



MSMEs AS AN ENGINE OF GROWTH FOR ECONOMIC DEVELOPMENT

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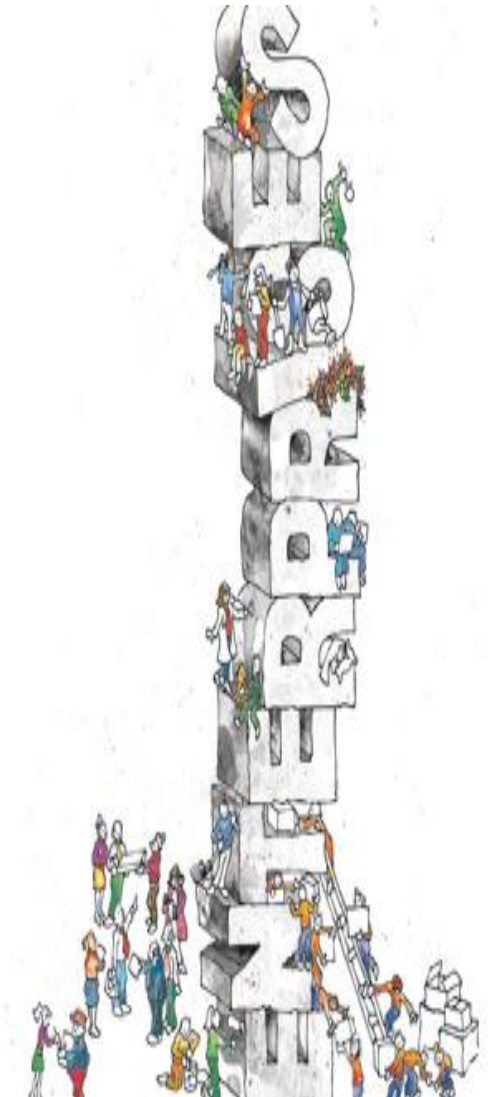
Mr. Olukayode Pitan
MD/CEO
Bank Of Industry

Introduction: Nigeria has always had extensive economic potential

- ❖ Largest market across Africa and projected to become the world's 3rd most populous nation by 2050 with an estimated size of 402 million (currently ~200 million)
- ❖ Over 50% of Nigeria's current total population are below 25 years old and they are energetic, tech-savvy, young and entrepreneurial
- ❖ Natural location for a variety of industrial activities due to the availability of a large market, natural resources, and affordable labour cost
- ❖ However, Nigeria, like many countries around the world, has not been immune to the economic headwinds created by the COVID-19 pandemic
 - Exited recession in Q4,2020 with a slight GDP growth rate of 0.51% in Q1-2021 which is indicative of a slow recovery post –COVID (NBS report)
- ❖ Although GDP is expected to grow by 2.5% in 2021 to be driven by rising crude oil prices, however this outlook remains uncertain with rising inflation (17.75% in June 2021), weakening FX, rising debt profile (Q1-2021 is ₦33.1tr) and other unstable macro-economic policies
- ❖ Thus it is essential that all stakeholders particularly MSMEs are enabled to play their role towards economic recovery and to reach Nigeria full economic potential

MSMEs are often described as backbone of the economy... why?

- Globally, MSMEs contribute:
 - an average of ~40% to GDP of nations (World Bank)
 - more than 50% to employment
 - account for 90% of businesses
 - unmet financing need of \$5.2 trillion every year (IFC)
- In Nigeria today, we have ~41 million MSMEs (SMEDAN), contributing:
 - 48% to national GDP (PwC)
 - account for 96% of businesses
 - 90% of enterprises in manufacturing and industrial sector
 - 84% of employment
 - 7% of exports



MSMEs as engine of growth for economic development will lead to...

