

THE ROLE OF BANK OF INDUSTRY IN SUSTAINABLE FINANCING IN NIGERIA

BEING A PAPER PRESENTED

AT

THE PLENARY SESSION OF THE INAUGURAL WEST AFRICAN ROUND
TABLE

BY

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HOLDEN AT



INTRODUCTION

PREAMBLE

- THE BANK OF INDUSTRY (BOI) LIMITED EMERGED IN 2001 FROM THE RECONSTRUCTION OF THE ERSTWHILE NIDB WHICH WAS ESTABLISHED IN 1964 UNDER THE GUIDANCE OF THE WORLD BANK.
- 75% OF INITIAL EQUITY WAS HELD BY IFC, WHILE THE FEDERAL GOVT HELD 25%. IT IS CURRENTLY OWNED AS FOLLOWS:

| | |
|---------------------|----------------|
| ➤ MOFI | 58.86% |
| ➤ CBN | 41.12% |
| ➤ PRIVATE INVESTORS | <u>00.02%</u> |
| | <u>100.00%</u> |

VISION

- ✦ To be leading self-sustaining Development Finance Institution , operating under sound management and banking principles, that would promote the emergence and development of a virile competitive industrial sector in Nigeria.

MISSION

- To transform Nigeria's industrial sector and integrate it into the global economy by providing financial and business support services to existing and new industries to attain modern capabilities to produce goods that are competitive in both domestic and external markets.

INTRODUCTION CONT'D

CORE MANDATE

- To provide financial assistance for the establishment of large, medium and small projects; as well as expansion, diversification and modernization of existing enterprises; and rehabilitation of ailing industries.

CORE ACTIVITIES

- Project Identification and Selection
- Resource Mobilization
- Financing (Long Term, Short Term and Equity)
- Industrial Policy Formulation
- Business Development Support
- Advocacy towards improving the effectiveness and efficiency of the local Entrepreneurs through
 - Reduction initial set-up costs, taxation, timing and cost of obtaining consent to mortgage as well as obtaining C of O.
 - Improving the enabling environment
- Encouraging the effective resource utilization through the formation of coherent Public-Private-Partnership (PPP)

2 BOI'S CONTRIBUTION TO SUSTAINABLE FINANCING

OPERATIONAL OBJECTIVE

- ✦ **The Bank of Industry (BOI) is committed to rapid development of SMEs in line with the federal Government's industrial policy focus, within the framework of NEEDS. The Bank's strategic thrust is the structured industrial transformation of the nation aimed at :**
- ✦ **Stimulation of economic activities throughout the country and mobilization of local resources towards progressive and sustainable growth and development of the economy.**
- ✦ **Stimulation of local entrepreneurship and revamping of indigenous economic activities where comparative advantages can be harnessed.**
- ✦ **Employment generation, with preference for Enterprises with potential to generate foreign exchange.**

2 BOI'S CONTRIBUTION TO SUSTAINABLE FINANCING CONT'D

- ✦ Towards achieving this objectives, the bank has committed itself to the following efforts:

PARADIGM SHIFT

- The current management has made a point of devoting 85% of the Bank's resources to SMEs. In fact, it can be argued that 100% of the Bank's resources are devoted to SMEs because the balance of 15% which is reserved for large enterprises finds its way to small enterprise as well because the Bank insists that large enterprises who get it must have linkages with small or medium enterprises.

2 BOI'S CONTRIBUTION TO SUSTAINABLE FINANCING CONT'D

GOVT. RELATIONS AND ADVOCACY

- ◆ In the last two years, BOI has partnered with State Governments to organize entrepreneurial development workshops known as Boot Camps for prospective businesses. The Boot camps have yielded results as quite a few cooperatives have been formed and have been given loans to grow their business ventures. This is still a work-in-progress for BOI but the speed with which the entrepreneurs at the State level have bought into this has been encouraging.
- ◆ In the same vein, the bnk has been very active in encouraging State Governments to set up Industrial Parks to assist in situating entrepreneurs in the same area and help them reduce operating costs.
- ◆ The Bank is also active getting States to develop Independent Power Projects.

MARKET DEVELOPMENT

- ◆ The Bank renders support to businesses that add value to local raw materials (creating value chains), generate employment, and have the potential for export.
- ◆ Strong external working relations have also been developed with both local and International Development Organisations such as; UNDP, UNIDO, AfDB, SMEDAN, NASSI AND NASMÉ, MAN ETC. The bank also partners with Commercial banks who assist the entrepreneurs we finance with working capital.

FOCUS ON WOMEN AND CHILDREN

- ◆ Statistics indicate that women are highly disadvantaged in terms of accessing credit from financial institutions. It is also a widely accepted fact that when women are financially empowered their families benefit. This obviously translates to better educated children. In recognition of this, BOI, has set up a women's desk a special window through which women can be supported.

Challenges

Lack of entrepreneurial/human capital

- **Most SMEs in Nigeria are still at the evolutionary stage with low IT and other skills that constrained their zeal for innovation, process improvement, etc. There is wide gap of Technopreneurs and very slow rate of graduation from the micro to small and ultimately to the medium.**

Infrastructural inadequacies

- **At the moment, a typical entrepreneur individually caters for all his needs in terms of power, water, security and sometimes even roads. This is in addition to the various legal fees and other charges imposed on him. These avoidable costs of doing business are serious disincentives to entrepreneurship and major contributor to Nigeria's very low commercial competitiveness in the international arena.**

Challenges Cont'd

Institutional complexities.

- There is glaring none complimentarity of efforts amongst the Agencies/Institutions charged with the responsibilities of assisting in the development and promotion of the MSMEs in the country.
- This has made it extremely difficult to measure the effectiveness of the various policy initiatives vis-à-vis the level of resources committed. The recently conceived National Policy on the MSMEs is a step in the right direction if properly and coherently implemented.

OPPORTUNITIES

- ◆ On going reformation of the entire economy via the seven-point Agenda of the Federal Government and the instrumentalities of NEEDS, SEEDS and LEEDS.
- ◆ Government support for industrialisation and entrepreneurial development: this has constituted a strong impetus to the growth and sustenance of the bank and its drive for long term financing of the Nigerian Entrepreneur.

CONCLUSION

🏁 Thank You for your attention

