EFInA Quarterly Review

(October to December 2011)

1 Nigerian Economy

In December 2011, Standard & Poor's (S&P) – the global rating agency revised its outlook on Nigeria to "positive" from "stable", and affirmed the "B+/B" long- and short-term issuer credit ratings, and the "ngA+/ngA-1" long- and short-term national scale ratings for the country. S&P said the outlook revision on Nigeria indicated that there was at least a one-in-three likelihood of an upgrade if Nigeria's reform initiatives support economic growth, build stronger buffers against Nigeria's dependence on petroleum revenue, and reduce pressure on the exchange rate. S&P noted that Nigeria had tightened its fiscal and monetary stance by reducing projected fiscal deficits and by raising its Monetary Policy Rate. The ratings are supported by low fiscal and external debt burdens, owing to debt write-offs in 2005 and 2006 and high petroleum prices supporting exports and government revenues in recent years. Although government debt has increased slightly in recent years, it is still low at 16% of GDP as at the end of 2011. S&P added that over the past two years, the banking sector had also been strengthened. Furthermore, the Government's plans to improve predictability and transparency in the oil sector by drafting and passing the Petroleum Industry Bill, and overhaul of the country's electricity sector should reduce power supply constraints. S&P also welcomed the plan to remove fuel subsidy.

However, the ratings on Nigeria are constrained by political tensions and weak political institutions. Nigeria also has a low level of development and significant infrastructure shortfalls. S&P warned that it could revise the outlook to stable if fiscal and external balances fail to improve, due to a sharp drop in oil production or prices or if political tensions or violence increases substantially, thereby affecting overall political stability in Nigeria.

1.1 Growth Forecast

According to the National Bureau of Statistics (NBS), the real Gross Domestic Product (GDP) grew by 7.40 percent, on an aggregate basis, in the third quarter of 2011, as against 7.86 percent in the corresponding quarter of 2010. The nominal GDP for the third quarter of 2011 was estimated at N10.2 trillion versus N8.0 trillion recorded in the corresponding quarter of 2010. Nigeria has been able to grow faster than most economies of the world despite not achieving double digits growth. Only two countries - China and Estonia - out of 13 countries that have so far released their Q3 2011 GDP results, grew faster than Nigeria.

The Nigerian economy can be broken down into two broad groups – oil and non-oil sectors. While the non-oil sector grew, with major contributions to growth coming from agriculture, wholesale/retail trade, telecommunications, manufacturing and finance/insurance sectors, the oil sector output recorded negative growth during the third quarter of 2011, mainly arising from a decrease in oil production.

Dr. Yemi Kale, Statistician-General of the Federation, noted that despite the dip in GDP in the third quarter, the structure of the economy remained largely unchanged with agriculture (43.64 percent), crude petroleum and natural gas (14.27 percent) and wholesale and retail trade (18.29 percent) accounting for 76.20 per cent of the total GDP. The NBS boss stated that although the sectors that have significant employment generating opportunities like manufacturing, business enterprises especially micro, small and medium scale enterprises, solid minerals, building and construction and tourism and entertainment are growing strongly, they still only constitute a small fraction of GDP. Together these sectors contribute less than 10 percent of GDP. Until the structure of the economy changes where such sectors have a larger share of GDP, it may be difficult to create jobs and reduce poverty.

1.2 External Debt

The Debt Management Office revealed that as at the end of September 2011, Nigeria's external debt had reached $5.63 billion and the domestic debt was N5.3 trillion. Out of the total external debt, the Federal Government owed $3.32 billion and the States owed $2.31 billion.

1.3 Inflation

According to the National Bureau of Statistics (NBS), consumer inflation rose to 10.5 percent in October, up from 10.3 percent in September. The inflation rate in November was unchanged at 10.5 percent. However, the NBS stated that while there was a sharp increase in the prices of some imported food items in November, this was moderated by the stable and lower prices of some of the locally produced food products due to the prevailing harvest season.

