WELCOME/KEYNOTE ADDRESS DELIVERED BY THE REGISTRAR/CHIEF EXECUTIVE, THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA (CIBN), MR 'SEYE AWOJOBI, FCIB ON THE OCCASION OF THE BUSINESS FORUM ON CREDIT DATA MANAGEMENT: PROMOTING EFFECTIVE CREDIT RISK OPERATIONS IN THE FINANCIAL SERVICES INDUSTRY ORGANISED BY THE CHARTERERED INSTITUTE OF BANKERS OF NIGERIA CENTRE FOR FINANCIAL STUDIES (CIBNCFS) IN COLLABORATION WITH THE CREDIT BUREAU ASSOCIATION OF NIGERIA (CBAN) HELD AT THE BANKERS HOUSE ON THURSDAY, SEPTEMBER 7, 2017

Protocol

Distinguished Ladies and Gentlemen, I am particularly pleased to deliver this Address at this **Business Forum on Credit Data Management: Promoting Effective Credit Risk Operations in the Financial Services Industry.** It is worthy of mention that this programme is organized by The Chartered Institute of Bankers of Nigeria Centre for Financial Studies (CIBNCFS) in collaboration with the Credit Bureau Association of Nigeria (CBAN). These two institutions have not only championed the course of capacity building in the country's financial services industry but have also provided complementary support in ensuring a stable financial system. This Business Forum is another platform provided by CIBNCFS and CBAN for different stakeholders in the country's financial services landscape to discuss a subject that is central to the health and soundness of the banking industry – Credit Data Management.

According to the Central Bank of Nigeria (CBN), the late 1980s and early 1990s witnessed rising non-performing credit portfolios in banks and these significantly contributed to the financial distress in the banking sector. The apex bank also noted that it was the existence of predatory debtors in the banking system whose modus operandi involved the abandonment of their debt obligations in some banks only to contract new debts in other banks. As a result of this ugly trend in the industry in the early 1990s, the CBN established a Credit Risk Management System that would provide a central database from which consolidated credit information on borrowers could be obtained. This led to the decision to create a credit bureau by CBN which was given a legal backing by the CBN Act No.24 of 1991 [sections 28 and 52] as amended.

To complement the apex bank's efforts at ensuring a robust credit history of borrowers, CBN licenced three private credit bureau firms in 2009. Essentially, credit bureaux functions include the collection of factual credit information such as credit cards, cars, home, personal and education financing, from its data providers; strengthening the credit appraisal procedure of banks and other lending agencies by providing reliable credit information on borrowers; storage and dissemination of credit data; monitoring of over-exposures to borrowers; facilitating consistent classification of credits amongst others.

The need for a more deliberate policy action on credit data management became pronounced in recent years due to the fast-paced and changing regulatory and reporting requirements, such as the need to comply with Basel III. Also, the unprecedented evolving dynamics in the financial services industry with fundamental shifts in customers' demands and expectations have aroused a new interest in credit data management. Technological disruption in the industry has indeed redefined formally entrenched models with its attendant effects on credit risks. Without a very strong monitoring template using technology, predatory debtors can deploy the same technology to break all boundaries designed for determining their true credit histories.

Debates are still polarized in the country on the best policy path to thread for credit bureaux to perform optimally towards the achievement of their objectives. For instance, in its 2014 article on ***The Hurdles Before Credit Bureaux***, CRC Credit Bureau Limited noted that the Credit Bureau Association of Nigeria (CBAN) was worried that out of about 55 million active borrowers in the financial system, the operators had credit history of only 18.6 million borrowers. CBAN added that while the operators received an average of 20,000 enquiries every month, its counterparts in South Africa and Brazil, which were less than a third of Nigeria's population, received about the same number of enquiries each month. That simply indicated that the Nigerian system still had a long way to go.

In a similar vein, the unabated increase in Non-Performing Loans (NPLs) in the country calls for concern of stakeholders on the need for a more reliable and robust credit data management framework and an effective credit risk operations in the country. The Central Bank of Nigeria's Financial System Stability Report revealed that the banking industry's Non-Performing Loans ratio rose from ₦1.678bn in June to ₦2.084tn in December 2016. This, to say the least, does not augur well for the financial intermediation role of the banking industry and the economy at large. It is recognized that ease of access to credit is critical for business growth while at the same time lending institutions are always wary of the safety of their funds. Reaching this delicate balance is the sole objective of an effective credit data management and credit risk strategy by financial institutions.

It is however noteworthy that weak credit data management is a phenomenon that cuts across countries' financial services indutries. In a 2015 research carried out by Crowe Horwath LLP, bank executives across the globe were asked to characterize their organizations' capabilities for managing and analyzing credit data. Of the more than 110 bank executives who responded, barely one-third (34 percent) said their institutions had comprehensive credit data and analytics management capabilities. Nearly a quarter (23 percent) had no formal credit data programme or management capabilities in place. The remainder (43 percent) either had limited, "boutique"-style data capabilities or had effective data but no analytics capacity.

In the same report by Crowe Horwath LLP, some of the challenges faced by banks in developing effective credit data management include:

- Gathering of data from many disparate sources leading to lack of context, clear ownership and traceability to its source.
- Missing or incorrect data or data that is untrustworthy or irregularly maintained makes successful software testing inefficient or, worse, ineffective.
- Access and security concerns often compete and conflict.
- Inability of business to define precisely what types of analyses they need to perform so that analytics and reporting capabilities can be designed specifically to address those needs.
- Designing, developing, and implementing effective data management capabilities are usually cost intensive.

My esteemed audience, I have raised the few issues above as a prelude to the robust discussion I am confident would emanate from this Business Forum. My intention is to use the above to stimulate discussions at this event. There is no doubt in my mind that in addition to providing feasible answers to the challenges I have raised above, our discussants would proffer practicable steps to ensuring an effective credit risk operation in the country's financial services industry. The quality of faculty at this programme is indeed most impressive and the topics are carefully selected to ensure that critical areas in credit data management are touched at this programme.

Permit me to end this Address by stating that providing credit data by the credit bureaux would not be sufficient in making informed decision by the financial services providers. Internal capacity must be built by organizations in exploiting big data and analytics at addressing the increasing trend of NPLs in the industry and developing a strong credit risk strategy.

I formally welcome you all once again to this Forum and implore all participants to avail us their invaluable input to today's discussion as we collectively strive to move the banking and finance and other allied sectors forward.

Thank you for your kind attention.

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