

## **Sanusi Lamido Sanusi: Increasing women's access to finance – challenges and opportunities**

Paper presented by Mr Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria, at the Second African Women's Economic Summit, Lagos, 13 July 2012.

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*Prepared by the Research Department of the Central Bank of Nigeria.*

### **Protocol**

It is my pleasure to present this keynote speech. I am delighted on two fronts. First our current quest to secure a level playing field for the girl child makes this meeting important. Second, recognizing the role of women in national economic development makes it imperative to explore options for improving access to finance for women entrepreneurs. For this keynote speech, I shall focus on the latter with particular reference to Nigeria.

Economic advancement leads to higher standard of living. Earlier theories of economic growth recognized the importance of labour and capital as key determinants of growth. However, human capital was not given visible prominence, as it was positioned exogenous in earlier growth models. With significant progress in economic thought and research, human capital is now regarded as the most fundamental ingredient for driving economic growth. The development of human capital through formal and informal training directly increases the productivity of labour. The efficiency of capital is also boosted by technological innovations also powered by human capital.

The contribution of women to economic development is well documented. Yet there exists several barriers to the full optimization of women's economic potential. These range from cultural, to religious, traditional, and legal discrimination amongst others.

A recent publication by the Global Partnership for Financial Inclusion highlights that in developed countries, women are starting businesses at a faster rate than men, and are making significant contributions to job creation and economic growth. The same is true for transition economies, although the comparable rate of growth is slower. In Indonesia, 2007 data showed that women-owned businesses grew at 8 per cent, while men-owned businesses shrank 0.3 per cent. In Thailand (2008) women-owned businesses grew by 2.3 per cent while the male counterparts grew only by 0.3 per cent. (GPFI, IFC, 2011).

Access to Finance is often cited as one of the major factors impeding the growth of women-owned businesses in developing countries. The key barriers include lack of ownership of collateral – as tradition would seldom cede property rights to women; coupled with the absence of credit histories – owing to the fact that most women businesses are informally organized.

Yet, it is a fact that improving financial support for women would increase the number of new businesses, which in turn, would boost economic activity, enable the expansion of old businesses, leading to increased productivity and growth. Financial empowerment enhances the bargaining power of women at the family level and this allows larger latitude for investment in child-nutrition, health and education, thereby regenerating the future workforce. Beyond the family, financial freedom is a precursor to gender equality and consequently, the assurance of social security. Women constitute not only a formidable demographic force, but are also responsible for the youth that make up the next generation. Therefore, their well-being has implications not only for their own lives, but also for the society at large. Their ability to play this role effectively depends on how far the society supports their development. Empowering them is a crucial challenge which calls for constant review of policies, re-assessment of priorities, commitment of adequate financial resources, and effective implementation of programmes.

The experience of the Grameen Bank of Bangladesh provides evidence that women might be better fund managers. Of loans made by the bank, over 98 per cent were recovered, implying a near 0 per cent default. Moreover, giving women access to finance has emerged as a lucrative business for fund providers. The Global Banking Alliance for women has seen a steady upward trend in its profits, which has also put its operations on the path to sustainability.

### **The place of women in Nigeria**

Nigeria's female population is estimated at 80.2 million (UNFPA, 2012), representing 49 per cent of the total population. About 54 million of Nigeria's female population live in rural areas where they provide 60–79 per cent of the rural labour force. Recent data from the 2009 Nigerian Education Data Survey showed that 1.5 million children (8.1 per cent of children aged 6–14) were not in school at the time of the survey. Of this, 1.5 million people, 53 percent were girls. While on the one hand, the survey shows a doubling of the net attendance ratio for female students between 1990 and 2010, it also indicates that most of these girls do not make the transition to secondary school. There has only been a marginal increase in the number of girls enrolling for secondary school over the 20 year period. Although there is a policy of free education, the literature suggests that there are still some significant costs that deter parents and cause pupils to drop out (Lincove, 2009).

Nigeria's maternal mortality rate is amongst the highest in the world; the rate is estimated to be around 828 and 351 per 100,000 live births in rural areas and urban areas respectively. There are also regional disparities between the North and South. The North East has the highest rates of maternal mortality at around 1,549 per 100,000 live births and the lowest rates are recorded in the South-East, with 165 per 100,000 live births.

Teenage marriage also contributes to low female attendance, retention and achievements in school. About 30 per cent of school age girls drop out of school having already begun childbearing at an early age. The physical and psychological implications of these phenomena cannot be overemphasized.