Within the past 11 months, the Central Bank has implemented monetary tightening measures aimed at curbing public spending, which helped to keep inflation at a moderate level. Prior to the Monetary Policy Committee meeting held in November, the apex bank had raised the Monetary Policy Rate (MPR) six times in 2011, in a bid to address inflationary threats. The MPR is the anchor rate at which the CBN lends to Deposit Money Banks, which was 6.25 percent in January, was raised to 6.50 percent in March, 7.50 percent in April, 8.00 percent in May, 8.75 percent in July, 9.25 percent in September, and 12.00 percent in October. However at the meeting in November, the apex bank left the MPR unchanged at 12.00 percent stating that any further tightening would be counter-productive and pro-cyclical, should oil prices fall significantly.

1.4 Population

The National Population Commission stated that Nigeria's population has risen from the 140.4 million from five years ago when the last national headcount was taken to 167.9 million as at the end of October 2011. Of this figure, 82.1 million were female and 85.8 million were male. Using a population growth rate of 3.2 percent, which is the same rate that the Commission used in 1991 and 2006; Nigeria's population is expected to reach 221.4 million by 2020.

1.5 Unemployment

According to the National Bureau of Statistics, the unemployment rate in the first half of 2011 increased to 23.9 percent. This represents an increase of 1.8 million additional unemployed people between December 2010 and June 2011. The Bureau attributed the rise in unemployment to fresh entrants to the job market and worker layoffs across all sectors of the economy. The Statistician-General of the Federation, Dr. Yemi Kale, stated that every employed Nigerian was economically responsible for three other citizens. Dr. Kale disclosed that Yobe, Zamfara and Niger were the top three States with highest levels of unemployment - 60.6 percent of Yobe's employable population are unemployed; 42.6 percent of Zamfara's employable population are unemployed; whilst 39.7 percent of Niger's employable population are unemployed. The South-West have the lowest levels of unemployment - Osun has the lowest unemployment rate at 3.0 percent; Kwara at 7.1 percent and Lagos at 8.3 percent.

1.6 Ibrahim Index of African Governance

In the 2011 Ibrahim Index of African Governance, Nigeria slipped to a ranking of 41st out of 53 countries. Nigeria was ranked 40th in 2010, 35th in 2009, and 39th in 2008 (out of 48 ranked countries). The good governance report also noted that over the past five years (between 2006 and 2010), Nigeria's overall governance quality deteriorated. Nigeria scored 41 percent for governance quality. Nigeria also scored lower than the regional average for West Africa, which was 51 percent and scored lower than the Continent's average which was 50 percent. At sub-category level, Nigeria's highest rank was in Rights and Education (26th) and the lowest rank was in Health (51st).

1.7 Corruption Index

In terms of public perception of corruption, Nigeria was ranked 143 out of 183 countries surveyed in a detailed assessment carried out by global watchdog, Transparency International, which was released in November 2011. Nigeria dropped nine places from 134th in 2010 (only 178 countries were assessed). Nigeria also maintained the same score of 2.4 out of a possible maximum of 10 points, as in 2010. The Corruption Perception Index (CPI) scores 183 countries and territories from 0 (highly corrupt) to 10 (very clean) based on perceived levels of public sector corruption.

In the 2011 Corruption Perception Index, New Zealand was first with a score of 9.5. Somalia came last with a score of 1.0, tying with North Korea, which was included in the global CPI for the first time. In Africa, Botswana came first with a ranking of 32nd and a score of 6.1, while Cape Verde was the best-ranked country in West Africa with a ranking of 41st and a score of 5.5. The United Kingdom came 16th with a score of 7.8, while the United States of America came 24th with a score of 7.1. No African nation was ranked among the top 20 nations.

According to Transparency International, corruption continues to plague too many countries around the world. However, 2011 saw the movement for greater transparency take on irresistible momentum, as citizens around the world demanded accountability from their governments. High-scoring countries show that improved transparency, if sustained can be successful and benefit the entire population.

