs should increase the awareness of their financial products to their target market and equally ensure that staff are trained regularly to enhance their capacity and knowledge of how to deal with challenges as they arise.

Finally, he enjoined all symposium participants to have frank discussions on the issues at stake and proffer solutions on how to achieve proper consolidation of weak microfinance banks through mergers and takeovers, coupled with effective financial inclusion for the active poor and for the enhancement of the citizens' living standards.

Keynote Address

Alhaji Ahmad Abdullahi, Director, Other Financial Institutions Supervision Department {OFID}, CBN

Alhaji Abdullahi set a proper tone for the deliberations at the symposium, reiterating how important the growth and development of the microfinance sub-sector is to the CBN in terms of driving financial inclusion in the country. He referred to the consolidation experience of the commercial banking sector in the mid-2000's and encouraged the symposium participants to draw as much lessons from that experience as possible to guide the issues that would be discussed.

Consolidation in the microfinance sub-sector is a welcome and timely idea for discussion. However, there are certain key issues that require attention:

- The advantages and the downsides of consolidation for MfBs and the industry as a whole
- The mode of consolidation as either market-based or regulator-induced.

The theme of the symposium: *Consolidation in the Microfinance Sector and the Impact of Financial Inclusion in Nigeria* is a pointer to what the industry needs right now. Notwithstanding that the statistics on the sub-sector are somewhat worrisome, the sector remains the best reliable option for providing access to finance at the lower end of the financial market. The sub-sector is perhaps the best tool to solve the problem of financial non-inclusion despite its small size. Recognizing that the loss of customers' deposits with MFBs can cripple the economy, the CBN, in its supervisory capacity, is more concerned with the safety of these deposits, whose owners are the financially vulnerable members of the society.

Microfinance operators should be cognizant of the sub-sector's huge potentials, and not allow themselves to be intimidated by the wide gap between MfBs and the commercial banks as it can be bridged through hard and strategic efforts by the MFBs.

Alhaji Abdullahi noted that 50% of the total industry assets are owned by 10 MfBs out of 960. He questioned whether *"this is a pointer towards consolidation?'* He then affirmed that whichever way that was to be answered, there is also need to clarify whether consolidation should be market-driven or regulator-induced. Members of the Platform and participants were urged to address these issues at the plenary session.

Another cause for concern, he said, is the minimum capital requirement of ₦20 million for MfBs, which is easily eroded within the first six months to one year of operation of many MfBs because of their high overhead costs. This invariably slows down the growth of the industry and explains why majority of the MfBs are not profitable.

Consolidation has numerous advantages, which the paper presenters are expected to properly dissect and make convincing to MFB operators. Conversely, consolidation has its disadvantages as well, but these are outweighed by the advantages when proper measures and policies are emplaced.

In his final words, he emphasised that as an emerging market, it’s advisable for microfinance banks in Nigeria to consolidate despite the risks it poses to the sector.

Lead Technical Paper I:

Using Consolidation to Drive Transformation in the Nigerian Microfinance Industry:

Ms. Bisi Lamikanra, Partner & Head, Management Consulting, KPMG Nigeria

Ms. Lamikanra started her presentation with a statement by the former British Prime Minister, Sir Winston Churchill, that *"If we do not take change by the hand, it will surely take us by the throat."* This, in the light of the theme of the symposium and the state of the Nigerian economy, suggests that microfinance banks should be an architect of change. The presentation was in three segments:

- Financial inclusion and current state of the industry
- Imperatives for growth.
- A case for industry consolidation

Nigeria has made strides in deepening financial inclusion in recent years, although, the momentum appears to be slowing down. The microfinance industry is heavily fragmented with so many small players evidenced in only 6 MfBs operating at the National level out over 900 MfBs in the country – the rest of them are State and Unit MfBs. As a result of this, the impact and reach of the industry falls far below its potential.

In terms of geographical spread of MfBs, about one third are located in the South West, while the North East zone remaining relatively untouched with only 49 MfBs spread across its 6 states, thereby having the highest financial exclusion rate. Despite the issuance of national licenses, no MfB has been able to achieve full national coverage. No doubt, the industry has grown rapidly, but a comparative review of the industry's balance sheet indicates there is scope for growth. The total assets of the whole sector is less than that of the smallest commercial bank in the country

Given the current structure of the industry, many players are unable to leverage available growth levers due to a number of critical factors such as, weak corporate governance practices, high financing and operational costs, weak asset quality and a lack of customer centricity. To set the industry on the path of transformational change, there are a number of key imperatives for the players, namely:

- **Strategic Focus**: The industry needs to strengthen governance practices to attract valuable funding and partnerships, and enhance sustainability.
- **Customer Centricity**: Customer centricity must be embedded at all stages of the customer lifecycle and along the customer journey.

- **Data and Insights**: The industry must shift its focus to building data analytics capability to facilitate predictive analytics for pricing, customer acquisition and experience, and risk management.
- **Infrastructure**: Transformation of the back office of MfBs from manual processing to automated/digitally-enabled operating model.

Consolidation is a natural phase of an industry's lifecycle and it has become a key imperative for the development of the Nigerian microfinance sub-sector. Indeed, Nigerian MfBs need to move from the growth stage to a profitable stage.

There are several potential opportunities and benefits that consolidation holds for the industry, including access to capital, growth in client/product portfolio and geographical expansion. MfBs will also be able to manage costs efficiently and thus enjoy revenue growth and value creation.

Lamikanra concluded that for the industry to ensure it is able to effectively drive consolidation, it is key to learn from the experiences in industry and ensure it has a proactive approach for dealing with the issues that will arise.

Lead Technical Paper II

Financial Inclusion from the Perspective of a Regulator

Mrs. Tope Akin-Fadeyi, Head, Financial Inclusion Secretariat, CBN

Mrs. Akin-Fadeyi explained the relevance of financial inclusion in the economy and gave different definitions of financial inclusion according to the World Bank, African Development Bank and the Central Bank of Nigeria. The CBN's definition is simple and states that *"**Financial inclusion** is achieved when adult Nigerians have easy access to a broad range of formal financial services that meet their needs at an affordable cost".*

Financial services need to be fine-tuned to meet customer needs so as to overcome existing barriers that restrict people from using financial services. There are international empirical studies that show clearly that access to financial services can help overcome poverty traps and has potential to raise living standards.

In 2012, Nigeria launched the national strategy for financial inclusion to reduce the percentage of adult Nigerians excluded from financial services from 46.3% in 2010 to 20% in 2020. Specific targets were also defined for product indicators (payment, credits and savings) and channel indicators (branches of deposit money banks, DMBs, ATMs and POS). The 2014 EFInA survey report on access to financial services in Nigeria indicated that the financial inclusion rate decreased from 2008 to 2012, but has remained fairly constant from 2012 to 2014.

CBN's revised regulatory and supervisory guidelines for MfBs states clearly that microfinance banking is all about the un-banked, rural, vulnerable and the poorest of the poor. This primary purpose must not be neglected in spite of the MfBs pursuit of profitability. Although there was an increase in the financial inclusion rate during 2010 to 2014, the growth rate of microfinance clients slowed down between 2012 and 2014, while the number of clients of microfinance banks has actually decreased since 2010.

It is important to find a lasting solution to the supply side issues of the microfinance sub-sector. Issues such as rising cost of credits, limited dispersion of access points, and high operational costs of MfBs need to be addressed. The EFInA report indicated that most MfB branches are in regions with high inclusion rates. Therefore, for MfBs to solve the supply-side issues, their branches need to equal or be more in number than those of deposit money banks (DMBs) branches, especially in the financially excluded areas.

On the demand side, there are two issues pertinent to the MfB sub-sector:

1. **Trust:** The failure of several community banks and the withdrawal of the license of 224 microfinance banks in 2010 dampened public confidence in the microfinance sector beyond

the generally low level of trust in the banking sector. CBN has instituted stronger supervision to strengthen consumer trust in the sector through enabling policies and oversight function.

2. **Communication:** While consumers may understand the meaning of a monthly interest rate, most loan products of MfBs were found to include additional fees and commission. This makes it difficult for consumers to understand and compare the true cost as well as the effective interest rate of the different loan products, or true benefits of the saving products.

If MfBs introduce measures to address these issues, they will not only drive financial inclusion but their own business as well.

