CIBN

The Nigerian

Banker

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UPHOLDING PROFESSIONALISM IN BANKING, SUPPORTING THE ECONOMY

60th

THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

TRUST AND HONESTY

CIBN

ANNIVERSARY

1963 - 2023

CIBN Anthem

VERSE 1

C-I-B-N
Chartered Institute of Bankers of Nigeria
The Bankers' guiding light
It's the Nation's joy and pride
We aim for integrity in the Industry
Upholding Ethics and Professionalism
Great! Great! CIBN
Citadel of Excellence
Great! Great! CIBN
Built on Trust and Honesty

VERSE 2

C-I-B-N
Chartered Institute of Bankers of Nigeria
The wheel of economic growth
Competency is our goal
Creating value and building capacity
Fostering confidence in the industry
Great! Great! CIBN
The Bankers' guiding light
Great! Great! CIBN
Built on Trust and Honesty

THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

Vision Statement

To be a global reference point for skills and conduct in the banking and finance industry

Core Values

- Integrity
- Professionalism
- Innovation
- Ethics

Strategic Objectives

1. Lead Advocacy, National Discourse and Collaboration on the Future of banking and finance.
2. Revitalize the CIBN Brand and Overall Market Perception
3. Extend Global Positioning & Activities
4. Upgrade & Expand certification and learning activities
5. Reactivate Old Members and attract new members
6. Enhance operational efficiency and organizational synergy

THE BANKERS CREED

Hugh McCulloch's Advice to Bankers of 1863

(Hugh McCulloch (1808 – 1895) was an American Banker who helped launch the American National Banking System and was Secretary of the Treasury during the civil war and reconstruction)

- Let no loans be made that are not secured beyond a reasonable contingency. Do nothing to foster and encourage speculation. Make your loans on as short term as the business of your customers will permit, and insist upon the payment of all papers at maturity, no matter whether you need the money or not. Give credit facilities only to legitimate and prudent transactions. Never renew a note merely because you may not know where to place the money with equal advantage if the note is paid.

- Distribute your loans rather than concentrate them in a few hands. Large loans to a single individual or firm, although sometimes proper and necessary, are generally injudicious, and frequently unsafe. Large borrowers are apt to control the bank; and when this is the relation between a bank and its customers, it is not difficult to decide which in the end will suffer. Every dollar that a bank loans above its capital and surplus it owes for, and its managers are therefore under the strongest obligations to its creditors, as well as to it stakeholders, to keep its loans under its control.

- Treat your customers liberally, bearing in mind the fact that bank prospers as its customers prosper, but never permit them to dictate your policy.

- If you have reasons to distrust the integrity of a customer, close his account. Never deal with a rascal under the impression that you can prevent him from cheating you. The risk in such cases is greater than the profits.

- Pay your officers such salaries as will enable them to live comfortably and respectably without stealing; and require of them their entire services. If an officer lives beyond his income, dismiss him; even if his excess of expenditures can be explained consistently with his integrity, still dismiss him. Extravagance, if not a crime, very naturally leads to crime. A man cannot be a safe officer of a bank who spends more than he earns.

- The capital of a bank should be a reality, not fiction; and it should be owned by those who have money to lend, and not by borrowers.

- Pursue a straightforward, upright, legitimate banking business. Never be tempted by the prospect of large returns to do anything but what may be properly done under the National Currency Act. “Splendid financiering” is not legitimate banking, and “splendid financiers” in banking are generally either humbugs or rascals.

THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

PC 19, Adeola Hopewell Street, Victoria Island, Lagos.

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CIBN In Brief

Background

The Chartered Institute of Bankers of Nigeria started in 1963 as the Lagos Local Centre, Institute of Bankers, London. It was incorporated in 1976 as the Nigerian Institute of Bankers, a Company Limited by Guarantee.

The Institute attained Chartered status and became The Chartered Institute of Bankers of Nigeria through Act 12 of 1990 which was repealed and re-enacted as CIBN Act No 5 of 2007.

Mandates

The Institute's major responsibilities are to:

- Determine the standards of knowledge and skills to be attained by persons seeking to become members of the banking profession.
- Secure in accordance with the provision of the Act, the establishment and maintenance of a register of members of the banking profession in the categories of ordinary members, student members, graduate members, honorary senior members, honorary fellows and fellows of the Institute and a register of corporate members.
- Conduct professional examinations leading to the awards of certificates as may be prescribed by the Institute; and
- Ensure the furtherance, maintenance and observance of ethical standards and professionalism among practitioners of the banking profession in Nigeria.

Membership

The Institute has two broad categories of membership, i.e. Corporate and Individual members.

Corporate Members

- The Central Bank of Nigeria (CBN)
- The Nigeria Deposit Insurance Corporation (NDIC)
- All Deposit Money Banks (Commercial & Merchant)
- Development Banks
- Microfinance Banks
- Mortgage Banks
- Mobile Money Banks
- Payment Service Banks

Individual Members

The Institute has a total individual membership of 171,994 as at September 30, 2023 in the following categories:

- Fellows, Honorary Fellows, Associates, Honorary Senior Members, Microfinance Certified Members
- Student Members
- Ordinary Member.

Examinations

The Institute conducts examinations leading to award of the flagship qualification as Chartered Banker. It also conducts examinations for the award of Microfinance Certified Banker (MCIB) and several other certification programmes in Specialised areas of Banking either severally or jointly in Collaboration with leading Local and International Professional Bodies, Associations and notable Institutions such as Chartered Institute of Management Accountants (CIMA), Chartered Risk Management of Nigeria (CRMI), Financial Markets Dealers Association (FMDA), The Chartered Institute for Securities & Investment (CISI), The Nigeria Deposit Insurance Corporation (NDIC) and Chartered Banker Institute(CBI)/Bangor University.

Other Statutory Knowledge Events

The Institute organises educational and social programmes for its members. These include

- Research
- Annual Lecture
- Annual Banking and Finance Conference
- ACIB Graduates' Induction and Prize Awards Day
- Investiture of Fellows and Honorary Senior Members
- Annual Seminar on Banking, Finance and Allied Matters for Legislators
- Annual Seminar on Banking and Allied Matters for Judges
- Compulsory Continuous Development Programmes
- Annual Retreat for Heads of Security of Banks & Financial Institutions
- CIBN Advocacy Dialogue Series
- CIBN Platform Series

CIBN In Brief Cont'd

Services to the National, Regional & Global Economies

- Implementation of the Financial System Strategy (FSS 2020) as the Human Capacity Enabler of the project.
- Sole Accreditation Agency and Co-ordinating Institution for the Competency Framework for the Nigerian Banking Industry
- Secretariat of the Bankers Committee Sub-Committee of Ethics and Professionalism since 2001
- Pioneer and Founding Member, Global Banking Education Standards Board (GBEStB)
- Member, Education Committee, GBEStB
- Founding/Pioneer Member of Alliance of African Institutes of Bankers (AAIOB) since 1997
- Permanent Secretariat of AAIOB since 2018
- Member, FINTECH Nigeria (FINTECHNGR)
- Institutional member, Nigerian Economic Summit Group (NESG)
- Member, Think Thank for Translating Research to Innovation, Strategy and evidence for policies in Nigeria, University of Ibadan, Research Foundation (UIRF)
- Member, National Assembly Business Environment Round Table (NASSBER)
- Member TET Fund Research & Development Standing Committee

Linkages, Partnerships and Collaborations

The Institute is currently in partnership with 77 tertiary institutions in Nigeria for the ACIB/B.Sc/HND Linkage and ACIB/M.Sc Linkage. Our partners, local and International include the following:

- Association of Enterprise Risk Management Professionals (AERMP)
- Association of International Certified Professional Accountants (AICPA), UK
- Bangor University, Wales UK
- Bank of Sierra Leone
- Central Bank of Liberia
- Central Bank The Gambia
- Chartered Banker Institute, Scotland
- Chartered Institute of Management Accountants (CIMA)
- Credit Bureau Association of Nigeria (CBAN)
- Crown Agents Limited
- E-Payment Providers Association of Nigeria (E-PAN)
- Financial Institutions Training Centre (FITC)
- Financial Markets Dealers Association (FMDA)
- Fintech Association of Nigeria
- Global Association of Risk Professionals (GARP)
- Institute of Bankers of The Gambia
- International Finance Corporation
- Lagos Business School (LBS)
- Liberia Bankers Association
- McKinsey & Company
- Mortgage Bankers Association of Nigeria (MBAN)
- National Board for Technical Education (NBTE)
- National Judicial Institute (NJI)
- Nigeria Inter-Bank Settlement System Plc (NIBSS)
- Nigerian Institute of Social and Economic Research (NISER)
- PricewaterhouseCoopers (PWC)
- Retail Banking Academy (RBA), London
- Chartered Risk Management Institute of Nigeria (CRMI)
- Seso Global Limited
- Sierra Leone Association of Commercial Banks
- The Chartered Institute for Securities & Investment (CISI)
- The London Institute of Banking & Finance (LIBF)
- The National Universities Commission (NUC)
- The Nigerian Economic Summit Group (NESG)
- US-Africa Cybersecurity Group
- West African Bankers Association (WABA)
- West African Institute for Financial & Economic Management (WAIFEM)

Structure/Administration

The Governing Council is the Institute's paramount decision making body providing broad policy guidelines chaired by the President/Chairman of Council who currently is Ken Opara, Ph.D, FCIB

The Executive Management of the Institute is led by the Registrar/Chief Executive Officer, Akin Morakinyo, HCIB

CIBN In Brief Cont'd

Branches and Zonal Offices

The Institute has 36 State Branches and 9 Satellite Branches across the country. It also has three foreign branches in the United Kingdom, Canada and USA. The Institute operates six (6) Zonal Offices, to make its services available to members at the grassroots throughout the country. They are:

- National Secretariat Annex, Abuja
- South East, Owerri
- South West, Osogbo
- North East, Gombe
- North West, Kano
- South South, Port Harcourt

There is also the National Secretariat Annex in the Federal Capital Territory to strengthen the Institute's relationship with the Federal Government and its Agencies as well as cater for members in the North Central region of the country.

Subsidiaries

The Institute has the following subsidiaries;

- The CIBN Centre for Financial Studies (CIBNCFS)
- The CIBN Bookshop
- CIBN Consult

CIBN Governing Council
(2022-2024)

Office Holders

1. **Ken Opara, Ph.D, FCIB**
   President/ Chairman of Council
2. **Prof. Pius Oladeji Olanrewaju, Ph.D., FCIB**
   1st Vice President
3. **Mr. Dele Alabi, FCIB**
   2nd Vice President
4. **Mrs. Mojisola Bakare-Asieru, FCIB**
   National Treasurer

Representatives of the Body of Past Presidents

5. **Uche M. Olowu, Ph.D, mni, FCIB**
6. **Dr. Bayo Olugbemi, FCIB**

Other Elected Members

7. **Mrs Rafiat Oluwatoyin Onitiri, FCIB**
   Elected Member
8. **Dr. Godwin Adolor, FCIB**
   Elected Member
9. **Mr. Olayinka Odutola, FCIB**
   Elected Member
10. **Ms. Mary Aina, FCIB**
    Elected Member
11. **Dr. Segun Anthony Oshadare, FCIB**
    Elected Member
12. **Dr. Victor Ndubuisi Agunwah, FCIB**
    Elected Member

Branch Representatives

13. **Dr. Oballum Chikelu Edison, FCIB**
    Chairman, FCT Branch
14. **Mr. Adeyemo Adeoye, FCIB**
    Chairman, Lagos State Branch
15. **Mrs. Funke Ladimeji, HCIB**
    Chairperson, Association of Professional Women Bankers (APWB)
16. **Mr. Rogers A Nwoke, HCIB, MCIB**
    Chairman, Imo State Branch
17. **Mr. Charles Ojakovo, HCIB**
    Chairman, Delta State Branch
18. **Alhaji Kabir Mohammed Baba**
    Chairman, Bauchi State Branch
19. **Mr. Micheal Jolayemi, FCIB**
    Chairman, United States of America Branch
20. **Mr. Mayowa Adeyemo, ACIB**
    Chairman, Ondo State Branch
21. **Alhaji Aliyu Wada-Nas, ACIB**
    Chairman, Kano State Branch
22. **Mr. A.S Mohammed**
    Chairman, Niger State Branch

Banks' Representatives

23. **Mr. Ebenezer Onyeagwu, FCIB**
    GMD/CEO, Zenith Bank Plc
24. **Dr. Adesola Kazeem Adeduntan, FCIB**
    MD/CEO, First Bank of Nig. Ltd
25. **Mr. Hamid Joda, FCIB**
    MD/CEO, TAJ Bank Ltd
26. **Mr. Elias Igbinakenzua, FCIB**
    MD/CEO, Globus Bank Ltd
27. **Mr. Nath Ude, FCIB**
    MD/CEO, Nova Merchant Bank Ltd
28. **Mrs. Bukola Smith, FCIB**
    MD/CEO, FSDH Merchant Bank Ltd

Institutional Representatives (Regulatory)

29. **Dr. Olayemi Cardoso**
    Governor, Central Bank of Nigeria (CBN)
30. **Mr. Hassan Bello, FCIB**
    MD/CEO, Nigeria Deposit Insurance Corporation (NDIC)
31. **Mr. Wale Edun**
    Minister of Finance, Federal Ministry of Finance

Institutional Representatives (Academic)

32. **Prof. Chris Jibreel Maiyaki**
    Ag. Executive Secretary, National Universities Commission (NUC)
33. **Prof. Idris Bugaje**
    Executive Secretary, National Board for Technical Education (NBTE)
34. **Prof. Tahir Mamman**
    Minister of Education, Federal Ministry of Education

Sectorial Associations' Representatives

35. **Mr. Ebilate Mac-Yoroki**
    President Mortgage Bankers Association of Nigeria
36. **Mr Joshua Ukute, MCIB**
    President, National Association of Microfinance Bank

Co-opted Members

37. **Mrs Yvonne Isichei, FCIB** - Co-opted Member
38. **Barr. (Mrs.) Toyin Ojo, FCIB** - Co-opted Member
39. **Dr. Nosike Agokei, FCIB** - Co-opted Member
40. **Mrs. Risikatu Ahmed, FCIB** - Co-opted Member
41. **Dr. Iheanyichukwu Ogbonna, FCIB** - Co-opted Member
42. **Mr. Ade Bajomo, HCIB** - Co-opted Member

Secretary

43. **Akin Morakinyo, HCIB**
    Registrar/Chief Executive

Past Chairmen, Past Presidents Past Registrars

Lagos Local Centre, Institute Of Bankers, London (1963-1976)

- Mr. D.A. Macleod
- Chief C.K.N. Obih, FCIB (Deceased)
- Mr. G.H. Griffin, FCIB
- Chief (Sir) F.A. Ijewere, FCIB (Deceased)
- Alhaji (Chief) A.O.G.Otiti, OON, FCIB (Deceased)

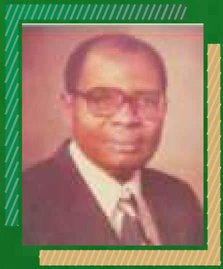
The Chartered Institute of Bankers of Nigeria (1976 - 2022)

1.	Sir (Chief) F. A. Ijewere, FCIB	1973-1976
2.	Alh (Chief) A. G. Otiti, OON, FCIB	1976-1981
3.	HRH (Alh) S. A. O. Sule, OON, FCIB	1982-1985
4.	HRH (Prof.) Green O. Nwankwo, OON, FCIB	1985-1987
5.	Chief Dr. Samuel I. Adegite, OFR, FCIB	1987-1989
6.	Dr. (Chief) F. A. Z. Adekanye, FCIB	1989-1992
7.	Mr. Raph O. Osayameh, FCIB	1992-1994
8.	Mr. Femi J. Ekundayo, FCIB	1994-1996
9.	Prof. Wole Adewunmi, FCIB	1996-1998
10.	Chief Luke E Okafor, FCIB	1998-2000
11.	Prince Kola Odubanjo, FCIB	2000-2002
12.	Mazi O. C. K. Unegbu, FCIB	2002-2004
13.	Mr. Smauel E. Kolawole, FCIB	2004-2006
14.	Mrs. Juliet A. Madubueze, OON, FCIB	2006-2008
15.	Dr. Erastus B. O. Akingbola, OON, FCIB	2008-2010
16.	Mr. Joseph Olaoye Jaiyeola, FCIB	2010-2012
17.	Dr. Segun Aina, OFR, FCIB	2012-2014
18.	Otunba (Mrs) 'Debola Osibogun, FCIB	2014-2016
19.	Prof. Segun Ajibola, Ph. D, FCIB	2016-2018
20.	Uche M. Olowu, Ph.D, mni, FCIB	2018-2020
21.	Dr. Bayo Williams Olugbemi, FCIB	2020-2022

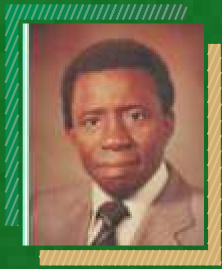
Past Registrars/Chief Executives

1.	Alhaji G. G. Olorun-rinu (Deceased)	1973 - 1980
2.	Mr. A. A. Adenubi, FCIB	1981 - 1996
3.	Chief S.O. Dada, FCIB	1996 - 1999
4.	Oloye Esan Ogunleye, FCIB	2000 - 2005
5.	‘Uju Ogubunka Ph.D., FCIB	2005 - 2014
6.	Sir ’Seye Awojobi, Ph.D., FCIB	2014 - 2022

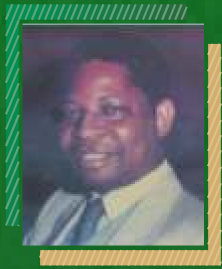
PAST PRESIDENTS



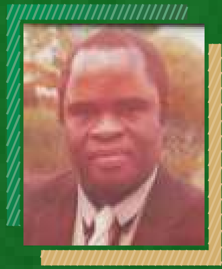
Chief (Sir) F.A. Ijewere, FCIB
Deceased
1973-1976



Alhaji A.O.G. Otiti, OON, FCIB
Deceased
1976-1982

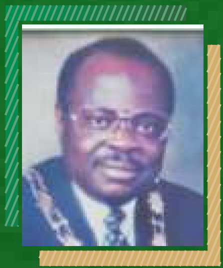


HRH Oba S.A.O. Sule, OON, FCIB
Deceased
1982-1985



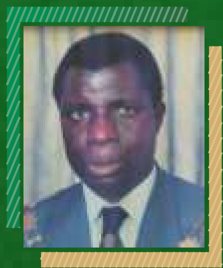
HRH Eze Professor G.O. Nwankwo, OON, FCIB
1985-1987

Chief S.A. Adegbite, OFR, FCIB
Deceased
1987-1989

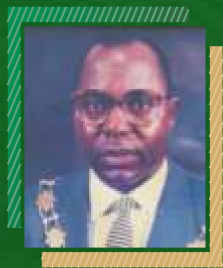


Dr. Femi A.Z. Adekanye, FCIB
Deceased
1989-1992

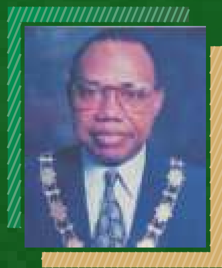
Mr. R.K.O. Osayameh, FCIB
1992-1994



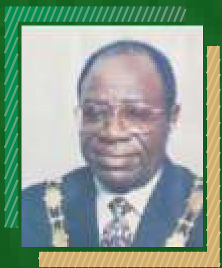
Mr. J.O, Ekundayo, FCIB
1994-1996



Professor Wole Adewunmi, FCIB
1996-1998

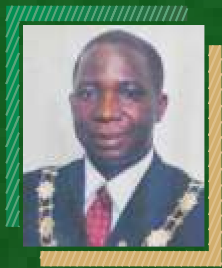


Chief Luke E. Okafor, FCIB
Deceased
1998-2000



Prince E. Kola Odubanjo, FCIB
Deceased
2000-2002

Mazi O.C.K. Unegbu, FCIB
2002-2004



Mr. S.E. Kolawole, FCIB
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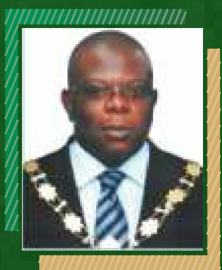
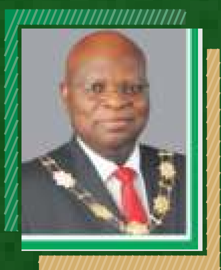
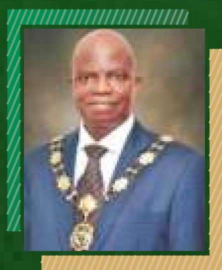


Mr. Laoye Jaiyeola, FCIB
2010-2012

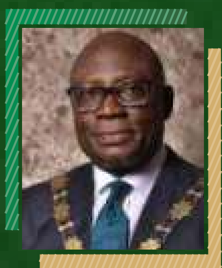


Dr. Segun Aina, OFR, FCIB
2012-2014

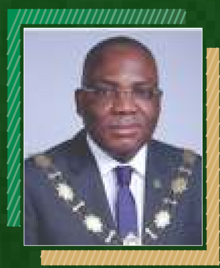
Otunba (Mrs.) 'Debola Osibogun, FCIB
2014-2016



Prof. Segun Ajibola, Ph.D, FCIB
2016-2018



Uche Olowu, Ph.D, mni, FCIB
2018-2020



Dr. Bayo Olugbemi, FCIB
2020 -2022

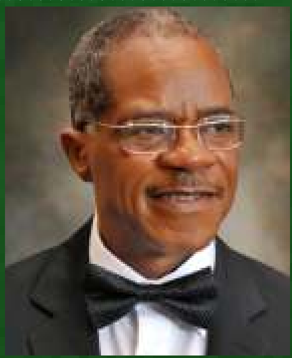
PAST REGISTRARS

Alhaji G. G. Olorun-rinu
1st Administrative Secretary of the Institute
1973-1980

Mr. A. A. Adenubi, mni, FCIB
Executive Secretary of the Institute
1980-1996

Chief S.O. Dada, FCIB
Registrar/ Chief Executive
1996 - 1999

Oloye Esan Ogunleye, FCIB
Registrar/ Chief Executive
2000 - 2005



'Uju Ogubunka Ph.D., FCIB
Registrar/ Chief Executive
2006 - 2014

Sir 'Seye Awojobi, Ph.D., FCIB
Registrar/ Chief Executive
2014 - 2022

CIBN Office Holders

Ken Opara, Ph.D, FCIB
President/Chairman of Council

Prof. Pius Olanrewaju, Ph.D, FCIB
1st Vice President

Mr. Dele Alabi, FCIB
2nd Vice President

Mrs. Mojisola Bakare-Asieru, FCIB
National Treasurer

Executive Management

Mary-Fidelis C. Abiahu, MCIB
Director, Finance & Admin

Akin Morakinyo, HCIB
Registrar/Chief Executive

Barr. (Mrs.) Rita Adeyanju, HCIB
Deputy Director
Secretariat Services

Babatunde Apena
Deputy Director
Capacity Building Certification
& Standards

Akinpelu Akinola, Esq., HCIB
Assistant Director
Ethics & Governance

Dr. Oreitan Adigun, HCIB
Assistant Director
Economics & Strategy

Tolu Adeyemi, FCIB
Ag. Group Head
Membership Services

Ndidi Olaosegba
Head
CIBN Centre for Financial Studies

Sunday Ebong
Ag. Group Head
Learning & Development

THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

CIBN MILESTONESS

CIBN COMMISSIONED LEGACY PROJECTS:

- THE POLYTECHNIC IBADAN (SOUTH-WEST ZONE).
- ABUBAKAR TAFAWA BALEWA UNIVERSITY (ATBU) BAUCHI (NORTH-EAST ZONE).
- FEDERAL POLYTECHNIC, NEKEDE (SOUTH-EAST ZONE).
- RIVERS STATE UNIVERSITY (SOUTH-SOUTH ZONE).
- KANO STATE POLYTECHNIC (NORTH-WEST ZONE).
- FEDERAL POLYTECHNIC, NASARAWA (NORTH CENTRAL ZONE).
- OLABISI ONABANJO UNIVERSITY (SOUTH-WEST ZONE).
- NNAMDI AZIKIWE UNIVERSITY.

