

**PROGRESS REPORT ON THE SMALL AND MEDIUM
INDUSTRIES EQUITY INVESTMENT SCHEME (SMIEIS):
CENTRAL BANK OF NIGERIA'S PERSPECTIVE**

Distinguished Ladies and Gentlemen,

It is an honour and privilege to address you today on the progress of the Small and Medium Industries Equity Investment Scheme (SMIEIS). First of all, my special thanks go to Mr. Fola Adeola for not only creating wealth for the rich as a banker but also for the poor through his pioneering role in Fate Foundation. Indeed, the Fate Foundation's drive to build capacity for prospective entrepreneurs provides a long term measure to solving the perennial problem of poverty and wealth creation in Nigeria. Thus, it is very relevant to acknowledge that the goal of the Foundation tallies closely with that of SMIEIS which is aimed at providing long term equity financing to SME operators and in the process generate employment, income and economic growth which are the prerequisites for poverty alleviation.

My assignment this afternoon is simply to intimate you with the progress so far made in implementing the SMIEIS. My presentation will update you on funds set aside, investments by banks, distribution of investments by type of enterprise, geographical spread of investments, channel of investments and challenges facing the Scheme.

The Small and Medium Industries Equity Investment Scheme (SMIEIS) has continued to make significant progress in terms of the growth in the total funds set aside, but only a modest achievement in terms of the number and distribution of investments by banks as at end of May, 2003.

1. FUNDS SET ASIDE

The total funds set aside by eighty-one (81) banks under the Scheme remained at ^14.6 billion as at 31st May, 2003. However, indications are that this position will increase by June, 2003 when the next quarterly returns are collated.

2. INVESTMENTS BY BANKS

Returns received from banks during the month of May 2003 showed that a total of sixteen additional investments amounting to ^795.446

million were made by eight banks. While five of the investments were made in new projects, eleven were made in existing projects.

Thus, the cumulative investments made by 41 banks in 80 projects amounted to ^4.3 billion as at 31st May, 2003. Compared with cumulative investments valued at ^3.5 billion recorded as at 30th April, 2003, there has been an increase of 22.7 per cent in the total value of investments during the month of May, 2003.

It should be noted that the ^3.5 billion reported in April was adjusted downwards by ^30 million representing the value of unqualified investment by one of the banks.

In summary, out of the total sum of ^14.6 billion already set aside for equity investment, only ^4.3 billion representing 28.7 percent had been invested and only 41 or 50.6 percent of the 81 banks that had set aside funds had actually invested as at 31st May 2003.

The rapid rise in the rate of investment of the funds observed in May is a clear indication that some of the impediments to the scheme are being overcome. More importantly, bearing in mind the long incubation period required to actualise investment projects in this our part of the world, we have a lot to cheer about for the overall progress so far made by the scheme.

2.1 Investment Distribution By Type Of Enterprise

A breakdown of the investments by type of enterprise (Table 1) indicates that information technology and telecommunications recorded 29 investments (25.6 percent) valued at ^796.78 million (18.54percent) while services accounted for 31 investments (27.43 percent) valued at ^1,061 million (24.7 percent).

Other sectors in which investments were made included manufacturing which had 24 investments (21.24 percent) valued at ^1,051.5 million (24.48 percent); agro-allied (including woodwork and water bottling), recorded 12 investments (10.62 percent) valued at ^366.0 million (8.52 percent); construction (including quarrying), 7 investments (6.19 percent) valued at ^801.7million (18.66 percent); and solid minerals, which had 1 investment (0.88 percent) valued at ^14.0 million (0.33 percent). Overall, 113 investments valued at ^4.3 billion had been made during the review period out of which 52 percent of the amount was committed to the real sector of the economy.