1

**Demand Driven Stimulation
of the Local Economy**

2

More Inclusive growth

3

**Reduced poverty and
economic restiveness**

4

**Improved sense of
Community & Patriotism**



5

**Increased foreign earnings
through exports**

6

**Increased Raw Material
Processing**

7

**Increased Innovation &
Quality Driven by Competition**

8

**Increased Entrepreneurial
Ecosystem**



MSMEs in Nigeria hampered by some key challenges

Economic, socio-cultural and technological challenges continue to hinder the ability of MSMEs to drive economic growth and development



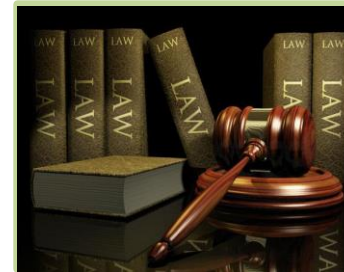
Limited Access to Finance



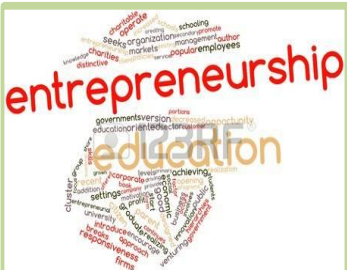
Low Infrastructural development



Inadequate Business & Technical Skills



Burdensome Administrative & Regulatory framework

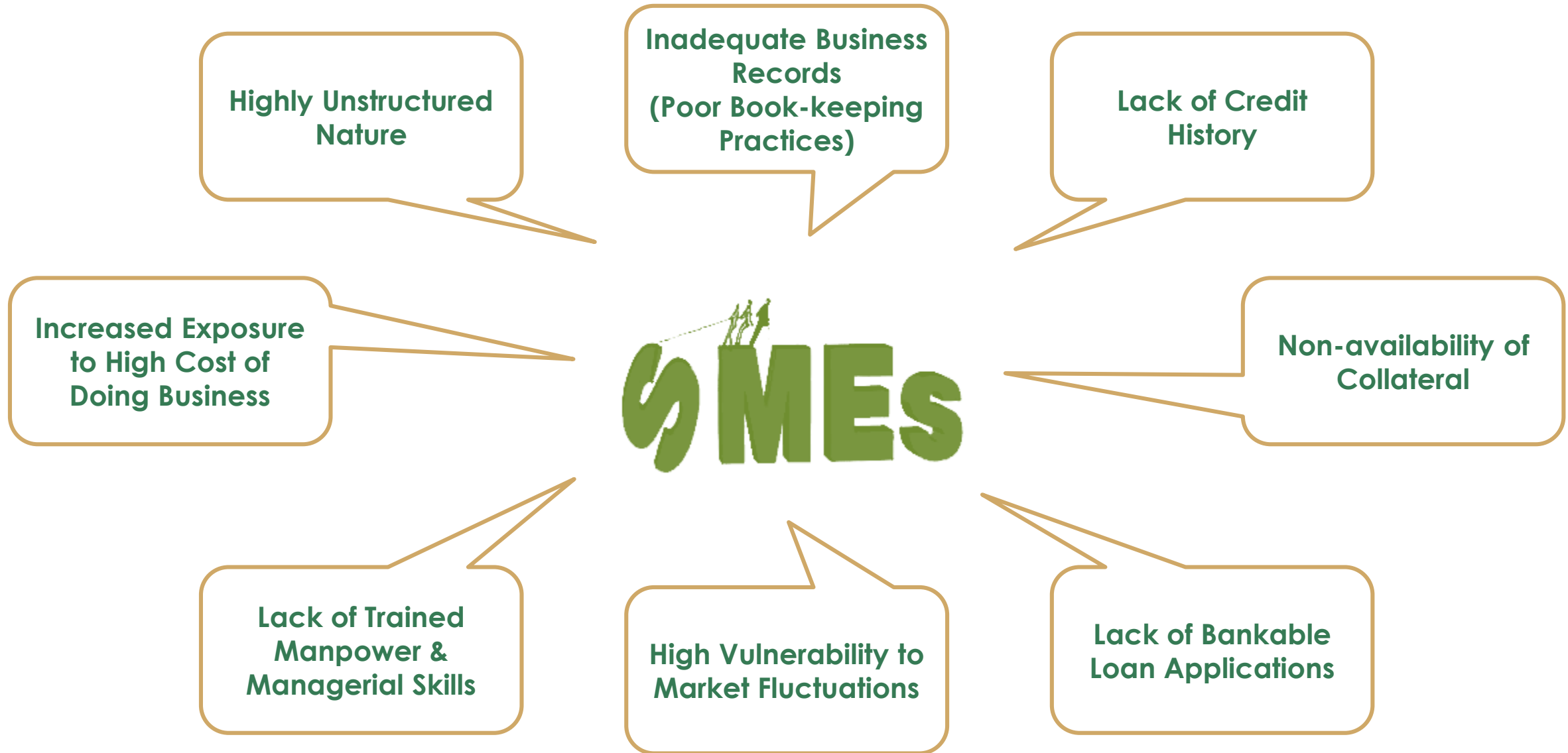


Lack of Entrepreneurship Education



Absence of a Culture of Entrepreneurship

In raising finance in particular, some key factors have been identified as impacting existing and potential entrepreneurs



Despite the challenges that SMEs face in Nigeria, great opportunities exist in terms of the environment and demography

1

Large population & increasing consumer class spending

2

Diversely skilled labour pool

3

Increasing strategic collaboration between public and private businesses

4

Current Government priority to restore growth, especially MSME-led growth

5

Abundant human & natural resources, ~37.3% Arable land area, ~44 solid mineral deposits

6

Increasing “#Made In Nigeria” trend

7

Large technology savvy consumers on social media, hence enlarging market opportunities

8

Increasing opportunities to innovate & reduce costs



Funding options for MSMEs!

**A general advice for SME businesses is to have big dreams, but start small and grow gradually!
Over 90% of SME businesses are self-funded!**

- SME businesses should first of all leverage personal savings, grants and support from **family and friends as seed capital**
- Upon achieving a bit of stability, **seek for partners that could bring in additional capital towards enhancing business growth.** At this stage , **angel investors and venture capitalist** may come in as partners by injecting equity capital
- SMEs can also raise equity capital from the **capital market with relaxed entry criteria** and no requirement for collateral
- **Debt capital** may be **accessed after exhausting the above sources of capital, if additional capital is required**
- Debt capital should only be considered as a last resort due to the stricter conditions it imposes when compared with equity capital