### **Challenges to women's access to finance**

The challenges to women's access to finance include:

#### ***Property rights and control over assets***

Legal regulations and customary rules often restrict women's access to and control over assets that can be accepted as collateral, such as land or livestock. Women are less likely to have land titled under their name, even when their families own land, and are less likely than men to have control over land, even when they do formally own it. Biased inheritance rights often bestow land to male relatives, leaving both widows and daughters at a disadvantage (Agarwal, 2003).

#### ***Cultural norms and family responsibilities***

Socially accepted norms and expected family roles have a profound effect on the type of economic activities that women can engage in, the technologies available to them, the people and agencies with whom they can interact, the places they can visit, the time they have available and the control they can exert over their own resources such as capital.

#### ***Biased attitude of banks***

Women's access to financial resources is also limited by biased lending practices that emerge when financial institutions consider them inexperienced and therefore less attractive clients, or when institutions lack the knowledge to offer products tailored to women's preferences and constraints (Fletschner, 2009).

### ***Lack of collateral and start-up capital***

Access of collateral and asset-based lending generally constrains borrowers from access to finance. This is much more serious women for obvious reasons. Data from the NBS (2009) showed that men are twice as likely to secure finance compared to women. A recent World Bank report on the “Investment Climate in Nigeria” showed that capital rather than productivity narrows the range of activities in which women engage. The report also showed that majority of women (76 per cent) rely mostly on internal funds and retained earnings, and that only about 1 per cent obtain capital from the formal financial sector. The report substantiates that formal financial institutions, especially banks, have not supported women entrepreneurs as much as they could have (Halkias et al., 2011).

### ***Lack of awareness of finance***

Women generally lack knowledge on the financial options available to them. Furthermore, the cost of getting this information (measured in money, time, and energy) may be high due to family responsibilities.

### ***Financial market imperfections***

Enterprise survey data shows that small firms are more likely to be negatively impacted by financial constraints than large firms. Women entrepreneurs are largely concentrated in small firms and hence are likely to face greater financial constraints.

### ***Formal employment***

Women are significantly underrepresented in secure wage employment in both public and private employment. Those who have formal sector jobs are constrained by the reproductive roles they play. As a result, majority of women occupy low-level posts that offer them the flexibility they need to manage their households while working in the formal sector. They spend most of their time doing unpaid household work, which undermines their business potentials.

## **Opportunities for increasing women’s access to finance**

The opportunities for increasing access to finance for women are discussed in terms of the various initiatives of the government and allied agencies that support access to finance in the economy including women. I shall go on to discuss some of these initiatives below while highlighting some of the progress that the Central Bank of Nigeria (CBN) and the banking industry have made in their efforts to empower women.

### **Government initiatives**

The Federal Government recently launched the Public Works and Women/Youth Empowerment Scheme (PW/WYE). The programme which is a component of the Subsidy Re-investment and Empowerment Programme (SURE) is targeted at generating about 370,000 jobs across the country. The PW/WYE is intended to create employment opportunities for women and youth in labour-intensive public works and is expected to generate 50,000 skilled jobs and 320,000 unskilled job opportunities. The implementation would be in partnership with the States, the Local Governments and the private sector. To boost the scheme, the government has set aside some portion of the partial subsidy on petroleum prices removal proceeds to support the employment generation intervention nationwide.

Policymakers need to establish an enabling environment that will facilitate access to financial services for women entrepreneurs, through the development of a supportive legal and regulatory framework, and the development of education and training opportunities that are more aligned with the specific needs of women.

Skilled women are likely to access finance more easily. Therefore, a necessary step in enhancing finance for the women should be to ensure an upscale of their leadership, technical, entrepreneurial and managerial skills. An important priority for governments should be increasing the enrolment of girls across all levels of education complemented by efforts to improve the quality of education that they receive. While it is important to build the capacity of financial institutions to better serve women entrepreneurs, it is also imperative that women are provided with the opportunity to be financially literate, so that they can speak the language of finance.

Women face peculiar exclusion as a result of cultural, religious and social biases that hinder their access to financial services. It will be pertinent to explore the possibility of enacting laws that address gender inequality, sexual harassment and discrimination as first step towards improving their access to financial services.