- THE RE-LAUNCHING OF THE CIBN MENTORING SCHEME THE LAUNCHING OF THE NEW BANKING PROFESSIONAL EXAMINATIONS AND CERTIFICATION PROGRAMMES SYLLABI.
- EXECUTION OF MBA/ACIB & SMP/ACIB PROGRAMMES WITH LAGOS BUSINESS SCHOOL (LBS).
- CIBN/BANKS INTERNSHIP PROGRAMME.
- COMMISSIONING OF THE BANKERS HOUSE ABUJA.
- TRANSITIONED TO ONLINE PROCTORING OF THE INSTITUTE'S BANKING PROFESSIONAL AND CERTIFICATIONS EXAMINATIONS THE CHARTERED BANKER-MBA PROGRAMME IN COLLABORATION WITH BANGOR BUSINESS SCHOOL AND CHARTERED BANKER INSTITUTE OF SCOTLAND.
- FULL DIGITAL TRANSFORMATION OF THE INSTITUTE'S OPERATIONS.

ACHIEVEMENTS

- BUILDING OF THE INSTITUTE SECRETARIAT
- AUTONOMY FROM THE LONDON INSTITUTE
- ATTAINING A CHARTERED STATUS
- RE-ENACTMENT OF THE BANKING DECREE
- INTRODUCTION OF CERTIFICATION PROGRAMMES
- INTRODUCTION OF PRACTICE LICENSE AND SEAL
- ESTABLISHMENT OF THE CENTRE FOR FINANCIAL STUDIES
- LINKAGE PROGRAMMEE WITH SEVENTY-SEVEN (77) TERTIARY INSTITUTIONS
- INTRODUCTION OF CIBN AFFINITY AND LOYALTY SCHEME FOR MEMBERS
- SOLE ACCREDITATION AGENCY OF THE CBN COMPETENCY FRAMEWORK
- INTRODUCTION OF GROUP LIFE INSURANCE SCHEME FOR MEMBERS
- ESTABLISHMENT OF AN E-LIBRARY
- INTRODUCTION OF JOURNAL OF BANKING & THE NIGERIAN BANKER PUBLICATIONS
- APPROPRIATE PLACEMENT OF ACIB HOLDERS IN THE CIVIL SERVICE
- MAINTENANCE OF CONTINUOUS SYNERGY BETWEEN THE INSTITUTE AND THE BANKING INDUSTRY (CBN, BANKS, OTHER PLAYERS)

CREATION OF ZONAL OFFICES ACROSS THE SIX GEOPOLITICAL ZONES:

- EASTERN ZONAL OFFICE
- CIBN NATIONAL SECRETARIAT ANNEX OFFICE
- SOUTHWEST ZONAL OFFICE
- SOUTH-SOUTH ZONAL OFFICE
- NORTH-WEST ZONAL OFFICE
- NORTH-EASTERN ZONAL

Editor's Note

Economic Development has as its underpinnings all programmes, policies or activities which seek to enhance the economic well-being and quality of life of the citizens within the community. The emphasis here is on the quality of life of the citizens. This Special Edition is in commemoration of the CIBN 60th anniversary featuring topical papers that have significant implications for the development of the Nigerian economy.

The contributors dwell majorly on areas that will advance economic development. The Chartered Institute of Bankers of Nigeria as the foremost professional body in the financial services industry champions Career Competence, Ethics and Professionalism in the financial services industry. These are interwoven areas that, in reality can midwife sustainable development. Professionalism and Ethics are indeed two sides of the same coin and professionalism presupposes career competence.

Considering the cornerstone position of financial services industry in fostering economic growth, the role of the Chartered Institute of Bankers of Nigeria becomes quite obvious. Economic literature shows that sustainable economic growth leads to economic development. In effect, when economic growth continues for a long time, it translates to economic development.

Furthermore, price stability equally remains a critical element that impacts on the quality of life and as such a key factor in economic development. The Monetary Authority has the responsibility of ensuring that effective monetary policy is formulated and implemented to help stabilize the system. This will significantly impact on economic development.

Since banks must first survive and be strong in order to play their role as agents of economic growth and development, they must put in place an effective internal control mechanism that can keep all types of fraud at bay. The cyber security architecture of financial institutions must always be top notch to enable them to contain the innovative machinations of fraudsters.

Further, the issues bothering on social and environmental risks pervading the business landscape must always be factored into the risk management plan of every financial institution. It has become very obvious that social and environmental risks are certainly becoming issues of concern in the prevailing business environment and banks ought to adjust their business models to accommodate such.

Finally, the import of small and medium business enterprises in fostering economic growth and development is effectively discussed in this edition. Certainly, if the potentials of the small and medium business subsector are fully harnessed, the economic development of the country will be hastened.

This edition of the Nigerian Banker no doubt stands out for expertly discussing issues of economic development from the foregoing perspectives. There is no doubt that the topics will make interesting readings to our numerous readers.

Career Competency, Ethics and Professional Development Nexus: The Glocal Role of the Chartered Institute of Bankers of Nigeria.

Dr. Oshadare Segun Anthony, FCIB
Dr. Abode, Josephine
Dr. Olukoaga, Daniel Ayegbeni

1.0 Introduction:

Around the world, there are several professional associations and organizations that play a crucial role in helping people advance their skills and get ready for the workforce. They are usually referred to as the "unsung heroes in contributing to society" and are swiftly referred to as Professional bodies. Professional bodies can frequently act as the link between education and industry. Professional bodies (professional associations and professional regulatory bodies) are important organizations founded to achieve some objectives in a particular profession or industry. They have been regarded as a vehicle for social mobility especially for occupational groups in order to achieve high ethical standards, career competencies and professional development(Williams and Koumenta 2020). Ultimately, they may be expected to provide support for professionals as the foremost agents of institutional change. In addition, they may be regarded as focal points for developing discourses of professionalism that have spread to other membership organizations and private companies because they are successful and resilient organizations in their operations and reach despite global challenges in many professions (Adams 2017). Obtaining career resources is crucial because people must actively build their careers while simultaneously efficiently addressing the opportunities and challenges presented by their surroundings (Crisan,2022). It has been determined that one useful career resource for achieving early career success is professional competence (Hall, 2004). Through the development of career competences, professionals can effectively navigate the transition from school to the workplace by understanding their own attributes and motivations and formulating plans to achieve their career goals. In addition to professional competence, there is need to be ethically balanced in career success while the need to show interest in professional development adds to career success path. Achieving all these is premised on affiliation with professional bodies, who could shape, mentor and help career success at all times with their programmes. In the financial services industry, the body that has succinctly done this to help career success is the Chartered Institute of Bankers of Nigeria(CIBN), who has been the arrow head in the development of competencies, ethical alignment and professional development of members leading to high level professionalism. The nexus and connection to be built hovers around competencies, ethics and professional development which broadly lead to professionalism.

1.1 Career competencies:

Career competencies are defined as "knowledge, skills, and abilities central to career development, which can be influenced by the individual" and consist of three domains: reflective, communicative, and behavioral career competencies. Reflective career competencies refer to an individual's awareness of one's motivation and qualities, which include reflecting on values, motivations, strengths, and shortcomings with regard to one's career. Communicative career competencies refer to being able to effectively communicate to improve one's chances of career success, which include building and expanding a network for career-related purposes and communicating personal knowledge, abilities, and skills to the labor market by self-profiling. Behavioral career competencies refer to being able to shape one's career by actively exploring the environment in terms of employment and career opportunities, and to proactively plan and achieve career goals. Perceived internal employability and perceived external employability are positively correlated with professionals' career competencies. Career resources that professionals can employ to attain early career success include their mastered career competences.

The achievement of desired work-related outcomes across time is the definition of career success. Subjective and objective career success can be distinguished theoretically according to Spurk, Hirschi, & Dries (2019) in a study outlibed Subjective job success, such as professional satisfaction as the individual's assessment of their own career advancement and emotions of fulfillment and achievement. According to Zhou, Mi & Li, Jingyun & Yang, Meihua. (2023).objective professional success is defined as measurable and verifiable indications of a person's career, such as salary, status, promotions, and hierarchical position. People build their careers by giving personal significance to their experiences from the past, present, and desired futures. The ability to build oneself depends on having the necessary information and abilities. According to Hager, 2014, numerous studies have shown that people who possess strong career competencies experience higher levels of both objective and subjective career success Furthermore, a recent analysis of theoretical frameworks for researching career success revealed that past career success can assist individuals in achieving future professional objectives (Spurk et al., 2019).

1.2 Ethics:

Ethics is based on well-founded standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues. The terms ethics and morality are closely related. It is now common to refer to ethical judgments or to ethical principles where it once would have been more accurate to speak of moral judgments or moral principles. These applications are an extension of the meaning of ethics. In earlier usage, the term referred not to morality itself but to the field of study, or branch of inquiry, that has morality as its subject matter. In this sense, ethics is equivalent to moral philosophy. Ethical standards also include those that enjoin virtues of honesty, compassion, and loyalty. And, ethical standards include standards relating to rights, such as the right to life, the right to freedom from injury, and the right to privacy. Such standards are adequate standards of ethics because they are supported by consistent and well-founded reasons. There is no gain-saying that banking thrives on the confidence, poise and self-assurance that stakeholders, customers, and clients have in bankers. Apart from the knowledge, skills and technical expertise the professionals in the industry possess there is the need to be of high integrity in order to gain the confidence of investors and other clients.

Banking is a business, which is based on trust. People entrust the care and management of their funds to bankers because they trust the bank. Customers have faith and confidence in banks hence are able to transact business no doubt of flaws. That is why it is said that the role the banker plays in the financial services industry is one of "stewardship, based on trust". The more the people who have confidence and trust in bank the better it is for the business of banking. This understanding gives connotation to the perennial question of what to look for in the persons employed to handle other people's monies in the banks – should it be competence or character, or both? In the practice of banking, it is more important to have personnel who bring to the profession a firm sense of morality and commitment of high ethical standard and social responsibility. Those who do not pay attention to competence in dealing with ethical issues in the financial services industry pay heavily in the loss of reputation and trust when caught doing what they are not supposed to do.

Such negative acts and unethical behaviors can mean an end to an individual's career or drive away the business of the bank. Nobody wants to deal with a company that cannot be trusted or with a person whose word cannot be reliable. It is clear why in the banking industry premium is placed on the need for a firm sense of morality and a commitment to high ethical standards and social responsibility. This ethical quality is needed in all those who work in the financial services industry in general.

1.3 Professional Development

Whitaker (2018) was of the opinion that Professional development is improving yourself through learning and training to advance your career. Companies may offer training sessions to further teach their employees, but an employee typically works on their own professional development independently. There are many ways that an employee can work on their professional development, such as taking classes, going to workshops or teaching themselves new skills. Professional development can also refer to staying up to date on new trends within your field and applying new practices to your current methods. Professional development is important because it can make you a better employee. This could help you receive more opportunities for career advancement, such as promotions or lateral transfers. Professional development can make you a more desirable candidate because of your knowledge and level of expertise in your field. Professional development improves your skill set and knowledge, but your company also benefits from your growth as an employee. This is important because they could recognize and potentially reward your success.

2.0 The Impact of Professional Development:

Professional development is intended to achieve some goals which are discussed below

Improves confidence

Professional development can increase your confidence as an employee. Learning new skills and abilities may make you more confident and could help you feel more comfortable in your position as your knowledge expands. For example, when an employee has been at a company for a long time, they know much more than they did when they first started. Because of this, they probably feel more confident in completing their job responsibilities. Confidence is a desirable trait for an employee because they're more likely to accept new opportunities, make informed decisions and display characteristics of leadership.

Enhances hiring potential

Professional development can enhance your hiring potential because you increase your knowledge, skills and competencies. Because of the skill advancement that results from professional development, employers may be more likely to view you as a desirable candidate. If employers see you as a qualified candidate, they may be more likely to hire you over the competition.

Develops skills

Through professional development, you may increase both hard and soft skills within the workplace. Hard skills refer to job-specific knowledge you receive through training or education, while soft skills are personal habits that define how you work, such as communication. Developing your skills can help you become an expert in your field, share your knowledge with new employees or discover opportunities for career advancement.

Increases job opportunities

Professional development can increase job opportunities, such as receiving raises or promotions, within your current role. If your employer sees that you're putting in the effort to improve yourself, they may be more likely to consider you for advancement opportunities. They could see how you're becoming more knowledgeable and skilled but also that you're an independent learner. This can help with job opportunities because your employers might recognize your growth and decide to give you a higher position.

Expands networking opportunities

Professional development can also increase your ability to network through events that many professionals attend, such as:

- Seminars
- Webinars
- Conferences
- Workshops
- Volunteer events
- Classes or programs

Networking can help your career by meeting colleagues, mentors or hiring managers. Mentors may provide career guidance, while colleagues and hiring managers might tell you about job opportunities.

3.0 Improving Professional Development

Here are four ways to improve your professional development:

1. Create a schedule of goals

To begin your professional development, create a list of goals and a schedule. Having a schedule for your goals can help you create a timeline for your growth. This can track your progress, which can help you increase your productivity. You could create a schedule by using an agenda, an online app or a journal. Creating goals can help you map out how you want to progress or the areas that you could improve. It can also help you visualize the outcomes, which can motivate you to complete the tasks. Examples of some goals could include:

- Learning a new skill
- Completing a training program
- Attending conferences
- Reading a developmental book

2. Attend training programs

You can attend training programs, such as webinars and seminars, conferences or workshops to improve your professional development:

By attending these programs, you can learn and experience new work-related skills , which can lead to professional growth and development.

3. Take new roles or responsibilities

You can also improve your professional development by taking on new roles or responsibilities in your position. You could do this by asking your manager if you can do some tasks that a different position normally does. Having more responsibilities shows your managers that you can take initiative and that you can successfully complete tasks outside of your usual responsibilities

4. Continue your education

To improve your professional development, you could continue your education. You can achieve this by:

- Earning a certificate
- Earning a license
- Taking classes or programs
- Getting a higher degree

Further education can improve your professional development because it increases your knowledge and it shows your dedication to your career.

Professionalism:

Professionalism is the behavior you exhibit, and the attitude you put up at work.

As a professional, there are certain things people expect of you regularly, which are. Professional expectations at work (Aggarwal, A. K., Evans, M. E., and Nanda, D. (2012)

1. **Punctuality**

   One of the personality traits of a professional is arriving at work early. Punctuality is the sole business.

2. **Positive Attitude to Work**

   Every person is expected to come to work with a positive attitude. Be cheerful and look very bright with a smile. Don't carry your home problems to work.

3. **Dress Appropriately**

   Dressing is such an integral part of a

professional. Every person is expected to dress properly at all times- clean well ironed clothes, tidy hairs, nice make-up, good perfume, etc.

4. **Watch your Tongue:** It is extremely important that we watch what we say everywhere. As a professional ensure the following:
- No swearing,
  No vulgar languages.
- No cursing.
- No fighting.
- No shouting.
- No unprofessional exhibitions.
- Complain less.

5. **Share Knowledge**
Professionals are always willing to lend helping hand. They share knowledge and are always willing to assist others.

6. **Respect for yourself and others**
Every person is expected to respect himself/herself always. It is also important to respect others always. Be polite at all times even when provoked.

7. **Control your anger**
The work place is an area you must learn to manage your anger well.

8. **Be Honest**
Do not lie. Dishonesty never makes anyone good. Be honest and calm at all times.

9. **Keep Your Intergrity**
Never expose your dirty linen in the public.

10. **Maintain official Confidence**
Avoid giving out too much information. Keep confidential information confidential.

11. **Follow Organizational Policies**
Professionals obey all organizational policies. This shows you are disciplined. Obeying work policies will be advantageous to your career.

12. **Get your job done**
Ensure you prepare your to-do-list for the day and lesson plan for the week and strive to achieve them. At the end of every day and week, it is important to go through your to-do-list and see how much you have achieved. Professionals are result-oriented.

13. **Look forward to each new day**
Professionals look forward to the opportunities that each new day brings. You should not dread going to work. Instead savour the opportunity to learn and grow on a daily basis.

14. **Be an epitome of hope**
Professionals are "Sure Sign of Hope. Finance professionals are expected to embrace the ethics of the profession as a life builder.

4.0 The Role and Functions of Professional Bodies in Career Success, Ethics and Professional Development

1. **Access to information and sector-specific resources**
They produce editions of their journals each year, which are available to members digitally and in print. This gives exposure and better understanding of the standards in the profession to members.

2. **Access to relevant certification or professional qualifications**
Certain professions require specific qualifications to be able to practice, and professional bodies often set the formal route for this, and this is particularly relevant within the industry. For example, to become a Professional Banker you are required to gain professional recognition from CIBN (Chartered Institute of Bankers of Nigeria).

3. **Lobbying for interests within the sector**
Professional bodies often work together with their network and partners to lobby for change within the industry. For example, CIBN is at the forefront of improving competency within the Finance sector, and it plays a pro-active role on several of the governments working groups - around competency, values and supports the work of training providers and is committed to continual professional development (CCPD) and lifelong learning.

4. **Professional advice**
Furthermore, they regularly come into Colleges and Universities and give talks to students. Through these links, students can

access resources to help with assignments, such as articles around new technologies within the sector.In addition, corporate members seek their advice on knotty issues affecting them and their operations

5. **Work experience and job opportunities**
They have a lot of academic partners, many company partners, a long-established network of regional and international committees and the affiliation with international Community which provides an online forum for members to make connections and network. These networks provide the perfect link between students, academic institutions and employers for work placements and career opportunities. CIBN also partners with colleges to establish placement opportunities for learners.

6. **Events and networking**
They offer a variety of events and training across the country and online which support members with both technical and employability skills and knowledge. Some examples include:

- professional interview preparation,
- Basic Structural Design for Non-Structural Engineers,
- common issues with loft conversions - a recipe for success.

5.0 The Origin, Functions and Glocal Role of The CIBN

Corporate Information

A central feature of the chequered history of the Chartered Institute of Bankers of Nigeria has been the sustained struggle to enthrone professional excellence in the banking industry in Nigeria.

This struggle, based essentially on the need to jealously guard, preserve and positively project the noble profession of banking, which is based on the principle of "Trust and Honesty", has not been easy considering the numerous problems associated with a developing banking industry and the Nigerian economy in general.

Yet in spite of daunting odds faced in this turbulent journey, it is to the eternal credit of the founding fathers, successive leaders of the Institute, captains of the industry and regulatory bodies, that significant and giant strides have been made within the banking industry.

The history of the Institute dates back to November 28, 1963 when one hundred and twenty-four bankers assembled at Randle Hall, Surulere and consequently passed a resolution for the establishment of the Local Centre of the Institute of Bankers, London, in Nigeria with the mandate of promoting banking education in Nigeria and esprit-de-corps among professional bankers.

Thirteen (13) years after being successfully run as a local center and having gained considerable administrative experience and recorded significant success in training and educating its members, the Institute was registered in 1976 as the Nigerian Institute of Bankers, a company limited by guarantee. But it was not until 1977 that it became operational and autonomous. The metamorphosis of the Local Centre into the Nigerian Institute of Bankers represents a story of particular worth in that the attainment of this autonomous status was a fulfillment of a dream long conceived.

Chartered Status

The most significant landmark in the Institute's history is the attainment of a Chartered Status, achieved on May 18th, 1990 by the Federal Government Act No. 12 of 1990. Published in official gazette No. 27 of May 18, 1990, the Decree gives backing to the Institute to control entry into the banking profession, set standards for bankers to comply with and maintain professional ethics through sanctions of erring members. Furthermore, it provides for a change in nomenclature from Nigerian Institute of Bankers to the Chartered Institute of Bankers of Nigeria (CIBN).

Membership

The Institute has corporate and individual members. Corporate members are: The Central Bank of Nigeria, The Nigeria Deposit Insurance Corporation, all Deposit Money Banks, Development Banks, Mortgage Banks, Microfinance Banks and Discount Houses.

The CIBN Vision

To be a global reference point for skills and conduct in the banking and finance industry.

The CIBN Core Values

- Integrity

- Professionalism
- Innovation
- Ethics

6.0 Principal Responsibilities

The Institute shall have responsibility to :

1. Determine the standards of knowledge and skills to be attained by persons seeking to become members of the banking profession;
2. Secure in accordance with the provisions of this act, the establishment and maintenance of a register of members of the banking profession in the categories of ordinary members, student members, graduate members, associates, honorary senior members, honorary fellow and fellows of the Institute and a register of corporate members.
3. Conduct professional examinations leading to the awards of certificates as may be prescribed by the Institute; and
4. Ensure the furtherance, maintenance and observance of ethical standards and professionalism among practitioners of the banking profession in Nigeria.

Objectives

The objectives of the Institute include:

1. To be Africa's foremost and most influential professional body in the provision of capacity building in banking and finance industry.
2. To deliver through technologies, distinctive and excellent banking and finance professional certification; accreditation; and continuous professional development required for competence building.
3. To support and assist members' lifelong education and development needs throughout their entire career.
4. To continue to provide leadership on research and intellectual discourse on emerging trends in banking and finance sectors and regulations in Africa.
5. To continually promote the institutional frameworks for supporting and maintaining the relevance of ethics and professionalism in the banking and finance industry in particular and supporting the Government in creating a corruption free society while placing special emphasis on internationally acceptable standards of best practice.
6. To focus on attaining sustainable learning and professional development through creative alliances and partners with regulators, operators and other relevant agencies and service providers for mutual benefits.
7. To make the Institute financially independent by ensuring that there is a balance in CIBN's funding sources.
8. Development of staff - improve people management practices through competitive compensation structure and staff capacity building.

Ethics and Professionalism

Following the growing concerns about unethical and unprofessional practices in the Nigerian banking and finance industry, which are capable of eroding public confidence in the industry, the Governor of the Central Bank of Nigeria (CBN) articulated the urgent need for operators to take steps to combat the emerging menace. In line with the provisions of the applicable laws, the Governor sought the co-operation of the banks through the Bankers' Committee.

The Bankers' Committee

The Bankers' Committee, in its determination to sanitize the practice of banking and finance in Nigeria and instill discipline in the profession, established the Subcommittee on Ethics & Professionalism on 19th December, 2000. The mandate of the Subcommittee was to:

- Identify practices and conducts considered unethical in the industry
- Develop an acceptable code of ethics and professionalism, and put in place effective machinery for enforcing compliance.

The Code contains a list of acts, conducts, commissions and omissions classified as unethical and unprofessional as well as the framework for addressing these in the business of banking and finance in Nigeria. Thus, the Code also provides the procedure for dealing with complaints and the sanctions for infractions of its provisions.

7.0 CIBN Programs, Events and Meetings shaping Competencies, Ethics and Professional Development

1 Examinations

The Capacity Building and Certification Division is in charge of conducting/administering the entire examinations of the Chartered Institute of Bankers of Nigeria (CIBN).

2 Practice License

The Institute has taken this giant stride to pioneer the first, at least in any Banking Institute, in Africa, the issuance of Practice License to its members to practice and use their knowledge and experience of banking outside the four walls of the banks.

3 Membership Development

The members of the Institute are equipped with the requisite tools that are needed for them to excel in the dynamic environment of global finance. There are opportunities for people with various skill sets and knowledge levels to learn and grow at their own pace. The members of the Institute are divided into two main branches which are the Individual members and Corporate members.

Membership is open to Secondary School leavers or those who have equivalent or other relevant A' Level Qualifications.

The corporate members are made up of Deposit Money banks, Regulatory bodies, Non-Interest Banks, Merchant Banks, Development Finance Institutions, Asset Management Corporation, Primary Mortgage Institutions, and Microfinance Banks.

4 Associateship Induction:

An event to admit students who have completed the institute examination as members

5 Fellowship Investiture

The Fellowship of The Chartered Institute of Bankers of Nigeria is the hallmark of senior professional status in the banking & finance industry. It is the epitome of professional stature, integrity, and achievement. It also demonstrates commitment to excellence, ethics, and professionalism. The requirements for Fellowship reflects the diversity of the sector in which our members operate, and recognizes services and commitment to the objectives of the Institute.