BANK OF INDUSTRY
...transforming Nigeria's industrial sector

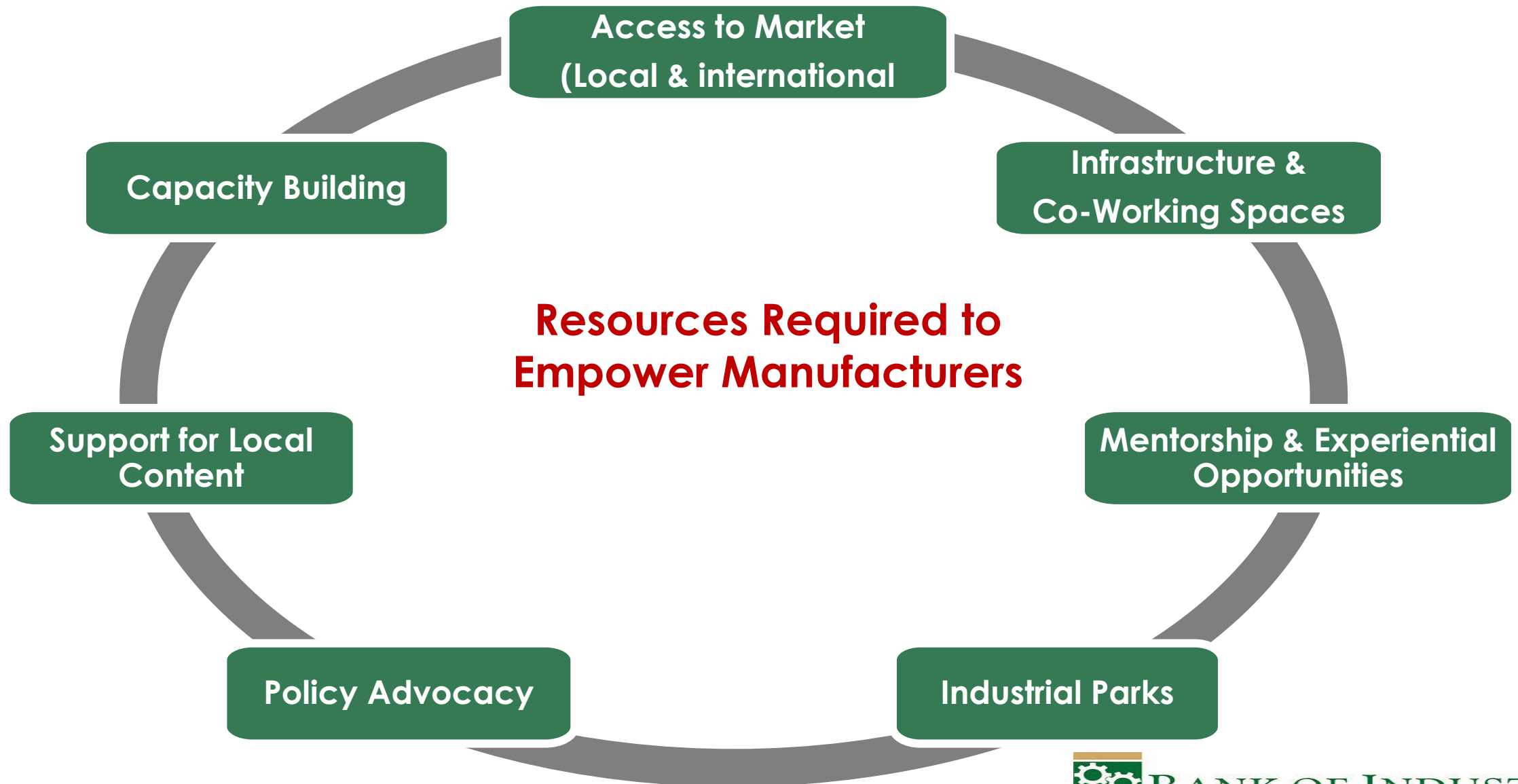
The Nigerian financial landscape plays a vital role in providing services to support MSMEs

Institution	Numbers	Target Market	Services
Deposit Money Banks	28	<ul style="list-style-type: none"> ✓ Individuals ✓ SMEs ✓ Corporates 	<ul style="list-style-type: none"> • Working Capital, Short Term Loans, APG, Trade Finance
Development Finance Institutions	6	<ul style="list-style-type: none"> ✓ MSMEs ✓ Large Enterprises 	<ul style="list-style-type: none"> • Long term loans, Guarantee, Export Finance, Advisory services
Micro Finance Banks	870	<ul style="list-style-type: none"> ✓ MSMEs 	<ul style="list-style-type: none"> • Working Capital, Short term loans
Micro Finance Institutions (Non-bank Micro Finance Institutions)	~4000	<ul style="list-style-type: none"> ✓ Microentrepreneurs ✓ Individuals 	<ul style="list-style-type: none"> • Rural Finance, Personal loans, Working capital, Short term loans
Fintechs	>200	<ul style="list-style-type: none"> ✓ Individuals ✓ MSMEs 	<ul style="list-style-type: none"> • Working Capital, Short term loans
Insurance Companies	57	<ul style="list-style-type: none"> ✓ Individuals ✓ Government ✓ SMEs ✓ Corporates 	<ul style="list-style-type: none"> • Risk Underwriting, Life and non-life insurance, Reinsurance, Takaful
Insurance Brokers	460	<ul style="list-style-type: none"> ✓ Individuals ✓ SMEs 	<ul style="list-style-type: none"> • Insurance brokerage, Risk management Consulting services