1.8 Donor Funding

In November, the House of Representatives passed a resolution seeking to harmonise all aid and grants received by Nigeria from international donor agencies. The House stated that an estimated $6bn had been received in aid and grants over the last 10 years; however, only $3.2bn was accessed. The Chairman of the House Committee on Donor Agencies and Civil Societies, Mr. Eseme Eyiboh, said that, "Nigeria is a country where money comes in and goes out in the name of aid, but there is no database on the donations made by aid agencies". He noted that most aid agencies chose to either deal with ministries, departments and agencies of the Federal Government directly or used non-governmental organisations to execute their programmes. According to him, the National Planning Commission (NPC) should have been the coordinating centre for such donations so that they form part of the overall national development agenda. Due to the failure to use the NPC, Eyiboh stated that, "A lot of donor funds supposedly given for the benefit of Nigerians are duplicating, complementing or even distorting government's budgetary projections and are used without adequate legislative oversight".

The House, in a unanimous resolution, directed the Committee on Donor Agencies and Civil Societies, to critically examine all grants and assistance received from donor agencies with a view to identifying if donor funds are deployed in accordance with international best practice and provisions of existing laws and agreements.

1.9 Agriculture

Mallam Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria, disclosed that Nigeria is a net importer of agricultural products and imports N630 billion worth of fertilizer annually. He also noted that since 1960, Nigeria has lost its dominant position in exports of key agricultural crops like cocoa, groundnuts, groundnut oil and palm oil. To address the problem, the Governor said that Nigeria has to grow its agricultural output by 160 percent, from N14.9 trillion currently to N38.4 trillion by 2030. He said, "This growth potential comes from the potential to increase yields to 80-100 percent of benchmark countries; increase acreage by 14m hectares of new agricultural land and shift 20 percent of production to higher value crops". In the 1960s, Nigeria had over 60 percent of global palm oil exports, 30 percent of global groundnut exports, 20-30 percent of global groundnut oil exports and 15 percent of global cocoa exports, however by 2000, Nigeria's global share of exports of each of these crops was 5 percent or less. According to Sanusi, major challenges facing the agricultural sector, include underfunded research and development; lack of infrastructure; inadequate funding; lack of local storage and processing systems; threats from pests and diseases; and adverse climate change. Sanusi stated that the CBN had designed a technical assistance programme, called 'Nigeria Incentive Based Risk Sharing for Agricultural Lending' (NIRSAL) to 'de-risk' the agricultural value chain, in order to build long-term capacity and institutionalise agri-lending incentives.

Policy Reforms

In October, the Central Bank revealed that due to the neglect of the agriculture sector, Nigeria's total food import bill has hit $4.2 billion (about N638.4 billion) annually. Therefore, the apex bank has proposed major policy and legislative reforms designed to reposition agriculture in the Nigerian economy to the National Assembly. They have asked the Parliament to review the Land Use Act and streamline the legislation to make transparent the process of obtaining and designating land titles and specify patterns of land use across the country. The apex bank have also sought the repeal of the Nigeria Agricultural Insurance Corporation (NAIC) Act, so as to open up the sub-sector to other commercial insurance companies as a way of breaking the current monopoly and assisting farmers in bearing risks.

Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria, said only 500,000 agricultural producers had access to insurance and even banks had limited understanding of agriculture and perceived risks in that sector to be higher than it was. Sanusi called for the liberalisation of the procurement and distribution of fertiliser and seeds to Nigerian farmers, review of unfavourable trade laws, institutional arrangements and market policies and the repositioning of the Abuja Securities and Commodity Exchange (ASCE). He specifically asked the Federal Ministry of Agriculture to cede the control of the ASCE to the CBN for improved performance, and to inject more funds into the commodity exchange to ensure better patronage. In addition, Sanusi said there was a need to repeal Decree No. 20 of 1977 and its 1993 amended version of the Agricultural Credit Guarantee Scheme Fund (ACGSF) and pass a legislation making the NIRSAL the new template for Nigeria's agricultural policy. Sanusi said whereas the agriculture sector had remained central to the Nigerian economy, accounting for 40 per cent of GDP and providing 60 per cent of employment, the sector had lost its dominant position in terms of export of key cash crops such as cocoa, groundnut, cotton and palm oil. He, however, explained that the key policy changes being proposed have the potential to boost performance in the sector.