6 Chartered Banker MBA

Bangor Business School at Bangor University is a leading teaching and research-focused business school offering cutting-edge and innovative Executive Education to the global financial services sector.CIBN collaborates with the Business Institute to offer a triple certificate of ACIB,MBA and CIB,UK.

7 Professional E-payment Certification Programme

With emerging technologies and innovation in payment services and channels, the Nigerian payments ecosystem has evolved as a professional and specialty knoweledge area enough for practitioners in the financial services industry to have a clear path of enhancing their skill and competence in e-payments and its related areas. The Institute in collaboration with Nigeria Inter-Bank Settlement System Plc (NIBSS) is therefore pleased to introduce a respectable and widely accepted Professional e-Payment Certification Programme for intending, upcoming and existing e-payments professionals.

8 Competency Framework

The Central Bank of Nigeria (CBN), in November 2012, released the final version of the Competency Framework for the Nigerian Banking Industry. According to the document, “the recent global financial crisis exposed the inadequacy of skills and dearth of executive capacity in the banking industry”. The observed skills gap, was blamed on lack of coordinated industry-recognized training accreditation and certification system; and Competency standards for practitioners in the industry. The institute was mandated to handle this for the CBN

9 Local and International collaborations

The Institute has collaborative agreements with both local and International organisations. They are as follows:

- Central Bank of The Gambia and The Gambia Association - To conduct professional examinations in The Gambia in partnership with the institute of bankers of The Gambia.
- The Retail Banking Academy – Retail Banking Certification
- Central Bank of Liberia and the Liberia Bankers Association - To conduct Professional Examinations in Liberia.
- Bank of Sierra Leone and the Sierra Leone Bankers Association of Commercial Banks - To conduct examinations in Sierra Leone.
- Bangor Business School – Chartered Banker MBA Programme
- Financial Markets Dealers Association (FMDA) - Certificate in Treasury Management.

  The Chartered Institute of Management Accountants (CIMA) - Joint capacity building and accreditation of each other's qualifications leading to counterpart exemptions among others.
- The London Institute of Banking Finance (LIBF) - To administer and serve as the Examination Centre for LIBF in the country
- International Finance Corporation (IFC) –Law, Ethics and Corporate Governance subjects of the banking professional examinations and Sustainable Banking Certification Programme.
- International Institute Of Islamic Banking And Finance, Bayero University, Kano – To conduct Joint Certification Programme in Non-Interest Banking & Finance Programme to be issued to successful candidates.
- Risk Management Association of Nigeria - To conduct Joint Certification Programme designed to confer on successful candidates the professional designation of: Certified Risk Manager (CRM).

10 Annual Lecture

11 Annual Bankers Conference

12 Center for financial Studies Discourses

13 Annual Bankers' Dinner

14 Monthly/Quarterly CCPD

15 Annual Generation Next Forum

16 Professional Examination(Proctored)

17 E- learning

18 Journal of Banking: Articles treating topical issues in Banking, Insurance, Finance, Economics, Business Management, Accounting, and Administration.

19 The Nigerian Banker

20 Communiques and Policy Statements

21 Codes, Acts, Rules and Regulations

8.0 Conclusion:

The step to career competencies, ethical alignment and professional development which ultimately leads to professionalism is expected to be anchored by professional bodies. This has been succinctly taken care of by the CIBN in the financial services industry as spelt out in the role and functions of the institute and has been captured in the activities of the institute as an avenue to ensure career competencies, ethical alignment and professional development are vigorously pursued to ensure professionalism.

Impact of High Inflation on Savings and Defensive Strategies to Adopt

Afolabi E. Olowookere, Ph.D

1.0 Introduction

Inflation is a major economic phenomenon that affects a country's macro- and micro-economic environments, therefore, achieving a low and stable inflation rate is a major objective for any economy. When inflation is high and volatile, it creates a lot of distortions in the economy. For instance, it affects citizens purchasing power, level of welfare, and expectations of returns on their savings and investments. It is, therefore, critical to evaluate how citizens can effectively save and invest in a period of high inflation. This article, therefore, examines the impact of high inflation on savings and defensive strategies that can be adopted.

2.0 Nigeria's Inflation Rates

As shown in Figure 1, Nigeria recorded an inflation rate of 25.80% in August 2023, from 24.08% recorded in July. The core inflation was 21.15%, while food inflation was 29.34%. Inflation was higher in the urban areas (27.69%) than in rural areas (24.10%).

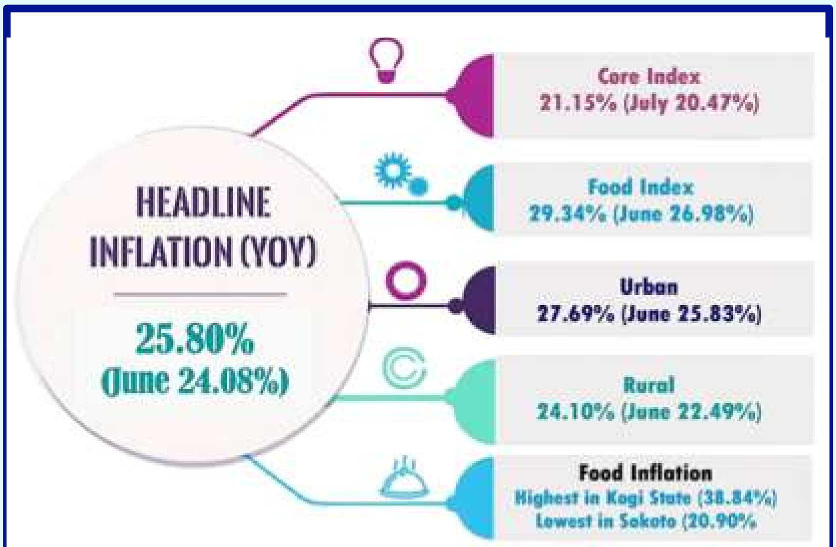


Figure 1: Distribution of Nigeria's Inflation Rate in August, 2023
Sources: Author's drawn using NBS Data

Looking at the trend of inflation in the last two and half decades, figure 2 shows that the inflation rate fluctuated widely from 1999, reaching the peak value of 28.2% in August 2004 and later moderated. But inflation is now trending upward, ending 2022 at 21.3%, which further rose to 25.8% in August 2023. Urban and rural inflation rates generally move together, except for the period between 2006 and 2012; and in the last 2-3 years, urban inflation rates have been approximately 1 percent point higher than rural inflation on average.

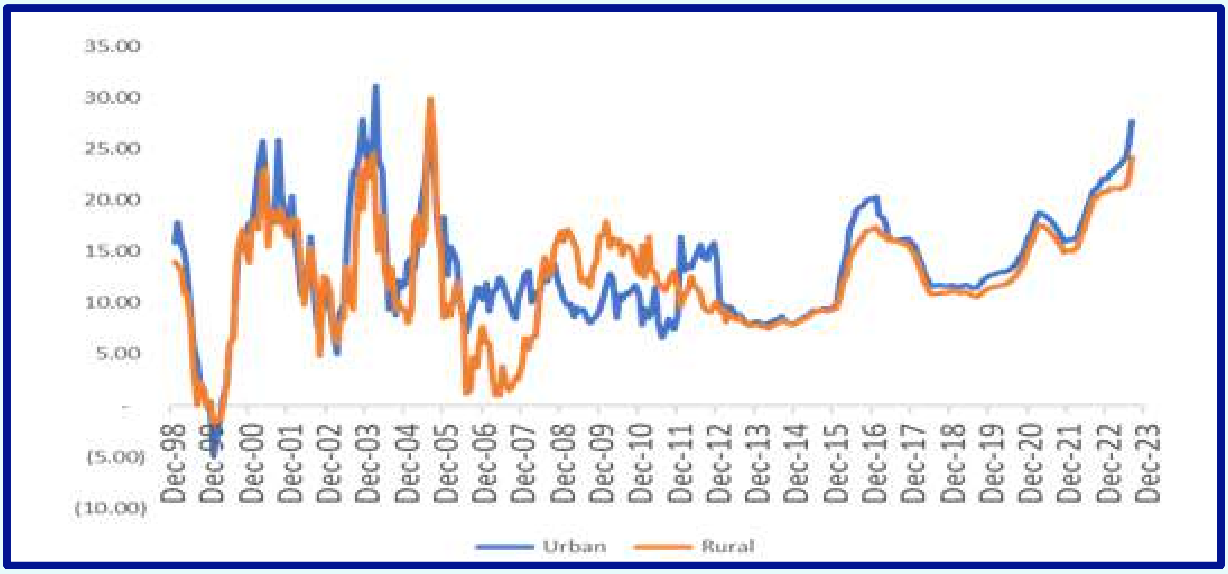


Figure 2: Trend of Nigeria's Inflation Rate
Sources: Author's drawn using NBS Data

3.0 Degree of Inflation Impact on Nigerian Households

On average, Nigerians allocate 50.71% of their expenditure to food, with 13.3% imported. Other items with a high proportion include utilities and fuel (16.73%), clothing and footwear (7.65%) and transport (6.51%). Inflation is relatively higher in food, transportation, health, restaurant and hotel, and utilities. An average Nigerian is most impacted by the food channel, including imported food, followed by utilities and fuel, transport, and clothing. The lower the share of an individual's expenditure allocated to these items, and the more to communication, recreation, and alcohol, the less the inflation impact.

Consumption Classifications	Consumption Weights (%)	Inflation (%)	Average Impact	Impact Rating
Communication	0.68	7.74	0.05	Low Impact
Recreation & Culture.	0.69	10.40	0.07	
Alcoholic Beverage. Tobacco and Kola	1.09	15.34	0.17	
Res taurant & Hotels	1.21	22.77	0.28	
Mis cellaneous Goods & Services	1.66	21.78	0.36	
Health	3.00	22.92	0.69	
Education	3.94	21.04	0.83	
Furnishings & Household Equipment Maintenance	5.03	16.52	0.83	
Clothing and Footwear	7.65	15.77	1.21	
Trans port	6.51	27.10	1.76	
Imported Food	13.29	20.17	2.68	
Housing Water, Electricity. Gas and Other Fuel	16.73	21.79	3.65	
All Items less Farm Produce. and Energy	40.56	21.15	8.58	High Impact
All Items less Farm Produce.	51.31	21.54	11.05	
Food	50.71	29.34	14.88	
Food & Non Alcoholic Bev.	51.80	29.15	15.10	
All Items	**100.00**	**25.80**	**25.80**	

Sources: Author's drawn using NBS Data

4.0 Income-Saving (Investment) Relationship

The relationship between income and saving is dynamic. Households earn income largely to meet their consumption needs. They also need to save and invest part of their income against future consumption needs. As shown in Figure 3, households can either consume their entire income now or save and invest a certain proportion of their income. There are three paths that can be identified in the figure:

A. *Consume a part of current income*

- The lower the proportion of income a household consumes now, the more it can save for the future.
- The smaller the income of the household, the more likely it will exhaust it on basic needs and have nothing to invest
- Therefore, inflation reduces the purchasing power of the household and what is available for saving

B. *Save and invest part of current income*

- Higher income enables saving and investment since not all can be consumed now
- Expectation of a higher rate of return and ability to forego current consumption also encourage savings
- Low to moderate inflation can encourage savings, but high inflation can encourage immediate consumption

C. *Consume savings + returns in the future*

- Higher returns on investment make possible higher future consumption
- But higher returns also correlate with higher risk and the possibility of losing investment
- Inflation is one of the risks, which can reduce the value of one's investment and constrain future expectations and consumption.

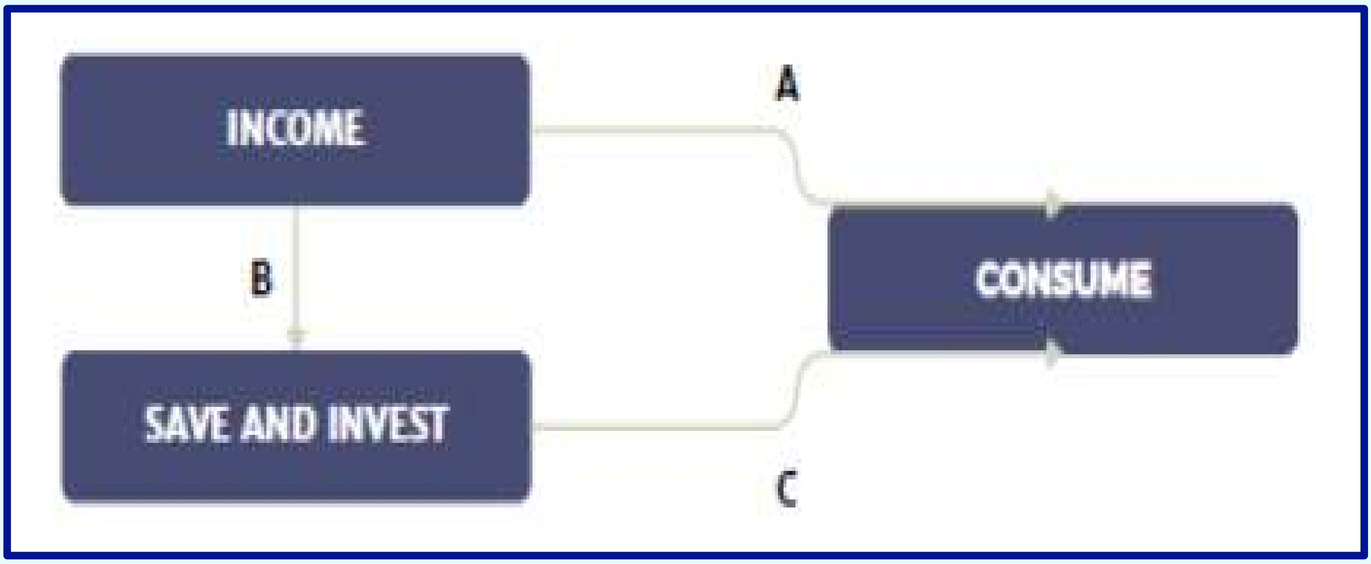


Figure 3: Income, Saving and Consumption
Sources: Author's drawn

Figure 3: Inflation and Saving
Sources: Author's drawn

5.0 Correlation between Inflation and Asset Returns – US Case Study

Using the US as an example, studies have found that returns on certain investments correlate more positively with inflation, thereby suggesting that they can be used to reduce the impact of inflation. As shown in Figure 4, such investments include Inflation Swaps, Real Estate, Floating Rate Debts (leveraged loans), and Private Equity. Conversely, returns on Bonds investment tend to correlate negatively with the inflation rate. It is further shown that returns on equities investment have also been positively correlated with the inflation rate in the last ten years.

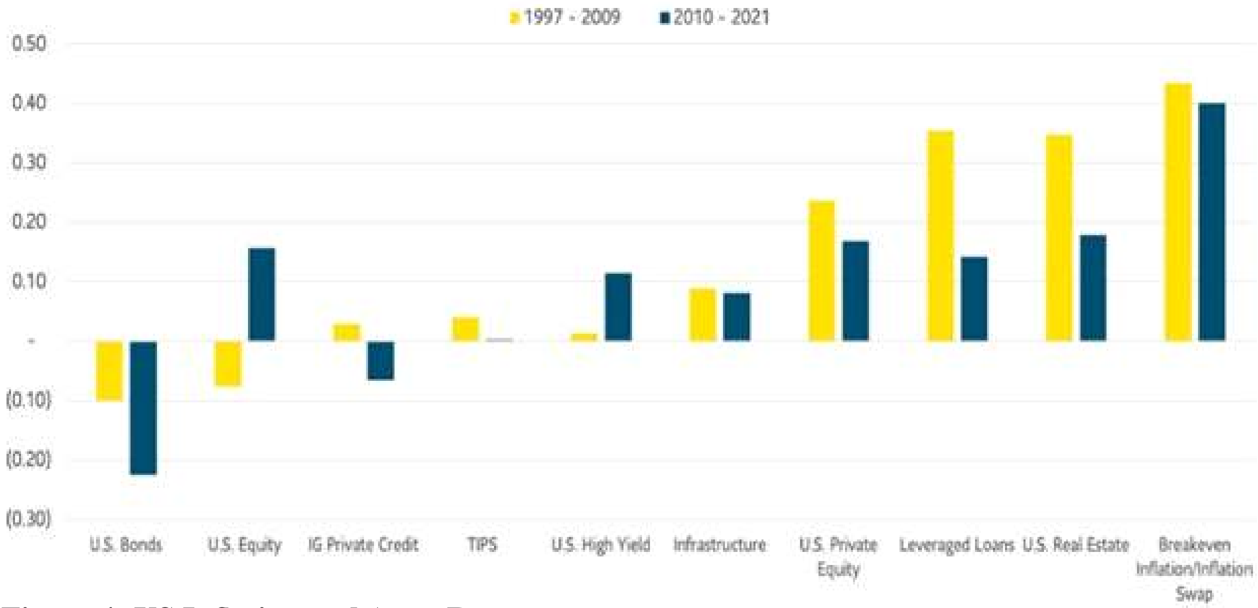


Figure 4: US Inflation and Asset Returns
Source: https://www.slcmanagement.com/us/en/insights/all-insights/investing-in-an-inflationary-environment/

More on equities investment, moderate inflation is generally considered healthy for equities whereas high inflation can be bad. This is because consumer demand is weaker during high inflation due to lower purchasing power and rising raw materials costs, which combine to reduce corporate. This notwithstanding, the impact of inflation can still vary across companies and sectors due to certain factors. In other words, not all equities are the same, as different sectors have responded differently to inflation. As shown in Figure 5, companies in sectors such as energy and materials that control physical assets and sell commodity-based products may gain during high inflation, while companies in sectors like consumer staples and utilities that have commodities as major inputs will likely lose. Even within a sector, some companies may be affected by inflation less, especially when they are able to pass on their increased costs to consumers in the form of higher prices.

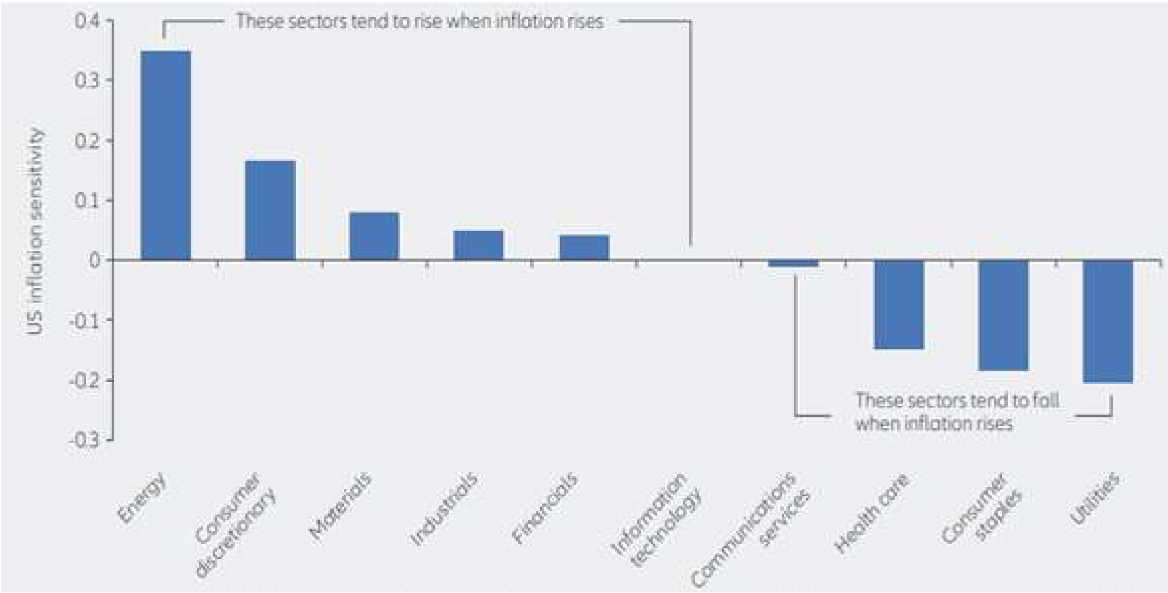


Figure 5: Sector Correlation with Inflation

Sources: Allianz Global Investors, 2022

6.0 Nigeria's Inflation and Returns on Various Investments

Figure 6 shows that there are more periods when the returns on the NGX All Share Index (ASI) surpassed the inflation rate (green) than otherwise (red). It is also shown that returns on a foreign index, like the S&P500 in the USA may also be higher than the domestic inflation rate; and this can be higher if the possible exchange gains are added.

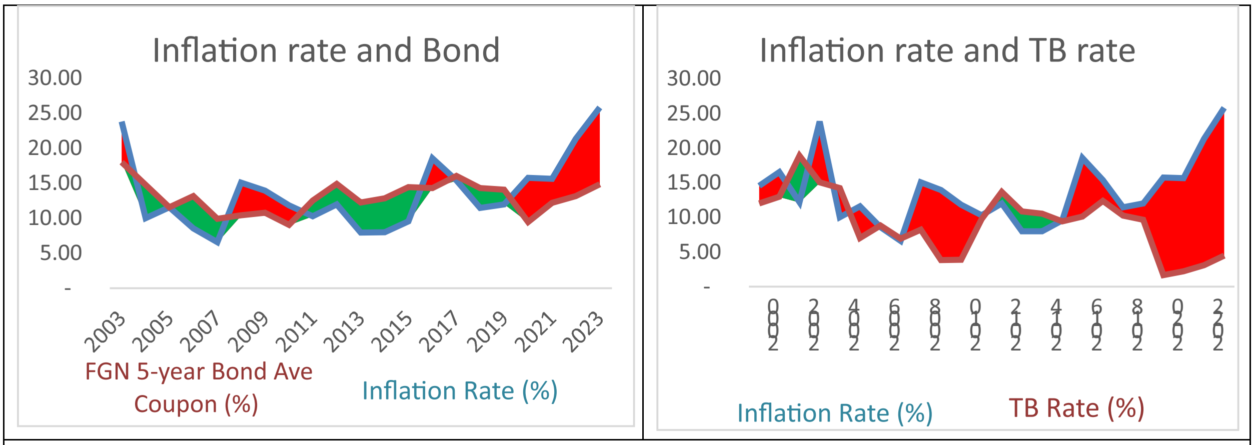


Figure 7: Nigerian Inflation and Returns on Fixed Income Instruments

Sources: Author's drawn; underlying data from NBS, DMO and CBN

Figure 8 shows that in 2023, investment in a precious metal like gold, measured by returns on New Gold ETF surpassed the inflation rate. Equally, investment in agriculture commodities, as measured by the AFEX Commodity Index, has also outperformed inflation in many periods, amidst some volatility. Investment in gold and other commodities have been found to offer a good hedge in the short-term against inflation, especially when unexpected, although they come with higher volatility than equities.

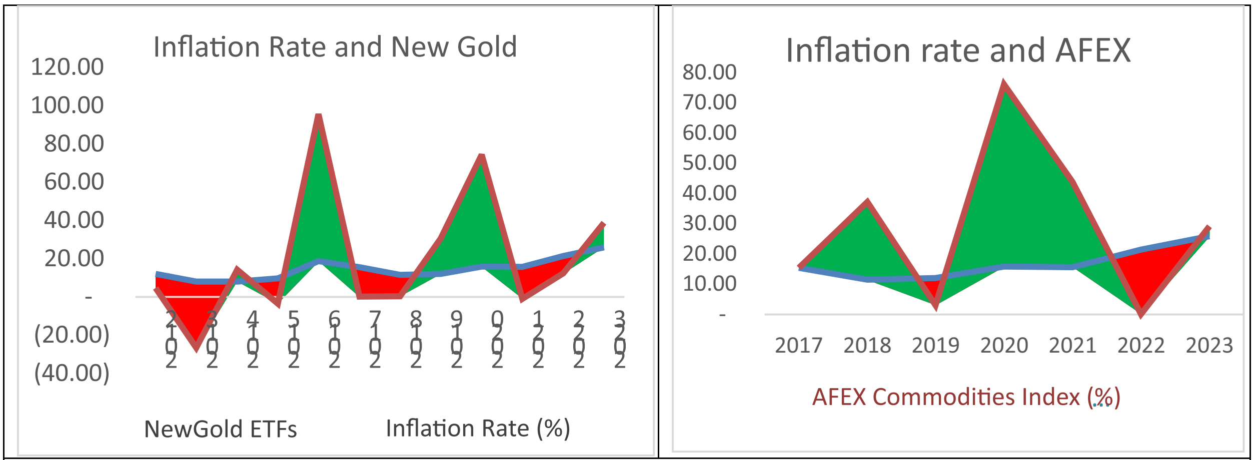


Figure 8: Nigerian Inflation and Returns on Commodities

Sources: Author's drawn; underlying data from NBS, NGX and AFEX

As depicted in Figure 9, returns on dollar savings measured at the official rate have been observed to be higher than the inflation rate in 2023, likewise when it is converted at the parallel market rate. However, such savings can be seen to produce relatively high returns in the year of major devaluation of the naira.