Consolidation in the microfinance sector has the potential to improve efficiencies and investments made in the sector. It will make more capital available for new branches in remote areas and as a result give room for reduction in interest rates. There will then be more capacity to identify existing efficiency potential and to customize products to client needs.

There is however, the downside to consolidation in the form of risks that won't allow it promote financial inclusion. If efficiency gains due to economies of scale end up only in higher profits for the MfBs rather than being passed on to the consumers, then consolidation will not promote financial inclusion. Equally, competition may suffer from consolidation as a firm may gain more control in a certain area. As MfBs become larger when they merge, they may start to target the high-income rather than the un-banked, low-income population segment, which they are supposed to serve. This would strongly contradict financial inclusion.

All these notwithstanding, cconsolidation of MfBs has the potential to drive financial inclusion if it is implemented in the interest of the poor.

Lead Technical Paper III

Financial Inclusion from Practitioner's Perspective:

Ms. Modupe Ladipo, Non-Executive Director, EfInA

Ms. Ladipo began with a demographic analysis of adults in the country, their income distribution analysis and how often they get access to finance. With a total adult population of 93.5 million (dominated by female adults of about 53.5%), the percentage of adults that do not earn income increased from 10.9% in 2010 to 12.8% in 2014. Also, the percentage of adults earning income between ₦6,001 to ₦13,000 decreased from 12.1% in 2012 to 10.5% in 2014.

Out of 93.5 million adults, only 45.4 million or 48.5% are financially included (banked), leaving 36.9 million adults financially excluded. There have been changes in the access strand from 2008 to 2014. The number of adults that are financially included increased by 25 million from 23.6% to 48.6%, while the financially served adults increased by 15.5 million from 47.5% to 60.5% -- a period during which the number of financially excluded adults decreased by 8.5 million.

Low level of awareness of the activities of microfinance banks among adults has contributed to the low customer base of the MfBs. This explains why about 43.6% of total adult population are not familiar with the term "microfinance bank" and only 18.6 million adults can explain what a microfinance bank does.

As at 2014, 2.6 million adults (2.8% of the adult population) had a microfinance bank account, of which 53.9% were male and 46.1% were female, with savings account being the most commonly used MfB product. Also, the top three criteria for choosing a microfinance bank are proximity to customers, how quickly they can get a loan facility and the word of mouth of existing customers. Poor services rendered by most MfBs resulted in a significant decline in the number of microfinance bank users from 4.6 million to 2.6 million between 2012 and 2014. For MfBs to be successful therefore, issues around these criteria must be addressed.

The three major reasons why microfinance bank users stopped using MfBs were found to be irregular income, lack of trust in MfBs and rapid winding down of MfBs. Consolidation can therefore, serve as a tool for solving the trust issue in MfBs sub-sector. The EFInA 2014 survey also found that customers are ready to re-engage MfBs if interest rates on loans are reduced to bearable rates and if the process to access a loan facility is quick.

From the foregoing, it is evident that for the MfB sub-sector to grow to its potentials, the following need to be in place:

- The minimum capital requirement of MfBs needs to be increased because the current ₦20 million is inadequate to sustain the provision of efficient and effective services to customers.
- There is also a need for increased use of technology in rendering services to customers e.g. through such channels as ATMs, POS, mobile banking etc.
- Loan products should be tailored to meet targeted customers.
- Proximity of MfB branches to customers and service improvement.
- MFBs should focus more on women since they constitute a large chunk of the adult population.

Ms. Ladipo concluded that consolidation is just one of the tools to sustain growth in the microfinance bank industry. There are many other important issues like better corporate governance, rural focus, technology and innovation that need to be exploited.

Lead Technical Paper IV

Rethinking the Business Model of Microfinance Banks for Sustainable Financial Inclusion

Mr. James Joshua Etopidiok, Director, Special Insured Institutions Department, NDIC

Mr. Etopidiok started with the closing remarks of the three previous presenters and thereby stressed the need for a radical rethink of how MfBs run their businesses. Most microfinance banks' operational costs overrun their revenue, which in turn affects the quality of services they provide. This is especially challenging with the concept and practice of financial intermediation that continues to evolve rapidly over time.

A World Bank 2014 Report indicated that if the 2.7 billion financially excluded individuals are brought into the financial system, additional savings of $157 billion can be harvested. This, among other reasons, made the United Nations declare 2016 and 2017 as a period of micro credits creation. Bringing this in line with the desired 2020 financial inclusion target in Nigeria, MfB operators must pay attention to three key elements for sustainable long-term financial inclusion in the country. These elements are *Customer Value Proposition*, *Viable Business Care for MfBs Operators* and *Healthy Ecosystem*.

The board and management of MfBs should regularly obtain market driven insight about existing and potential customers, future trends, organisational structure and culture. They should also review their operational costs (direct, external and internal) and put in efforts to manage reputation in order to strengthen their competitive position.

There are three distinguishing features of MfBs' operations, namely: smallness of loans, absence of asset-based collateral and significance of operations. The key success factors for MfBs to be sustainable are as follows:

- **Ownership**: The credibility and volume of capital indicate the ownership strength of a microfinance bank. It is however, worrisome that some MfBs make profits and pay it all out as dividend, thereby compromising the banks' sustainability.
- **Asset Quality**: Most MfBs appear not interested in asset quality; rather, their priority is the volume of loans booked because of the immediate income opportunity.
- **Low Operating Costs**: MfBs should develop a model that will help them to manage their operating costs, as many of them incur unnecessary costs.
- **Product Differentiation**: Products and services of MfBs must be tailored to customer needs and offered at a right price, customizing it to the needs of the target market.
- Other factors include loan disbursement channels, institutional capacity development and government support.

The following questions were raised to enable MfB operators clarify their sustainability focus:

- Who are the future customers of MfBs?

  The 36.9 million people currently financially excluded are the future customers that need to be persuaded to come on board.
- What will be their (future customers') priorities?

  Small loans
- Who are the future competitors of MfBs?

  Deposit money banks, money lenders, etc.

Etopidiok made the following recommendations:

- Functional strategic planning: MfBs should start to think ahead and begin to organize periodic trainings as well as retreat sessions for their staff on the growth of their organizations. This invariably will have a ripple effect on the industry and national economy.
- Value-based annual budget.
- Adoption of planned opportunism – more corporate resources should be on planned future.
- Market survey, intelligence and scanning.
- Lean operations and detailed analysis of avoidable and unavoidable costs.
- Develop fee-based revenue
- Balance profit maximization with social performance objectives

MfBs must deliver result to their stakeholders in order for them to remain going concern. Credibility must be developed and sustained with staff, customers and all other stakeholders. MfBs must have the right people with the right attitude and skills to deliver their services.

The presentation ended with an anonymous quote: "Lack of thinking renewal, not lack of resources, is the challenge and we all have twenty-four hour days".

Question and Answer Session

Following the presentations, delegates were given the opportunity to ask questions and seek clarifications on some of the issues raised.

Question: How long should the regulators wait for the market to initiate market-driven consolidation?

Response by Ms. Lamikanra: Based on current market situation and trends from statistics, the regulators need to act now, because a delay in action will continue to destroy the value of MfBs. If the regulators or MfBs delay the process of consolidation, the big players in the industry will continue to grow bigger, while the small MfBs will continue to get smaller. However, the regulators are in the right position to determine when to act, but they need to do so quickly to avoid being pressured to do that within a very tight time frame.

Question: What are the downsides of consolidation?

Response by Ms. Lamikanra: She referred to her earlier presentation and pointed out some of the risks of consolidation, and then explained how MfBs can de-risk the process. However, once consolidation sets in, the market will move from being regulatory-driven to a survival struggle. Operators should think through the purpose for which they want to consolidate. Is it to expand their geographic reach or to acquire more skills, or perhaps to capture more sectors of the economy? The answers to these questions will build a strong business case for consolidation and how value can be extracted from consolidation. On the other hand, culture and ego are serious risks in consolidation, and they must be managed properly.

Question: More light should be shed on how to optimally drive financial inclusion through technology. Why are ICT providers not present in the symposium, since financial inclusion can't be driven without their support?

Question: How should a microfinance bank be run with respect to what they face in their respective zones? In the North-East/West for example, one of the challenges MfBs face is technology and pricing.