2 Financial Sector

2.1 Nigerian Stock Exchange

Oscar Onyema, CEO, Nigerian Stock Exchange (NSE), has identified the following as being required to reposition the Nigerian capital market as the gateway to African markets - restoring investor confidence through firm but fair regulations, with zero tolerance on infractions; implementing market structure enhancements to improve liquidity in the market; revising the capital market listing standards to drive listings of a diversified set of companies; articulating minimum operational and technical requirements for broker-dealers to operate in the stock market; and introducing new complementary products to enable investors achieve a diversified portfolio.

The need to deepen the market from both the demand and supply side cannot be overemphasised. The NSE is driving the introduction of new products that will give investors exposure to an array of asset classes. In addition to equities and bonds, the NSE plans to introduce Exchange Traded Funds (ETFs), Options and Financial Futures. Onyema stated that for the NSE to have the desired depth and liquidity, as well as to become more attractive to local and foreign investors, companies in major sectors of the economy such as agriculture, telecommunications, power, and oil and gas should be listed on the Exchange.

2.2 Remittances

According to the World Bank, in 2011 remittance flows to developing countries including Nigeria were expected to reach $351bn; and worldwide remittances, including those to high-income countries, should reach $406bn. The top recipients of officially recorded remittances are expected to be Nigeria, India, China, Mexico, Pakistan, Bangladesh, Vietnam, Egypt and Lebanon. While the economic slowdown is dampening employment prospects for migrant workers in some high-income countries, global remittances, nevertheless, are expected to continue to grow and are forecast to reach $515bn by 2014, of that, $441bn will flow to developing countries.

The Director, Development Prospects Group, World Bank, Mr. Hans Timmer, said, "Despite the global economic crisis that has impacted private capital flows, remittance flows to developing countries have remained resilient, posting an estimated growth of 8.0 percent in 2011". Despite the difficult economic conditions in Europe, remittance flows to four of the six World Bank-designated developing regions grew faster than expected, by 11.0 percent to Eastern Europe and Central Asia; 10.1 percent to South Asia; 7.6 percent to East Asia and Pacific; and 7.4 percent to Sub-Saharan Africa. The World Bank expects remittance flows to grow by 7.3 percent in 2012, 7.9 percent in 2013, and 8.4 percent in 2014. However, there are some risks that may adversely affect the World Bank's outlook for international remittances and migration flows, such as persistent unemployment in Europe and the United States which will affect employment prospects of existing migrants and harden political attitudes toward new immigration; volatile exchange rates; and uncertainty about oil prices.

2.3 Financial Inclusion

Banking

In October, the Central Bank stated that it will review bank charges and other commissions in the banking industry. The Deputy Governor, Financial System Stability, CBN, Dr. Kingsley Moghalu, explained this has become imperative because of the need to ensure that as many Nigerians as possible have access to financial services. However, from a financial inclusion standpoint, Moghalu said that the principal challenge that was facing the country was to turn the advantage of its large population and market into an opportunity to utilise finance as a driver of inclusive growth. He said, "In reviewing and updating the regulatory documentation relating to bank charges and other commissions, the apex bank would be guided by the considerations of financial inclusion".

Moghalu said, "Deposit Money Banks and other Financial Institutions should be key partners to central banks and major stakeholders in promoting financial inclusion, even if for reasons of enlightened self-interest. In this context, there is a need to take a different approach to bank charges and fees to customers. Banks should bear financial inclusion considerations in mind in developing business models and products". While it is recognised that their unit costs are high, banks should avoid charges that can be perceived as predatory or extortionist and therefore have the effect of excluding low-income customers or eroding the savings of depositors.

Insurance

The insurance industry is seeking to expand Takaful insurance to deepen market penetration and promote financial inclusion in the country. Currently, there are 3 insurance companies - Niger Insurance Plc, Cornerstone Insurance Plc and African Alliance selling Takaful insurance products in Nigeria, however, analysts believe there is still a huge untapped market. According to analysts, a large population with low insurance penetration rate means that there is huge potential to grow the insurance market and develop products such as Takaful insurance. Analysts also believe that the emergence of an educated and enlightened middle class in most Islamic countries is creating a higher demand for Sharia compliant insurance products.