2.2 Geographical Spread Of Investments

Most investments made so far under the SMIEIS are still located in Lagos. However, there has been a significant spread of investments to other states. As shown in Table 2, Lagos alone recorded 93 investments, or 82.3 percent and ₦3.408 billion, or 79.3 per cent of the total number and value of investments, respectively. The high concentration of investment in Lagos could be attributed to the closeness of the operators to banks headquarters in Lagos, a more enlightened investing public and relatively functional infrastructure in Lagos.

Delta State recorded 4 investments (3.5 percent), Ogun and Oyo States accounted for 3 investments each (2.7 per cent) valued at ₦86.4 million (2.0 percent) and ₦60.0 million (1.4 percent), respectively. Akwa Ibom and Rivers States recorded 2 investments (1.8 percent) each valued at ₦90.2 million (2.1 percent) and ₦187.5 million (4.4 percent), respectively. Other areas which had one (1) investment each included Abuja, FCT, ₦21.0 million (0.5 percent); Anambra State with ₦75.4 million (1.8 percent); Enugu State with ₦90.0 million (2.1 percent); Kaduna State with ₦30.0 million (0.7 percent); Ondo State with ₦25.0 million (0.6 percent); and Plateau State with ₦43.3 million (1.0 percent).

2.3 Channel Of Investment

Direct (in-house) investment accounted for 94 investments (83.2 percent); investment through wholly owned subsidiaries accounted for 6 investments (5.3 percent) while the remaining 13 investments (11.5 percent) were channeled through venture capital companies.

3. SMIEIS ON THE INTERNET

The activities of the Small and Medium Industries Equity Investment Scheme have been placed on the Central Bank of Nigeria web site.

The link-name on the web site is Development Finance.

So far, information on display are the Guidelines on SMIEIS. However, efforts are being made to include the performance of the scheme from inception to date. Thereafter, monthly updates will be provided. To access the web site:

- www.cenbank.org

- Development Finance
- SMIEIS

4. CHALLENGES FACING THE SMIEIS

As a relatively new initiative, several factors have inhibited the progress of the Scheme. Some of these factors include :

- i. Lack of entrepreneurial and fund management skills
- ii. Low rate of return on investment/dearth of good investment opportunities
- iii. Legal and regulatory issues bordering on taxation, sustainability of the scheme and thrust of government policy on SMEs and the macroeconomy.
- iv. Inadequate database on SMEs
- v. Problems associated with family/one person business – personalizing of accounts, resistance to dilution of ownership and tax evasion
- vi. Non-functional, inefficient and inadequate infrastructure
- vii. Resistance to change – preference of loan financing to equity financing.

A number of measures have however, been adopted to ameliorate or outrightly eliminate some of these problems among which are:

- i. Massive public enlightenment aimed at educating all stakeholders on SMIEIS, equity financing and entrepreneurship
- ii. Initiating a linkage with conglomerates programme to create more investment opportunities for SME operators.
- iii. Sponsoring universities to conduct economic studies to increase the database and knowledge on SMEs.
- iv. Urging state governments to establish industrial parks, adequately provided with functional infrastructure.
- v. Liaising with the Presidential Technical Committee on Housing and Urban Development to increase the stock of houses and knowledge on the building industry.
- vi. Initiating modalities for protecting the original principles of the scheme from being hijacked in the future.

4. CONCLUSION

In conclusion, I have presented to you the current status of the SMIEIS from the CBN's perspective with particular reference to the level of funds set aside, investments by banks and distribution by type of enterprise, geographical spread and channel of investment. I also highlighted some of the constraints facing the scheme and measures adopted to remedy them. As at this time, my candid opinion is that the scheme is performing wonderfully well, but can still do better.

I will like to use this opportunity to re-iterate my belief that it is better to own 5 percent of a functioning enterprise than 100 percent of a dead business. I am convinced that if all stakeholders put their hands on deck and are patient enough to allow the SMIEIS to mature, we will be creating the conglomerates of tomorrow and a better economy for generations to come.

I thank you for the kind attention.