Response by Mrs. Akin-Fadeyi: Further consultation is highly needed in pricing of operating technology because negotiating as individual MfBs with ICT providers will come with high costs compared to negotiating as a platform. Speaking with one voice will help the industry price down the cost of technology. Also, a cost distribution or sharing model can be deployed.

Question: Is it possible to align some regulatory policies with some of the objectives of financial inclusion? Is it possible for NDIC to assist MfBs by creating a fund out of the premium the banks pay every year? How can the issue of multiple taxations be addressed?

Response by Mr. Etopidiok: On the question of financial assistance, NDIC has a framework/policy for providing assistance to MfBs and this policy has requirements and procedures that have to be followed. Some of these requirements are that MfBs must be within the threshold of capital adequacy of not less than 5% and they must have sufficient collaterals to fund the loans they want. If these requirements are met, then financial assistance can be rendered to that microfinance bank.

On the issue of multiple taxations being faced by MfBs, Etopidiok recommended that the platform should organise a roundtable talk with the Federal Inland Revenue Service on the impact of those taxes on the performance of the industry.

Question: What is the business model the regulators want for MfBs? Since the regulators are now talking about consolidation for the microfinance industry, will MfBs now be seen as banks with high capital base and strong physical presence? If yes, CBN then needs to raise the capital requirement of MfBs and see how quickly the industry will grow.

Response by Alhaji Abdullahi: He referred the participants back to the points he raised when he gave his keynote address regarding the following questions.

- Is the Microfinance industry ripe enough for consolidation?
- Is consolidation going to be market-based or regulatory-Induced?
- Is consolidation the solution to capital erosion and high overhead costs in microfinance banks?

If all these questions can be answered properly by MfB operators and they are able to convince CBN that the minimum capital requirement should be raised, CBN will gladly swing into action.

Comment/suggestion: The Platform should consider "the behind the scene sectors" (i.e. the unregulated institutions) where lots of activities driving financial inclusion are taking place. Consolidation of MfBs might be adversarial to institutions that are community based, small and with few clients, but have a strong impact on their community and neighbouring communities.

Comment/suggestion: Business operation in Nigeria is quite challenging and as a result MfBs incur outlandish operational costs. Conclusions should not be made that MfBs have high cost structures, but rather a proper analysis needs to be done first to determine whether these costs are avoidable or unavoidable. It could be discovered that most of the costs MfBs incur are unavoidable compared to their counterparts abroad and in Africa.

Response: Mr. Etopidiok and Mrs. Akin-Fadeyi strongly believed that some (if not most) of the costs MfBs incur are avoidable. Mrs Akin-Fadeyi, however, suggested that MfBs need to properly analyse their cost structure in order to determine which costs are avoidable or not. She proposed process change and health check measures for MfBs to address the issue.

Panel Discussion

The Moderator of the panel discussion was *Mr. Olufemi Fabamwo*, Director Currency Operations Department, Central Bank of Nigeria (CBN).

The panel discussants were:

- *Mrs. Nwanna Joel-Ezeugo*, ACCION MfB
- *Mr. Akin Lawal*, Managing Director, NPF MfB
- *Mr. Valentine Whensu*, President, National Association of Microfinance Banks
- *Dr. Godwin Ehigiamusoe*, Managing Director, LAPO MfB
- *Mr. Sesan Bamisile*, Former Director OFID, Development Finance Department and Audit Department. CBN
- *Mrs. Tokunbo Martins*, Director, Banking Supervision Department, CBN
- *Mr. Muyiwa Balogun*, Partner, Olaniwun Ajayi LP

Mr. Fabamwo formally welcomed everyone to the symposium and remarked that at the time he took over the supervision of the microfinance sub-sector, what was observed then were the same issues still being discussed today. He said that there have, no doubt, been improvements and signs of growth in terms of the number of operators (from 800 to almost 1000), clientele, volume of loans, volume of deposits, and number of deposit accounts. The qualitative things, however, have not improved very much. The MfBs need to be more rural focused to reach the real target clients, reduce cost of operations and ensure that they are sustainable.

Mrs. Joel-Ezeugo

In context of the theme for the symposium, she began with the remark that it is better to have 1% of a “sound bank” than to have 100% of a “failed bank”. With the recent focus on innovation, skill improvement, digitalizing processes and branchless/internet banking, MfBs need to re-focus and leverage on technology. Technology, however, is costly and the pressure to scale up to reach such goals will be high. Scaling up will also enable cost reduction, proper expansion and trigger worthwhile impact.

She added that MfBs are making impact operationally. But when compared to the commercial banks, there is still a long way to go. Stakeholders in the microfinance sub-sector need to accept that the time for consolidation is now if the desired impact would be made.

Mr. Lawal

Discussing from the perspective of NPF Microfinance Bank, which serves both the police community primarily and then the general public, he asserted that the main purpose of consolidation is for re-capitalization. He added that NPF MfB had capital base at ₦4 billion (which was above the regulatory minimum) and was currently working towards ₦7 billion as a key strategy in its expansion objective.

He also stated further that strong capitalization is important because microfinance is credit-driven and it will go a long way to build confidence of the target customers in the financial system.

Mr. Whensu

There are merits and demerits of consolidation, which is not a new term in the Nigerian financial system. Consolidation took place when community banks metamorphosed into microfinance banks in the mid-2000s, and the issues that were present then still plague the microfinance system today. Consolidation may not be the solution to the problems that MfBs have always had. The issues are more of the focus of those institutions at the time vis-à-vis the reasons the banks were established.

Sustainability, system efficiency or credit reduction are the main focus of consolidation globally. Other questions to be addressed include whether microfinance market is overbanked or under-banked. If we think the market is overbanked (with too many MfBs), then the problem with the system should be obvious. However, if the market is under-banked, we could be looking at what needs to be done about it. Does the government need to provide infrastructure to ensure things move? Has the sub-sector obtained the desired results from having more MfBs? What is the increase in the banked customer numbers? Is microfinance banking in Nigeria commercial or developmental?

The advantages of consolidation were identified as:

- To promote the soundness of the system
- To promote stability and enhance efficiency within the system
- Depending on the aim of MfBs in Nigeria (whether commercial or developmental), MfBs and regulators can decide if consolidation should be encouraged. If encouraged, it will place the industry in a position to compete at the global level, especially at a time like this when the barriers of communication have been broken by ICT

- It will allow the emergence of mega banks that enjoy some kind of 'subsidy' that is referred to as "Too Big to Fail".
- Improvement in corporate governance.

Consolidation can be a means to address the current challenges in the microfinance sub-sector and enhance financial inclusion.

Dr. Ehigiamusoe

Illustrating with LAPO's experience in acquisitions involving one successful transaction and a failed one, he stated that the failed acquisition was a decision not to acquire as a result of the unfavourable outcome of due diligence. The target institution's asset portfolio quality was very poor and its acquisition would have dug a big hole in LAPO's balance sheet. LAPO again considered taking on board some of the staff of the target MfB, but there was no value in that. Similar consideration was to the bank's business office locations as platform to launch LAPO's SME products, but it turned out not worthwhile because the target MfB did not own the facilities. At that time also, its depositors were openly restless. For these many reasons, LAPO concluded that the acquisition was not worthwhile.

He added that LAPO's past experience was representative of what is seen in the microfinance sector currently. A good number of the MfBs are in bad shape and consolidation now might compound the problems, with possibility that a technically insolvent microfinance bank (with negative capital) will merge with another in the same condition. Attention should be given first to how the MfBs could be strengthened prior to consolidation, especially in the light of what happened to the commercial banks in the mid-2000s.

Mr. Bamisile

Focusing on the menace of "wonder banks", he averred that "wonder banks" thrive in Nigeria because microfinance banks have not been effective and efficient enough to drive them out of business. To do that will require going beyond financial inclusion, but more importantly having financially literate customers who will be genuinely interested in managing their own affairs.

Since technology drives banking today, MfBs should consider the possibility of moving from brick and mortar branches to the use of technology to drive financial services. Cashless banking has been developing in the last 25 years and regulators like Nigerian Communications Commission (NCC), Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), and the Securities and Exchange Commission (SEC) must start to think about who will be the regulator for financial sector dominated by technology for service delivery. MfBs need to collaborate to ensure that there are no Ponzi Schemes operating in their sector.