The National Insurance Commission (NAICOM), as part of its efforts to implement its Market Development Restructuring Initiative (MDRI) has set up a Committee to come up with operational guidelines for the development of Takaful insurance. Fola Daniel, Commissioner for Insurance, said, “We think that because of religious sentiments, if anyone could not take the conventional insurance, that person will have Takaful as alternative”; therefore NAICOM is determined to open and develop the insurance market at the grassroots, hence the need for Takaful insurance products.

2.4 Banking Industry

2.4.1 Deposits

According to the Nigeria Deposit Insurance Corporation (NDIC), the total number of depositors in the 24 deposit money banks grew from 30.3 million in 2008 to 44.4 million in 2010. The imbalance in the Nigerian banking system is highlighted by the fact that in 2010, of the 44.4 million depositors who placed their money in Deposit Money Banks (DMBs), 2.5 million (representing 6 percent) deposited N9.53tn (representing 88 percent) of the total N10.84tn bank deposits during the year; and the remaining 41.9m depositors (94 percent of bank customers) deposited N1.31tn or 12 percent of the total deposits with the 24 DMBs. However, each of the high net worth depositors would have got only N500,000 from the NDIC if their banks had collapsed during the period because that is the maximum amount for which the NDIC insured their deposits. However, those who deposited between N1 and N500,000 would have received their full deposits if their banks had gone under. This means that the customers with large deposits would have lost N8.27tn if their banks had been liquidated during 2010, as their individual N500,000 entitlement would have added up to only N1.26tn. However, they might have got a higher amount back as the law states that individuals who deposited beyond the stipulated insured sum should be paid dividends from the funds generated after the sales of fixed and risk assets of the liquidated banks.

2.4.2 Banking Data

According to NDIC:

- The total assets of the 24 Deposit Money Banks in Nigeria which was N17.97tn as at 31 December 2010, rose by N500bn to N18.47tn as at 30 September 2011
- 24 Deposit Money Banks had 5,204 branches and 76,374 employees as at 30 September 2011
- The total assets of the 868 Microfinance Banks operating in the country dropped to N154.34bn as at June 2011, compared to the N178.52bn recorded in 2010
- The total deposits held by MFBs was N68.60bn, from 1.5 million depositors as at June 2011; of the total deposits, N51.45bn was insured by the NDIC
- The total outstanding loans in the microfinance sub-sector was N48.15bn, held by 246,258 borrowers, as at June 2011

2.4.3 Cash-less Economy

As part of efforts to transform the country's cash-based economy into a cash-less one, Payment Terminal Service Providers (PTSPs) may have to spend over N90bn to deploy 450,000 Point of Sale (PoS) terminals across the country between now and 2015. Due to the low literacy level in the country, the Central Bank has concluded that the PoS terminals to be deployed must be integrated with biometric fingerprint recognition technology, which would make their usage easy for everyone, including those who cannot read and write. According to e-Payment analysts, an average PoS terminal costs between N50,000 and N100,000; hybrid terminals cost between N120,000 and N150,000, and biometric terminals cost N200,000 each. Therefore, the PTSPs might have to spend N200,000 on each of the 450,000 biometric PoS terminals to be deployed across the country, which is equivalent to N90bn for PoS deployment across the country by 2015.

