



THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

COMMUNIQUÉ ISSUED AT THE END OF THE 12TH ANNUAL BANKING AND FINANCE CONFERENCE HELD AT THE TRANCORP HILTON HOTEL, ABUJA ON 24 - 25 OF SEPTEMBER 2019

1.0 INTRODUCTION

The Chartered Institute of Bankers of Nigeria (CIBN) successfully hosted its 12th Annual Banking and Finance Conference at the Transcorp Hilton Hotel, Abuja, Nigeria on 24th to 25th September, 2019. The theme of the Conference, “**The Future of the Nigerian Banking Industry - 360**” was carefully chosen in recognition of the pivotal role which the banking industry plays in national development, and the need to reposition the industry to maximise the opportunities, and minimize systemic risks, especially in the light of emerging global developments.

2.0 CONFERENCE OBJECTIVES

The aim of the Conference is to:

- Understand the key trends shaping the future of banking in Nigeria
- Share and discuss stakeholders' perspectives on key topics
- Present strategic actions to position the Nigerian banking industry for the future

3.0 OPENING CEREMONY

The Conference was formally declared open by the Vice President, Federal Republic of Nigeria, His Excellency, Professor Yemi Osinbajo, GCON, SAN. He used the opportunity to inform the conference of some of the successes of the current

administration. In particular, he noted that the economy has emerged out of recession, with positive growth over the past 2 years, while inflation had steadily declined from a high of about 18 per cent to 11 per cent currently. He noted that Nigeria's population was growing at a rapid pace such that there was need to create wealth and employment to counter any adverse fall outs from the increasing population. He also mentioned the various efforts to fix infrastructure and deliver cheap credit to start-ups and small scale businesses. With respect to the agricultural sector, he mentioned the policies that had been targeted at de-risking the sector and upscaling the value chain. On the Africa Continental Free Trade Agreement (AfCFTA), the Vice President highlighted the opportunities and challenges to the country's membership of the Free Trade Arrangement, and enjoined CIBN to be active in the negotiation process.

- Uche Messiah Olowu, Ph.D, FCIB, the President/Chairman of Council, CIBN presented the welcome address. In his address, he emphasised the need to leverage on customer insight and analytics to deliver well targeted services as a key success factor for the industry. In this regard, according to him, the role of digital technology and innovation cannot be over emphasised in driving sustainable business models that would shape the future of the banking industry. The President/Chairman of Council was optimistic that the future of the Nigerian banking industry was bright as it was bound to become more competitive, more efficient, and more innovative in delivering customer service. However, he noted that this bright future could only be assured if the finance infrastructure was embedded in the national payments system architecture, and a critical mass of young banking professionals was nurtured to drive the ecosystem. He rounded off with appreciation to the Vice President of the Federal Republic of Nigeria, the official partners of the CIBN and the organizing committee of the Conference.

- Dr. Joseph Okwu Nnanna, FCIB, Deputy Governor (Economic Policy) at the Central Bank of Nigeria, delivered a goodwill message on behalf of the Governor of the Central Bank of Nigeria (CBN), Mr. Godwin Emefiele, CON, FCIB, who was away on other national assignment.

According to him, the future of the banking industry was in the hands of banks who must begin to attune their business strategies and operations in line with current economic trends, especially regarding the need to keep pace with the Fintech revolution. He was emphatic when he stated that the era of armchair banking was over, as banks should aim to engage in proper intermediation, converting idle liquidity to tangible assets that would support government in the creation of wealth and employment in the economy. He also, enjoined stakeholders, particularly, the Judiciary to support the Bank in reducing the size of non-performing assets in the industry. He concluded by conveying a message of hope for the CIBN, and informing the participants that the CBN had introduced initiatives to boost the loan to deposit ratio and that the CBN stood ready to ensure that banks in Nigeria were safe and sound.

- The Executive Governor of Lagos State, Mr. Babajide Sanwo-Olu who was represented by the Honourable Commissioner for Economic, Planning and Budget, Mr. Sam Igube in a goodwill message applauded the progress so far made in the banking industry. According to him, regulatory policies had ensured steady development and soundness of banks. He urged banks to take advantage of the Fintech revolution to provide customers with quality services and support the government's quest for financial inclusion. He also, challenged the regulatory authorities to ensure that customers were sufficiently protected from cybercrimes. Concluding his remark, the Governor stressed the desire of the Lagos State government to partner with the banking industry to deliver on the agenda of making Lagos a 21st century city.