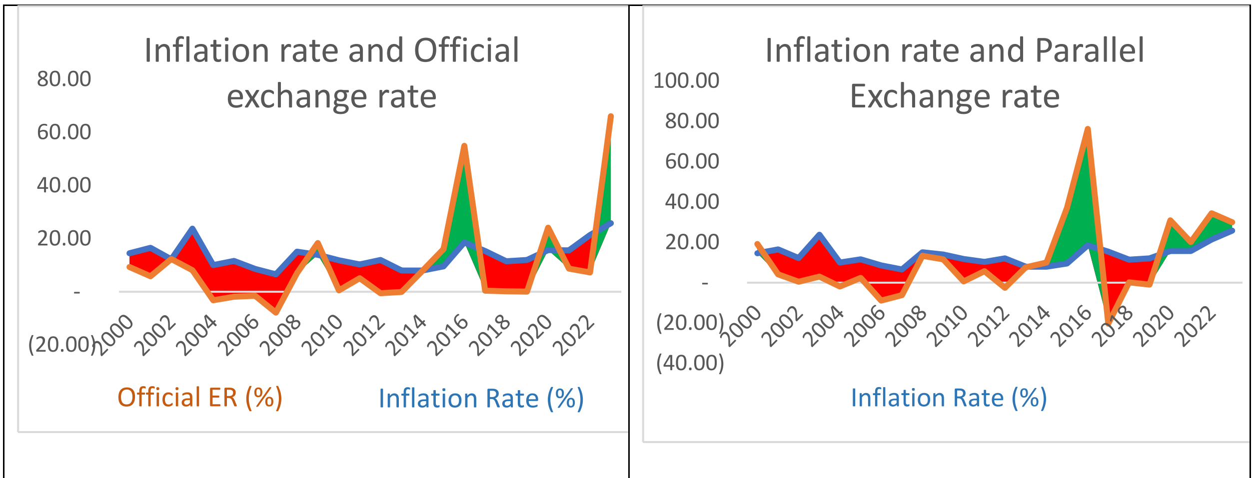


Figure 9: Nigerian Inflation and Returns on Dollar Savings

Sources: Author's drawn; underlying data from NBS, CBN and Webpages

Figure 10 also shows that many Collective Investment Schemes (CIS) have gradually diversified away from equities to money market instruments, and later to bonds and other fixed-income instruments. However, following the pandemic and foreign exchange challenges in the country, many of them now invest in dollar-denominated assets. This indicates that investment in dollar-denominated funds is also another way for investors to defend themselves against high inflation and exchange rate risks.

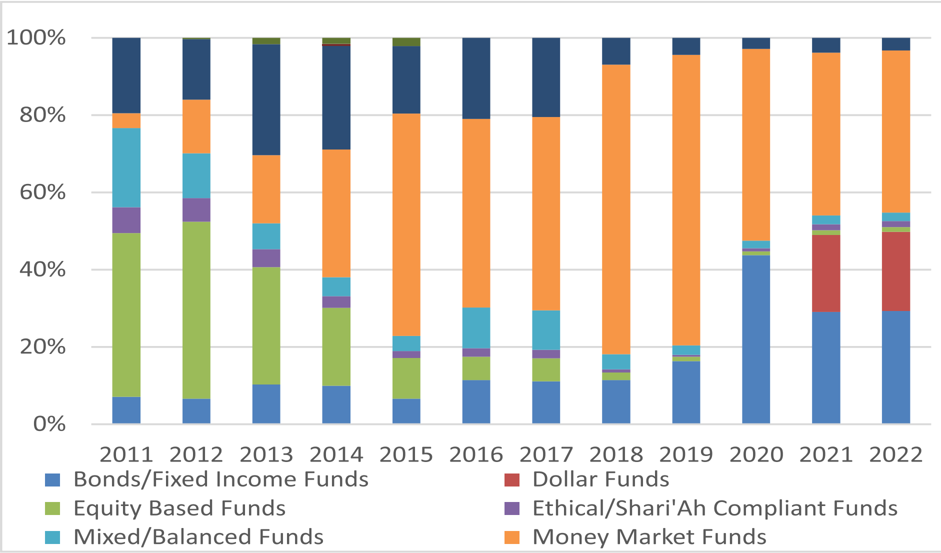


Figure 10: Structure of Collective Investment Schemes (CIS)
Sources: Author's drawn; underlying data from SEC

7.0 Defensive Strategies during Inflationary Periods

There are various defensive strategies that economic agents can employ during high inflation periods. For instance, individuals may choose to diversify their source of income to supplement and counteract the effects of inflation. Consumers may also alter their spending patterns by prioritizing essential items, actively comparing prices, hunting for discounts, and switching to cheaper alternatives to mitigate the impact of rising prices. Workers may negotiate for higher wages or seek better-paying job opportunities to keep up with the rising cost of living.

In addition, individuals tend to invest their money in assets such as stocks, real estate, or precious metals during high inflation periods, while investors may reassess their portfolios and allocate funds to assets that tend to perform well during inflation, as shown in the previous sections.

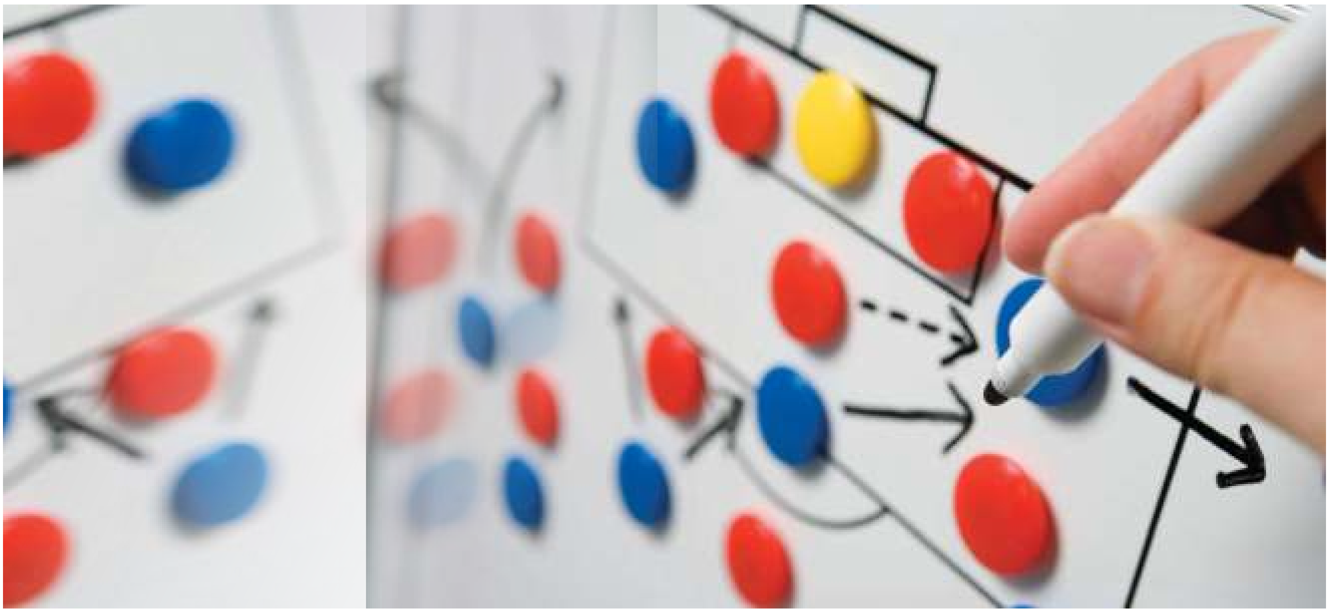
8.0 Summary and Recommendations

It has been shown that inflation affects economic agents in terms of their income, saving, and investment. In order to minimize such impact, and possibly gain from high inflation, it is important to:

- ensure that not all income is consumed and be mindful of the inflation on items that one allocates the bulk of one's income
- work to get more income so as to have savings and then seek investments that can, at least, compensate for inflation
- think long-term, and diversify one's investment to preserve and grow the savings
- consider one's horizon and risk tolerance as these will determine the nature of saving and investment and their suitability
- note that equities work with low to moderate inflation, and can also work for high inflation, especially over the long term
- recall that not all equities are the same. Some companies and sectors can transfer a higher proportion of their increased costs to their customers and, hence, can provide a good hedge during high inflation periods.
- note that investment in commodities can be beneficial, especially in the short term, but can also be relatively volatile
- consider the relationship between exchange rate and inflation, and therefore, seek to make some foreign-currency-denominated investments in the period of high inflation
- engage experts in determining appropriate saving and investment strategies to adopt during high inflation periods and under other circumstances.

Re-strategizing Banks' Internal Control Mechanisms: Panacea For Combating Electronic Frauds In The Financial Sector

Onyendi, Hilary Uchenna, ACIB
Olaosegba, Ndidi



1.0 Introduction

The emergence of internet and the consequent e-payment platforms as ways of transactions in the financial system has triggered the reported cases of fraud and fraudulent practices in the financial system in Nigeria and globally. The increased rate in e-fraud has raised a source of worry. The Nigeria Deposit Insurance Corporation (2019) identifies the types of such e-fraud to include identity theft, phishing, online security breaches, account owners' manipulation by the fraud stars; and added that this has constituted a major source of worry to service providers, the regulators, the regulated and the users of electronic payment platforms, in doing business. The Reports of Frauds and Forgeries in Nigerian banks (Quarter2, 2023), reports mobile frauds cases in Nigerian banks in the first half of 2023 was 24,232.

E-banking being an aspect of e-business is the utilization of internet and internet services and connectivity platforms to perform banking transactions, effectively, seamlessly and accurately and on real time. The importance of e-business and e-banking are so enormous. Salawu and Salawu, (2007) assert that e-business has made business operations easy in real time and saves cost.

However, this e-banking also has inherent problems. These problems majorly bother on internet frauds and fraudulent practices by cyber criminals with reported cases of huge losses by the banks, unsuspected individuals and the society at large. NDIC (2018) stated that there has been an increase in e-fraud by 33 percent between 2016 and 2018, while total losses from this activity have increased by over 84 percent within the reviewed period.

This therefore calls for concern on the appropriate designs for curbing and combating this crime. Although e-fraud prevention demands concerted and collaborative efforts of banks, individuals, customers, government and society, banks remain the pivot and fulcrum for initiating such collaboration. This is when there is a strategized internal system in the banks. Early detection of fraudulent activities enables creditors lessen losses, guard reputation and ensure compliance with ever- evolving regulatory apparatus. This becomes paramount when there is an effective and efficient internal control system in banks. This will enable early detection and identification of potential frauds and appropriate measures to prevent future ones.

The efficacy of updated internal control therefore remains a sine qua non to e-fraud identification, detection, prevention and combating the cankerworm prevalent in the financial sector in Nigeria.

2.0 Conceptual analysis

Electronic fraud

Fraud is a wrongful or criminal deceit with intention of financial or personal gain. It involves illegal or unethical gain at the expense of unsuspecting person or persons. Therefore electronic fraud includes any act performed in order to exploit or take advantage of others, via the internet by way of deception, with a view to dispossessing unsuspecting person or persons of their financial resources. Van Dijk, & Kunst, (2010) suggest that ways and means of perpetuating this criminal act vary. It includes but not limited to Phishing (sending fraudulent e-mails or pop-up web pages to unsuspecting persons claiming to be sent from legitimate banks and institutions, stimulating people to provide their sensitive banking and personal details and information to the senders). Another way is by pharming where web address of the service provider is hijacked and re-directs web usage to the fraudulent web site without the consent of the unsuspected victim. Others include skimming, SIM swap fraud, account take-over, smishing/vishing among others. In most cases, bank frauds can be classified into identity theft, clearing, advance fee fraud, money transfer fraud, counterfeit securities, cheque -kitting, theft and embezzlement, robberies, defalcation and letter of fraud.

Internal control mechanisms (System)

It involves accounting, auditing and other procedures employed by the banks to instill integrity of financial reporting and regulatory compliance. It enables banks to abide by the ethos, rules, laws, regulations, and prevent fraud. Five major areas of internal control mechanisms (system) include control activities, risk assessment, information systems, monitoring of controls, and strong control environment. It entails everything that controls risks in an organization. Its objective includes the financial reporting reliability; timely feedback on the level of operational or strategic goal attainment; and compliance with extant regulations.

Banking sector performance

The role of banks as the purveyors of the economy cannot be overemphasized. Their intermediating function of mobilizing funds from the surplus economic units (deposit creation) and siphoning such funds to those entities that need them for investment or consumption purposes (credit creation) makes the operations of banks indispensable to the economy at large for economic growth. That is why their performance can be measured in terms of how effectively they carry out these two statutory functions. It is appropriate to note that if huge losses are incurred by the banks, it is inimical to attaining such expected critical performance. One of the ways that inflict losses on banks is electronic fraud. Banks have recorded tremendous losses from such activities. This is a source of worry and therefore should be investigated. This study has the objective of doing this and proffer way forward.

3.0 Digital Fraud in banks

Recently the Nigeria Inter-Bank Settlement system (NIBSS) said that a loss of approximately N9.5 billion was incurred by banks in Nigeria within the third quarter of 2023. This no doubt has grave consequences on the performance and outlook of the financial sector.

The Financial Institution Training Centre (FITC) reports indicated that banks recorded 78,584 cases in Q3 2023. The e-payment channels including computer/ webs, mobile and Point of sales POS has provided juicy outlets for such perpetrators. From 2nd Quarter of 2022 to 2nd Quarter of 2023, more than 10,098 cases of fraud were reported. This involves N1.95 billion perpetrated on POS channels. Also within the period, 34,772 computer-issue cases to the tune of N18.97 billion were recorded. Furthermore, the number of mobile phone e-based cases recorded was 33,714 involving the amount of 6.48billion Naira.

The unprecedented adoption of digital mode of transactions has equally risen. Electronic transactions rose by 44.84 percent to N126.73 trillion from N87.49 trillion in the corresponding period in 2022. Factors that have triggered digital frauds in Nigeria's financial landscape in recent times include online gaming, the Central Bank of Nigeria (CBN) cashless policy resulting to myriads of electronic transactions and frauds within the banking sector.

Fraud-stars (cyber criminals) employ platforms such as betting platforms, wallet accounts, point of sales (POS) as the most attractive avenues for perpetrating these crimes. In the 2023 Q1, mobile fraud, computer/web fraud and POS related frauds were most frequent types of fraud (FITC 2023). The amount lost was an increment of 1125.03 percent from N472 million in Q1 2023 to N5.79 billion in Q2 2023.

This is further illustrated in the Figure 1 below.

Period	Nu Off Recorded Fraud	% increase (decrease)	Total Loss N	Types of fraud
2021	123,918	-	12.7 billion	
2022	101668	(82.04)	14.3 billion	
2023 Q1	12,553	1125.03	472 million	Mobile fraud, computer web fraud, POS
2023 Q2	11679	276.98	5.790 billion	,,
2023 Q3	78584			

Source: NIBSS (2023)

The Table shows that an increase of 276.98 percent of total amount involved in fraud cases during Q2 2023 when compared to the Q1 2023. The figure was N2.58 billion to N9.75 billion.

Causes of Bank Fraud

It was Cressey (1953) that propounded the Fraud Triangle Theory. It asserts that there are three factors that culminate to committing any type of fraud by the perpetrators. They include pressure, opportunities and rationalization. Pressure can be financial or non-financial. Financial pressure is induced by the way the society values and respects wealth by whichever way it is acquired: ill gotten or genuinely acquired. One needs good cars, houses, fat bank account balances and others. Non financial factors may be to assume political relevance by individuals; while for the bank staff it may be by way of need to report better performance of the branch office of the bank to the headquarters; meeting prescribed targets and others. In terms of opportunities, the conviction to commit fraud is concluded when the perpetrator has the firm belief that he will never be caught and even if caught, he can use part of proceeds of crime to arm-twist justice and get away from it. Opportunities are also created when there is a weak internal control mechanism in the banks; lack of periodic job rotation; giving key and sensitive official functions to temporary and contract employees; knowledge of sensitive information of customers' details by some bank staff; weak cyber security infrastructure; and others. By way of rationalization, perpetrators commit e-crime if they perceive that such act is acceptable. For instance the slogan "if you cannot beat them, you join them"; "we are not paid well" "I must maintain my job by meeting prescribed targets" and other myriads of rationalized thoughts.

Furthermore Wolfe and Hermanson (2004) mentioned some features that empower perpetrators to indulge in the act. They include; the perpetrators are most times given critical position and function in the organizations; the capacity to take advantage of weaknesses and loopholes in the organizations' internal control system to perpetrate fraud; the confidence in fraud activities with the mindset that they will not be caught or rather even when caught, will surely go unpunished; the ability to cover up frauds for a time and evade prosecution.

4.0 Banks' internal control mechanism

It involves guidelines and regulations compliance; it involves periodic audits, consistent business practice restructuring. With complex, rigorous and complicated internal control system the involvement of employees in fraud perpetration in banks will be dictated on time and future acts will be curbed. This will defy the ever sophisticated platforms employed by the perpetrators in carrying out their fraudulent activities. Internal control mechanism remains a veritable panacea to detect, identify, prevent and control the electronic fraud in banks and the financial sector.

5.0 Challenges and Policy action

The e-fraud perpetrators use sophisticated platforms, schemes and soft-wares to beat the detection apparatus of the victims. They also stop at nothing in developing new subtle devices to exploit vulnerabilities. To this end, banks should periodically take stock of subsisting security networks and improve on them on regular basis. Employee training is vital to awareness of most recent security breaches and monitor current trends in electronic frauds. Therefore banks should be ahead of them and be on top of the situation at all times. Huge data sources from transaction records, customer profiles, external database ought to be critically analyzed and verified to find out the patterns, anomalies, inconsistencies and behaviors that are inimical to banking prescribed standards. It may be surprising that such identified irregularities may detect any potential fraud. It is interesting to note that when potential fraud is ascertained, urgent steps must be taken to investigate and prevent further fraud. E-fraud in banks is perpetrated by outsiders and insiders (bank employees) and this poses a serious challenge and calls for urgent steps to beef up the internal control systems in the banks. Also collaboration of some bank employees with outsiders to commit e-fraud can be curbed when there is a reliable internal control system in the banks.

6.0 Conclusion and recommendation

The study explored how to mitigate impact of digital/electronic/ internet fraud on banks' performance via re-strategizing the internal control mechanism of banks in Nigeria. It is noted that the growth in e-payment systems has with it inherent prevalence of digital crimes and frauds. It was found that frauds in banks are inimical to their performance as it takes huge toll on their profits and portray a dangerous signal on future of the financial sector in Nigeria. The fraudsters and perpetrators of e-fraud adopt sophisticated computerized mechanisms to unleash mayhem on the unsuspecting victims and banks. Banks should be ahead of fraudsters via adoption of innovative solutions that can adapt immediately to dynamic trends. This is where the banks' internal control mechanism (system) needs to be beefed up.

In view of the foregoing, the following recommendations are proffered:

- Banks should intensify efforts in the strict authenticating and identifying of the POS agents.
- Owners and operators of such accounts as betting accounts, crypto currencies, sports-betting should be stringently verified, monitored and scrutinized and any suspicion on the flow of funds reported to the appropriate authority.
- Strategies and platforms that detect real time fraud that prevent illicit activities should be put in place and periodic updates of such mechanism is necessary
- Banks should imbibe more sophisticated cyber- security techniques and machine learning algorithms to boost threat detection and prevention.
- The financial sector should be abreast of cunning balancing act that will enhance robust security maintenance and at the same time provide easy customer service delivery.
- Regular staff training is key, system upgrades so that systems are fortified to counter evolving trends.
- Collaboration and holistic approach to combating frauds is vital. It is observed that combating e- fraud is collaborative responsibility- banks, businesses, customers and the society at large. Pivotal roles of banks in this regard entail information sharing about emerging threats and preventive strategies with other financial institutions and regulatory bodies.
- Periodic interface with the customers, educating and keeping them with updated information to arm them with effective weapons against fraud.
- Employees of banks culpable in the act of e-fraud should be decisively dealt with. This is to be done with caution as they may still have sensitive data from the banks database that may enable perpetration of fraud.

It is pertinent to note that all these recommendations are efficacious when there is effective internal control system in banks. In summary, there is compelling need for immediate re-strategizing of banks' internal control system as a panacea for combating e- fraud in the entire financial system in Nigeria.

Harnessing Nigeria's Economic Potentials for Growth and Development: Strategic Imperatives

Prof. Joseph Nnanna

1.0 Introduction

The concept of growth and development occupies a central place in the discourse of nations seeking to improve the quality of life for their citizens and strengthen their global position. The true measure of a nation's government lies in its ability to achieve a high standard of development, as this is a fundamental element in a country's quest for self-sufficiency. Development is a multifaceted concept that encompasses various dimensions beyond mere economic indicators (Adah and Abasilim, 2015). While some may define development solely through an economic lens, it is increasingly recognized as a multidimensional pursuit.

In the context of Nigeria, a nation blessed with abundant natural and human resources, the pursuit of both economic growth and development has been a complex and evolving challenge. Despite its vast potential, Nigeria's growth trajectory has often been marred by economic vulnerabilities, policy inconsistencies, and structural limitations (USAid.org, 2023). The Nigerian economy has grappled with the volatility of global oil prices, leading to economic instability, given its heavy reliance on oil exports.

This paper aims to provide an in-depth exploration of the current state of the Nigerian economy. It then discusses three strategic imperatives: economic diversification, human capital development, and infrastructure development. Each imperative is presented as a critical component in Nigeria's quest for sustainable inclusive growth and development. Lastly, the paper acknowledges the challenges and constraints facing Nigeria on its path to progress, emphasizing the importance of addressing policy implementation, resource allocation, corruption, and leadership as fundamental areas that require reform.

2.0 Concept of Growth and Development

There exist various viewpoints regarding the essence

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of the concept of development. Some view it through an economic lens, while others perceive it as a multidimensional concept, signifying that development extends beyond the realm of economics (Adah and Abasilim, 2015). Meier (1988) posits that, development can be defined as the endeavour to maximize Gross National Product (GNP) by accumulating capital and advancing industrialization. Alternatively, it can be seen as a nation's ability to elevate its stagnant economy to a point where it can consistently generate and maintain annual GNP growth. Moreover, development extends beyond the mere acquisition of industries; it also encompasses aspects such as modernization, enhanced productivity, achieving social and economic equity, adopting modern technical expertise, improving institutions, fostering positive attitudes, and implementing a well-coordinated policy framework (Meier, 1988). Furthermore, development pertains to the enhancement of people's living standards, and certain development indicators encompass factors such as an improved quality of life, increased income, enhanced education, elevated standards of health and nutrition, reduced poverty within society, a cleaner environment, greater equality of opportunities, expanded individual freedoms, and a more vibrant cultural life among the residents of a specific state (Ademolekun, 2005).

Economic growth on the other hand refers to the rise in the inflation adjusted market worth of the goods and services generated by an economy as time progresses. Typically, it is quantified as the percentage increase in real gross domestic product (real GDP), often on a per capita basis. It signifies an expansion in an economy's capability to manufacture goods and services when comparing one period to another (Onyekwere, 2016). Both growth and development serve as crucial benchmarks within a nation, enabling governments to formulate fresh initiatives and policies aimed at bolstering their economies.

