



**THE CHARTERED INSTITUTE OF BANKERS OF
NIGERIA AND CIBN CENTRE FOR FINANCIAL
STUDIES (CIBNCFS)**

**COMMUNIQUE ISSUED
AT THE END OF THE
WEBINAR ON "COVID-19: TOUGH CHOICES FOR
BANKING & OTHER BUSINESSES"**

VENUE: ONLINE VIA ZOOM PLATFORM

DATE: TUESDAY, MAY 5, 2020

1.0 Background

The Webinar on Covid-19: Tough Choices for Banking & Other Businesses was held on Tuesday, May 5, 2020 via the Zoom Conference Call Platform. The Webinar is the first installment in the CIBN Advocacy Dialogue Series aimed at the enlightenment and empowerment of the Institute's members amidst the Covid-19 pandemic. Part 1 of the series looks at the implications of the pandemic on banking and other businesses while discussing opportunities for growth. Other objectives of the Webinar include the following:

- To identify major challenges in which banks, businesses and the economy are likely to face as a result of COVID-19
- Generate insightful ideas that can help organizations survive the Post Covid-19 pandemic crises
- Propose economic solutions that have implications for businesses and policy makers
- Proffer ideas that can help Nigeria as a country respond effectively to the multi-dimensional nature of the crises i.e. Health, economic, security and humanitarian.
- Come up with a message of hope that will help minimize anxiety and amplify excitement of our numerous stakeholders.

Over four hundred and fifty (450) participants registered for the Webinar via the Zoom Platform while 157 participants streamed via YouTube on the day of the event. Participants registered were from over 25 different cities across 5 countries in 3 different continents.

The Webinar was facilitated by the following Distinguished Resource Persons

- a. **Keynote Speaker - Mr. Laoye Jaiyeola, FCIB**, *Chief Executive Officer, Nigerian Economic Summit Group*
- b. **Distinguished Panellist - Dr. Demola Sogunle, HCIB**, *Chief Executive, Stanbic IBTC Bank Plc*
- c. **Distinguished Panellist - Mr. Olawale Timothy**, *Director General, Nigeria Employers' Consultative Association (NECA)*
- d. **Distinguished Panellist - Dr. Hippolyte L. Fofack**, *Chief Economist/Director, Research and International Cooperation, Afrexim Bank*
- e. **Moderator- Mr. Dele Alabi, FCIB**, *Chairman, Research, Strategy & Advocacy Committee, CIBN*

2.0 Keynote Address

- a. The keynote address was expertly delivered by Mr. Laoye Jaiyeola, FCIB, Chief Executive Officer, Nigerian Economic Summit Group. In his address, he x-rayed critical issues affecting the banking sector and economy as a whole. Highlights of his presentation are discussed as follows:
 - i. Nigeria is currently facing a twin-shocks of:

- Oil shocks – brought about by the low demand for crude oil products and the drastic fall in oil prices
- Health Shocks – pressure on health care services and disruption due to the Covid-19 Pandemic

ii. Nigeria is facing the impact of the disruption from 6 (six) different perspectives

- **Fiscal Impact** – Revenue has significantly decreased due to the oil shocks. The assumptions of the National budget of production output of 2.3 million barrels of crude oil per day at the rate of \$57 per barrel is no more realizable because prices per barrel of crude oil have fallen drastically to less than \$18 barrels per day as of May 5, 2020.

This would have significant effects on government revenue and spending. The resulting impact is that Nigeria would need to increase borrowing to finance the funding gap. This adds further pressure to the existing budget which currently allocates 50%-58% of revenue to debt servicing.

- **Monetary Impact** – The reduction in revenues received from the sale of crude oil would among other things result in the downward pressure on Naira and further divergence in exchange rates. The Monetary Policy Committee of the Central Bank of Nigeria (CBN) in reaction to the disruption moved official rates from N306 per \$1 to N360 per \$1. In the parallel market a dollar now sells for N386.

Furthermore, Inflation would arise from at least three different areas. These include inflation due to

- the disruption in the supply chain and reduction in production
- Devaluation of the Naira
- More money being pumped into the economy due to quantitative easing

It is worth noting that the Monetary Policy authority responded by releasing stimulus worth N4.5 trillion from cash reserves. The stimulus is intended for businesses currently struggling with the effects of the Covid-19 pandemic

- **Financial Institutions & Markets/Banking**

Approximately 31% of the banking industry's credit exposure is from the oil and gas sector. If care is not taken, Nigeria would fall back into economic recession to the level that have not been seen since 2016. The oil and gas sector is particularly affected by the pandemic due to the low demand for crude oil. This could cause a rise in Non-Performing loans considering the amount of loans given to the sector.

Banks are also vulnerable to higher risk of cybercrime due to the increase in working online

- **Other businesses & Households**

Due to slow economic activity, businesses and households are likely to experience a reduction in income levels. In some hard-hit industries, there would be a loss of livelihoods and change in human consumption trends and standards of living.

- iii. There is a need for backward integration, diversification and a greater investment in productive sectors such as agriculture
- iv. The tough choices for banks and other businesses would be on how to build a workforce and economy which would not be disrupted by changes in commodity prices.
- v. It is important for banks to balance welfare of their people and profitability
- vi. We need to build business models that would ensure the promotion of local substitutes for foreign goods, particularly intermediate goods
- vii. Businesses should leverage on technology to ensure efficiency and cash flow management

2.0 Panel Discussions

The panel discussions were divided into two (2) rounds as follows:

- a. Round One: Banks, Businesses and the Economy Post Covid-19: What are the Implications?
- b. Round Two: Second Round: Generating Insightful Solutions for Survival Post Covid-19

a. Round One: Banks, Businesses and the Economy Post Covid-19: What are the Implications?