- The Honourable Minister of FCT, Alhaji Muhammed Musa Bello, represented by Dr. Kelvin Ike appreciated the contribution of the CIBN in the development of the Nigerian banking system, and the larger economy, and informed of the FCT's willingness to support the work of the Institute.
- The President of the Senate of the Federal Republic of Nigeria, Senator Ahmad Lawan, was represented by Senator Uba Sani, Chairman of the Senate Committee on Banking, Insurance and other Financial Institutions.
- Dr. Adesola Adeduntan, FCIB who is the Managing Director/Chief Executive Officer of First Bank Nigeria, and the Chairman of the Organising Committee of the Conference, in his vote of thanks, appreciated the support of the Vice President, and informed the conference that the Banking Industry was working hard in its support for the financial inclusion strategy of the government. According to him, the banking sector aimed to engage Five Hundred Thousand (500,000) agents to take banking to the grass roots. He hoped by this, the role of banks in economic development would be better served. On the future of the industry, he stated that there was need for banks to interrogate opportunities and develop suitable approaches for optimum performance.

4.0 ATTENDANCE

The Conference had in attendance 906 delegates, made up of members (Associate and Fellows), representatives of the Federal Government of Nigeria, MDAs, Legislatures, Judiciary, Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), Managing Directors / Chief Executive Officers of banks in Nigeria, academics, Millennial/Students, Fintech companies & startups, Consulting firms, Bank Customers/Clients, Diplomats, Foreign Investors, Capital

Market Operators, Other relevant professional bodies and stakeholders in the economy.

5.0 BUSINESS SESSIONS AND PARALLEL/INTERACTIVE SESSIONS

Session One

The Business Sessions spanned the two days of the Conference. Amb. (Dr) Adeyemi Dipeolu, Special Adviser to the President for Economic Matters chaired the first Business Session on **'The New World Economy and Trends into the Future'**. The Guest Speaker was Mr. Adjiedj Bakas, while Mr. Abubakar Suleiman, HCIB (Managing Director/Chief Executive Officer, Sterling Bank Plc, Dr. Biodun Adedipe, FCIB (Founder and Chief Consultant, Adedipe Associates Limited) and Mr. Abubakar Jimoh, FCIB (Managing Director/Chief Executive, Coronation Merchant Bank Limited) served as the Panelists.

The main thrust of the **First Session** bordered on the need for banks and policy makers in government to key into the new trend of generating wealth for the people by investing in areas of high return. The need to focus their strategies on growth-enhancing initiatives, while leveraging on technology to harness resources within and outside was emphasized. In this regard, it was advised that Nigeria should channel its resources in areas of strategic human needs like food production, infrastructure, human capital development and technological innovations, as done by developed economies like Japan. It was also, the view of the panelists, that Nigeria had immense potential for growth such as the large market inherent in its teeming young population, and it should leverage on this to create wealth and job opportunities.

The panel also noted that the role of technological innovations, especially Fintech, in harnessing these opportunities could not be overemphasized as artificial Intelligence and robotics could be helpful in identifying people's need into which the financial resources such as the Pension Funds could be channeled.

Learning from developed countries, the panel noted that facial recognition has been leveraged upon in Fintech in decoding and synchronising consumers' needs with the markets and investment of financial resources. Climate change was also mentioned, with the note that its challenges had led many countries to design appropriate economic and legal frameworks. Since Nigeria would also face the realities of Climate Change, it should be concerned, but not to the extent of obstructing exploitation of its fossil resources for growth.

The panel also observed that Nigeria was at the frontier of Fintech deployment in financial services, however, there were still lots of room for improvement. In this regard, Nigerian banks have a great role to play by harvesting talents and collaborating with Fintech companies.

Session Two

The second plenary session focused on "**African Continental Free Trade Agreement: Role of Nigerian Banks and Other Stakeholders**" The session was chaired by Dr. Segun Aina, Chairman Fintech, Nigeria, with Mr. Desmond Guobadia, Chairman Nigeria's Presidential Panel on African Continental Free Trade Agreement/ Senior Partner, The Law Union as the guest speaker.