To make financial inclusion effective, people need to know the financial products and services that are available in the MfBs. One of the surveys reported by earlier speakers indicated that 43% of the respondents indicated that they had never heard about microfinance banking, regardless of the fact that the sub-sector is entering into its eleventh year in Nigeria. If that many people have not heard about the MfBs, how can they use their services?

The fact is that if there were no problems to solve by microfinance banks, there would be no need for their existence. Solving microfinance banking problems is the reason why MfBs are in the market and MfBs should start to think about the products that will encourage patronage. The market is large indeed, and the MfBs need to re-work their service delivery as well, in order to reach more of their target market.

Mrs. Martins

The CBN is not compelling the MfBs to consolidate now, but sensitizing them to the fact that when the time for it comes, all the sub-sector stakeholders will deem it necessary.

The consolidation experience in the commercial banking sub-sector is useful reference, as some years ago the commercial banks were in a similar situation as the MfBs are today. In 1992, there were 120 banks in operation in Nigeria (66 commercial banks and 54 merchant banks). Signs of distress began to show towards the mid-1990s and by 1998 there were 89 banks as 30 had their licenses revoked and were liquidated. By 2004, the industry was characterized by weak banks with low capital base. For this and other reasons the CBN needed to raise the minimum capital requirements, with the aim of using size to champion competitiveness, financial intermediation, stability and safety of the banking industry.

Mr. Balogun

There is need at this point to examine the issues in the argument to consolidate or not. From the legal perspective, there are big issues to consider in order to make the decision and these have their legal implications.

Once banks consolidate, they will take on huge liabilities and assets. There are also issues in the existing legal regime that need to be resolved to allow the banks to consolidate, especially relating to the unit MfBs and state MfBs. A scenario of consolidation between two unit MfBs operating from two separate locations means the acquirer consequently will acquire assets in one location but will have to give up that unit of operation or scale up in terms of capital, i.e. converting from a unit MfB to a state MfB.

Mr. Fabamwo (Moderator)

Providing further clarification, he observed that the revised regulatory framework had redefined "Unit" MfBs as those operating within a local government area (LGA), but can one branch (in addition to the Head Office) within the same LGA, not necessarily operating in one location. So a bank can operate within the same LGA and yet have customers outside of that LGA. This means that the bank is only not allowed to have branches outside that LGA. So in actual fact you can have a situation where unit MfBs A, B and C can consolidate provided they are within the same LGA, or the same state to become a State MfB, subject to the availability of the minimum regulatory capital, or Shareholders' Funds unimpaired by losses.

He added that the Companies and Allied Matters Act recognises not just acquisitions but also takeovers and mergers. Referring to the acquisition that LAPO made, he stated that MfBs should be able to draw lessons regarding the success factors, the issues that discouraged LAPO from acquiring one bank and those things that attracted LAPO to acquire the other.

Dr. Ehigiamusoe

The success case was a microfinance bank that was already within the LAPO system. LAPO was an NGO that acquired a community bank and because of the acquisition, it had to be converted into a microfinance bank. At the point, LAPO was requested to set up a microfinance bank as CBN would not permit an NGO to invest in two microfinance banks. So it needed to acquire the smaller one.

The issue with the unsuccessful acquisition was that there was obviously a stronger party and it was important to appraise what LAPO would take away from the partnership. From experience they wanted to find out if, beyond the balance sheet, there was any other thing that LAPO could benefit from the bank's business model, what they do and their location. For instance, if they were located in a farming community, LAPO would consider expanding its portfolio to agribusiness. But LAPO never saw those attractions and for that reason the verdict was a 'No'.

Mr. Fabamwo (Moderator)

From this experience of the banking consolidation and LAPO's acquisition experience, he stated that it is obvious that an MfB should acquire a bank that can add value to it. In 2004/2005, when consolidation happened in the commercial banking sub-sector, those banks were in the same situation that the MfBs are in now. The number of banks not only reduced, consolidation also resulted in bigger balance sheets, bigger and stronger institutions, higher capacity, improved competition, and they equally became global players. MfBs need to look inwards and learn from the commercial banking experience, especially that the exercise was well applauded all over the world and was a big plus for the Central Bank of Nigeria.

It is useful then to find out the challenges and pitfalls of that local experience.

Mrs. Martins

Providing further insights on the commercial banking consolidation, she recalled that the signs of distress initially began to show as high non-performing loans (NPLs), corporate governance issues, and banks that could not finance big ticket transactions. CBN then decided to raise the minimum capital from ₦2 billion to ₦25 billion, without a mandate to the banks to consolidate. The banks were therefore, free to either raise capital (which some did through IPOs, private placements and rights issues) or consolidate through mergers and acquisitions.

To facilitate the process, several committees were set up to oversee the activities involved and these included the Technical and Implementation Committees. There were a lot of consultations with other stakeholders like the CBN, NDIC, SEC, Corporate Affairs Commission (CAC), and the Tax authorities. Also, there were several incentives to the capital-raising and consolidating entities, and these included capital allowances, reduction in some taxes, and a whole gamut of other incentives.

At the conclusion of the exercise, about six banks were able to raise capital on their own, quite a number had to be acquired, while 14 did not make it and had their licenses revoked and exited the market. The consolidation was concluded in December 2005 and from the 89 banks prior to the exercise, there remained only 25 banks remained. Capitalization increased significantly and credit grew in that particular year by 35%. From 2005 till recently, the growth in credit has been in the upper twenties or thirties. The major outcomes and challenges of that consolidation exercise were as follows.

Outcomes of Consolidation:

- It deepened the capital market
- It enhanced banks' liquidity and capitalization
- It improved depositor confidence as a result of positive perception of the banks by depositors
- The ownership of the banks were diluted as many banks became public limited companies, thus eliminating government dominance of banks with the attendant challenges

- Eliminated dominance of a few banks and made to emerge more listed banks, which brought greater transparency and good corporate governance
- Supervision became much more effective
- The succeeding banks became more competitive regionally and globally
- With the high capitalization, the 20% single obligor limit became much bigger and the banks were able to finance much bigger transactions
- Lending increased by 30-31% in 2005 alone
- Increased foreign investment in the banks and credit lines easily secured from foreign banks
- Increased capability of the banks to partner internationally for foreign reserve management and cost leverage
- Growth in bank branches to almost 5,500 in 2009 from 3,300 before the consolidation

Challenges of Consolidation:

- One major challenge was to get the buy-in of stakeholders. It looked like an impossible task and there was a lot of lobbying and politicking that went on behind the scenes
- Operational and cultural challenges, most of which have been surmounted, but is something that lingered for a long time. Whether it was a case of merger or acquisition, there were IT systems integration to resolve or issues of cultural differences between the institutions.
- Legal challenges relating to the liquidation of failed banks and litigations by shareholders of some of the merged and acquired banks.
- The capacity to cope with the exercise in terms of human and financial resources.
- Managing stakeholder expectations, especially the shareholders that had high expectations of high returns on investment. Some of the banks that raised capital on their own had investors who wanted quick returns. This is something that MfBs should guard against by not making unrealistic promises on returns on investment. Also, so much capital should not make the industry underrate the importance of risk management.
- Despite the huge capitalization, impediments to financing the real sector of the economy had not really been eliminated. This has been adduced to factors including the relatively unchanged nature of the business environment, institutional bottlenecks, epileptic power supply, bad roads, poor and expensive infrastructural support, and legal constraints. These contribute significantly to high overhead costs and high interest rates.

Mr. Fabamwo (Moderator)

Trust remains a major challenge to the MfBs. Why are the MfBs unable to attract customers and do not have trusted partners in automation, digitalization and innovation. It is clear that the banks need to be bigger to be able to do all of these things. With the benefits of consolidation and the challenge of building trust, where else can MfBs go? What else can be done if they are not in support of consolidation? If they are in support of consolidation, how should the MfBs go about it? Should it be regulator-induced or should the intent to consolidate come from the institutions themselves? LAPO did it on its own. But regulators can also induce it. So, which approach would be more appropriate for MfBs?