Chief (Dr.) J. O. Sanusi, CON
Central Bank of Nigeria, Abuja
16th July, 2003

TABLE 1
ENTERPRISE DISTRIBUTION OF INVESTMENTS BY BANKS
AS AT 31ST MAY, 2003

S/NO.	SECTOR	ENTERPRISE	INVESTMENT		% TOTAL NUMBER	% TOTAL AMOUNT
			NO.	AMOUNT		
1.	REAL SECTOR	Agro-allied (including woodworks & water bottling)	12	366,000,000.00	10.62	8.52
		Manufacturing (including printing & publishing)	24	1,051,585,127.71	21.24	24.48
		Construction (including quarrying)	7	801,691,302.95	6.19	18.66
		Solid Minerals	1	14,000,000.00	0.88	0.33
		SUB-TOTAL	44	2,233,276,430.66	38.94	51.98
2.	SERVICE – RELATED ENTERPRISES	Information Technology & Telecommunications	29	796,785,819.76	25.66	18.54
		Educational Establishment	0	0.00	0.00	0.00
		General Services e.g Training	31	1,061,092,038.70	27.43	24.70
		Tourism & Leisure	4	203,400,000.00	3.54	4.73
		Others	0	0.00	0.00	0.00
		SUB TOTAL	64	2,061,277,858.46	56.64	47.98
3.	MICRO-ENTERPRISES	Micro-Enterprises	5	1,960,000.00	4.42	0.05
GRAND TOTAL			113	4,296,514,289.12	100.00	100.00

TABLE 2
ENTERPRISE DISTRIBUTION OF INVESTMENTS BY BANKS
AS AT 31ST MAY, 2003

S/NO.	STATE	INVESTMENT		% TOTAL NUMBER	% TOTAL AMOUNT
		NO.	AMOUNT		
1	ABUJA FCT	1	21,000,000.00	0.9	0.5
2	ABIA	0	0.00	0.0	0.0
3	ADAMAWA	0	0.00	0.0	0.0
4	AKWA IBOM	2	90,165,083.75	1.8	2.1
5	ANAMBRA	1	75,425,776.20	0.9	1.8
6	BAUCHI	0	0.00	0.0	0.0
7	BEYELSA	0	0.00	0.0	0.0
8	BENUE	0	0.00	0.0	0.0
9	BORNO	0	0.00	0.0	0.0
10	CROSS RIVER	0	0.00	0.0	0.0
11	DELTA	4	179,690,000.00	3.5	4.2
12	EBONYI	0	0.00	0.0	0.0
13	EDO	0	0.00	0.0	0.0
14	EKITI	0	0.00	0.0	0.0
15	ENUGU	1	90,000,000.00	0.9	2.1
16	GOMBE	0	0.00	0.0	0.0
17	IMO	0	0.00	0.0	0.0
18	JIGAWA	0	0.00	0.0	0.0
19	KADUNA	1	30,000,000.00	0.9	0.7
20	KANO	0	0.00	0.0	0.0
21	KATSINA	0	0.00	0.0	0.0
22	KEBBI	0	0.00	0.0	0.0
23	KOGI	0	0.00	0.0	0.0
24	KWARA	0	0.00	0.0	0.0
25	LAGOS	93	3,408,027,275.17	82.3	79.3
26	NASARAWA	0	0.00	0.0	0.0
27	NIGER	0	0.00	0.0	0.0
28	OGUN	3	86,360,000.00	2.7	2.0
29	ONDO	1	25,000,000.00	0.9	0.6
30	OSUN	0	0.00	0.0	0.0
31	OYO	3	60,000,000.00	2.7	1.4
32	PLATEAU	1	43,346,154.00	0.9	1.0
33	RIVERS	2	187,500,000.00	1.8	4.4
34	SOKOTO	0	0.00	0.0	0.0
35	TARABA	0	0.00	0.0	0.0
36	YOBE	0	0.00	0.0	0.0
37	ZAMFARA	0	0.00	0.0	0.0
TOTAL		113	4,296,514,289.12	100.0	100.0

SOURCE: RETURNS FROM BANKS