How MSMEs can improve their access to finance

- ✓ **Keep personal finances in order** and have a **clear business plan**
- ✓ Ensure proper **financial records** are kept **for the business**
- ✓ **Increase efforts to improve business and technical know-how** – attend financial education seminars and workshops
- ✓ **Collaborate from within** – with others whose strengths and weaknesses are complimentary, who can add a layer of credibility and expertise to what you're doing
- ✓ Engage in **capacity building programmes**
- ✓ Engage in **co-funding activities** with other entrepreneurs
- ✓ **Establish structured corporate governance framework within your business**
- ✓ **Actively build your network** – join a professional association
- ✓ **Avoid litigations** as these will need to be disclosed in loan applications

Beyond finance, other key enablers must also be in place to ensure MSMEs can succeed and indeed thrive



BOI Introduction

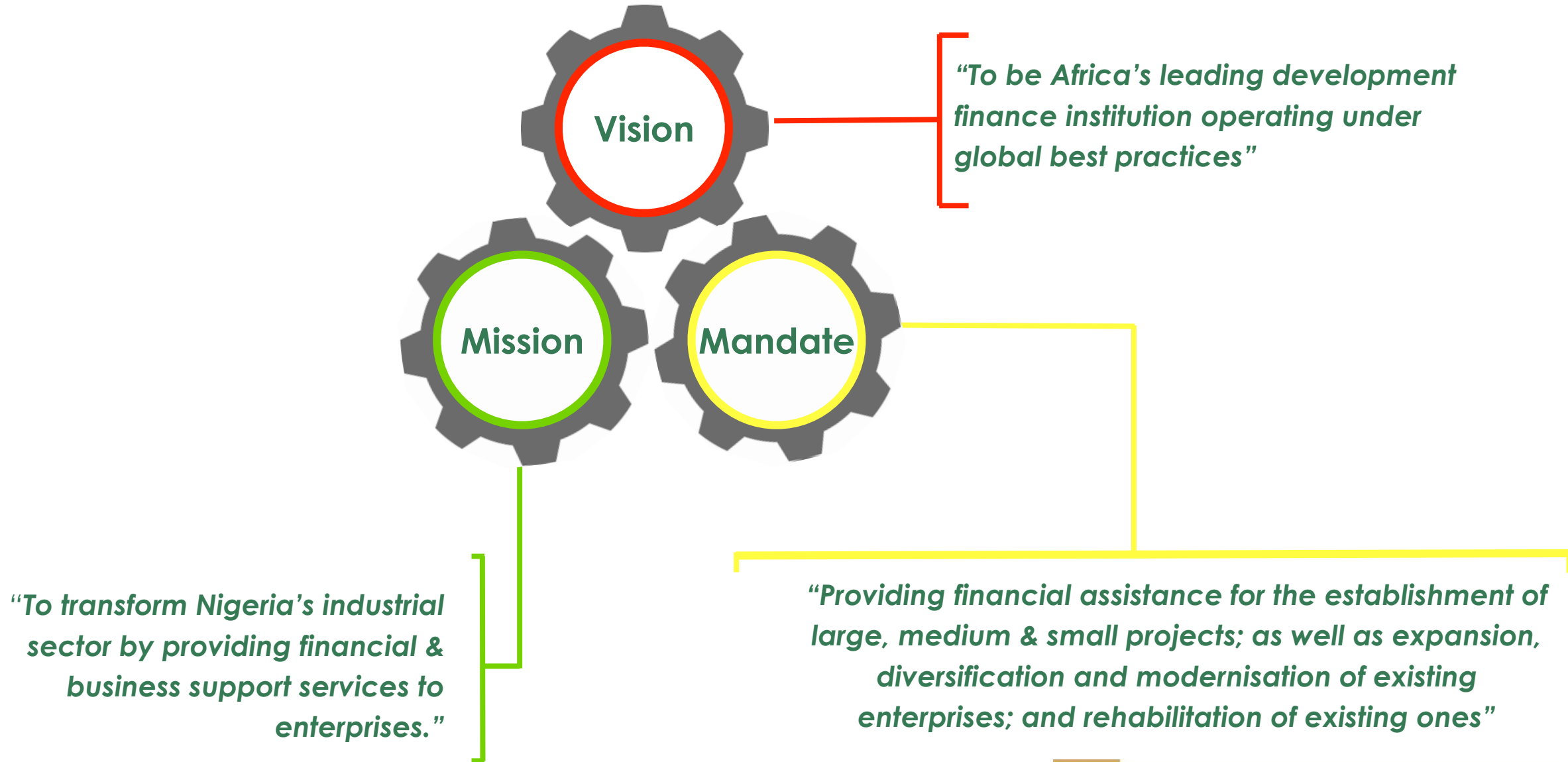


BANK OF INDUSTRY
...transforming Nigeria's industrial sector

Introduction

- ❖ Nigeria's oldest, largest and most successful **Development Finance Institution (“DFI”)**
- ❖ Incorporated in 1959 as **Investment Company of Nigeria (“ICON”)**, transformed into **Nigerian Industrial Development Bank (“NIDB”)** in 1964 and ultimately into **Bank of Industry (“BOI”)** in 2001
- ❖ One of 15 government agencies under the **Federal Ministry of Industry, Trade and Investment (“FMITI”)**
- ❖ BOI's developmental mandate is guided by Nigeria's **Economic Recovery & Growth Plan (“ERGP”)** and the **Nigeria Industrial Revolution Plan (“NIRP”)**
- ❖ BOI's mandate is the **transformation of Nigeria's industrial sector by providing financial and advisory support** for:
 - ✓ the establishment of large, medium and small projects/ enterprises, and