3.0 Overview of the Nigerian Economy

The productive base of the Nigerian economy remains weak, narrow, and externally oriented with primary production activities of agriculture and mining and quarrying including crude oil and gas. Nigeria's growth is relatively weak, and its susceptibility to shocks is increasing due to the macroeconomic policy framework's flaws and other economic factors. After the pandemic-caused recession in 2020, the Nigerian economy improved, but this did not reflect on the economy as macroeconomic stability declined. In conflict with historical records, high oil prices in 2021 did not boost the performance of the Nigerian economy. Rather, macroeconomic stability further weakened, amidst declining oil production, a costly petrol subsidy which consumed a large share of gross oil revenues, exchange rate distortions, monetization of the fiscal deficit, and high inflation (World Bank, 2023).

Since the beginning of 2022, inflation has been on the rise, reaching a current value of 25.8% year-over-year, forcing a total of up to 71 million Nigerians into poverty (WDL, 2023). With Nigeria's population growth continuing to outpace poverty reduction, the number of Nigerians living below the national poverty line is estimated to rise by 13 million between 2019 and 2025. These factors highlight the need for improvements in the current macroeconomic management to enhance overall growth and development in the country.

The Nigerian government has made efforts towards promoting growth by the recent removal of fuel subsidy implemented in June 2023. This was due to the rise in the amount of national budget allocated towards the subsidy, with an amount of 4 trillion amounting to 23% of the national budget of 17 trillion in 2022 (Ozili & Obiora, 2023). The effects of this policy have been mixed as the long-term benefits are highlighted, but the short-term negative consequences are heavy on the citizens. While petrol price deregulation has contributed to higher costs of living and inflation, the impact can be moderated if complemented with effective policies and well-thought-out implementation strategies (PwC, 2023).

The government has also implemented its National Financial Inclusion Strategy (NFIS) which is set to target financial challenges, to enhance financial equality and eradicate poverty. The constant high levels of inequality in terms of income and opportunities contribute to poverty in the country. Unemployment, social and regional disparities, and political discontent also contribute to a lack of economic growth and poverty. In 2022, it was recorded that the country had achieved 64% of the strategy's goals, towards its target of 95% by 2024 (Vanguard, 2022).

While Nigeria has made some progress in recent years, its human capital development, according to the World Bank, ranked only 150 of 157 countries (Gbolahan, 2023). Nigeria continues to face massive development challenges which must be addressed for the country to realize its full potentials and improve economic growth and overall development.

4.0 Strategic Imperatives for Economic Growth and Development in Nigeria

4.1 Economic Diversification

Nigeria faces various structural challenges that hinder its economic potential, such as insufficient infrastructure, trade barriers (both tariff and non-tariff), investment impediments, doubts about currency valuation, and restricted foreign exchange capabilities (USAid.org, 2023). The importance of leveraging the untapped potential of non-oil sectors in developing economies to promote sustainable growth cannot be overemphasized. Nigeria, as a developing nation, possesses significant natural resources, including extensive arable land for agriculture and substantial crude oil and gas reserves, upon which its economy heavily relies (Ajudua et. al, 2021). Nevertheless, Nigeria has a significant poverty rate and was designated as the global epicentre of poverty in 2019 (Iheonu & Urama, 2019). This, amongst other reasons, can be attributed to Nigeria's reliance on a growth strategy centred on its crude oil exports. However, the volatility of global crude oil prices has contributed to an unstable growth in the Nigerian economy (Ajudua et. al, 2021).

Nigeria has missed numerous opportunities to escape the cycle of underdevelopment, despite its abundant natural and human resources, primarily because of its heavy dependency on crude oil resources (Muttaka, 2015). The persistent challenge associated with fluctuating global oil prices has prompted a consistent need for economic policies and initiatives aimed at mitigating the impact of oil price volatility on the nation's economic expansion. This involves fostering robust non-oil sectors that can generate the necessary economic income.

There is optimism that the solid minerals sector has the potential to emerge as a significant contributor to diversifying the economy, moving away from its reliance on oil and gas (PwC, 2023). The sector is expected to act as a catalyst for Nigerian economic growth and facilitate inclusive development in the forthcoming decades. Consequently, Nigeria must expedite its efforts to diversify its economy away from crude oil, and there are several avenues available for Nigeria to achieve this goal.

4.2 Human Capital Development

The significance of education and human capital in driving the economic growth of a nation has been consistently emphasized in numerous studies over the years. It is widely acknowledged that without sufficient human and natural resources, meaningful economic growth cannot be achieved (Olusegun & Abimbola, 2015). In the current era characterized by a knowledge-based economy, the growth of education and human capital holds paramount importance for both advanced economies and emerging economies undergoing profound transformations and rapid development (Ajetomobi, 2005).

Both health and education constitute essential components of human capital and contribute significantly to human well-being. An indicator of human welfare, encompassing income, education, and health, reveals that Africa's level of human development lags behind other regions globally (Simon & Francis, 2000). Despite the pivotal role of educational institutions and human capital development in general, Nigeria allocates only a modest portion of its financial resources to health and education, frequently falling short of the standards set by the United Nations and the World Health Organization (WHO) for both sectors (Awogbemi, 2023). In particular, education expenditure falls significantly below the United Nations' recommended threshold of 26 percent of the national budget (CBN, 2015).

Many countries that have experienced rapid economic growth attribute their success to substantial advancements in human capital, as exemplified by India, China, Thailand, and Spain (Bergheim, 2005). Conversely, nations with slower economic growth tend to show limited progress in human capital development. This underscores the urgent need for accelerated human capital development, especially in developing countries, to address global socio-economic and ecological challenges that have the potential to jeopardize our individual and collective well-being and the prospects of future generations (Ajibade, 2013).

It is essential to recognize that building the necessary human capital for sustainable development across all nations requires both a new life ideology and innovative approaches to education (Ajibade, 2013). It is widely acknowledged that disparities in socio-economic development among nations can be attributed not merely to natural resources and endowments or the accumulation of physical capital, but rather to the quality and quantity of human resources (Yelwa et al., 2015). Presently, Nigeria aspires to be counted among the world's top twenty developed nations. To realize this ambition, a fundamental prerequisite is to ensure the availability of skilled manpower across various domains encompassing social, political, institutional, technological, and economic spheres that drive the processes of growth, development, and industrialization.

4.3) Infrastructure Development

In recent years, the connection between infrastructure development and economic growth has emerged as a pivotal topic in both academic discourse and policy considerations (Nedozi et al., 2014). According to a report by the African Development Bank (AfDB) titled "An Infrastructure Action Plan for Nigeria: Closing the Infrastructure Gap and Accelerating Economic Transformation," Nigeria is projected to require approximately $3 trillion in infrastructure investments over the next three decades (and around $165 billion in the medium term) to establish a world-class infrastructure network capable of sustaining economic growth and development. Investing in infrastructure is poised to stimulate economic expansion, generate employment opportunities, and deliver essential services to the nation and its citizens. The World Economic Forum estimates that each dollar allocated to capital projects encompassing utilities, energy, transportation, waste management, flood defence, and telecommunications can yield an economic return ranging from 5% to 25% (Balogun, 2016). Consequently, it is crucial to recognize that any governmental actions that hinder infrastructure growth and development have far-reaching economic implications, both at the micro and macro levels (Nedozi et al., 2014).

Infrastructure contribution to economic development, especially in terms of industrialization, is monumental as it creates an enabling environment for productive activities, fosters investment, facilitates the movement of goods and people, enhances information dissemination, and aids in diversifying and commercializing the economy on a broad scale (World Bank, 1994). Infrastructural investments are a pivotal catalyst for achieving rapid and sustained economic growth. In societies lacking adequate infrastructure, the primary sector experiences significant setbacks, hindering the foundation for the expansion of local manufacturing industries (Human Development Report of India, 2011).

In contemporary times, the realization of economic growth and development hinges upon the promotion of industrialization, which, in turn, relies heavily on the availability of functional infrastructure. To foster tangible economic growth and development in Nigeria, the government must actively support industrialization by ensuring the provision of essential infrastructure components such as uninterrupted electricity, a robust road network, access to water and irrigation, and a reliable communication network (Meire, 1976).

Investment in critical infrastructure is imperative for achieving growth and development in Nigeria, a priority underscored by the government through increased budgetary allocations for capital expenditure in recent years. Additionally, the government has embarked on adopting the Public Private Partnership (PPP) model for public infrastructure development. This aligns with international best practices that emphasize robust collaborations between the public and private sectors, utilizing PPP frameworks to leverage private-sector capital, efficiency, and expertise for infrastructure development (Banwo and Ighodalo, 2017).

5.0 Challenges and Constraints

The challenges to growth and development in Nigeria are manifold, including the imposition of policies on citizens, a shortage of adequate human and capital resources for policy implementation, corruption, and a lack of credible leadership (Makinde, 2005). Many of the nation's development issues stem from the ineffective execution of policies. Policymakers often fail to bridge the gap between policy goals and actual achievements, often presenting overly complex policies which are difficult to implement given their limited time in office. Consequently, many national development plans are abandoned at the end of their respective tenures, with subsequent governments failing to carry forward these incomplete plans. This is a key explanation for the numerous abandoned projects found across the country.

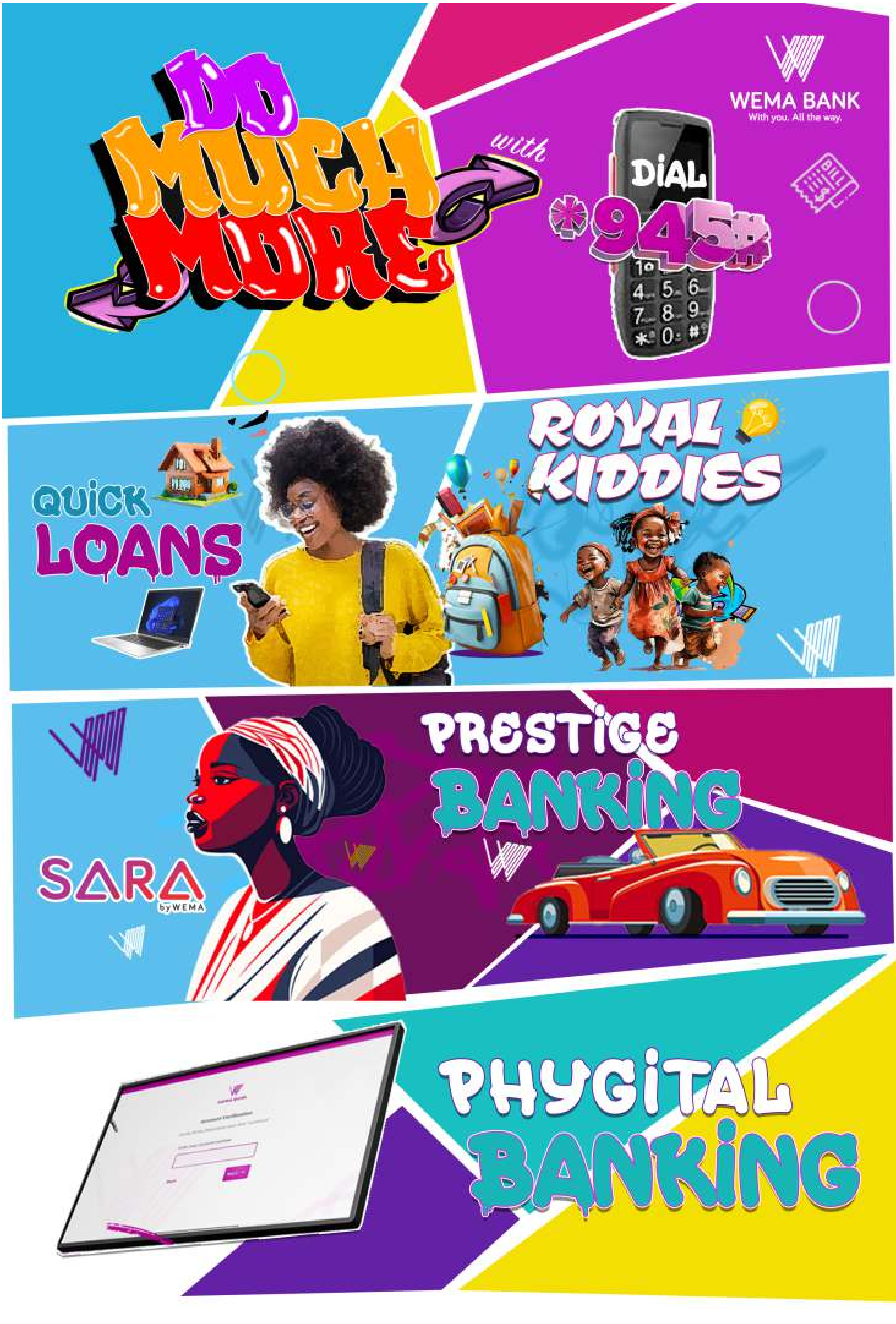
Furthermore, development in Nigeria has been impeded by mismanagement of public funds, along with a lack of transparency and accountability, among other factors (Adah and Abasilim, 2015).

6.0 Conclusion

To recapitulate, I have analysed the multidimensional concept of growth and development, emphasizing that it encompasses far more than mere economic indicators. Nigeria's overreliance on oil exports has rendered its growth trajectory susceptible to endogenous and exogenous shocks in global oil prices, leading to economic instability.

However, amidst these challenges lies a path forward, through strategic imperatives that can unlock Nigeria's vast economic potential. Economic diversification emerges as a crucial avenue, leveraging the untapped potential of non-oil sectors to promote inclusive sustainable growth. Also, human capital development takes centre stage, acknowledging that education and health are at the core of economic growth. And lastly, infrastructure development stands as another cornerstone, underscoring the importance of building a modern and efficient infrastructure network.

These strategic imperatives are not standalone solutions and would need to be complemented with addressing policy implementation, resource allocation, corruption, and leadership. In doing so, Nigeria can move beyond the constraints of its past, harness the strength of its resources, and emerge as a beacon of inclusive growth and development on the African continent.



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Small And Medium Enterprises Development Agency Of Nigeria (SMEDAN)

Dr. Olawale Fasanya

1.0 INTRODUCTION

It is with a high sense of joy and delight that I am here in your midst today at the 16th Annual Banking & Finance Conference with the theme "Nigeria's Economic Growth and Empowerment: The Role of the Financial Services Industry". I want to specifically express my gratitude to the management and staff of the Chartered Institute of Bankers of Nigeria for putting together this important and timely conference. I understand that the conference is aiming, among others, to provide a veritable platform for subject matter experts and industry stakeholders to drive conversations and unanimously design a clear road map towards repositioning the financial services industry for growth and stability. I am particularly elated that I was invited to present a paper on the sub-theme "Unlocking Economic Growth and Development Through MSMEs Financing". This is apt and appropriate because SMEDAN is the Government Agency saddled with the responsibility of facilitating, coordinating and promoting the development of the Nano, Micro, Small and Medium Enterprises (NMSMEs) sub-sector in Nigeria in an efficient and sustainable manner.

The overall objective is reducing poverty through wealth and job creation to facilitate socio-economic transformation. The Nano, Micro, Small and Medium Enterprises (NMSMEs) have been known, all over the world, to be engines of economic growth and development and contributors to job creation, wealth creation, poverty alleviation and food security. They are the platform for the diversification of the economy in Nigeria from the oil sector to the nonoil sector. The recent data provided by the National NMSMEs collaborative Survey 2020 conducted by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in partnership with the National

Paper presented at the 16th Annual Banking & Finance Conference held on September 6, 2023.

Bureau of Statistics (NBS) put the number of Nano, Micro, Small and Medium Enterprises (NMSMEs) in Nigeria at 39,654,385 with total employment put at 59,647,954 (representing 76.5% of the labour force in Nigeria). The survey also revealed that the NMSMEs contributed 46.31% and 6.21% to GDP and exports respectively. It is important, therefore, that deliberate efforts must be put in place by all stakeholders to grow these numbers if we must achieve our national vision of rapid economic growth and development through job creation, wealth creation and poverty alleviation towards curbing youth restiveness, banditry, kidnapping, armed robbery, prostitution, etc in our society. Economic growth includes changes in material production and during a relative short period of time, usually one year. In economic theory, the concept of economic growth implies an annual increase of material production expressed in value, the rate of growth of GDP or national income. So economic development involves not only an increase in material production, but also all the other socioeconomic processes and changes caused by the influence of economic factors and beyond economic factors.

Economic development is therefore expressed in a longer period of time. Economic development of an economy consists of a series of structural changes. The economic development of the country will be achieved through greater participation of the processing capacity of industrial production (secondary sector), and at higher levels is increasingly dominated by service sector (tertiary sector). For the economic development of any country is also of great importance and changes in production structure and introduction of new products, new techniques and technologies, new processes of production, raw materials and new energy sources. Changes in the distribution of factors of production, i.e. in their new location, and not only labor, but of the entire technical potential. As for the operating assets, reallocation of technical potential is done through the engagement of cash accumulation, in order to build new generating capacity. Economic development means greater and more effective involvement of the economy of a country in the international economy. The development includes the ever-growing share of accumulation in the national income. Thus, economic development represents a very complex process and phenomenon. Economic growth, measured by the percentage increase in national income per capita, cannot really be realistic indication of the achieved level of economic development (Peru, 1986). Economic development is not just an increase in GDP and national income, but all the long-term socio-economic changes in the economy of a country. Economic growth means an increase in real national income / national output. Economic development means an improvement in the quality of life and living standards, e.g. measures of literacy, lifeexpectancy and health care.

Entrepreneurs and Entrepreneurship: We have so many definitions of the term 'entrepreneurship'. For example, Putari (2006) noted that many scholars from history, had not been in agreement in their exact definitions of entrepreneurship and traced the definitions of entrepreneurship by various scholars (Brockhaus & Horwitz, 1986, Sexton & Smilor, Wortman, 1987; Gartner, 1988). Cantillon (circa 1730) views entrepreneurship as: “selfemployment of any sort”. Joseph Schumpeter, in 1934, associated entrepreneurship with the idea of innovation and related it to a business context, while emphasizing the combination of critical resources. Entrepreneurship, as viewed by Penrose (1963), is the activity that involves identifying and harnessing opportunities within the economic system. Also, Leibenstein (1968, 1979) describes entrepreneurship as representing "activities necessary to create or carry on an enterprise where not all markets are well established or clearly defined and/or in which relevant parts of the production function are not completely known”.

On his own part, Gartner (1988) looks at entrepreneurship as the establishment of new organizations.

The term "entrepreneurship" is often used synonymously with the "entrepreneur". Though they are two sides of the same coin, conceptually they are different. The entrepreneur is essentially a business leader and the functions performed by him are entrepreneurship. Entrepreneurship is the purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain or organize a profit-oriented business unit for the production or distribution of economic goods and services. From the classical economists to the modern theoreticians, the topic of the entrepreneur has been analysed and several observations and pronouncements have been put forward. Both pure economists and social theorists are included in the economists who have advanced their opinion on the entrepreneur and his activity. At present, there is no consensus, as to what constitutes the essential activity which makes the entrepreneur a crucial figure in the economic game.

Some scholars are of the view that limited natural resources, food shortages, over population, energy shortages and lack of technology are the factors that are being cited for today's problems. But it is opined that the critical factor whose shortage is bothering the present-day nations is the dire shortage of the appropriate economic innovator and implementer. From the social and macro-economic perspective, it is held that the economic development of any nation is a direct function of the number of high-quality innovators and entrepreneurs it supplies. This, in turn, is dependent upon the desire for new and better products that the society demands and accepts. A vicious circle is thereby created resulting in all-round economic development and improved standard of life.

With liberalization and global competition being the governing societal paradigm and with the acknowledgement that wealth creation is indeed of paramount importance, the concept of entrepreneurship is receiving closer attention than hitherto from business management scholars and social scientists. It is important to note that NMSMEs are the vehicles entrepreneurs use, through the process of entrepreneurship, to contribute to economic growth and development. NMSMEs and Classification: The Nano, Micro, Small and Medium Enterprises (NMSMEs) are a very heterogeneous group. NMSMEs are found in a wide array of business activities, ranging from the single artisan producing agricultural implements for the village market, the woman roasting corn/plantain by the road side, the internet café in a small town to a small and sophisticated engineering or software firm selling in overseas markets and a medium- sized water production plant producing both sachet and bottled water: a carpenter producing desks and chairs for the local school. The owners may or may not be poor, the firms operate in very different markets (urban, rural, local, national, regional and international); embody different levels of skills, capital, sophistication and growth orientation, and may be in the formal or informal economy.

Majority of NMSMEs in Nigeria are family owned, have a low capital base, are located in urban and semi urban areas and are largely informal. They are structured across various economic sectors/Activities: Agriculture, Wholesale/Retail Trade, Transportation, Services, Manufacturing, Arts, Entertainment and Recreation, Information and Communication Technology, Mining &Quarrying, Education, etc. Statistical definition of NMSMEs varies by country and is usually based on the number of employees, and value of sales and/or value of assets. Due to its ease of collection, the most commonly used variable is the number of employees. In Nigeria, NMSMEs are defined based on the number of employees and turnover.

The reviewed 2021-2025 National Policy on NMSMEs (Nano, Micro, Small and Medium Enterprises) developed by the Agency for the growth of the NMSMEs sub-sector in Nigeria classifies NMSMEs into four categories:

i. Nano Enterprises - with employment of 1-2; turnover of less than N3.0M;
ii. Micro Enterprises – with employment of 3-9; turnover of N3.0M and less than N25.0M;
iii. Small Enterprises – with employment of 10-49; turnover of N25M and less than N100.0M;
iv. Medium Enterprises – with employment of 50 – 199; turnover of N100.0M and less than N1.0B. Relevance of NMSMEs in Economic Growth and Development: There is a growing recognition of the important role Nano, Micro, Small and Medium Enterprises (NMSMEs) play in economic growth and development.

They play a pivotal role through several pathways that go beyond job creation. They are growth supporting sectors that not only contribute significantly to improve living standard, but also bring substantial local capital formation and are responsible for driving innovation and competition in developing economies. Governments at all levels have undertaken initiatives to promote the growth and development of NMSMEs. The general perspective is that NMSMEs are seen as accelerating the attainment of broad socio-economic objectives, including poverty reduction, employment generation, wealth creation among others. According to the United Nations Industrial Development Organization (UNIDO) NMSMES have a significant role to play in economic development.

They form the backbone of the private sector; they make up over 90 per cent of enterprises in the world and account for 50 to 60 per cent of employment. NMSMEs needs to be empowered with all resources, including finance, in order to be placed in a very strong position to contribute effectively to economic growth and development.

Relevance of NMSMEs

➢ Substantial contribution to GDP,
➢ Employment Generation,
➢ Promotion of Exports,
➢ Increasing Local Value Addition,
➢ Technological Advancement,
➢ Creation of Potential Entrepreneurs,
➢ Mobilization of local Resources,
➢ Creation of the platform for industrialization,
➢ Creation of New Enterprises,
➢ Mitigation of Rural-Urban Migration,
➢ Wealth Creation, Income Generation and Poverty Alleviation,
➢ Provision of Intermediate products for use by large Enterprises.

2.0 Enhancing NMSMEs Productivity

The general consensus regarding the important role that Nano, Micro, Small and Medium Enterprises (NMSMEs) play in economic growth and development has led to an increased focus on their activities by both researchers and practitioners (Cusmano, Koreen & Pissareva, 10 2018; Hoffman, Parejo, Bessant & Perren, 1998; Manez, RochinaBarrachina, Sanchis & Sanchis, 2013). Although research indicates that NMSMEs tend to be more vulnerable to economic downturns than large firms (Cusmano et al., 2018), they provide around 60% of total manufacturing employment on average, and are therefore viewed as an important driver of economic growth (Manez et al., 2013; OECD, 2017).