## **Initiatives by the Central Bank of Nigeria**

### ***Women component of Micro, Small and Medium Enterprises Development Fund (MSMEDF)***

In order to promote the development of the Microfinance sub-sector and provide for the wholesale funding requirements of Microfinance Banks and Microfinance institutions, the Revised Microfinance Policy, Regulatory and Supervisory Framework for Nigeria provided for the establishment of a Microfinance Development Fund. One of the key targets of the microfinance policy is to eliminate gender disparity by ensuring that women's access to financial services increases by 15 per cent annually. In view of the peculiar challenges faced by women in accessing financial services in Nigeria, the CBN has approved the establishment of MSMEDF. It is intended that a minimum of 60 per cent of the MSMEDF should be committed to providing funding to women in order to address their peculiar financial exclusion challenges. The key objectives include providing grants for capacity building of staff in microfinance institutions (MFBs, MFIs and similar institutions) and their apex bodies on women based lending, promoting the development of regulatory provisions that are favourable to women lending, supporting initiatives that can improve financial literacy, entrepreneurship development for women clients, supporting programmes that are geared towards the mobilization of women, research and development, and promotion of women friendly financial innovations and products.

### ***Financial inclusion and entrepreneurship development***

The Central Bank of Nigeria (CBN) appreciates the fact that financial access, inclusion and literacy are cornerstones for reducing poverty. To this end, we have taken the lead in developing Nigeria's National Financial Inclusion Strategy to ensure that a clear agenda is set for increasing both access and usage of financial services within a defined timeline for excluded groups including women. Indeed, the financial inclusion strategy provides for reducing the exclusion rate of women from 54 per cent to 20 per cent by the year 2020. To achieve this, special incentives and provisions would be made available to financial institutions to develop products that would meet the needs of Nigerian women. The CBN as part of its developmental efforts supports Entrepreneurship Development Centres (EDC) in the six geo-political zones of the country. The bank would endeavour to place more of a focus on women in the implementation of these centres.

### ***Promoting women into leadership and decision making roles***

The Bankers' Committee, which comprises of the CBN, Nigerian Deposit Insurance Corporation (NDIC), Deposit Money-Banks and Discount Houses declared 2012 the year of "Women Economic Empowerment". I am also pleased to report that the Bankers' Committee also now has a dedicated sub-committee focused on women economic empowerment headed by the Chief Executive Officer of Standard Chartered Bank (Nigeria) Limited,

Mrs. Bola Adesola. One of focus areas of this sub-committee is to facilitate the decision of the Bankers' Committee to ensure that women occupy more leadership positions in the industry. Presently, we have a situation where at the junior levels; we have a situation where about 42% of the junior roles in the industry are held by women. Unfortunately, as they move on to middle and senior management roles, this starts to diminish to 31 and 27 per cent respectively. We have collectively agreed that by 2014, 40 per cent of senior management and 30 per cent of board level positions should be occupied by women.

As we strive towards the improvement of the lot of African women, we must continue to extend their participation in leadership positions in the public and private sectors. The Federal Government of Nigeria has shown some leadership in this regard through the appointment of 16 women as Ministers in the cabinet. The CBN in recent years has also provided some leadership for the banking industry through its appointment of up to seven female directors in some cases to head departments that have been seen as traditionally male dominated environments. It is instructive to note that the CBN is coming from a position where it has only had four directors between 1959, the year of its establishments and 2009, when it celebrated 50 years of existence.

## **Conclusion**

Ladies and gentlemen, as in other developing nations of the world, women in Nigeria are faced with numerous socio-economic challenges some of which were discussed in this paper. One of the potent solutions to these menaces is the empowerment of women for active participation in economic activities. Lack of finance has been identified as one major limiting factor to women entrepreneurship development. Therefore, I used this speech to highlight some of the challenges of accessing finance for women. I have also mentioned the available avenues for providing financial encouragement to women. It does not stop there. The Central Bank also encourages advocacy for institutional support to women empowerment.

And as you are aware, small and medium-sized Enterprises (SMEs) in market economies are the engine of growth and development. SMEs contribute to sustainable growth and employment generation in a significant manner due to their private ownership, entrepreneurial spirit, flexibility and adaptability as their potential to react to challenges and changing environments in a competitive market frame work. Women occupy pivotal positions in SMEs. Increasing access to finance for women-owned or operated businesses is a sound strategy for financial institutions if they are to establish a foothold in the SME space. Therefore, supporting women entrepreneurship by means of training and granting financial support is a key step to take towards guaranteeing the contribution of women to national economic development.

I thank New Faces New Voices and the African Development Bank (ADB) for organizing this forum and the opportunity to speak and I would like to end by urging a concerted effort to ensure that women are included as an integral part of our strategies for the development of various sectors of the Nigerian economy.

Thank You.

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