The speaker stated that the objective of African Continental Free Trade Agreement (AfCFTA) was to make African products cheaper and more preferred in the African market and will hopefully, displace imports from outside Africa as well as liberalise five services sectors of the economy. To achieve this objective, it required the contribution of all stakeholders, which included the government, business organisations, the academia and the banks. In this regard, the role banks are expected to play, had to do with facilitation of trade in the form of exchange of goods and services. Banks also needed to identify the challenges and turn the challenges into opportunities. The panel observed that regulators should play a key role in facilitating trade in Africa by designing and developing the right

instruments such as payments system infrastructure and ensuring strong bilateral relationship with other trading partners. In the view of the panel, Nigeria stood a better chance to benefit in trade. It was also noted that to achieve economic integration in Africa, the civil society organisation also need to contribute.

Generally, cogent issues such as the cohesion within the African countries, economic collaboration, financial and payment integration, competitiveness, benefits and drawback from trade, etc were highlighted. According to the panel, the AfCFTA offers a lot of opportunities for the continent as it had the potential to step up intra-Africa trades, with attendant benefits. A major question from the Nigerian perspective borders on whether the country was well positioned to reap the benefits of trade from the Agreement. The panel encouraged banks to embrace the challenges and support the country as trade remained the most important tool to turn-around the fortune of the Nigerian economy.

Session Three

The third session considered '**Governance, risk management and regulation: future of banking**'. The panel noted that banks were expected to still play a major role in the financial system of the future. However, they would face stiff competition from allied financial service providers. In this light, governance structure of the bank as well as their risk management system are key to preserving their niche in the financial marketplace. The governance system of banks needs to be well equipped and their board must be contained knowledgeable persons that are not only tech-savvy but also alert to future demands from banking.

In the opinion of the panel, governance should however not be limited to the board of banks alone but also extended to the whole institution. Such holistic approach could be deployed for effective risk management. The panel further opined that, given the current economic circumstance characterised by 'volatility, uncertainty, complexity and ambiguity', there was need to strengthen

risk management strategies and regulation to protect the assets of the banking industry and avoid wanton exposure. The other issues that arose from the discussion include the fact that players in the industry should form alliances to deal with the new set of risks from the new operating environment. The fact that third party risks would become prominent in future given Fintech developments, banks need to be proactive in creating committees and frameworks to handle them.

Session Four

Discussions in the fourth session focused on '**Shared services and cost management**'. Chaired by Ms. Funke Opeke, the session highlights the point that profitability was tied to either growing revenue or cutting costs. The panel revealed that before the advent of shared services, the cost income ratio in the banking industry was high, owing mainly, to the need for banks to acquire and maintain stand-alone facilities, especially, related to information technology. The other cost driver of the ratio was cash handling charges. The panel subsequently listed the benefits that have arisen from banks keying in to shared services. The co-location of IT infrastructure, for one, has minimized operating costs and grown profit. The cashless drive of the CBN, has also necessitated outsourcing and consolidated cost sharing among banks. The panel submitted that shared services would lead to reduction of non-performing assets, maximise the advantages of economies of scale, and enable small players to enjoy facilities that, on their own, they could not afford. Contrary to expectations, the panel stated that shared services would not diminish competition as players would engage in product differentiation to secure larger market share.

Session Five

Session five themed '**Workforce of the future: people and skills**' chaired by Mr. Olawale Taofeek Adeniran, highlighted the challenges and factors that would affect the future workforce. The panel stressed the need to understand some of

the constraints facing current workforce, with a view to resolving them ahead of future challenges. The work force needs to evolve with the changing demand of the industry, and given the rapid pace of the revolution in the financial services sector, driven by globalisation, the data revolution, environmental changes and technological advancement, e.g - robotics, machine learning and Artificial Intelligence. The human workforce needs to refocus energy and efforts towards problem solving initiatives. In addition, the future work force should target areas where their services could not be easily replaced by machines. There is also the need to continually train and retrain workforce, and reallocate resources to areas of higher productivity. In this regard, it is the view of the panel that there should be paradigm shift from manual-focused learning to digital focus learning.

The panel's view was that for the workforce to be relevant in the future, it had to be creative, adaptable and conscious of time management. There would also be need for virtual collaboration through the cloud and use of computational thinking and information analytics in decision making, since the features of literacy had shifted and the focus moved to numerical and emotional literacy. Future workforce must take cognizance of the needs of Millennials.

Session Six

The sixth session chaired by Mr. Austin Okere discussed the theme: '**driving digital innovation**'. The panel noted that financial intermediation market traditionally dominated by banks is complex and diverse with over US\$5.0 trillion in operating income. It was further observed that the performance of the industry declined, with return on investment (equity) and price to book ratio all turning south. However, banks that were digitalised were able to swim against the tide, and still posted profits.