Moreover, most economies in the OECD are largely composed of NMSMEs, with micro enterprises forming about 70 to 95% of all enterprises (Hoffman et al., 1998; OECD, 2017). The pivotal role of NMSMEs is evident through the positive impact that their growth has on employment creation, productivity and competitiveness (Cusmano et al., 2018). Research also suggests that NMSMEs have the potential to ensure more inclusive growth, and enable economies to adapt to the major trends in the new industrial revolution (Cusmano et al., 2018). Facilitating NMSMEs productivity has therefore been a key concern for managers and policymakers, with particular attention being made to understand the innovation processes of NMSMEs (Hemert, Nijkamp & Masurel, 2013; Hoffman et al., 1998; Manez et al., 2013). This knowledge is especially relevant as many economies face low productivity growth, widening wage/income gaps, and changing trends in demographics and nature of work (Cusmano et al., 2018).

However, the 2017 OECD report on entrepreneurship indicates that large firms, especially those in the capital-intensive manufacturing sector, have consistently higher levels of productivity than NMSMEs (OECD, 2017). In addition, despite the new opportunities to participate in the global economy that digital technologies and global value chains provide NMSMEs, they still lag behind in terms of the digital transition, and are more adversely impacted by inefficient institutions and structural barriers (Cusmano et al., 2018). A better understanding of how different factors – innovation, R&D, technology, entrepreneurial competencies, leadership, skilled workforce, networks, institutions etc. – interact to impact NMSMEs productivity and growth is therefore crucial.

3.0 Challenges Facing NMSMEs in Nigeria

As in many developing countries, NMSMEs in Nigeria have not achieved their full potential as a result of some critical inhibiting factors. These factors can be classified into internal and external. The exogenous issues are those imposed by external circumstances and institutional deficiencies while the endogenous (internal) issues are typically human related and are mostly brought about by lack of depth, knowledge and expertise of participants in the sub-sector.

Internal Issues

i. Low operating capabilities/capacities and huge skills gaps in terms of management, technology, knowledge and attitudes (most small business promoters don't know what they need to know but which they don't know).
ii. Predominance of “necessity” entrepreneurs over “opportunity” entrepreneurs.
iii. Financial illiteracy and/or mismanagement. iv. Strong family ties and disregard for business formalities.
v. Non recruitment of qualified personnel. vi. Lack of perseverance and staying power, especially when the business is going through tough times.
vii. Poor record keeping, especially of account books. viii. Poor attention to product standardization.
ix. Low adoption of ICT, e-commerce and/or e-payment options. x. Lack of exit/succession plan.

External Issues

i. Weak infrastructure, especially in terms of power, transportation and workspace.
ii. Weak and uncoordinated Business Development Services (BDS) provisioning.
iii. Poor access to vital resources, especially finance. iv. Weak institutional framework for generating and disseminating pertinent, structured current and accurate business information.
v. Fiscal disincentives, manifesting largely in multiple taxation. vi. Weak access to inputs

and product markets, etc.

vii. Unfair competition with dumped products substitutes. If the NMSMEs sub-sector is able to surmount the issues constraining its growth and development, it will be better positioned to contribute significantly to economic growth and development.

4.0 Prospects and Opportunities of NMSMEs

in Nigeria despite the challenges confronting the NMSMEs, there are vast potentials for the NMSMEs sub-sector in Nigeria based on the following growth inducing parameters:

a. Government deliberate action in creating an enabling business environment through the Presidential Enabling Business Environment Council (PEBEC),
b. Utilization of local raw materials (e.g. OLOP),
c. Intervention fund by government,
d. Large population (vast internal market),
e. Enhanced competitiveness,
f. Stable democratic environment,
g. Resilience of NMSME Operators,
h. Youth population,
I. Increased entrepreneurship education.

5.0 Finance as a Key Challenge

Financing is an important tool for any firm's growth and required throughout the firm's lifecycle. The accessibility of finance has been highlighted as a central point in the improvement, development and accomplishment of NMSMEs (Ou and Haynes, 2006). However, NMSMEs usually face obstacles to raise the funding. They consistently report higher financing hindrances than large enterprises (Beck, Demirgüç-Kunt, Laeven and Maksimovic, 2006). Bank credit/lending is the most widely recognized source of money for some NMSMEs and business visionaries, which are intensely dependent on conventional debt to satisfy their start-up, income and investment needs. Obtaining finance is a long journey, the achievement of which relies upon the methodology used during assessment and granting of credit by investor (Clarke et al., 2001).

Although access to finance is a key challenge facing NMSMEs, it must be realized that this alone cannot place an average NMSME on a good pedestal to operate profitably and sustainably. The average NMSMEs must have relevant skills to manage the finance and put it to use effectively to drive the enterprise. In addition, if the NMSME has access to finance and skills and does not have access to local, regional or global markets, it may not guarantee operational success. Therefore, all the challenges must be deliberately sorted out by all relevant stakeholders to ensure NMSMEs operational efficiency.

7.0 Funding Gap for NMSMEs in Nigeria

The overwhelming gap indicates the extent of neglect of small businesses in Africa, a continent that is yearning for economic development and inclusive growth. NMSMEs in Africa, in both volume and scale, are controlled and shaped by Nigeria. The country holds 86 per cent of other African country's 43 million formal micro enterprises and almost all the formalised NMSMEs. In Nigeria, the estimated $158.13 billion funding gap is nearly half of the rest of the continent's funding gap. Particularly, in the micro category, Nigeria's figures of partially and fully financially constrained firms are almost taken as full representations of the situation in the entire continent. This shows that Nigeria bears almost the full burden of the sector's nonperformance. The country's NMSMEs financing gap is huge. The estimated $158.13 billion gap represents 99.94 per cent of the funding gap as against the worldwide 56.6 per cent funding gap and Africa's average gap of 82.6 per cent. The foregoing challenge seriously undermines the huge potential of the sub-sector. The

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) estimates the number of NMSMEs in Nigeria at approximately 39.6 million while the number of jobless Nigerians was pegged at 23 million as at 31st December, 2020. The number of unemployed might have gone higher since 2020. But even if the figure has doubled, empowering the current NMSMEs such that they engage an additional employee each could cancel out the number of unemployed in Nigeria.

Sources of Finance for NMSMEs

The two most fundamental sources of financing are debt and equity (Broom et al., 1983; Longenecker et al. 1994). Debts are described as funds borrowed to be paid in future specified time period with interest amount (Hisrich and Peters 1995; Anderson and Dunkelberg, 1993). Whereas in equity, investment is made in order to get share/ownership part in firm and whose profits are essentially in view of the benefits. NMSMEs can be funded internally and externally; internally generated funds include investment profits, sales of assets, extended payment terms, reduction in working capital and accounts receivable. Whereas, external sources are firm owners, companions and relatives, banks and financial institutes, suppliers and merchants, government and non-government offices (Hisrich and Peters, 1995). Debt and Equity are divided into different financing practices. Financing techniques utilized by NMSMEs vary from initial internal sources, for example, owner–manager's personal savings and retained earnings, to informal external sources, comprising monetary help from family and companions, trade credit, venture capital and angel investors, and thus to formal outer sources represented by financial intermediaries, for example, banks, by financial intermediaries and securities markets (Abdul Saleh and Worthington, 2013).

a. **NMSME Owners, Friends and Family**

When NMSME owner faces lack of capital, the first and foremost option is to invest by himself from available sources and to seek help from his family and friends. This kind of financing is considered as source of trust capital. In Nigeria, 73% of NMSMEs raised their financing through their own funds from personal savings; whereas, only about 2% opted financial institutions for financing (Terungwa, 2011).

b. **Angel Investor/Business Angel**

Angel investor or business angels are those people who have high net worth, willing to invest in new businesses (usually NMSMEs) without having any personal family relationships, in order to have some stocks in that business (Mason and Harrison, 2008; Sohl, 2012). Business angels play a vital role in NMSME financing by providing the small amount of loans to the firm in early stages of its growth.

c. **Trade Credit**

Trade credit is an alternative way of financing business needs. It emerges when a company purchases good and services on deferred payment (Huyghebaert, 2006). It's a short-term credit and payment becomes due in thirty to sixty days; if payment is not made within the stipulated time period, interest charges are imposed.

d. **Factoring and invoice discounting**

Factoring is a kind of financial service and debt finance in which a business sells its account receivables (i.e. invoices) to a third party (known as factor) at discount; the factor is responsible for collecting the receivables from the debtor's customers on behalf of invoices collected from the business

(Vasilescu, 2010). Whereas, in invoice discounting lender gives the money to a business by keeping the account receivable/sales ledger as collateral for loan, but does not take the authority to collect the receivables like in factoring approach.

e. Leasing

Leasing is an asset-based financing, which allow NMSMEs to get the short- and medium-term financing. Leasing can be referred as source of financing for procurement of capital equipment, in which two parties agree to sign a contract where one party (lessor) provides an asset to another party (lessee) for using that asset for limited/fixed period of time against the specified regular payments.

f. Venture Capitalist

Venture capitalists are financial intermediaries and source of nonbanking financing. Venture capitalist is an investor who invests by providing capital and support to NMSMEs and entrepreneurs for the expansion of their businesses. According to Potter & Porto (2007), venture capital is a kind of financing in which funds are generated from investors and redeployed by investing in high-risk instructively obscure firms which generally are start-up businesses.

g. Equity Financing

Equity financing is a source of financing through which companies raise the capital by selling the stocks to investors, and obtain the ownership rights in the company. In some cases, this transaction is done through the capital market. According to Ou& Haynes, (2006, p. 156) "equity capital is that capital invested in the firm without a specific repayment date, where the supplier of the equity capital is effectively investing in the business"

h. Debt Financing

It is a method of financing in which a company receives the loan, don't give up the ownership or profits and bound to pay back the principal and interest at specified future dates. This kind of financing usually comes with strict conditions and secured by collateral as a guarantee that loan will be repaid. Banks, to a large extent provide this type of funding.

I. Crowdfunding

Crowdfunding is an external source to raise financing through large number of individuals, by providing a small amount of financing requested. The idea of "crowdfunding" is identified with the one of "crowdsourcing", which alludes to the outsourcing to the "group" of particular tasks;

Why Do NMSMEs Need Finance?

In most cases, NMSMEs use finance for any or a combination of the following: investment in fixed assets, for working capital, employing new workers and training, for new products and services, for debt rollover, etc. It is important to note that without finance, it may not be possible to effectively start an enterprise and scale it as appropriate.

Are NMSMEs ready to Access Finance?

In most of the cases, NMSMEs are not able to access finance for several reasons. Some of the reasons may include inability to provide a bankable business plan, a credit history and/a banking history, lack of collateral, not big enough to access the capital market, lack of skills, verifiable character, etc. It is important for NMSMEs to put themselves in a strong position to access available finance by deliberately addressing the challenges as the banks and other finance suppliers may not be in the position to address their financing needs with those challenges. On the other hand, it is also important to realize the fact that a majority of the NMSMEs are nano and micro enterprises that may not be in the position to address some of those challenges e.g., the collateral requirement.

8.0 Do Finance Providers Understand NMSMEs financing Needs?

It is often alleged that Banks and other providers of finance do not understand the peculiarities of the NMSMEs. Banks often use the same template used to evaluate credit requests from large enterprises to evaluate the requests from NMSMEs. Banks are often said to ask for impossible collaterals, regard NMSMEs as risky ventures, charge high interest rates, etc. However, one may not blame the Banks for being too difficult as they are dealing with depositors' funds and are accountable to their shareholders. In all, it will be advantageous to the NMSMEs and the economy as a whole for the Banks and other finance providers to create a good balance between safety of funds, liquidity, profitability and overall economic growth and development when making finance available for NMSMEs. They should also consider building the capacity of NMSMEs and the provision of business development service (BDS) through certified Business Development Service Providers (BDSPs) before providing the finance to ensure safety and near zero default rate.

Important Sectors that need urgent Financial Intervention In the 2020 National Survey on MSMEs, a total of 38,413,420 business enterprises were recorded nationwide in the informal sector with Nano accounting for the highest number (32,862,245) of businesses representing 85.55 percent while 5,551,175 businesses (14.45percent) are micro enterprises. The enterprises were covered under sixteen (16) sectors. The highest number of enterprises was recorded in four major sectors. Agricultural Sector ranked first with (38.4percent) followed by Wholesale/Retail Trade (33.3percent), Other Services Activities (9.8percent) and Manufacturing (4.2percent). These four sectors are the major contributors to GDP, exports and employment. The implication of the foregoing is that the critical sectors that need urgent financing intervention, if the NMSMEs must drive economic growth and development in Nigeria, are the agricultural, wholesale/retail trade, other services and manufacturing sectors. The banks and other financiers must redirect their efforts at supporting these major sectors if we must achieve our national growth objectives.

9.0 Conclusion

In conclusion, the NMSMEs sub-sector provides the platform for opening Nigeria to global competitiveness and prosperity required to elevate the nation to an economically advanced nation. It is only the NMSMEs in Nigeria that can guarantee this. In order for the NMSMEs to be in a strong position to contribute effectively to economic growth and development in Nigeria, they need all the support from all stakeholders including the financial services industry in order to operate optimally and sustainably.

Finally, SMEDAN, in partnership with other stakeholders, will continue to support the development of NMSMEs in Nigeria for sustainable economic growth and development.

Unlocking the Business Value of Open Banking in the Nigeria Financial Services Sector

Ogbuti, Godfrey Emeka

1.0 Introduction:

Open banking is a financial practice and regulatory framework that allows third-party financial service providers, with the consent of the customer, to access and use the financial information and data held by traditional banks and other financial institutions. It facilitates the secure sharing of customer financial data, typically through application programming interfaces (APIs). Open banking is designed to promote competition, innovation, and transparency in the financial ecosystem.

The first regulatory framework for Open Banking in Nigeria was issued by the CBN in February 2021. The regulatory framework stipulates amongst others, Data and Application Programming Interface (API) access requirements, principles for API, technical design and information security specifications. The framework established principles for data sharing across the banking and payments ecosystems which will promote innovation, broaden the range of financial products and services and deepen financial inclusion.

1.1 Among the objectives of the framework are:

(i) To provide an enabling regulatory environment for provision of innovative and customer-centric financial services through the safe utilization and exchange data and services;

(ii) Define risk based data access levels and service categorizations towards effective management of risk in the operation of open API

(iii) Outline baseline requirements and standards for the exchange of data and services among participants in the financial services sector

(iv) Provide risk management guidance for operators in the financial services space for leveraging data and APIs in the provision of financial services, and

(v) Promote competition in banking and other financial services sector and enhance access to financial services.

In March, 2023 the CBN issued Operational Guidelines for Open Banking in Nigeria to foster the sharing of customer-permissioned data between banks and third-party firms to enable the building of customer-focused products and services.

1.2 Some of the highlights from the guidelines are:

1. The Open Banking Registry: Which will serve as a repository of all approved Open banking activities and APIs available in Nigeria, providing regulatory oversight, and ensuring that registered participants in the Open Banking ecosystem are listed and adhere to the regulations.
2. Eligible Parties: The guideline covered institutions qualified to participate in open banking and the different tiers under which they can exist.

The institutions include:

(i) API Providers

(ii) API Consumers (i.e. other financial institutions that require access to data provisioned by API providers)

(iii) Customers (i.e. bank/financial account holders)

3. Consent Management: The guideline is also concerned with consumer privacy, and user's permission in the Open banking ecosystem, without it, the banks, providers, and consumers of APIs cannot share or receive data.

Unlocking the business value of open banking in the Nigerian financial services sector brings about significant advantages for various stakeholders, including consumers, businesses, and the financial services sector as a whole.

The impact of open banking on the financial services sector is significant and multifaceted with the following:

i). Improved Customer Experience:

- Open banking tries to foster the development of personalized financial services, tailoring products and advice to the specific needs and behaviors of customers.
- Customers benefit from streamlined account access, faster services and more convenient transactions, with varying choices on how they manage their finances and financial transactions

ii). Financial Inclusion:

- Open banking has the potential to extend financial services to previously underserved populations, including those without traditional bank accounts and traditional banking experience.
- It open doors of opportunity relevant to regions with large unbanked or underbanked communities.

iii). Innovation:

- With access to customer financial data, fintech companies create innovative solutions such as digital wallets, budgeting apps, investment platforms, and payment services.
- Traditional banks are also incentivized to innovate to remain competitive to meet the changing demands of customers and time.

iv). Increased Competition:

- Open banking encourages competition of existing and new entrants, including fintech companies, to develop innovative financial products and services that compete with traditional banks. Increased competition leads to a more competitive pricing, better service delivery, and a wider range of financial products available to consumers.

v). Empowerment:

- Customers have greater control over their financial data and who can access it. They also have explicit consent to share their information, enhancing data privacy and security.

vi). SME Growth & Entrepreneurial Development:

- Small and Medium Enterprises (SMEs) can access financing more easily, manage their cash flow, and benefit from tailored financial solutions.

vii). Data-Driven Decision Making:

- Banks and financial institutions can leverage the data shared through open banking to make more informed service delivery, lending and investment decisions.
- Access to comprehensive financial data can provide valuable market insights and customer behavior analysis.

viii). Revenue Generation:

- Financial institutions can monetize open banking through fee-based services, premium offerings, and collaboration with third-party providers.

vi). Cybersecurity and Data Privacy:

- Open banking mandates robust cybersecurity measures and data protection protocols to ensure the security and privacy of customer data.

X). Regulatory Compliance:

- Open banking helps financial institutions comply with regulatory requirements, ensuring that customer data is handled securely and that data privacy and consumer rights are upheld. The Revised Payment Services Directive (PSD2) have set standards for open banking practices.

2.0 WHAT ARE THE KEY BUSINESS VALUE FOR OPEN BANKING TO NIGERIA FINANCIAL SERVICES SECTOR?

With the well-defined framework and commitment to growth and development of the Nigeria financial services, the business value of open banking in Nigeria requires a strong collaborative effort involving regulators, traditional financial institutions, fintech companies, and consumers.

Here are key strategies for business value of open banking in Nigeria financial system:

1. *Regulatory Support and Framework:*

- Developing and enforcing clear regulatory guidelines and standards for open banking practices in Nigeria to ensure data security, customer protection, and fair competition. This will provide a stable and secure business environment for open banking to thrive.

2. *Trust Building and Consumer Education:*

- Conducting public awareness campaigns and educational programs to inform consumers about the benefits and risks of open banking. Building high level of trust is also crucial to encourage consumers to embrace open banking practices.

3. *Robust and Secure Infrastructure:*

- Investment in technology and cybersecurity infrastructure to ensure the secure sharing of financial data through APIs. This includes implementing strong encryption and authentication mechanisms to protect customer data.

4. *Collaboration and Partnerships:*

- Encourage collaboration between traditional financial institutions, fintech companies, and other third-party providers. Partnerships between the traditional institutions can lead to innovative solutions and a wider range of financial services.

5. *Data Privacy and Protection:*

- Ensures strict compliance with data protection and privacy regulations. And implement strong data governance practices to safeguard customer data and maintain their trust.

6. *Support for Fintech Startups:*

- Creates an environment that supports the growth of fintech startups in Nigeria. Which includes offering incentives, mentoring programs, and access to resources for the innovative companies.

7. *Small Business Support:*

- Tailor made open banking services to support small and medium-sized enterprises (SMEs) by providing access to financing, cash flow management tools, and cost-effective financial solutions.

8. *Ecosystem Development:*

- Encourages the development of an open banking ecosystem that fosters innovation, entrepreneurship, and competition in the financial sector. Which includes fostering a vibrant marketplace for financial services.

9. *Cross-Industry Collaboration:*

- Explore opportunities for cross-industry collaboration, such as partnerships between the financial sector and other industries like e-commerce, telecommunications, and healthcare. This can lead to a more collaborative and comprehensive financial services.

10. *Government and Regulatory Engagement:*

- Engagement with government agencies and regulators to provide input on policies and regulations that support the growth and responsible use of open banking in Nigeria.

11. *Monitoring and Evaluation:*

- Continuous monitoring the impact of open banking on the Nigerian financial sector, will regularly evaluate its benefits and challenges and make necessary adjustments to regulations and practices.

3.0 HOW SUPPORTIVE IS OPEN BANKING TO ENTERPRENEURSHIP DEVELOPMENT IN NIGERIA?

With the regulation to Open Banking in Nigeria, nascent financial technology start-ups with both powerful and niche product offerings have started springing up. Open banking can be highly supportive of entrepreneurship development by providing a range of benefits and opportunities to both new and established entrepreneurs. It fosters innovation, increases financial inclusion, and provides a supportive ecosystem for entrepreneurial growth. However, entrepreneurs should be mindful of data security and privacy concerns and ensure that they use open banking services in line with the Operational Guidelines as provided by the CBN.

Open banking can support entrepreneurship development in the following ways:

1. **Access to Financial Services:**

- Open banking allows entrepreneurs to access a wide range of financial services and products that may not have been readily available through traditional banking channels. This includes digital payment systems, lending platforms, and investment opportunities.

2. **Access to Initial Capital:**

- Entrepreneurs or start-ups often require capital to start or expand their businesses. Open banking can provide easier access to various financing options, including loans, crowdfunding, and peer-to-peer lending, which can be critical for business growth.

3. **Business Insights:**

- Open banking provides entrepreneurs with data to gain insights into their business finances. This data-driven approach can help entrepreneurs make informed decisions and manage their cash flow effectively.

4. **Efficiency and Convenience:**

- Open banking streamlines financial transactions, making it easier for entrepreneurs to manage their business finances effectively. This convenience can save time and resources, allowing entrepreneurs to focus on growing their businesses.

5. **Cost Savings:**

- By providing access to a variety of financial solutions, open banking can help entrepreneurs find cost-effective solutions for their business needs. This can lead to significant cost savings, particularly for startups with limited budgets.

6. **Collaborative Opportunities:**

- Entrepreneurs can collaborate with fintech companies and other third-party providers to enhance their business operations. For example, they can integrate payment systems, accounting tools, and e-commerce solutions into their business processes.

7. **Innovation and Market Entry:**

- Open banking fosters innovation in the financial sector, leading to the development of new products and services. Entrepreneurs can leverage these innovations to enter new markets and cater to changing consumer preferences.

8. **Personalized Financial Services:**

- Entrepreneurs can benefit from personalized financial services that are tailored to their specific business needs. Open banking enables financial institutions and fintech companies to offer services that align with an entrepreneur's unique financial situation and goals.

9. **Risk Management:**

- Data obtained through Open banking can be used to assess and manage financial risks more effectively. This is particularly valuable for entrepreneurs who may need to secure financing or manage their credit risk or risk appetite.

4.0 RISKS TO BUSINESS VALUE OF OPEN BANKING TO NIGERIA FINANCIAL SERVICES SECTOR

The implementation of open banking in the Nigerian financial services sector, like in any other country or region, comes with several risks and challenges that can impact the business value and effectiveness of this initiative. The risks need to be managed effectively to ensure the success and security of open banking in Nigeria.

These are some common risks associated with open banking in Nigeria:

1. **Data Privacy and Security:**

- Maintaining the privacy and security of customer data is a critical challenge. And ensuring that the data is protected and used in accordance with regulations is essential. The sharing of customer data and unauthorized access to sensitive financial information through open banking APIs can increase the risk of data breaches and cyberattacks.

2. **Fraud and Scams:**

- Cybercriminals can exploit open banking to conduct phishing attacks and social engineering schemes, tricking individuals into revealing their financial information. Open banking can be used also to impersonate customers and gain unauthorized access to their financial accounts, potentially leading to financial fraud.

3. **Compliance and Regulatory Risks:**

- Compliance with evolving regulatory requirements, including data protection and consumer rights, is a continuous challenge for businesses implementing open banking option. Businesses need to navigate through complex legal and liability issues related to data sharing and financial transactions.

4. **Consumer Trust:**

- Concerns about data security and privacy can erode consumer trust in open banking system. Ensuring that customers have high level of confidence in the system is crucial for its success.

5. **Technological Challenges:**

- Implementing robust cybersecurity measures and maintaining secure APIs is essential but can be technically challenging. And ensuring the accuracy and quality of the data shared through open banking is a key technological challenge.