 - ✓ the expansion, diversification, rehabilitation and modernisation of existing enterprises
- ❖ BOI supports projects with potential **developmental impact**, and the capability to generate considerable multiplier effects such as **job creation, import substitution and poverty alleviation**, which would have significant positive effects on the socio-economic condition of Nigerians
- ❖ The Bank's core lending products and services include, amongst others:
 - ✓ short term loans
 - ✓ medium / long term loans
 - ✓ revolving credit facilities
 - ✓ deposit placement lines
 - ✓ syndications
 - ✓ equipment leasing; and
 - ✓ guarantees, indemnities and performance bonds

BOI was Established to Promote & Support Enterprises in Nigeria



Primary drivers of BOI's developmental strategy

BOI's developmental strategy targets achievement of industrialisation by promoting and supporting entrepreneurship in core sectors of the Nigerian economy; Key issues considered are:

Relatively Lower
Interest Rate

Women & Youth
Empowerment Programmes

Innovative
Financing Solutions

International Quality
for Export Earnings

MSME Focus

Forward & Backward Linkages for
Integrated Economic Growth

Sustainability &
Societal Impact

Local Raw Materials/Content
Development

Job & Value
Creation

Environmentally-Friendly &
Sustainable Projects



BOI Core and Emerging Sectors

Core Sectors

Agro & Food Processing



Oil & Gas



Solid Minerals



Healthcare & Petrochemicals



Engineering & Technology

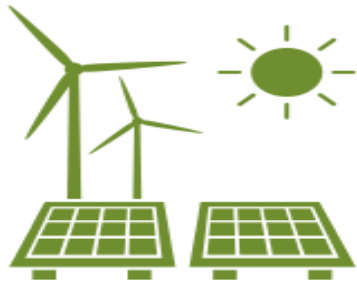


Emerging Sectors

Creative Industries



Renewable Energy



Education



Supply Chain & Logistics



Trade



BOI also has tailor-made products for women and youth businesses

Our business model reflects our goal to drive development through financial & advisory support to all customer levels; with dedicated teams for MSMEs, youth and women-led enterprises