In preparation to the commencement of 'Cash-less Lagos' which is scheduled to commence on 1 January 2012, the apex bank announced in October that four manufacturers (PAX Technology, Bitel, Ingenico and Verifone) had been selected to provide PoS terminals in Nigeria. The Central Bank stated that the firms were selected after a thorough process by a Committee comprising of key stakeholders in the payments system value chain. In addition, the Bankers Committee has committed to deploying over 40,000 PoS terminals in Lagos by the end of December 2011. The deployment will create an enabling environment for the take-off of the new cash-less policy in Lagos state. To achieve the full benefits of this cash-less drive, the banks decided to come together to negotiate terms with PoS terminal manufacturers on behalf of the Industry with a view to reducing the costs and guaranteeing greater access to the terminals. Consequently, an attractive discount of about 30 percent (on terminals only) was negotiated with each of these manufacturers on behalf of the Industry. The discount is available to any terminal owner, acquirer, merchant, bank or other stakeholders wishing to participate in this arrangement. Other benefits negotiated include, local after-sales support, extended warranties, training, and minimum requirements for stocking of spare parts and for swapping units.

In December, the Central Bank of Nigeria stated that it will delay from 1 January 2012 to 31 March 2012, the commencement of service charges for cash withdrawals of above N150,000 per day in Lagos state. The CBN stated that the cumulative daily limits each for withdrawal, and for deposits is N150,000 each. For instance, if an individual withdraws N50,000 over the counter, and N150,000 from the ATM on the same day, the total amount withdrawn by the customer is N200,000, and the service charge will apply on N50,000 – the amount above the daily limit. The apex bank explained that the decision to delay the service charge until the end of March is to give people time to migrate to electronic channels and experience the infrastructure that has been put in place. CBN suggested that banks should continue to encourage their customers to migrate to available electronic channels, and where possible demonstrate the costs that will accrue to those customers that continue to transact high volumes of cash after 31 March 2012.

2.4.4 Deposit Money Banks (DMBs)

Lending Rates

It is anticipated that as from 2012, all Deposit Money Banks may reduce their lending rate by 30 percent in line with the new e-payment regime. Currently, there is a mismatch between deposit and lending rates; with borrowers made to pay interest rates of between 18 percent and 24 percent; and 20 percent on overdrafts and local purchase orders plus 2 percent as management and processing fees. If the banks implement the 30 percent lending rate reduction as planned, then borrowers will pay interest rates of between 12.6 percent and 16.8 percent.

Bank Lending

The 2011 edition of the Nigeria Bank Financial Transparency Report showed that in 2010, 73.94 percent of bank lending went to companies domiciled in the South West of Nigeria. A geographical distribution of the loans showed that the South South region ranked second, with 6.17 percent of bank loans, while the North Central and Abuja ranked third, with 5.28 percent of all bank loans. The South East got 3.53 percent of all bank loans, while the North East got just 1.37 percent of bank loans. In the South West region, analysis of individual banks showed that Sterling Bank had the highest loan concentration of 98 percent, while Unity Bank had the least loan concentration of 29 percent. The concentration of loans in the South West, reflects the dominance of business activity in the region, especially Lagos.

Analysis of non-performing loans by geo-political zone, showed that 78.06 percent of banks non-performing loans were concentrated in the South West; 8.72 percent in North Central and Abuja; 5.95 percent in the South South; the South East has 3.85 percent; the North West had 2.26 percent; while the North East had the lowest ratio at 0.56 percent.

2.4.5 Agricultural Finance

In November, a major step to give fresh impetus to the nation's agricultural sector was taken with the Federal Ministry of Finance and Federal Ministry of Agriculture and Rural Development, with the signing of a Tripartite Memorandum of Understanding with 20 banks for a N30 billion financing scheme aimed at providing essential farm input to farmers across the country for the 2012 farming season. The scheme is targeted at eliminating all the major impediments, inefficiencies and corrupt tendencies that militate against farmers getting the necessary farm input to boost agricultural production in Nigeria.

According to the Central Bank, in the third quarter of 2011, a total of N3.6 billion was guaranteed to 20,830 farmers under the Agricultural Credit Guarantee Scheme. A sub-sectoral analysis of the loans guaranteed indicated that the food crops sub-sector received N2.7 billion for 17,798 beneficiaries; the livestock sub-sector got N528.7 million for 683 beneficiaries; N187.4 million was received by 683 beneficiaries in the mixed crop sub-sector; N96.1 million was received by 333 beneficiaries in the fisheries sub-sector; N40.3 million was disbursed to 433 beneficiaries in the cash crop sub-sector; and the other sub-sectors got N66.8 million for 434 beneficiaries. With the exception of Bayelsa and Taraba states, all the other 35 states including the Federal Capital Territory benefited from the scheme during the third quarter. The highest and lowest sums of N551.8 million and N3.8 million were paid to Katsina and Ebonyi states, respectively.