Mr. Whensu

There are some basic things that must be in place to earn trust. In this sector, to earn trust, the banks must be ready to touch/impact lives. The government should do some things like providing financial infrastructure, which they have started. On the issue of technology, two weeks ago the management of National Association of Microfinance Banks (NAMB) approved the unified IT platform for the microfinance sub-sector. At the initial stage, it will have a clearing house, which will make it possible to clear a cheque without necessarily going through the commercial banks. With all these things in place, customers will begin to see a difference in the way microfinance banks run. MfBs therefore, need to be in all the nooks and crannies of the country.

The MfB consolidation exercise should be a mix of regulator-induced and market-driven approaches because MfBs focus on those at the bottom of the pyramid. Whatever was applicable at the time commercial banks consolidated might not be applicable at this time for the MfBs because they have different operational characteristics and customers.

The ultimate goal of consolidation is to improve the Nigerian economy. The desire is for a situation whereby the customers can keep their monies in the microfinance banks and be assured of its safety. Thus, consolidation should give birth to micro and small enterprises and jumpstart more economic activities. A dual approach can be worked around to make this possible.

Mr. Fabamwo (Moderator)

At this juncture, the moderator invited NPF MfB to share its experience. Since the bank's acquisition was internally induced, why it is aiming for recapitalization? The minimum requirement for a national license is only ₦2 billion and NPF MfB is currently ₦4 billion, heading for ₦7 billion. What led to that decision and how is the bank going about it? Is there a plan to acquire other banks to achieve the new capital base or perhaps to bring in fresh capital?

As a big microfinance bank with national authorization, how does NPF plan to drive its operations to more rural areas? Since the police force is all over the country, has NPF considered acquiring MfBs in the strategic areas that can drive their operations to the rural areas?

Mr. Lawal

According to Mr. Lawal, NPF MfB's intention to grow its capital was to extend its services beyond the police force. For direct acquisition of other MfBs, due diligence would be carried out and if its risks are acceptable, the MfBs could be directly acquired. When NPF MfB completely acquires a bank, it will enjoy the local advantage of the acquired bank. The legal issues concerning the risk assets are the things that will be worked on prior to acquisition. NPF MfB will then train the staff of the newly acquired bank to imbibe its culture.

NPF MfB looks forward to acquiring banks in the strategic rural areas. Presently, NPF MfB operates in 18 states. As part of its strategic plan, NPF MfB plans to cover the entire country in the next 3 years. The consolidation topic makes this an option to consider and any MfB that passes the requirements may be subsumed into the bank.

Mr. Fabamwo (Moderator)

Looking at institutions like ACCION and LAPO that have sound corporate governance practices that can set the pace in the industry, what are these institutions doing to mentor or support the smaller MfBs?

Mrs. Joel-Ezeugo

When ACCION was processing its national license, it consulted KPMG to give a direction on whether to acquire other MfBs or continue with the way it was running. Unfortunately, at the end of the exercise, the advice was that ACCION was better off on its own. The bank targeted not less than 10 states where MfBs were and did a lot of work to look at the MfBs within those locations. What the results questioned were: how long would it take ACCION to get to the level it desires? Why would ACCION need to take on the additional risk of deposits, the reputational challenges and the culture differences? At the end of the day, growth for ACCION was deemed faster without acquiring any of the assessed banks.

The main goal for MfBs is to serve the unbanked and the under-banked and this can only be achieved if the banks have the resources to reach the financially excluded. Not all the products and services apply across the board. For example, even if the clients in the rural areas were given ATM cards, it will almost be of no use to them.

More MfBs should open up and submit themselves to the need to be bigger, and the value from the merger or acquisition has to be mutually beneficial. All MfBs should get to a point where serving the financially excluded people helps the development of the country. Microfinance remains the pivotal tool of development because it is at the bottom of the pyramid where the activities take place.

Dr. Ehigiamusoe

The KPMG's report mentioned by Mrs. Joel-Ezeugo almost tallied with LAPO's decision to not acquire. Consolidation is not something that should happen now. MfBs should use the *Agency Model* instead, providing for a strong MfB to enter into a partnership with a weaker institution located in a rural area.

The bigger bank with a stronger balance sheet and fund could provide funds for on-lending to increase the liquidity of the smaller institution. The smaller institution would engage the clients, do some of the appraisals and deliver services within its catchment area, while still retaining his position in this partnership. The bigger bank will provide technical assistance to the weaker one and over time they will both benefit. The bigger bank will expand its outreach and grow its loans, while the smaller one will take some fees or commission and enhance its capacity and credibility in the community. After the partnership phrase, the two institutions may consider the option of mergers or acquisitions.

This suggestion needs further evaluation in the light of legal and regulatory implications.

Mr. Fabamwo (Moderator)

The Agency approach seems to be another way to address this issue of consolidation. Can NDIC cope with 960 MfBs and does this number of banks make a business case for consolidation?

Mr. Bamisile

The number of banks may or may not make a case for consolidation. Looking back, only First Bank wanted to know more about microfinance banking when the MfB policy was first introduced. The way forward is to get bigger shareholders in this sector and the leakages from commercial banks to MfBs should also be plugged, with regards to expertise.

The major problems of microfinance institutions were management and credit administration. A MfB with ₦50 million deposits will run profitably if it manages its portfolio effectively and has good management practices.

Regulation is a herculean task without the technology to collect data. Currently people still have to go out on the field for everything. Consolidation is needed to lift the burden off the regulators and reduce regulation costs. Regulations cannot be effective the way the MfBs are today. The MfBs are not number effective because they do not serve so many customers. The only way to be more effective is by using technology to support drive regulation.

Mr. Fabamwo (Moderator)

Should regulation work with consolidation or before consolidation? What steps should the MfBs take within the law if they decide to consolidate?

Mr. Balogun

The best approach is to look at consolidation from the key risk perspective, which is essentially the transfer of liability. The industry needs to be ready to go ahead and regulators have a part to play in terms of setting the rules and ensuring that things are done properly and there is no consolidation of ineffective entities. There are a lot of channels through which liabilities can be channelled, like employee liabilities, pension liabilities and litigation liabilities.

The way to deal with this is to first ensure that the banks understand those issues and develop legal tools such as legal audits, to know the real state of the institution's liabilities. Mergers and acquisitions are just a class of legal tools that could be used to achieve consolidation. Strategic alliances are another tool. Buttressing what Mr. Ehigiamusoe said, strategic alliances should be used first before transiting into mergers and acquisitions.

Interactive Session with the Panel

Questions & Answers:

- How would you address the social component issues if MfBs rush into consolidation/strategic alliances? For example, if the banks in the rural areas give credit using urban-based rates, wouldn't it compromise the sole objective of microfinance banking?
- Are there ways MfBs can partner with non-bank financial institutions that are not directly in the banking sector? Cooperatives may be seen as competitors but are there ways to engage them to also achieve the objectives of MfBs?
- One of the reasons people don't like to take loans is for the fear of not being able to pay back. How can the MfBs help their customers manage their businesses well?
- Is consolidation really the key to financial inclusion in Nigeria?

Response by Mr. Whensu

Strategic alliances are possible at the association level. Last year, the Association of Mutual Funds India (AMFI) and National Association of Microfinance Banks (NAMB) came together, and this year signed a memorandum of understanding (MOU) with SIFA to build a database of all cooperatives on every street and in every local government in Nigeria so that commercial banks can promote them.

Response by Dr. Ehigiamusoe

It is expected that stronger institutions will evolve from consolidation, and it takes stronger institutions to develop responsive products. To grow, there is a need for extensive research and only strong institutions can invest in training/capacity building for staff. There is also a need for investments to drive financial technology and only strong institutions can take on those investments.

Response Mr. Bamisile

Mobile payment systems are driven by technology. Bigger MfBs have better operations along with the ability to absorb losses. There is strength in numbers to face the industry challenges, which will always be there. If the MfBs shy away from them, they will not get to the next post.

Comments by Participants:

- The MfBs need to take lessons from the commercial banks relating to the issue of corporate governance and ensure they do not repeat the same mistakes.

- One key thing that has been overlooked is that the DMBs are entering fully into the services of microfinance banking. They have more capital and better technology. On consolidation, any MfB that wants to remain in microfinance banking in this 21st century has to internally increase its share capital and shareholders' funds because MfBs need to invest in robust IT systems.