6. **Competitive Risks:**

- The traditional banks may face increased competition from new entrants, including fintech startups, and saturate the market with numerous service providers which can lead to intense competition and potentially affect market share and profitability.

7. **Operational Risks:**

- Technical issues, outages, system failures, and errors or inconsistencies in the data shared can disrupt services, and negatively impact the user experience, and also lead to incorrect financial decisions or transactions.

5.0 Conclusion:

Open banking has the potential to be effective and transformative in the Nigerian financial services sector, just as it has been in various other regions. Its effectiveness depends on several factors, including regulatory support, industry adoption, technological infrastructure, and consumer trust.

It is seen as a driver of positive change in the financial sector, benefiting both consumers and businesses while promoting a more open and customer-centric financial ecosystem.

Mitigating the risks associated with open banking and to realize its full business value in Nigeria, stakeholders, including regulators, financial institutions, fintech companies, and consumers, need to collaborate. A continuous review of the regulatory framework, robust security measures, data protection practices, and ongoing risk management are essential components of a successful open banking ecosystem.

How Organizations can Integrate Environmental, Social, and Governance (ESG) Factors into their Risk Management Strategies

Chinedu Ozulumba, ACIB

1.0 INTRODUCTION

Environmental, social, and governance (ESG) factors are becoming increasingly important for organizations to consider when managing risks. This is because of the impact they can have on a company's risk profile and reputation, coupled with the fact that they are now being demanded by major stakeholders, such as investors and consumers. As a seasoned business analyst, I will discuss how businesses can integrate ESG factors into their risk management strategies to promote ethical business practices.

What is ESG?

ESG is an abbreviation that stands for environmental, social, and governance. It is a framework business entities use to assess and evaluate their performance and transparency based on ethics, sustainability, and corporate responsibility. Companies want to rate themselves based on how well they have incorporated ESG factors into their business practices, and this is done either internally by the board of directors or by external consultants and auditors.

2.0 Importance of ESG in Today's Business Environment

The importance of ESG in today's business environment is profound, mainly because consumers have begun to demand greater accountability from these organizations.

Hence, an organization that in the past was solely focused on profit-making now has to account for greater responsibility and measure up to the standard expected from its beneficiaries.

To do this, an ESG performance evaluation is conducted, and failure to come up with a decent record could see the organization face legal and reputational risks that could harm its financial results. Now that we have understood the importance of ESG in today's business environment, it is imperative that we also take a look at the risks and opportunities inherent in each factor.

3.0 Environmental Risks and Opportunities

There are many risks and opportunities that businesses have to be aware of regarding the environment. Here are some of them below:

- Climate Change Impact and Adaptation
  Extreme weather conditions often characterize climate change, such as hurricanes and floods, sometimes, this could affect business infrastructure and disrupt supply chains.

Another angle could be the need to shift towards a low-carbon economy. This means companies that cannot reduce their carbon footprints could face regulatory and legal sanctions that could be detrimental to them.

To use this as an opportunity, these businesses will have to become early adopters of sustainable practices and become promoters of a green economy, giving them a competitive edge over others.

- Resource Scarcity and Circular Economy
  Resource scarcity is an environmental risk, especially when we remember that resources are limited and, as such, could lead to intense competition and shortages among companies. Rather than undergo this, the circular economy presents itself as an opportunity for businesses to make that paradigm shift towards resources that can be refurbished, reused, and recycled.

- Pollution and Waste Management
  Pollution has for several years been a negative externality of many businesses and this has caused a great deal of harm to the environment. Waste management has posed a serious challenge and is constantly an increasing cost for most businesses.
  Businesses could alternatively devise a way to turn these wastes into valuable materials or sell them to other industries that require them.
  They can also make use of cleaner energy sources and technology that could reduce, to a great extent, environmental pollution.

4.0 Social Risks and Opportunities

The following are some of the social risks and opportunities to be considered by organizations:

- Employee Well-being and Labour Rights
  The well-being of employees is vital for any business not just from an ethical standpoint, but also from the perspective of productivity and growth.
  Businesses that value their employees, and understand clearly their labor rights, which include fair compensation, and zero discrimination, know that these are necessary if they want to witness exponential growth.
  This is why investing in training programs, promoting inclusivity and diversity, and maintaining a transparent communication channel are quite crucial.

- Health and Safety
  The health and safety of employees pose social risks for businesses when they are not adequately taken into consideration. These often will cause legal repercussions and lowered productivity that could affect the business.
  To avert this, organizations can take a proactive step by providing healthcare plans and wellness programs for their employees so that the risks and costs involved when they are neglected can be mitigated.

- Community Engagement and Societal Impact
  Businesses need to establish a cordial relationship with the local community members in the community where they

operate. For example, they could have sessions with the community leaders and even establish community-based projects.

These businesses also need to have a positive social impact as that way they could enjoy customer loyalty and an easier market expansion.

Failure to factor in these could lead to loss of reputation and brand and legal challenges for these businesses.

5.0 Governance Risks and Opportunities

The following are some of the governance risks and opportunities to be considered by organizations:

- Corporate Governance Structure

  Having a transparent corporate governance structure from the board of directors down to the external auditors is very important for businesses that wish to avoid the risks involved in not having one.

  Some of these risks could include funds mismanagement, legal and regulatory penalties, and low shareholder trust.

  Once the structure is well in place, businesses could attract more investment from investors, greater reputation, continual growth, and solid shareholders' confidence.

- Executive Compensation and Incentives

  In every business, the top management needs to have decent compensations and incentives that are commensurate with the quality of performance put out by them.

  Providing overly generous packages or not providing at all could lead to certain risks, such as misalignment of interests, short-term focus, and a negative public perception.

  However, once the right compensations and incentives are rewarded, attraction and retention of top talents, aligned interests, and solid reputation will be enjoyed by the businesses.

- Data Privacy and Cyber Risks

  Technology drives every business today, especially as more are becoming heavily reliant on it for operations and transactions.

  For this reason, maintaining data privacy is key to having a competitive advantage and building solid trust with both shareholders and customers.

  Not doing this could pose serious cyber risks such as data theft, financial losses, and operational downtimes.

  Businesses that have incorporated the latest technologies to ensure top-notch data privacy have gone on to drive innovation and growth and build solid customer trust and reputation.

6.0 What Are the Steps to Integrate ESG Into Risk Management?

The steps to integrate ESG into risk management are crucial and, for this reason, I highlighted them below:

- Identification and Assessment

  Companies have to identify these ESG risks by first sourcing information from internal sources, such as operation reports, and external sources, such as industry reports and regulatory bodies.

  The stakeholders of the company can also have engaging discussions to identify possible risks and be up to date with global trends and emerging regulations.

  Once the information has been gathered, they can then assess it to determine the ESG factors that are of high significance and measure them based on their likelihood of impact.

- Integration and Implementation

  Integrating and implementing ESG strategies into business strategies is crucial for any business. The drivers of the business will have to understand the importance of ESG and how it can drive business growth and sustainability.

  In doing so, every action taken or decision made will have to be in line with the ESG principles that have been incorporated into the business.

- Monitoring and Reporting
  Organizations will have to ensure that they are committed and on track with the ESG strategies they have implemented.
  From time to time, KPIs, reviews, and feedback mechanisms can be used to assess and track progress and performance in line with the ESG goals.

- Continuous Improvement
  The reports and feedback can be used by businesses to refine their ESG strategies for continuous improvement.
  Certain tools and techniques, such as plan-do-check-act (PDCA cycle), root-cause analysis, and ESG audits can be used by organizations to ensure constant optimization of their ESG strategies.
  Doing this will lead to continuous learning within organizations with the potential to unlock new opportunities that would drive long-term value for all stakeholders involved.

7.0 What Are the Challenges in ESG Integration?

Despite the benefits of integrating ESG factors into business operations, there are some challenges that businesses may encounter. Here they are below:

- Data Availability and Reliability
  Some businesses may not have the needed data or may have unreliable data that is inadequate to come up with an effective ESG strategy and this could prevent them from incorporating these factors into their operations, even if they want to.

- Cost Implications
  Developing and implementing ESG strategies might require intensive investments in research, training, and technology and this could be expensive for businesses, particularly small-scale ones who do not have the funds to undergo it. Also, continuous monitoring and refinement of ESG strategies might entail recurring costs that may not be within the ability of many businesses.

- Organizational Resistance
  Businesses may want to incorporate ESG strategies, but those in managerial positions and sometimes even the employees who are used to the traditional methods of doing this may kick against it.
  If this happens, it may become quite difficult to make this a reality in the business.

- Regulatory and Compliance Changes
  Businesses that operate only within a given jurisdiction might not find it difficult to adapt to regulatory and compliance changes when it comes to integrating ESG factors.
  However, multinational organizations may find it extremely complex given that they operate across multiple jurisdictions and territories, and these territories have different regulations concerning ESG.

- Knowledge and Expertise Gaps
  Employees might require intensive training to understand ESG practices and what it means for the business.
  Some of these organizations might also need to rely on external consultants and experts for the training, and this will cause increased costs and dependency for the business.

8.0 Case Studies of Organizations That Successfully integrated ESG Factors Into Their Operations

The following are some organizations that are leading the way when it comes to the implementation of ESG factors in business operations:

- Access Bank Plc.
  Access Bank is the largest bank in Nigeria by total assets and has set the pace by embracing and implementing ESG strategies in its

operations. Some of the innovative ESG strategies the bank has adopted include the implementation of waste management and energy efficiency practices, automation of environmental and social risk management systems, and the development of financial products and services targeted at women.

- PwC
  PwC is a Big Four financial firm in Nigeria that has pledged to achieve net zero greenhouse gas emissions by 2030.
  The firm plans to do this by decarbonizing its supply chain, embedding ESG factors into its client engagements, and supporting efforts to develop ESG reporting frameworks and standards.
  PwC also recognizes the importance of having solid ESG initiatives for business resilience, which is why it has a dedicated ESG team that leverages broad industry knowledge and experience to address client's needs and deliver sustainable value.

- Microsoft
  Microsoft is a tech giant that has pledged to be carbon-negative by 2030. The company has set out to remove more carbon from the atmosphere than it emits and has developed a concrete plan to achieve this goal.
  A few of their plans include investing in renewable energy and utilizing new technologies to reduce carbon emissions.

- Tesla
  Tesla has set the pace in the Automotive industry by introducing electric cars that emit zero carbon instead of depending on energy-efficient electric sources.
  The company is also developing a network of charging stations to make it easier for people to drive electric vehicles, which is a good initiative that other competitors can emulate.

- Orsted
  Orsted is a Danish energy company that has transformed from using coal and fossil fuels to using renewable energy for its operations. The company has pledged to provide green energy solutions sufficient for 50 million people by 2025. Orsted is also focused on ensuring a just transition to green energy, considering job creation and supporting communities where they operate.

- Patagonia
  Patagonia is an outdoor clothing company that built its brand around sustainability and responsible business practices. The company has apparel like "Worn Wear" which promotes the reuse of its clothing.
  They also invest in sustainable materials, like organic cotton and recycled polyester, and are committed to becoming carbon neutral by 2025.

9.0 Final Thoughts

ESG in risk management is important not just because companies need to implement it for the sake of their reputation, but because it is a way of securing the company for the future.

As more businesses begin to understand the benefits of ESG and move away from a profit-driven motive to one that inculcates sustainability and societal impact, integrating ESG factors becomes the recipe for lasting success.

The organizations that embed ESG at the core of their risk management strategies will not only navigate the complexities of the modern business environment more adeptly but will also spearhead the transformation towards a more sustainable and equitable global economy.

Cybersecurity in the Nigerian Financial Services Industry: Emerging Trends, Challenges, and the Way Forward

Abdul-Hakeem Ajijola

INTRODUCTION

"Cybersecurity in the Nigerian Financial Services Industry: Emerging Trends, Challenges, and the Way Forward" is a topic of paramount importance to our nation's progress. As we delve into the intricacies of this subject, let us remind ourselves of the overarching conference theme, "Nigeria's Economic Growth and Empowerment: The Role of the Financial Services Industry." It is within the crucible of this theme that we must recognize the indispensable role cybersecurity plays, as the basis of trust, in safeguarding our industry's stability and ensuring the realization of our nation's economic aspirations.

In an era where technological advancements are reshaping the financial landscape, we find ourselves at a critical juncture. While technology opens doors to unprecedented opportunities, it also ushers in a new frontier of threats, particularly within the realm of cybersecurity. The financial services sector, a linchpin of Nigeria's economic growth, has become a prime target for cybercriminals seeking to exploit vulnerabilities and undermine our progress. According to Sutton's Law, named after authorities, asked notorious US bank thief Willie Sutton "Why do you rob banks?" his response was "Because that's where the money is." Contrarily, according to Visual Capitalist.

Why bad actors hack is based on additional motivations such as:

1. Ransom (41%),
2. Insider threat (27%),
3. Political reasons (26%),
4. Competition (26%),
5. Cyberwar (24%),
6. Angry user (20%), and
7. Motive unknown (11%)2.

“Fun, Ideology, or Grudge (FIG)” are dropping as core motivations with espionage on the rise. Furthermore, over 50% of hacks already come from organized criminal groups, and close to 20% originate from state-affiliated actors.

Given the above, I ask that you consider the following urgent "What to Do", “why's” and suggested “How's”:

1. What to Do:

a. Redefine Cybersecurity Culture: Instil a culture of cybersecurity across all levels of our institutions. Recognize that cybersecurity is not merely an IT concern, but a collective responsibility encompassing every employee.

Perspectives on Security culture differ as exemplified by a December 2019 Forester Consulting on behalf of KnowBe4 that asked global enterprise security or risk managers that influence their organisations security policies. The study generated 759 unique definitions of Security Culture out of 784 respondents. However, there is a consensus that there are Seven Dimensions of Security Culture that include Attitudes; Behaviours; Cognition; Communication; Compliance; Norms; Responsibilities. Security culture arguably encompasses “The ideas, customs, social behaviour of an [organization] that influence their security.”

b. Prioritize Workforce Education: Address the acute shortage of skilled cybersecurity professionals by investing in continuous training and development programs. Equip our teams with the tools to recognize, mitigate, and respond to threats. I am pleased to note that the National Board for Technical Education (NBTE) is currently developing a Higher National Diploma (HND) Cybersecurity for Nigeria Polytechnics which is a major step towards developing sustainable indigenous technical capacity.

c. Embrace Robust Technologies: Allocate resources to cutting-edge cybersecurity technologies, including AI-driven threat detection, encryption, and advanced authentication mechanisms. Leverage automation to identify anomalies and respond swiftly.

2. "The Why's":

a. Preserve Customer Trust: Cyber breaches erode customer trust and confidence. By securing our systems, we safeguard sensitive financial data and demonstrate our commitment to safeguarding customers' interests.

b. Mitigate Financial Loss: Cyber incidents have far-reaching financial implications, from direct financial losses to regulatory fines and reputational damage. By bolstering our defense, we shield ourselves from substantial economic impact.

c. Upkeep Regulatory Compliance: Stricter regulations are shaping the cybersecurity landscape. Compliance ensures we uphold industry standards and meet evolving regulatory expectations.

3. "The How's":

a. Collaborate for Threat Intelligence: Foster information sharing among financial institutions, government agencies, and cybersecurity experts. Collaborative intelligence can proactively identify and counter emerging threats.

b. Incident Response Planning: Develop comprehensive incident response plans to minimize downtime in the event of an attack. Conduct regular drills to ensure seamless execution.

c. Engage Regulatory Bodies: Advocate for dynamic regulatory frameworks that incentivise cybersecurity investments and deter complacency. Proactive engagement with regulators ensures a conducive environment for growth. A key area for improvement is the imperative for regulators to create safe reporting spaces and not be unduly fixated to on generating revenue thus over imposing fines given that in most cases regulators core goal is to develop a just, robust, and sustainable sector and not to simply to generate revenue, as the purpose of government is to provide service towards the wellbeing of the inhabitants. As Simon Sinek notes, "Money is like fuel. Cars need fuel, but the purpose of the car is not to buy more fuel.3" To paraphrase him, the purpose of a regulator is not to make money, it is to advance a greater purpose or cause of the industry it regulates.

Esteemed members of the Nigeria Chartered Institute of Bankers, distinguished guests, and fellow professionals , as we navigate the landscape of "Nigeria's Economic Growth and Empowerment: The Role of the Financial Services Industry," cybersecurity emerges as the linchpin of our success. Let us remember that our strides towards economic prosperity are contingent upon the resilience and fortitude of our cybersecurity measures.

By adopting a culture of cybersecurity, equipping our workforce, and harnessing cutting-edge technologies, we insulate ourselves from the rising tide of cyber threats. Let this moment be a clarion call for unity, action, and strategic vigilance. Together, we can ensure that our financial services industry stands as a beacon of trust, stability, and innovation in the journey toward Nigeria's sustainable economic empowerment.

Analysis of Exchange Rate Misalignment on Nigeria's Real Economic Growth.

Gabriel-Okwuchi Chibuzo J.

1.0 INTRODUCTION

Nigeria with her vast mineral resources, favorable climate and vegetation, has a very good potential to maintain a sustainable growth of her economy but yet her economic output has remained suboptimal. This problem has been attributed to many factors among which is the exchange rate misalignment. In recent times, the dynamics of Naira real exchange rate as well as the extent to which it has been deviating from its long run equilibrium path, has been putting much pressures on policy makers, economic agents and the public in general. This is based on the understood acceptance that exchange rate policies of any economy determine the economic performance of that economy and this depends on her ability to take full advantage of her international trade, among other factors. The policy makers are therefore expected to ensure that exchange rate policies enhance exchange rate movements to reflect the dictates of prevailing macroeconomic fundamentals in order to enhance productivity.

An effective exchange rate policy facilitates the achievement of both external and internal economic balance, which implies that the rate of exchange should be in state of equilibrium. Practically, it is difficult to achieve. However, the policy makers try to align the rate to the extent that economic crisis do not arise within the economy. More so, there are major macroeconomic uncertainties. It is therefore pertinent for policy makers to have adequate knowledge of real exchange rate dynamics and also an idea of realistic estimates of the equilibrium real exchange rate (i e. the rate that guarantees internal and external balance within the economy

1.1 Conceptual and Related Literature Review.

Exchange rate is the price of a country's currency in relation to another country's currency and it is a key macroeconomic factor that affects international trade and the real economy of each country. Given the advent of flexible exchange rate regime, exchange rate operates on net exports and inherently involves interest rate effects. It works through contraction in monetary policy in an inflationary environment, leading to a rise in domestic real interest rate. This is because more domestic currency deposit becomes more attractive relative to deposit denominated in foreign currencies, thereby leading to a rise in the value of domestic currency deposit This implies appreciation of domestic currency, which makes domestic goods become more expensive than foreign goods which results in a decline in net exports and hence a fall in aggregate output, all things being equal. In addition, exchange rate assist to link the value structure of two dissimilar nations by providing a global platform for trade, which directly influences the magnitude of import and exports, and a nation's Balance of Payment position. In recent decades, a few developing countries (Nigeria inclusive) utilized rigid trade controls to protect their domestic investment. Today, numerous financial policy makers have subscibed to liberal trade which in actual fact, hurts most developing economies, especially those with high rate of inflationary pressures and exchange rate depreciation. .

A currency misalignment means that its exchange rate deviates from its long run equilibrium path for a prolonged period. Furthermore, it is said to be " undervalued" when it depreciates (or devalued by the policy makers), more than its long run equilibrium, or "overvalued" when it appreciates more than its long run equilibrium . Devaluation includes a reduction in the value of domestic currency in terms of foreign currencies by the government under a fixed exchange rate system.

Depreciation refers to the decrease in the value of domestic currency in terms of foreign currencies by the government under a flexible exchange rate system, as driven by market forces. The increasing intensity of the pressure emanating from misalignment of exchange rate has caused a lot of concern to policy makers. This is underscored primarily by the continued integration of regional and world markets, the implementation of flexible exchange rate regime, and adoption of financial liberalization policies. The investors cannot make a long run decisions and other stakeholders are crying out. The level of Nigeria's market competitiveness has lessened, likewise the profitability of her domestic firms.

Exchange rate misalignment in the form of prolonged overvaluation has been identified to reflect unsustainable macroeconomic condition within an economy which makes the economy vulnerable to currency speculation and other crisis. Conversely, persistent real exchange rate undervaluation could also lead to economic overheating which results to pressures on domestic prices and misallocation of resources between tradable and non- tradable goods. In such cases the economy is adversely affected.

2.0 Exchange Rate Regimes in Nigeria

The Nigerian government has adopted various exchange rate regimes which ranges from a Fixed Exchange Rate regime prior to 1985 to different types of floating / market driven regimes, following the liberalization of foreign exchange market in 1986. Towards the end of 1985, the government allowed the exchange rate to be determined by market forces in accordance with the global trend and the Structural Adjustment Program (SAP,) of 1986.

However her exchange rate policy could be strictly referred to as a managed float ' since the implementation of SAP. The second Tier Foreign Exchange Market (SFEM) which is market-driven was introduced in September, 1986 to allocate foreign exchange, while the first and second tier markets were merged together into an enlarged foreign exchange market in July 1987. Autonomous Foreign Exchange Market (AFEM) was introduced in 1995 while Interbank Foreign Exchange Market (IFEM) was established in October 1999. The Retail Dutch Auction System was introduced in July 2002. The exchange rate depreciation started setting in from N92.7 per a dollar in 1999 to N121.0, N129.4, N133.5, N132.15 per US dollar in 2002, 2003, 2004 and 2005 respectively. The government responded to this phenomenon by introducing Wholesale Dutch Auction System (WDAS) in February, 2006 to further liberalize the exchange rate market, reduce the dependence of authorized dealers on CBN for foreign exchange and thus, convergence of exchange rate was achieved, which led to appreciation of Naira to N128.65 N125.83 and N118.57 per US dollar in 2006 , 2007 and 2008, respectively.. With the advent of global financial crisis in 2008, depreciation of Naira started again moving the exchange rate to N148. 91, N150.30 and N153. 0 per US dollar in 2009, 2010 and 2011 respectively.

This led to reintroduction of IFEM in November 2013 . These past, multiple exchange rates for the currency, the huge gap between the official and unofficial rates caused severe shortages of foreign exchange by discouraging supply. Most recently, the Central Bank of Nigeria announced changes to the way the country's foreign exchange market will work. Foreign currencies can now be bought and sold at rates determined by the market – not by the central bank.

However, an implicit belief that Nigeria's persistent exchange rate undervaluation has led to her economic overheating, resulting to putting pressure on domestic prices and mis-allocation of resources within the real domestic sector of the economy. This is believed to have brought untold hardship to the citizenry. The forex crisis in the economy is gradually reaching a crescendo with its ripple effects on various sectors of the economy. Dollarization which is one of the fallouts of the crisis, is capable of worsening the situation. If the Central Bank of Nigeria does not stand firmly against it. Banks are expected to beef up balance sheet (through such as voluntary recapitalization), as part of proactive measures to mitigate short to medium-term risks occasioned by foreign exchange. Whereas the Central Bank of Nigeria.(CBN) Act of 2007 stipulates that the naira is the only legal tender in Nigeria, there is an absurdity that's fast becoming the norm in the mold of dollarization of the economy. Dollarization here refers to the utilization of dollars by individuals and institutions alongside the naira in the economy to value transactions and for the purchase of goods and services. The unregulated use of the dollar in the Nigerian economy has increased the demand for it and has been the albatross of the naira.

Efficient exchange rate management is one of the overriding objectives of monetary policy, especially in most developing economies. This is based on the credence that efficient exchange rate management policy determines the ability of countries to take full advantage of international trade. In addition, no sustainable growth can be achieved in the midst of persistent volatility of a country's exchange rate. The policymakers' objective, in this regard, is to ensure that movements in the exchange rate, reflect the dictates of prevailing macroeconomic fundamentals. Exchange rate volatility which is the risk associated with unexpected and unpredictable movement in the exchange rate has been proved in literature as impediment to foreign capital inflow.

The write up examines below the following, factors that bear on exchange rate volatility, as in Nigeria. This is because an understanding of perspectives vis-à-vis these contributory factors will enlighten and aid appreciation of the policy makers approach on how to tackle the problem if proven to have a negative effect.