The panel also pointed out that the financial market dynamics had changed on both the demand and supply sides. The customer's demand had become wide

and diverse, while product offerings had become sophisticated. Thus, while, banks and service providers deployed data and AI revolution as well as wide scale digitisation to reduce cost and improve customer experience, the customers demand more satisfaction from any transactions.

Also, since Fintech and payment platforms providers like Ali-baba have gained huge market share in financial and transactional intermediation by leveraging data analytics and unified/multi-faced channels and improved customer experience, banks need to transform their operational DNA to compete effectively. They need to optimise their competitive edge in huge databank and use data analytics to obtain smart data for business decisions, improve customer experience, enhance service delivery and generate value. Banks should digitise virtually all phases of their operations as this would help reduce cost to income ratio and improve their competitiveness.

Despite the emphasis on digitalisation, the panel noted that leadership and culture mattered greatly for the sustainability of businesses. Thus, significant investment needed to be made in grooming leaders, making sure they are grounded in the organisational culture.

6.0 RESOLUTIONS AND RECOMMENDATIONS

Delegates at the end of the Conference resolved and recommended the following suggestions to the various stakeholders in the Nigerian Economy

6.1 Federal Government of Nigeria (FGN)

- Government should collaborate with the private sector and leverage on technological innovation to advance the economy.
- There is need to improve IT infrastructure, including digital platform as a key requirement for Nigeria to benefit from AfCTA.
- There is need for the alignment of domestic macroeconomic environment and policies with the AfCFTA to reap the full benefits.

- The legal environment also need to be strengthened with regard to trade and domestic policies.
- There is need to make local manufacturers more competitive in their unit cost of production and quality assurance.
- The Government and other stakeholders need to approach trade as rule-based, not as free without strings and bounds, and exploit the rules to its advantage.

6.2 Central Bank of Nigeria (CBN)

- Regulatory authorities should de-risk priority sector of the economy through collaboration with other government agencies.
- CBN should modify regulatory polices to keep pace with Fintech developments.
- The financial integration and payment system infrastructure should be further developed to optimize benefits from the AfCFTA.
- The CBN should study the changing nature of money with a view to fashioning policies to cover the evolution in the medium of exchange.
- Governance and risk management should be strengthened to tackle prevalence of volatility, uncertainty, complexity and ambiguity in business environments and minimize their effects on decision-making by many pertinent economic agents.
- Long term savings should be supported and micro pension scheme should be implemented properly.
- Develop/refine formal structure to drive teamwork and consultation between regulators and stakeholders on governance and risk management issues.
- Strategic plans should be put in place for the Industry to holistically address major problems on Financial Inclusion, Economic inclusion and social impact.

6.3 Banks and other financial Institutions

- Banks need to develop more innovative ways to deepen lending to the MSMEs
- There is need for banks to invest in research and innovation to grow the banking industry.
- As financial sector is faced with enormous challenge of credit risk, effort should be tailored towards enhancing the credit management system to ensure safety of banks' asset.
- Skills acquisition is as important as financing, banks should therefore use their CSR platform to engage in training entrepreneurs.
- There should be greater collaboration between banks and other service providers.
- Banks should take advantage of liberalisation of transport, tourism and other sectors under the AfCFTA for business opportunities.
- Banks should collaborate with telecoms to improve efficiency of financial services sector.
- Banks and policy makers should collaborate and harness technological development to improve real sector competitiveness in order for Nigeria to benefit from the AfCFTA.
- Governance structure of banks and their risk management system are key to preserving their niche in the financial marketplace.
- Banks have a major role to support Nigerian Businesses to enhance their productive capacity in order to improve export base and compete better.
- Nigerian Banks should work with other stakeholders (government, civil society etc.) to ensure the country benefits immensely from ACFTA.

6.4 The Chartered Institute of Bankers of Nigeria (CIBN)

- The CIBN should be active in the negotiations of the AfCFTA
- Innovations in banking should be included as part of the Professional and Banking Examination and Certification Programmes of ACIB syllabus to enhance a robust literacy up-scaling of banking operators.
- The Institute should collaborate with banks to develop the market for long term finance.
- There is need for development of new skills, staff reskilling, staff training, etc to enable staff remain relevant and agile.

'Seye Awojobi, FCIB

Registrar/ Chief Executive

The Chartered Institute of Bankers of Nigeria

Dr. Adesola Adeduntan, FCIB

Chairman

Consultative Committee