- CBN is driving financial inclusion through agency banking and other e-channels to reach the public. The current business model used in microfinance banking will cause many MfBs to die in the next 5 years if the capital base is not increased. Kodak, for instance, used to be the market leader in the photography industry. However, their business model failed and the business collapsed because they did not move with the change in technology.

- MfBs have a lot of issues and consolidation might not be the way for now because there is no enabling environment. Even funds available have stringent conditions attached to them and so the MfBs cannot access them. There are a lot of pre-consolidation issues to be addressed, and consolidation in fact, might not drive financial inclusion.

- Rural outreach is the plan to reach out to customers in the rural areas and for this reason, the smaller the bank, the better. Most big banks are less interested in the rural areas. Microfinance banks that operate within the rural communities will be more comfortable working with the locals, which urban banks might not be comfortable doing.

- The biggest challenge for MfBs in the nearest future is not the deposit money banks but the telecommunications companies. For that reason, MfBs need to invest in technology and mobile electronic banking operations.

Summary of the Panel Discussion by the Moderator, Mr. Olufemi Fabamwo

1. Consolidation is good and has the benefits of:
   - Good corporate governance
   - Better institutional capacity
   - Economies of scale
   - Sustainability
   - Stronger and more realistic capital for larger ticket transactions
   - Effective supervision by the supervisors
   - Stronger institutions
   - Better trust and confidence from the target market

2. MfBs, however, need to be careful in their approach to consolidation. The banks need to be sure they are acquiring or consolidating with an institution that does not have negative capital. Emphasis should be on the following:
   - Thorough due diligence
   - The understanding of the legal implications of consolidation
   - A thorough look at the loan portfolio of the institution to be acquired
   - A thorough look at the type of deposits (are they real or fictitious)

3. Consolidation is something that needs to be approached gradually through:
   - Strategic Alliances
   - Agent Banking
   - Cooperatives
   - Non-Bank Financial Institutions

   When the relationship between MfBs and the suggested institutions are fully established, then they can think about consolidating.

4. Big institutions like NPF MfB, LAPO MfB and ACCION can consider acquiring strong institutions across the country to improve their reach.

5. The microfinance industry discussed the same issues three years ago, and this means that not much qualitative progress has been made. The numbers of deposits, loans and clients have, no doubt, increased but what kind of clients, loans and pricing do we have? Do the MfBs charge predatory interest rates and are they sustainable rates? Do the MfBs have a rural focus? Are they innovative such that the banks are sustained over time?

6. There are three important things that the microfinance sub-sector needs:
   - Strong institutions that are strategically focused, well managed with technically competent boards.
   - Good Policies that will give room for growth in the right direction and allow suitable mentoring, while ensuring they are operating within the regulations.
   - Investments to build capacity to run those strong institutions

7. The following are pertinent questions to ask:
   - What is the government doing to support the MfBs with low cost funds?
   - Are the MfBs accessing the ₦220 billion CBN fund introduced for microfinance institutions and MSMEs?
   - Are the MfBs working towards investments that will help their businesses?
8. The microfinance industry is here to stay and there are many programmes that should be paid attention to. For instance, the CBN has introduced the *Anchor Borrower Schemes* in some states with farmers who had no bank accounts. The CBN started the scheme depending on commercial banks to open bank accounts for the farmers and there are no MfBs on board.
9. The future competition for MfBs will not come from the cooperatives or other MfBs but the telecommunication companies. MfBs should no longer be focused on just brick and mortar banks, which are not income-earning assets but on investing in technology and innovation.
10. Of paramount importance to the MfBs is the need to build confidence and trust amongst their clientele to the extent that the clients who will come to see MfBs as trusted partners. The MfBs, therefore, need to rethink their strategy and model so that their institutions remain sustainable and be here for the long haul.

Vote of Thanks

The vote of thanks was given by Mrs. Adetutu Ogunnaike, who appreciated the Director of OFID, CBN, Alhaji Ahmad Abdullahi for always being supportive. She extended her gratitude to the CBN Governor, Mr. Godwin Emefiele, whose support for the course of MfBs and MSMEs is seen in the diverse programmes for the sub-sector and relentless push for financial inclusion.

Special thanks also went to NDIC and particularly to the MD of NDIC, Alhaji Abdullahi. She then appreciated all the paper presenters and panel discussants for their brilliant performances.

She also specially thanked the moderator, Mr. Olufemi Fabamwo, who with less than 24 hours' notice, filled in for High Chief Oni that was originally invited to play that role. That notwithstanding, he did excellently well, lending credence to the fact that he was the Director of OFID when the MF Platform was birthed.

She thanked the Registrar of the Chartered Institute of Bankers of Nigeria (CIBN), Mr. Seye Awojobi, who came personally to represent the Institute. She thanked the rapporteurs from BAA Consult and the chief host, NPF MfB and the other sponsors of the symposium, AFOS, ACCION and LAPO. She thanked the MC, Mr. David Adelana. She thanked the organising committee and the NPF MfB staff at the MF Platform secretariat. She equally thanked all the participants for their patience, intelligent questions and contributions.

Chairman's Closing Remarks

DIRECTOR, OTHER FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT {OFID}, CENTRAL BANK OF NIGERIA: MR. AHMAD ABDULLAHI

Alhaji Ahmad Abdullahi formally declared the symposium closed. After which the closing prayer was said.

APPENDICES

Appendix A

THE NIGERIAN MICROFINANCE PLATFORM

Supported by

Presents

SECOND ANNUAL SYMPOSIUM

Theme: CONSOLIDATION OF THE MICROFINANCE SECTOR AND FINANCIAL INCLUSION IN NIGERIA

Date: Thursday, 19th May, 2016

Venue: Chelsea Hotel, *Central Area, FCT, Abuja*

Programme of Event	
07:30 a.m. - 09:00 a.m.	**Registration of Participants** **Arrival of discussants, Guests of Honour, Lead Paper Presenters,** **Special Guests of Honour, Chairman, Keynote Speaker, Members of the Platform and other invited participants.**
09.00 a.m. – 09.05 a.m.	**National Anthem**
09.05 a.m. – 09.10 a.m.	**Introduction/Recognition by the Master of Ceremonies:** **Mr. David Adelana**
09.10 a.m. – 09.25 a.m.	**Welcome/Opening Remarks by Chairman:** **Mr. Godwin Emefiele (CON)** Governor, Central Bank of Nigeria
09:25 a.m. – 09:30 a.m.	**Goodwill Addresses:** **Mr. Hans Joachim Maurer** MD/CEO, AFOS Foundation **Mr. Joel Azubuko Udah Esq. DIG (Rtd.)** Chairman, Board of Directors NPF Microfinance Bank Plc **Alhaji Umaru Ibrahim** MD/CEO, Nigeria Deposit Insurance Corporation **Senator Rafiu Ibrahim Adebayo** Chairman, Senate Committee on Banking, Insurance and Other Financial Institutions

09:30 a.m. – 10:00 a.m.	**Keynote Paper** **Alhaji Ahmad Abdullahi** Director, Other Financial Institutions Supervision Department, CBN
10:00 a.m. – 10:20 a.m.	**Lead Technical Paper I, Consolidation: Practitioner's Perspective** **Ms. Bisi Lamikanra,** Partner and Head, Management Consulting, KPMG Nigeria.
10:20 a.m. – 10:50 a.m.	**Photograph/Tea Break**
10:50 a.m. – 11:10 a.m.	**Lead Technical Paper II, Financial Inclusion: Regulator's Perspective** **Mrs. Tope Akin-Fadeyi,** Head, Financial Inclusion Secretariat, CBN
11:10 a.m. – 11:30 a.m.	**Lead Technical Paper III, Financial Inclusion: Practitioner's Perspective** **Ms. Modupe Ladipo,** Non Executive Director, EFInA.
11:30 a.m. – 11:50 a.m.	**Lead Technical Paper IV: Rethinking the Business Model of Microfinance Banks for Sustainable Financial Inclusion** **Mr. J.J Etopidiok,** Director, Special Insured Institutions Department, NDIC.
11:50 a.m. – 12:30 p.m.	**Question and Answer Session**
12:30 p.m. – 13:50 a.m.	**Panel Discussion** **Moderator:** Mr. Olufemi Fabamwo: Director Currency Operations Department, CBN **Discussants:** Mr Muyiwa Balogun Mrs NwannaJoel- Ezeugo Mr. Sesan Bamisile: Former Director OFID, DFD and Audit, CBN Dr. Godwin Ehigiamusoe: MD, LAPO MFB Mr Akin Lawal: MD, NPF MFB Mrs. Tokunbo Martins: Director, Banking Supervision Department, CBN Mr. Valentine Whensu: President, National Association of Microfinance Banks.
13:50 p.m. – 14:30 p.m.	**Interactive Session**
14:30 p.m. – 14:45 p.m.	**Awards and Recognition: Dr. Kenneth Achu**
14:45 p.m. – 15:15 p.m.	**Presentation of Summary of Key Symposium Outcomes and "Takeaway Tasks"/ Communiqué**