Micro-enterprises

- **Formal, informal businesses and co-operatives** including market women, traders and artisans.
- Manage government initiatives to support Microenterprises, such as GEEP¹
- Serviced via technology & telecoms platforms, State Offices & Microfinance Banks
- The segment typically seek finance of up to **₦10m**

Small & Medium Enterprises

- **Registered SMEs** identified across key clusters
- Serviced through BOI State Offices across the country
- Dedicated teams-supporting youth and women-owned businesses
- Loan value of between **₦10m-₦1bn**

Large Enterprises

- **Registered Large Enterprises** across key sectors of the economy.
- Serviced primarily at the Head Office.
- Loan amounts of over **₦1bn**



BOI developed products to provide equipment financing and working capital to MSMEs in target sectors... all at ≤10% interest rate p.a.

	Fund Value	Target Sector/ Product
African Export-Import Bank (AFREXIM) Medium Term Syndicated Facility	\$1bn & €1bn	Targeted at enterprises in agro-processing, solid minerals, emerging sectors (e.g. creative industry renewable energy amongst others)
Nigerian Content Intervention Fund	\$350mn	Support Nigerian Oil & Gas industry players procure fixed assets, fund working capital, refinance existing loans and finance contracts
Food & Agro-Commodity processing Fund	₦15bn (\$41.7mn)	Small-scale agro-processing industries support for the production of semi-finished & finished products, raw materials for industries
Agro-Mechanisation Fund	₦10bn (\$27.7mn)	Agricultural equipment for land preparation, Irrigation Services, & Post-harvest processing
Artisanal & Small-Scale Miners (ASM) Fund	₦2.5bn (\$6.9mn)	Targeted at mining industry for artisanal miners in co-operatives and small-scale miners , limited liability companies
North East Rehabilitation Fund	₦2.4bn (\$6.7mn)	Targeted at stimulating economic growth in the North East Region of Nigeria
Nollyfund	₦1bn (\$2.7mn)	Entertainment industry in Nigeria (the 3 rd largest entertainment industry in the world)
Fashion & Beauty Fund	₦1bn (\$2.7mn)	Fashion & beauty value chain including but not limited to garments, shoes, handbags, fashion/beauty training institutes, etc.

BOI also leverages its collaboration with Business Development Service Providers (BDSPs) to offer advisory and business support services to SMEs

- Commenced use of BDSPs services in **2014**
- Currently collaborates with over 300 BDSPs to:
 - **Prospect for intending SMEs** that want to apply for loan
 - **Handhold SMEs in structuring and preparing their business models** and business plans
 - Provide other **entrepreneurship training** as required
- Collaboration with BDSPs split across three categories
 - **State category:** Operates in a particular state. E.g. Renewal Consulting Ltd, LBS-EDC
 - **Regional category:** Operates within a particular geo-political region. E.g. Prinsult Consult Ltd
 - **National category:** Operates across the whole country. E.g. First Fiduciary Ltd
- BOI is currently in a **collaboration with the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and Department For International Development (DFID)** to create an institute to accredit BDSPs in Nigeria

How to Apply for BOI Loans

- **GENERAL REQUIREMENTS**

- Applicants must be a registered business (enterprise, cooperative, limited liability companies etc.)

- **WHERE TO APPLY**

- Applications can be submitted at the head office, any of the 23 state offices or online (<https://apply.boi.ng>)

- **LOAN PRE-APPROVAL REQUIREMENTS**

- Please see details on www.boi.ng/loan-application-checklist for all categories of registered business (enterprises, cooperatives, limited liability companies etc.)