2.4.6 Microfinance

According to the Central Bank of Nigeria's economic report for the first half of 2011, the total assets/liabilities of microfinance banks increased to N187.2 billion, representing a 9.9 percent increase over the level at end-December 2010. Loans and advances granted by the MFBs increased by 23.8 percent to N65.5 billion, while the paid-up share capital and shareholders' funds increased by 7.2 percent and 7.8 percent over the levels in December 2010 to N44.5 billion and N47.4 billion, respectively. Investible funds available to the sub-sector amounted to N17.7 billion, compared with N8.8 billion at the end of June 2010. The funds were sourced mainly from increases in deposit liabilities (N9.3 billion), paid-up capital (N3.0 billion), and long-term loans (N2.8 billion); and were mainly used to increase loans and advances (N12.6 billion); keep balances with banks (N2.8 billion) and for short term investments (N2.0 billion).

Licensed microfinance banks in Lagos are set to embark on a grassroots enlightenment and awareness campaign, aimed at showcasing the benefits of microfinance. The Microfinance Banking Re-Positioning Campaign themed, "Microfinance is Working", incorporates a series of strategic events that will showcase the contributions of MFBs in Lagos to the socio-economic development of Nigeria. The campaign is also targeted at convincing industry regulators, stakeholders and other participants of the strategic importance of MFBs in the quest for poverty eradication.

In November 2011, the Nigeria Deposit Insurance Corporation (NDIC) disclosed that in the last two years, no fewer than 103 microfinance banks have been liquidated. The Managing Director/Chief Executive of the Corporation, Umaru Ibrahim, stated that the NDIC paid an aggregate sum of over N2 billion to about 69,000 depositors of the closed MFBs. The NDIC Chief Executive noted that evidence has shown that the average Nigerian bank customer lacks the requisite knowledge necessary for making important financial and investment decisions. As a result many bank depositors have suffered some losses by placing their funds in illegal and un-licensed institutions not insured by the Corporation.

2.5 Micro, Small and Medium Sized Enterprises (MSMEs)

In October, the Federal Ministry of Trade and Investment, the Small and Medium Enterprises Development Agency (SMEDAN) and the Industrial Training Fund (ITF) announced that they are setting up a scheme to train at least 100,000 young Nigerians annually in vocational and entrepreneurial skills. The areas of vocational training include carpentry, masonry, plumbing, tiling, block-making, painting, auto-mechanics, leather works, shoe-making, ceramics, fabrication, welding, GSM phone repairs, production of polyethylene bags, computer repairs, table water production, soap-making, electrical works (house, car, machine /equipment), agriculture and agro-processing. At the end of the training, the beneficiaries may opt to seek employment in existing companies and public institutions or establish their own enterprises.

2.6 *Insurance*

Microinsurance

Over the years, the Small and Medium Scale Enterprises sub-sector of the economy has remained the largest employer of labour in the country. Under this category, those with or without education have been able to create jobs, mostly as a way of making ends meet. Unfortunately, a large percentage of this class of people do not have any form of insurance cover. This has contributed to the Nigerian insurance industry being ranked as one of the lowest insurance penetration worldwide, which can be attributed to insurance companies' neglecting the microinsurance segment. When a large part of the population has insurance cover, it helps the industry to build a large pool of funds, of which the claims of the few are paid for when losses occur. Presently in Nigeria, there are no specific provisions in the regulatory framework relating to microinsurance underwriting and delivery. With a renewed focus to develop this segment of the business, NAICOM has constituted a microinsurance Committee to draft microinsurance guidelines for the Nigerian market. The Committee has already submitted draft guidelines to the Commission for review. NAICOM has also entered into a collaborative agreement with GIZ, to conduct a diagnostic study on microinsurance policies in Nigeria. However, one major threat to the development of insurance in Nigeria is a lack of awareness. The target market for microinsurance needs to be educated and convinced about the benefits.