	Dr. 'Biodun Adedipe
15:15 p.m. – 15:20 p.m.	**Vote of Thanks** **Mrs. Adetutu Ogunnaike**
15.20 p.m. – 15.25pm.	**Closing Remarks by Chairman**
15:25 p.m.	**Closing Prayer/Lunch/Departure**

Appendix B

List of Officials

S/N	NAMES	POSITION
1.	Mr. Godwin Emefiele	CBN Governor
2.	Alhaji Ahmad Abdullahi	Director, Other Financial Institutions Supervision Department (OFID)
3.	Senator Rafiu Ibrahim Adebayo	Chairman, Senate Committee on Banking, Insurance and Other Financial Institutions
4.	Alhaji Umaru Ibrahim	MD/CEO, Nigeria Deposit Insurance Corporation (NDIC)
5.	Mr. Hans Joachim Maurer	MD/CEO, AFOS Foundation
6.	Mr. Azubuko Joel Udah Esq. (Rtd. DIG)	Board Chairman, NPF Microfinance Bank Plc

Appendix C

List of Participants

S/N	NAMES	ORGANISATION
1.	Rafindadi Saad	ABU MfB Zaria
2.	Deji Alonge	ACCION MfB
3.	N. Joel Ezeugo	ACCION MfB
4.	Festus Omoregie	AFFUCOB
5.	Ayodele Doherty	AFFUCOB
6.	Hans-Joachim Maurez	AFOS Foundation
7.	Bernard Vester	AFOS Foundation
8.	Taiwo Oni	AFOS Foundation
9.	Ezeh Rita	Ally MfB
10	Stella O. Ibekwe	Anchorage MfB
11.	Amb Rose Nwaogwugwu	ANMFIN
12.	Godbless Safugha	ANMFIN
13.	Alabi Chilota- Regina	ANMFIN
14.	Ossai Ilome	ANMFIN

15.	Steffen Ulrich	AFC/GIZ
16.	Joe Odenigbo	Atlas MfB
17.	Ukaoma Hilda	Atlas MfB
18.	Emmanuel James	Atlas MfB
19.	Ugo Usoka	Atlas MfB
20.	Ahmad M Makarfi	Bayero University MfB
21.	Ladi A	BOA Ltd
22.	Hilary Nwabueze	Business Support MfB
23.	Uforo Bassey	Business Support MfB
24.	Ganiyu A. Isiaka	Bunkasa MFB
25.	Harrison Edeh	Business Day
26.	Daniel Eseyin	Business Support MfB
27.	EkaetteUmoh	Business Support MfB
28.	Olufemi Fabamwo	CBN
29.	Ahmad Abdullahi	CBN
30.	David Adelana	CBN
31.	Atanda .O.O	CBN
32.	Madaki M	CBN
33.	Igwe Gloria	CBN
34.	Adekunle Adeniji	CBN
35.	Adamu Manga	CBN
36.	A.O Akinyemi	CBN
37.	O.L Owolabi	CBN
38.	A.O Martins	CBN
39.	Ibrahim Abdullahi	CBN
40.	Maishanu H.A	CBN
41.	Attah J.A.A	CBN
42.	Temitope Akin -Fadeyi	CBN
43.	Godwin Okafor	CBN
44.	Akintunde	CBN
45.	Akinlade Idowu I.	CBN
46.	Murtala Mohammed	CBN
47.	Sani Bakari	CIBN
48.	Seye Awojobi	CIBN
49.	Adbullahi Numa	CISCUNS
50.	Cocodia O.C	CollindaleMF
51.	Preye Ogriki	Collindale MF
52.	Khadijah Kasim	CBN
53.	Jennifer Joseph Papa	DEC
54.	Emily Stephen	DEC
55.	Towoju O.Olayinka	Dorben MfB
56.	Osita Eneze	e-Barcs MfB
57.	Helen Ajayi	e-Barcs MfB

58.	Oboh Richards	Ecobank Ltd
59.	Modupe Ladipo	EFInA
60.	Ayo Jibodu	Eso E MFB
61.	Ashiru Bala	FAHIMTA MfB
62	John Ologe	FBN MfB
63.	Tom Kecin	FBN MfB
64.	Faith Abraham	FCT
65.	Sunday Ugwune	Female Micro Finance
66.	Efosa O. Onyezeba	FEMAZ MfB
67.	Henry Nwugo	FEMAZ MfB
68.	Anyaogu Uche	FEMAZ MfB
69.	Chima Lucky	FEMAZ MfB
70.	Nwachukwu Andrew	Fidfund Mfb
71.	Chris Nzeribe	Fidfund MfB
72.	Ronke Ogunbayo	FITC
73.	Tiko Okoye	Fortis MfB
74.	Ugocukwu Ezeh	Fortis MfB
75.	Kenneth Achu	AFOS Foundation
76.	Frances Bekey	Future Growth
77.	Kikelomo Collins-Chibeze	GIZ
78.	Gabriela Rosales	GIZ SEDIN
79.	Ijeoma Oche	Grants MfB
80.	Zayyad Joda	Haqeeqa Partners
81.	Hadiza D. Joda	Haqeeqa Partners
82.	Rogers Nwoke	Hasal MfB
83.	Badmus R.T	Hasal MfB
84.	Kenechi Chukwumere	Hasal MfB
85.	Abubakar Rahamad	Hasal MfB
86.	Julie O. Agi	Hasal MfB
87.	Joyce Rogers-Nwoke	Hasal MfB
88.	Nicodemous Yusuf	Head, Credit
89.	Dinah Musa Yaro	Hisab Women
90.	Njeri Ngaruiya	INCOFIN IM
91	Clara Oloniniyi	Infinity MfB
92.	Onaolapo Morenike	JDPMC, Osogbo
93.	Osunkolati Patrick	JDPMC, Osogbo
94.	Taba Peterside	Keyside Resources
95.	Toyosi Adelakin	KPMG
96.	Edith Afieroho	LAPO MfB
97.	Temitayo Olaniyan	LAPO MfB
98.	Akin Lawal	NPF MfB Plc
99.	Godwin Ehigiamusoe	LAPO MfB
100.	Alexander Nwoke	Mega MfB

101.	Uffor Lawrence Utibe	Mega MfB
102.	Dorothy Uko	Mega MfB
103.	Valentine Whensu	NAMB
104.	Agbede Funmilayo	NAMB Secretariat
105.	Lucy Nwachukwu	NAN
106.	Femi Ibidapo	NASS Abuja
107.	Olatunde Adebayo	NASS Abuja
108.	Ibrahim Hashim	NASS Abuja
109.	Senator Rafiu Ibrahim Adebayo	National Assembly
110.	Senator Gbolahan Dada	National Assembly
111.	Senator John Eboh	National Assembly
112.	Odoma Adamu	Nig Navy MfB Ltd
113.	Okeoma Aguocha	Nig Navy MfB Ltd
114.	Etopidiok J. J.	NDIC
115.	Festus Otedoh	NDIC
116.	Mr. Molu	NDIC
117.	Lucy Onita	News Agency of Nigeria
118.	Rakiya Egbunu	Nig. Navy MfB
119.	Bassey Essien	NPF MfB Plc
120.	John Tizhe	NPF MfB Plc
121.	Fatima Olajumoke	NPF MfB Plc
122.	Ohanehi Jude	NPF MfB Plc
123.	Akinwunmi Lawal	NPF MfB Plc
124.	Yusuf Gyallesu	NUT Endwell MfB
125.	Muyiwa Balogun	Olaniwun Ajayi LP
126.	Ufoma Eghwerehe	Oikocredit Int.
127.	Henry Ogbulego	OliveMfB
128.	Duru Chibuzor	Olive Mfb
129.	Sola B	One Network
130.	Michael Mordi	Prime M.P.C.S
131.	Eseoghene.M. Ughojor	Prime M.P.C.S
132.	Precious O. Agbala	Profile Ma
133.	Ugwu Chukwuemeka	Regent Mfb Ltd
134.	Victor Ibeziako	Regent MfB Ltd
135.	Christian C. Aghaegbuna	Safe Haven MfB
136.	Imagie Elochukwu	Safe Haven MfB
137.	Emeka Ibeabuchi	Safe Haven MfB
138.	Bose G. Fakeye	SEC
139.	Amina Tanko	SEC
140.	Zayyew Bandiya	SEC
141.	A. Sesan Bamisile	SELF
142.	Afolabi Shola	Triple A MfB
143.	Janet Odidi	UBA Plc