- Gross National Product- GNP
- Domestic real investment,
- Trade Openness
- Nominal exchange rate,
- Interest rate (Monetary Policy Rate)
- Inflationary Rate
- Exchange Rate Equilibrium / Efficient frontier

Gross National Product- GNP

Ever wondered about the financial strength of your country and how it is quantified? How do we account for the total value of goods and services produced by citizens at home and beyond? That's where the concept of Gross National Product (GNP) comes into play.

What is GNP exactly?

GNP is related to another important economic measure called gross domestic product (GDP), which takes into account all output produced within a country's borders regardless of who owns the means of production. GNP starts with GDP, adds residents' investment income from overseas investments, and subtracts foreign residents' investment income earned within a country. It is an insightful economic indicator that transcends national boundaries, tracking the productivity of a nations citizenry no matter where they are in the world. The global economy is increasingly interconnected. It is possible for a citizen in one country to produce goods and services in many countries simultaneously over the Internet or through modern supply chains.

Contemporary macroeconomics stresses the importance of spending in a national economy. Suppose a Nigerian automaker builds a car manufacturing plant in California. According to demand-side theory, the jobs created in California increase spending and create economic growth in the U.S., not Nigeria. It therefore goes to show the extent of harnessed potentials or otherwise. Increased ease of doing business will ensure domestic investment, thus having reasonable potentials as in the GNP translate to Gross Domestic Product with less volatility. The relationship between a country's real exchange rate and economic growth via trade is a crucial issue from both the descriptive and policy prescription perspective and international.

Competitiveness.

Notably, exchange rate volatility has been a determinant of trade in Nigeria; having a positive influence on export trade and at other times a negative influence. This suggests an erratic change in rates having a long-run effect on export and by extension economic growth.Economic growth is viewed as a sustained increase in per capita national output or net national product over a long period of time.

Domestic real investment

Real Domestic Investment refers to expenditure made to increase the total capital stock in the economy. This is done by acquiring further capital-producing assets and assets that can generate income within the domestic economy. Physical assets particularly add to the total capital stock. This submits that investment promotion policies directed towards domestic firms will be efficient to attract foreign investors as well. Lagged domestic investment has a strong influence on FDI inflows in the host-economy, implying that domestic investment is a strong catalyst for FDI and that Multinational Companies do follow economic development.

Noticeably, a fixed exchange rate regime is more conducive to Foreign Direct Investment-FDI relative to a flexible exchange rate, and this conclusion applies for both real and nominal shocks. If the dominant shocks are nominal (real) we will observe a negative (a positive) correlation between exchange rate volatility and the level of investment. The open-economy macroeconomic mechanism recognizes that exchange rate has an important role in the economy and affects many variables such as domestic prices (through its pass-through mechanism) and domestic production (through its influence on the balance of payment).

If opportunity cost of waiting is lower than the present value or the scrapping price by firms, producers will be inclined to wait rather than to invest. Exchange rate volatility possibly creating uncertainty, risk and higher cost for domestic firms which adversely affect their investment and profits.

Moreover, considering present world international monetary environment that is devoid of unanimously accepted rules of ethical monetary conduct; Nigeria is not immune to monetary shocks precipitated by policies adopted in the developed world. The adoption of a uniformed FX market offers the opportunity of putting up a collective and effective force against these disruptions. Such a policy will afford the opportunity of having a currency whose value can better enhance growth and employment creation.

Nonetheless, the main problem is the modalities for achieving this goal because of the vast disparity in the investment windows. Concerted efforts should be to implement sound and stable macroeconomic policies that will counteract their exposure to business uncertainty and risks. Countries as in Nigeria, must ensure that they create favorable productive business climate for domestic firms via various incentives such as easy access to domestic credit, low lending rate, tax relief, and foreign exchange market intervention scheme. These will aid boosting of domestic investment. This is as a largely import dependent and/ or closed country cannot effectively float its exchange it should be at best a managed float.

Trade Openness

Trade openness refers to the degree to which a country's economy is oriented towards international trade. It is usually measured by the ratio of the sum of exports and imports to gross domestic product (GDP). A high degree of trade openness is associated with economic growth and development, job creation, poverty reduction, and increased individual choice and freedom. Countries that are open to international trade tend to grow faster, innovate, improve productivity and provide higher income and more opportunities to their people. Open trade also benefits lower-income households by offering consumers more affordable goods and services. Trade provides new market opportunities for domestic firms, stronger productivity, and innovation through competition. It contributes to poverty reduction, stronger wages, geopolitical benefits derived from deeper economic integration, and even on the personal level, increased individual choice and freedom. No country has developed successfully in modern times without harnessing economic openness—to international trade, investment, and migration. Countries that are open to international trade tend to grow faster, innovate, improve productivity and provide higher income and more opportunities to their people. Open trade also benefits lower-income households by offering consumers more affordable goods and services.

Lessons have gone to show that; Sectors of the economy more open to international trade are more volatile. Second, trade is accompanied by increased specialization, and thirdly sectors that are more open are less correlated with the rest of the economy. It furthermore, estimates that each of the above effects has an appreciable impact on aggregate volatility. These imply that the relationship between trade openness and overall volatility is economically significant. Financial openness mitigates (amplifies) Real Exchange Rate volatility in a country with higher (lower) share of foreign equity vis-à-vis foreign debt liabilities. A greater share of equity in external liabilities can improve the country's resilience to external shocks.

Nominal Effective Exchange Rate

Nominal Effective Exchange Rate (NEER), is a measure of the value of a currency against a weighted average of several foreign currencies. NEER) is an index based on a trade-weighted average of bilateral exchange rates. An increase in NEER indicates an appreciation of the local currency against the weighted basket of currencies of its trading partners. Exchange rate volatility denotes, the tendency for foreign currencies to appreciate or depreciate in value, thus affecting the profitability of foreign exchange trades. The volatility measures of the amount that these rates change and the frequency of those changes. Nominal variability, namely variability in the money supply and inflation, explains exchange rate volatility. The measure of volatility is based on the nominal effective exchange rate, rather than on exchange rates with a single major currency used as an anchor. The NEER can be adjusted to compensate for the inflation rate in the home country. That adjusted number is the Real Effective Exchange Rate. For developing countries, a much larger share of real exchange rate volatility stems from relative price volatility than for industrialized countries. Similarly NEER volatility is higher in countries with higher inflation and higher fiscal deficits, and lower in countries with faster real GDP growth and more open economies.

Monetary Policy Rate

Monetary policy is a set of actions to control a nation overall money supply and achieve economic growth. Monetary policy strategies include revising interest rates and changing bank reserve requirements. Monetary policy is commonly classified as either expansionary or contractionary. Central banks conduct monetary policy by adjusting the supply of money, usually through buying or selling securities in the open market. Open market operations affect short-term interest rates, which in turn influence longer-term rates and economic activity. The policy interest rate is an interest rate that the monetary authority (i.e. the central bank) sets in order to influence the evolution of the main monetary variables in the economy (e.g. consumer prices, exchange rate or credit expansion, among others). The fact that money supply and the exchange rate are dominant sources that introduce volatility in the exchange rate makes these instruments very important to Nigeria's monetary authority.

As a general rule, the higher the interest rate, the more valuable a country's currency is likely to be. Markedly, this appreciation in the exchange rate is caused by a growth in demand for that particular currency, as higher interest rates will attract more foreign investment. The CBN should focus on this important nexus as the current experience of dwindling revenues from crude oil exports diminishes the possibility of other instruments of stability geared toward curtailing instability that flows from instability due to exchange rate volatility.

Inflation Rate

Inflation refers to a condition of general and persistent rise in the general price level in an economy. Inflation may be defined as a persistent or intermittent rise in the general price level in an economy. Consumer price index is used in measuring the rate of inflation. Consumer price index (CPI) measures the average change over time in the prices of goods and services over a period of time.

In general, when inflation is high, it makes a currency weaker, suppressing investment, and thus negatively impacting the exchange rate. When inflation is low, a currency is stronger, improving its exchange rate. The degree to which domestic prices adjust to exchange rate movements is key to understanding inflation dynamics, and by extension guiding monetary policy decisions. However, the exchange rate pass-through to inflation varies considerably across countries and over time.

Currency movements are only partially transmitted to domestic prices, with effects dissipating through the production chain. There is growing evidence that pass-throughs (Exchange-rate pass-through (ERPT) is a measure of how responsive international prices are to changes in exchange rates) can vary considerably even over short periods of time, making inference from average values unreliable and potentially misleading for policy evaluation and forecasting purposes. Still, the pass-through to consumer prices goes through various channels, from direct effects through energy and other commodity prices, to indirect effects through import prices, wage formation, and profit markups. Nigeria yet exudes an import dependent economy, and excessive importation of goods is inimical to the growth prospect of the economy while at the same time fueling inflation into the economy.

Exchange Rate Equilibrium / Efficient frontier

An efficient exchange rate policy is expected to smoothen the progress of achieving economic balance both internally and externally which implies that the exchange rate is expected to be in equilibrium. The equilibrium exchange rate is the exchange rate at which the quantity of a currency demanded is equal to the quantity supplied. It is the rate of exchange that balances the supply and demand of a currency in the foreign exchange market. The equilibrium exchange rate also reflects the par value of a currency with another currency, meaning it is neither undervalued nor overvalued. However, a currency exchange rate is termed volatile when it persistently departs from its long run equilibrium path. Consequently, an exchange rate is referred to as undervalued when it depreciates more than its equilibrium value and overvalued when it appreciates more than its equilibrium value. However, both of the incidences affect the economy.

In global/international outlay, efficient frontier denotes an investment portfolio which occupies the efficient parts of the risk–return spectrum. It is the set of portfolios which satisfy the condition that no other portfolio exists with a higher expected return but with the same standard deviation of return. In the short-run, returns of domestically diversified investment portfolios increase in response to an appreciation in the foreign exchange rate; while international investment portfolios tend to decrease in response to an appreciation in the exchange rate. Furthermore, domestically diversified investment portfolios are mostly influenced by instantaneous changes in the foreign exchange rate, whereas internationally diversified investment portfolios.

In this context, efficient exchange rate frontier connotes maximum value of set currency allowing solely positive level of volatility such as is necessary for market/economy development. This should be the overall target of authorities and stakeholder in managing exchange rate volatility.

3.0 Conclusion and Recommendations

In general, the existence of multiple exchange rates signals a dysfunctional economy. It erodes investor confidence. Capital does not flow in and foreign exchange becomes scarcer. The transition from the fixed exchange rate to flexible exchange rate by the Nigerian government is expected to respond to the market dictates and dynamics. Theoretically , it is also expected to ensure efficient allocation of resources; moderate domestic price level; promote export promotion; sustainable interest rates that reflect market fundamental rates to ensure investors' confidence; eliminate macroeconomic distortions associated with misalignment of exchange rate,(such as inhibition of export growth and negative impact on investment decisions and sluggish economic growth); improve BOP position; and ultimately create internal balance within the economy.

In reality, the outcomes of this present policy are far from the above expectations as could be seen in: incessant fiddling of exchange rate policy to see if: economic realities could be attainable; the persistent depreciation of Naira could be curbed, and the effect of the spikes and volatility in exchange rate could be ameliorated, among others. Some of such policies include: the introduction of SFEM in 1986, the unified official exchange rate market in 1987, the Bureau de change (BDC) in 1989 to grant access to small users of the market and also to deepen the market; the Autonomous Foreign Exchange Market (AFEM) in 1995, the Interbank Foreign Exchange Market (IFEM) in 1999; the enlarged Foreign Exchange Market (FEM), the retail and wholesale Dutch auctions systems in 2006..

Unfortunately, several of these policy measures, however, have failed to achieve the primary objective of dampening the excess demand for foreign exchange. This is because Nigeria is an import-dependent country in the face of high inflationary pressures and declining export earning and in addition to her inability to diversify her sources of export earnings. This problem has therefore resulted to a mismatch over decades

This problem has resulted to mismatch of these macroeconomic variables over decades. Even so, to discourage prolonged exchange rate misalignment, the IMF has developed three methods to evaluate its member countries' domestic currencies. These include: macroeconomic balance, equilibrium real exchange approach and external sustainability approach. The second method, the equilibrium real exchange rate approach (in most cases referred to as " Behavioral Equilibrium Exchange Rate Model (BEER) approach is mostly adopted by developing nations, Nigeria inclusive. This approach estimates the 'ideal' exchange rate based on a set of macroeconomic variables that are believed to be driving the economy.

However, an examination of these variables such as bear on exchange rate reveals room for improvement and need for more effective policy implementation. It is recommended in the case of Nigeria, real diversification of the economic base of the country to move away from over dependence on crude oil exports in order to achieve stability in exchange rate.

Nigeria as ideal with developing countries with relative high import dependence should devise single market (not exchange rate) ensuring healthily managed float. Exertions should be made to stabilize their foreign exchange market without resulting in increased interest rate, which could have an adverse effect on the investment decisions of the firms.

Nigerians need to generate needed Forex by providing exportable goods and services. Policies maximizing existing trade opportunities via value addition to be prioritized by stakeholders, of interest should be adequate harnessing of the gains in the Africa Free Continental Trade Agreement -AfcTA. In most cases, price stability is treated as an overriding objective of the Nigeria's monetary policy , with less emphasis on achievement of sustainable economic growth. The ultimate objective of monetary policy which is sustained economic growth , has not been achieved because less weight is given to output. Since there is often a conflict between the objective of keeping high employment (which implies maintaining high rate of inflation rate) and that of high economic growth (low inflation), the monetary authorities should be more proactively engaged in counter - cyclical monetary policy. They should try to establish the main intermediate policy instrument of keeping inflation rate within its band of stability which is maintenance of sufficient high short term interest rate.

Controlling inflation by monetary policy based on monetary aggregates alone, where the output is given no weight, is not likely to maximize social and economic welfare. This implies that the weight of contraction or expansion of the economy does not matter to the monetary authorities as long as price stability is met. The monetary authority should therefore make a shift to policy strategy that can use all available information and discretion to keep nominal GDP close to a path consistent with price stability that does not constrict long term economic growth.

The present framework - monetary targeting - lacks detailed strategy on how the growth inducing factors like economic efficiency , could be adjusted when economic conditions change. For instance, a monetary authority that aims at stabilizing inflation that is in the upper trend, needs to set a monetary growth objective equal to the projected growth rate for normal output, plus the desired stabilization of inflation rate, minus the historically observed drift in the velocity of the narrowly defined monetary aggregate.

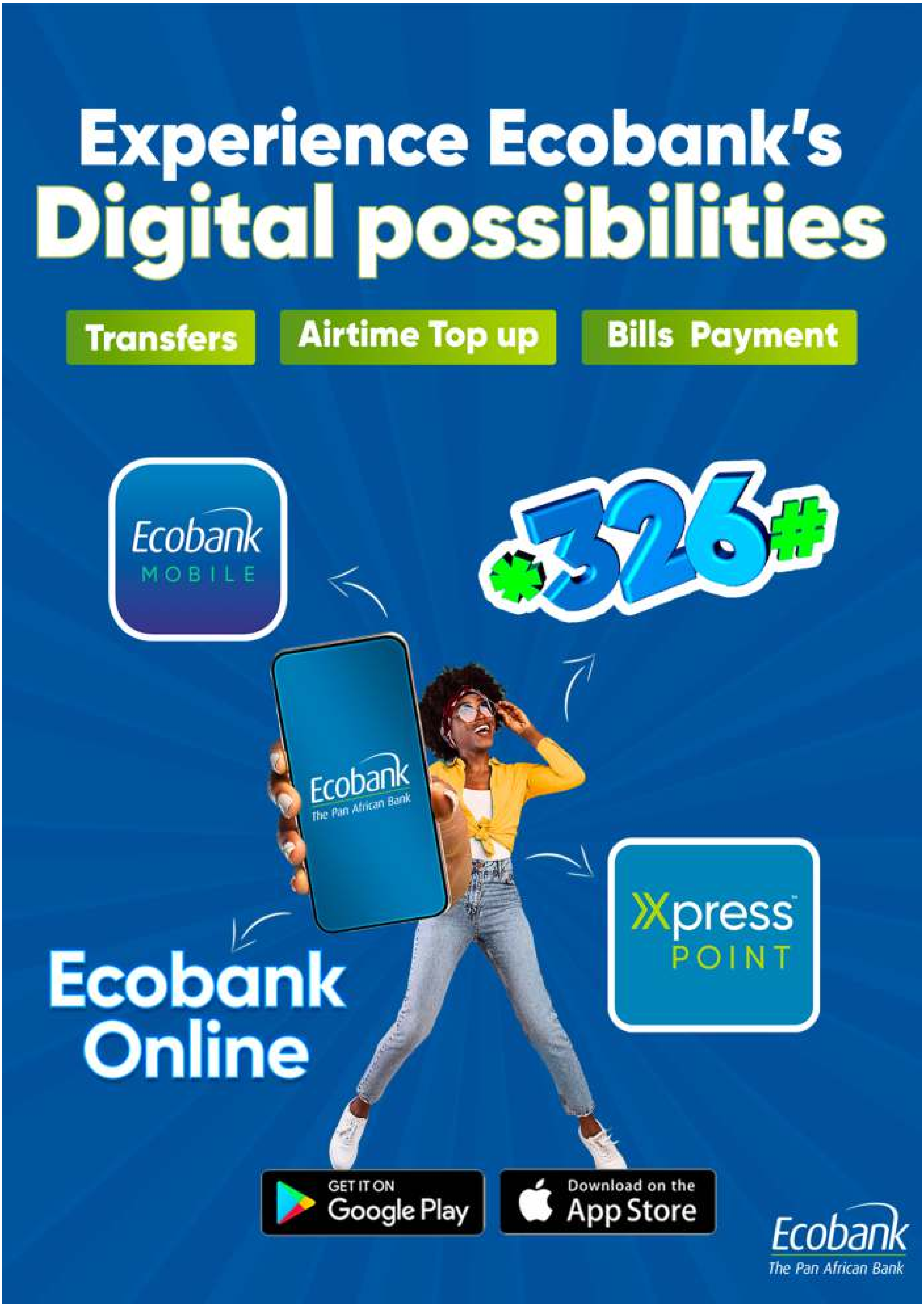
Secondly, the interest rate is a basic Keynesian model in macroeconomics. In an inflationary environment, monetary tightening leads to a rise in domestic real interest rate. This in turn raises the cost of capital, thereby causing a decline in investment spending and ultimately, a fall in aggregate demand and output. Monetary authority should maintain optimal lending rate that reflects the overall internal rate of return on investment, with due attention to market fundamentals.

Furthermore, the short term interest rate plays an important role because it is the payment on short term rather than the long term debts that typically have the greatest impact on cash flow. Interest rate as an important transmission instrument of monetary policy is not only applicable to firms but also to individual households, consumer durables and residential housing. Increase in real interest rate raises the price of currently purchased goods, thereby reducing aggregate demand. It is an important instrument that the CBN can rely upon to deal with exchange rate crises as investors can obtain adequate capital at a reasonable cost, thereby reducing demand for foreign exchange.

Thirdly, the growing internationalization and globalization economies, given the advent of flexible exchange rate regime has given rise to trade openness. It operates on net exports and it inherently involves interest rate effects. It works through contraction in monetary policy in an inflationary environment, leading to a rise in domestic real interest rate because more domestic currency deposits become more attractive relative to deposits denominated on foreign currencies, thereby leading to a rise in the value of domestic currency deposit. (appreciation of domestic currency). The higher value of domestic currency makes domestic goods more expensive than foreign goods which causes a decline in net exports and hence a fall in aggregate output. (all things being equal). Although Nigeria is operating flexible exchange rate regime, the CBN is still in control as the major sole supplier of foreign exchange.

Adequate policies/ reforms and surveillance should be maintained to ensure efficient foreign exchange utilization and management. This includes checkmating the general price rates within the economy. To reduce pressure on exchange rate CBN should also minimize being the supply of foreign exchange.

"In an inflationary environment, monetary tightening leads to a rise in domestic real interest rate. This in turn raises the cost of capital, thereby causing a decline in investment spending and ultimately, a fall in aggregate demand and output. Monetary authority should maintain optimal lending rate that reflects the overall internal rate of return on investment, with due attention to market fundamentals."



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DEC 18

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DEC 26

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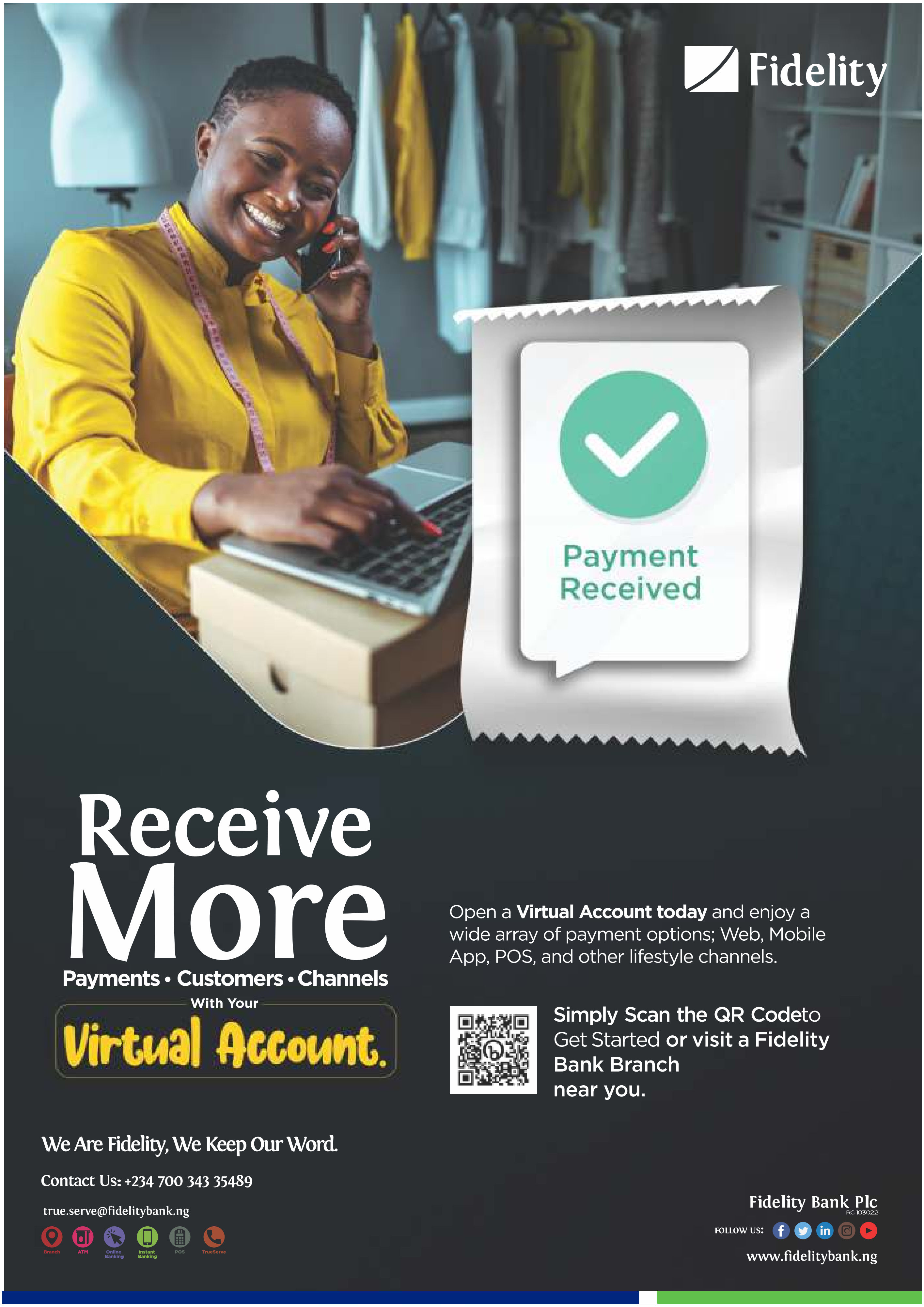
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