The Nigerian Agricultural Insurance Corporation (NAIC)

The Nigerian Agricultural Insurance Corporation will have to strengthen its position in the market as more companies in general insurance are planning to provide agricultural insurance. The Nigerian Agricultural Insurance Scheme (NAIS) came into being on 15th December 1987 to primarily protect farmers from the effects of natural hazards through adequate insurance cover. The implementation of the scheme was initially vested in the Nigerian Agricultural Insurance Company Limited, which was later transformed into a Corporation by the Government. The Corporation presently covers almost all crops and livestock in Nigeria.

2.7 *Housing Finance*

The housing finance sector contributes less than 1 percent to Nigeria's GDP and lags behind countries such as South Africa - 29 percent, Mexico - 10 percent, and Malaysia - 29 percent. To address this issue, in November, the Central Bank announced changes in the mortgage sector in new guidelines. The revised guidelines released by the Other Financial Institutions Department (OFID) of the apex bank is in line with the proposed housing/mortgage finance reform agenda, which entails reforming/strengthening Primary Mortgage Institutions (PMIs); developing the secondary mortgage market through adequate capitalization of PMIs; re-focusing PMIs; standardizing mortgage underwriting; capacity building and professional development; promoting mortgage insurance; and establishing a Mortgage Liquidity Facility.

Under the new guidelines, mortgage firms have been categorized into National and State mortgage firms. National PMIs are allowed to operate in any or all parts of the Federation after the payment of a new ₦5 billion minimum paid up capital; whilst State PMIs are restricted to only one State and have a minimum paid up capital of ₦2.5 billion. PMIs will only be allowed to provide services such as mortgage finance, real estate construction finance, acceptance of savings and time/term deposits, and acceptance of mortgage-focused demand deposits. The CBN has granted mortgage firms until end of December 2012 to recapitalize or shore up their shareholders funds.

3 Telecoms Sector

Pyramid Research stated that in 2010, the telecommunications companies, including MTN, Globacom, Airtel, Etisalat and other CDMA operators earned a total of $8.6 billion (N1.34 trillion) in revenues in Nigeria. These results reflect the rising status of the telecom sector as the third largest contributor to Nigeria's GDP in the non-oil sector, behind agriculture and trade. According to Pyramid Research, the telecoms sector contributed 8.2 percent to the GDP, which exceeded the combined contributions of manufacturing, banking and solid minerals put at 3.0 percent, 4.0 percent and 0.4 percent, respectively.

The table below provides a summary of telephone subscribers in Nigeria as at December 2011:

	Number of connected lines	**Number of active lines**
Mobile GSM	**190,822,964**	**90,566,238**
Mobile CDMA	**12,687,645**	**4,601,070**
Fixed Wired/Wireless	**2,290,409**	**719,406**
Total	**124,801,018**	**95,886,714**

Source: NCC

Nigerian Communications Commission

Due to the increasing and persistent cases of poor service delivery, the Nigerian Communications Commission (NCC) has threatened to sanction the three major telecoms operators - MTN Nigeria, Globacom and Airtel Nigeria - if their quality of service does not improve. The NCC also threatened to stop the three major operators from selling SIM cards or adding new subscribers if they fail to measure up to the key performance indicators set by the NCC to improve quality of service.

4 Mobile Money

Analysts believe that Nigeria may become the largest mobile payments market in sub-Saharan Africa. This is because there are only 22 million individuals who have a bank account but there are about 90 million mobile phone users, which provides a huge opportunity for the development of mobile payments. Mobile payments have been identified as a viable tool to provide basic financial services to millions of unbanked populations in urban and rural communities in Nigeria, and therefore should become a booming industry. Depending on the number of mobile scheme operators in Nigeria, the market looks promising for potential players. Since agents are at the heart of mobile financial services, there is a need to source, develop, train and deployed agents on a shared basis, to serve all the scheme operators.