The first round of discussions sought to identify the implications of Covid-19 on the banking industry and the real economy. The session also shed light on information employers and policy makers should know in order to fully equip themselves against ensuing uncertainties.

Highlights of the Session are as follows:

- The Nigerian economy must be diversified particularly within the context of revenue sources. The Oil sector only contributes approximately 10% to GDP however, approximately 90% of government revenues come from this sector. We must look at other sectors which contribute significantly more to GDP such as Agriculture 25%, ICT 12% and Trade 16%
- The government must find creative ways for such sectors to generate revenue for government
- The government should balance lives with livelihoods. That is, the government should focus on saving lives while simultaneously saving the economy.
- All 36 states of the federation should look inward for value creation. All states are well endowed with at least one resource.

- Businesses need to be given moratorium and tax holidays within their state to ensure their survival during the pandemic.
- The Federal and State Inland Revenue services should ensure the removal of middlemen from tax collection exercises
- Given the lower levels of productivity and measured resumption from lockdown, bank customers would be heavily impacted. They would have trouble meeting obligations due to loss of income.
- There are two silos of tough choices.
 - Businesses could either weather the storm and persist till all works out or
 - Count their losses and move on
- While NECA is not a regulatory body, they perform due diligence when developing guidelines. Therefore, full but voluntary compliance is expected
- Nigeria received approximately \$25 billion in remittances as of 2018. This translates to approximately 80% of the National Budget. This is a key component/driver of growth, however, the Covid-19 pandemic would disrupt such earnings.
- Historically, Africa has been on the receiving end of global exogenous shocks with systematic and direct transmission of such shocks. As a solution:
 - Africa could solve this by diversifying away from primary goods
 - Increasing Intra-African trade by at least 50%.
 - Africa needs to grow its pharmaceutical industry as 90% of such products are imported with severe implications for balance of payments

b. Second Round: Generating Insightful Solutions for Survival Post Covid-19

In Round 2, the discussions focused on possible solutions and opportunities which banks and other businesses could leverage on to survive and thrive despite the pandemic

Highlights of the Session are as follows:

- In order to block the exogenous shocks, Nigeria must build a strong capital base. This would come from long term investments. Nigeria must attract long term investments through Foreign Direct Investment rather than foreign portfolio investment (hot money) which we currently have, and lay foundation to mobilize financial resources
- SMEs need to be identified and supported to ensure they survive the current disruptions to their businesses. This could be in the form of extension of moratorium to protect SMEs
- Furthermore, there must be both Monetary and Fiscal policy support for SMEs e.g. reduction in interest rates and increased palliatives
- Financial Institutions should invest in the future workforce which comprises of Data Scientists, Artificial Intelligence, Big Data and Programming specialists

- The CBN should not assume monopoly of knowledge. They should ensure a wide array of consultations before arriving at decisions
- The banking industry must fully embrace automated solutions to ensure efficiency
- Workforce in the Banking Industry need to be re-trained in order to be aligned with digital roadmap of the banking industry
- The current position in the country is cyclical and will not be permanent. Despite the crisis, there are some opportunities that can be leveraged on. For example, we still have certain industries thriving in the country, such as Information Technology, Communications, Power, etc.

3.0 Recommendations

Recommendations from the session are outlined as follows:

3.1 Banking Industry & Other Businesses (employers)

- Businesses need to rethink their strategies and models in order to survive the current disruption
- Businesses should leverage on technology to ensure efficiency
- Ensure proper cash flow management, as cash remains king
- Consider synergy and collaboration with other players within the industry
- In terms of palliatives to give to staff, businesses should prioritize health and safety of their staff. For example, if possible, employers should discourage public transportation
- Banks should maintain a more diversified portfolio to avert concentration risk and spike in NPLs
- Banks should also strengthen cyber controls to mitigate against anticipated increase in frauds and operational losses.

3.2 Government & Regulatory Institutions

- It should be the prerogative of the employer to determine terms and conditions of how to run their business and how to manage human resources
- Reduce Red-Tapeism in the dispensant of palliatives to SMEs e.g. stimulus packages
- Change dynamic of Foreign Direct Investment to attract long term investments (patient money) rather than the foreign portfolio investments (hot money) currently within the country
- In order to ensure productivity, the government should sell idle assets or lend towards more productive activities.
- The government should ensure that the decrease in price of Premium Motor Spirit (PMS) is backed by legal provisions.
- The value of PMS and other crude oil products sold in Nigeria should be controlled by market forces and not artificial controls e.g. subsidized pricing

- The government should ensure diversification from primary product such as crude oil to ensure protection from external volatilities
- Diversification is also key so as to change the monopoly of sources of government revenue
- There should be greater focus on the real sector - agriculture, manufacturing and SMEs. The government should provide creative ways to gain revenue from these sectors
- At the sub-national level, the state governments need to look inwards more, to significantly increase their Internally Generated Revenue (IGR). Of course there is a need to consistently improve on the level of infrastructure in the country to make these things happen.
- The CBN, BOI, BOA, NSIA and other similar institutions have a significant role to play in reflation of the economy and jump-starting activities in the real sector, particularly among the SMEs.

5.0 Conclusion

The aim of the Webinar was to enlighten and empower the Institute's stakeholders on tough choices and possible solutions to disruptions brought about by the Covid-19 pandemic. The sessions were expertly handled by the distinguished panelist with a wide array of solutions proffered. It is clear that the government must diversify the economy away from over reliance on crude oil, and businesses must rethink their business models and strategies to survive the effects of the current pandemic.

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