- **INTEREST RATES ON LOANS AND ASSOCIATED FEES**

- Please see details on www.boi.ng/wp-content/uploads/2017/06/INTEREST-RATES-ON-LOANS-ASSOCIATED-FEES-1.pdf

- **LOAN APPLICATION APPROVAL PROCESSING TIMELINES**

- Loans below ₦10 million – up to 54 working days
 - Loans between ₦10 million and ₦100 million – up to 80 working days
 - Loans between ₦100 million and ₦500 million – up to 81 working days

CHARGES DUE TO THE BANK OF INDUSTRY

- **Interest Rate on Term Loans** - Ranges between 5% and 10% per annum
- **Interest Rate on Working Capital** - 13% per annum (SMEs); 15% per annum (for Large Enterprises)
- **Appraisal Fee** - 1% of loan amount payable on acceptance of loan offer letter (This fee is non-refundable)
- **Commitment Fee** - 1% of loan amount payable on acceptance of loan offer letter (This fee is non-refundable)
- **Monitoring Fee** - 0.125% on the outstanding loan balance payable quarterly in arrears
- **Loan Restructuring Fee** - 1% of the restructured amount

OTHER APPLICABLE FEES NOT DUE TO BANK OF INDUSTRY

Legal Fees

»» Statutory Fees:

- a. Payable to Government Agencies (Stamp Duties, Registration Fees, CAC Filing fees, Deed of Release of Title Documents, etc.)
- b. These fees are dependent on the security arrangement, loan value and location of security

»» Professional legal fees – typically dependent on loan value

General Loan Application Requirements

1. Copy of Certificate of Incorporation/registration
2. Certified true copy of Memorandum and Articles of Association and Forms CAC 2.5 (Allotment of Shares), CAC 2.3 (Particulars of Directors) and CAC 2.1 (Appointment of Company Secretary)
3. Business plan (including company profile, CV of key management staff, technology/manufacturing process and agreement with technical partners – if applicable)
4. Proforma invoice(s) for the supply of equipment
5. Sources and quotation(s) for Raw Materials expressed in quantity and amounts
6. Three years' Audited Financial Accounts and most recent Management Accounts from BOI accredited auditors (for existing business) or Statement of Affairs (for businesses less than one (1) year). Not applicable for start-ups
7. Company's/ Enterprise Bank Statement(s) for a period of one (1) year (for existing business)
8. Declaration of Outstanding Liabilities to other Banks and Individuals
9. A copy of the draft Technical, Management, Machinery Supply and/or Joint Venture Agreement
10. An acceptable form of collateral (Bank Guarantee, landed property etc.)

Contact Us



BANK OF INDUSTRY
...transforming Nigeria's industrial sector.



Head Office
23 Marina Street, Lagos
Nigeria



Contact Info
Website: www.boi.ng
Email: customercare@boi.ng



Telephone
Customer Care: 0700-CALL-BOI (0700 2255 264)
Switchboard: (+234)-1-271 5070-71)



29 State Offices Nationwide

- | | | |
|---------------|---------------|-----------|
| ▪ Abia | ▪ Enugu | ▪ Ogun |
| ▪ Adamawa | ▪ FCT | ▪ Ondo |
| ▪ Anambra | ▪ Gombe | ▪ Osun |
| ▪ Bauchi | ▪ Kaduna | ▪ Oyo |
| ▪ Benue | ▪ Kano | ▪ Plateau |
| ▪ Borno | ▪ Katsina | ▪ Rivers |
| ▪ Cross River | ▪ Kebbi | ▪ Sokoto |
| ▪ Delta | ▪ Kwara | ▪ Taraba |
| ▪ Ebonyi | ▪ Lagos-Ikeja | |
| ▪ Edo | ▪ Lagos-Lekki | |
| ▪ Ekiti | ▪ Niger | |