144.	Asogwa Sunday	UNN MfB Nsukka
145.	Ifeyinwa. A. Okoye	UNN MFB Nsukka
146.	Micheal Eboh	Vanguard
147.	Ossy Nebolisa	Visa MfB
148.	Chuks C. Opara	Viscount MfB
150.	Adebayo N. Azeez	Viscount MfB
151.	Shikir N. Caleb	Waila Mfb
152.	Kpedi Justine	Wetland MfB
153.	Kazeem Olatinwo	CBN
154.	‘Biodun Adedipe	BAA Consult
155.	Adetutu Ogunnaike	Tobi Ogunnaike & Co.
156.	Col (Rtd) Habibu Shuaibu	Prosperity MFB
157.	Abubakar D	CBN
158.	Ibrahim S. R	CBN
159.	Ibietan S. M	CBN
160.	Dr. Dan Ogun	Triple A MFB
161.	Valence Guillaume	La Fayette MFB
162.	Mary Sam-Ipaye	AFOS Foundation
163.	Ayoola Abdulrazaq	First Mutual MFB
164.	Oyefuga Olubunmi	Regent MFB
165.	Aliyu Halidu	K/Gama FIMS MFB
166.	Bisi Lamikanra	KPMG
167.	Shehu M Uketa	Kontagora MFB

Appendix D

List of Sponsors

S/N	ORGANISATION
1.	NPF Microfinance Bank Plc
2.	LAPO Microfinance Bank Ltd
3.	ACCION Microfinance Bank Ltd
4.	AFOS Foundation

Appendix E

List of Organising Committee Members

S/N	NAMES	POSITION
1.	Edith Afieroho	LAPO MfB
2.	Temitayo Olaniyan	LAPO MfB
3.	Jude Ohanehi	NPF MfB
4.	John Tizhe	NPF MfB
5.	Deji Alonge	ACCION MfB
6.	Taiwo Oni	AFOS Foundation

7.	Mary Samuel-Ipaye	AFOS Foundation
8.	Kenneth Achu	AFOS Foundation
9.	Adetutu Ogunnaike	Coordinator and Content Manager of the Symposium

Appendix F

List of Secretariat Staff

S/N	NAMES	ORGANISATION
1.	Tizhe K. John	NPF MfB
2.	Fatima Olajumoke	NPF MfB
3.	Akinleye Oladipupo Durodoluwa	NPF MfB
4.	Umar Abdulrahim	NPF MfB
5.	Blessing Ojo Ese	NPF MfB
6.	Joshua Sunday	NPF MfB
7.	Obasi Nnema	NPF MfB

Appendix G

List of Rapporteurs

S/N	NAME	ORGANISATION
1.	Oluwatosin Adedipe	BAA Consult
2.	Olanrewaju Onabowale	BAA Consult

Appendix H

Editorial Team

S/N	NAME	ORGANISATION
1.	Mrs. ‘Laide John	BAA Consult
2.	Dr. ‘Biodun Adedipe	BAA Consult

Appendix I

Media Team

S/N	NAME	ORGANISATION
1.	Harrison Edeh	Business Day
2.	Michael Eboh	Vanguard
3.	Lucy Onita	News Agency of Nigeria

List of Acronyms

S/N	ACRONYM	DEFINITION
1.	ATM	Automated Teller Machine
2.	CAC	Corporate Affairs Commission
3.	CBN	Central Bank of Nigeria
4.	DMB	Deposit Money Bank
5.	EFInA	Enhancing Financial Innovation and Access
6.	ICT	Information and Communications Technology
7.	MfB	Microfinance Bank
8.	NAMB	National Association of Microfinance Banks
9.	NCC	Nigerian Communications Commission
10.	NDIC	Nigeria Deposit Insurance Corporation
11.	NIBBS	Nigeria Inter-Bank Settlement System Plc.
12.	NMP	Nigerian Microfinance Platform
13.	NPF	Nigeria Police Force
14.	OFID	Other Financial Institutions Supervision Department
15.	POS	Point-of-Sale
16.	SEC	Securities and Exchange Commission
17.	OFID	Other Financial Institutions Department

ADDRESS DELIVERED BY ALH. UMARU IBRAHIM, FCIB, mni, THE MANAGING DIRECTOR/CHIEF EXECUTIVE OF NDIC AT THE SECOND ANNUAL SYMPOSIUM ORGANIZED BY NIGERIAN MICROFINANCE PLATFORM HELD ON 19TH MAY, 2016 AT CHELSEA HOTEL, ABUJA

1.0 PROTOCOLS

2.0 It is my great pleasure to deliver an address at this Second Annual Symposium organized by the Nigerian Microfinance Platform with the theme: **"Consolidation in the Microfinance Sector and the Impact of Financial Inclusion in Nigeria".** This symposium presents a great opportunity to rethink the Sustainable Financial Inclusion Option. It is coming at the heels of the first symposium held in Lagos on 26th May, 2015 with the theme: "**Cost/Consequences of Bad Corporate Governance,"** an issue which is one of the key drivers of any successful microfinance bank.

3.0 WHY NIGERIAN MICROFINANCE PLATFORM (NMP)?

- The Microfinance Subsector has experienced increased activities in Nigeria since 2012. To ensure that the growth was sustained, the CBN introduced the Revised Guidelines for MFBs in September, 2013.
- The Supervisory impetus by the CBN recorded an increase in the number of National, State and Unit Microfinance Banks (MFBs). As at 31st March, 2016, there were 849 Unit, 95 State and 7 National Microfinance Banks (MFBs). By sheer volume of

activities, the Capital Requirements were raised to ₦20 million, ₦100 million, and ₦1 billion, respectively. The National MFBs understandably have huge deposits, huge loan portfolios and more complex structures.

- The Nigerian Microfinance Platform proposed to evolve robust Governance practices to resolve issues peculiar to large MFBs.
- The Operators of the National MFBs urged the Regulators/Supervisors to evolve measures to strengthen the MFBs without prejudice to the existence of the Nigerian Association of Microfinance Banks (NAMB).

4.0 NIGERIAN MICROFINANCE PLATFORM – THE JOURNEY SO FAR

- NMP has been in the forefront of advocating for new Guidelines for MFBs.
- NMP has been pioneering measures for Shared Services among MFBs to minimize operating cost.
- NMP has been taking measures to deploy functional IT Solutions for MFBs.
- Collaborating with Development Partners to evolve a sustainable funding model for Micro Housing.
- Evolving functional Enterprise Risk Management Solutions.
- Advocating for Local and Offshore Intervention Funding for the MFBs to stimulate creation of micro credits.

5.0 HOW NDIC IS ADDING VALUE TO THE PLATFORM

- The Corporation continues to function as Deposit Insurer.

- By minimising the Deposit Insurance risk.
- Trained Examiners continue to utilize Risk-Based Examination approach to appraise the deposit-taking institutions.
- Composite Risk Rating of banks emphasize the fact that banks should at all times manage their risks on Enterprise-Wide basis.
- Annually, the Corporation organizes Sensitization Workshops for MFB practitioners.

6.0 CONCLUSION

Ladies and Gentlemen, the Corporation will continue to identify and partner with NMP.

Meanwhile, we urge the NMP to join the Regulatory Authorities in reinventing the MFBs Business Model, take measures to optimize the operating cost, and offer micro products at the right prices.

Thank you for your attention.

Slides of Technical Papers