



• Minna

**Government of
Niger State**

The **A.B.C.** of
**S.M.E. &
MICROFINANCE**
in Niger State



S.M.E./MICROFINANCE AGENCY

Governor's Office

No.1, Yakubu Lane Road, Minna, Niger State

www.nigerstateonline.com

First Edition

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FOREWORD

Governance worldwide, deploy strategies that are anchored on sustainable development patterns that would impact positively on the larger society. These deliberate goal setting agenda are designed to substantially ensure changes in infrastructure, social and economic conditions prevalent in that society.

The reality of development patterns is that despite its sometimes holistic approach, certain segment of society remains largely unaffected, ignored or left behind, thereby multiplying their poverty profile. These people so affected are those who occupy the below average life comfort zone, and can be seen in both urban and rural settings. Various studies have shown that the most effective and practical way of reaching these people for any meaningful impact is the provision and access to funds within their traditional settings to release their creative energies through entrepreneurial skills and collaborative ventures. Consequently, the Small and Medium Scale Enterprises (SMEs) Scheme has been identified deliberately as an agency that can practically take this initiative to the people's doorstep in order to free them through micro-finance from decades old subsistence regime.

This Scheme is therefore, a functional approach towards the realization of the greater objective of making Niger State, one of the top three economies by the year 2020, through cost effective and

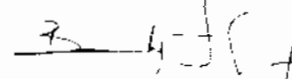
sustainable strategy to reform, transform all communities and put them on sustainable pedestal for growth. We are positive of SMFs potentials as a catalyst for development because of worldwide empirical evidence of their success ratio in areas they have been introduced.

In furtherance of this, and our commitment to serve the people of Niger State, through the enhancement of economic growth, this approach remains the enduring key to guarantee the well being of our people, socially, economically and politically.

I therefore, recommend this work as part of our social responsibility initiative as well as the efforts of the Director General of this Agency in the pursuit of these ideals and values of micro-finance and SMEs, as a veritable organ for socio-economic growth.

Long Live the Federal Republic of Nigeria

Long Live Niger State.



Chief Servant

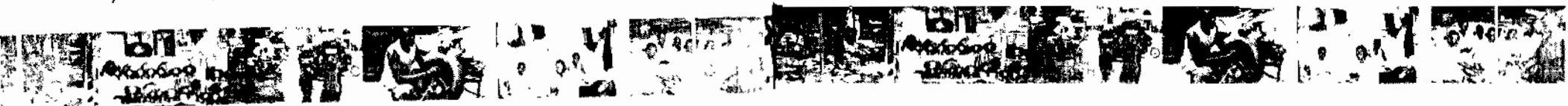
Dr. Muazu Babangida Aliyu, OON

(Talban Minna)

Executive Governor

Niger State.

October 2007





VISION

To enhance socio-economic life profile of the poor, under-privileged, women and youth in the state for the purpose of making them self-reliant and responsible citizens by the year 2011.

MISSION

To set out strategies that will put in place Micro finance institutions and outlets for easy accessibility of cheap funds for the massive poor and economically weak across the state, and to facilitate linkages to individuals, various groups and institutions that have services for micro, small and medium enterprises for the purpose of reducing poverty to the barest minimum and creating high rate of employment by the year 2011.

PREFACE

Economic growth indices, reflect the effective production capacities of Small and Medium Scale Enterprises (SMEs) not only on how they are funded, but the practical utilization of their operational philosophy and how this is integrated towards service delivery and uplifting society.

Small and Medium Scale Enterprises (SMEs), of whatever configuration, are an asset in the production chain of any economy, because of their impact on issues of job creation, provision of a wide variety of goods and services, income generation and efficient sources for micro - financing.

Despite their proactive nature, growth of Small and Medium Scale Enterprises (SMEs), have been blighted, because of inadequate access to finance, production schedules and marketing. This undoubtedly is a reflection of the changes in the monetary policies of our Nation.

The shift of recent from Community Banking to Micro - finance Banking in Nigeria is aimed at strengthening the sustainable basic empowerment of the active poor and economically weak citizens. Consequently, this document serves as a practical application of simple, cost effective, informed decisions and deliberations of how to obtain, maintain and sustain an enterprise under the Scheme.





Microeconomic
Activities

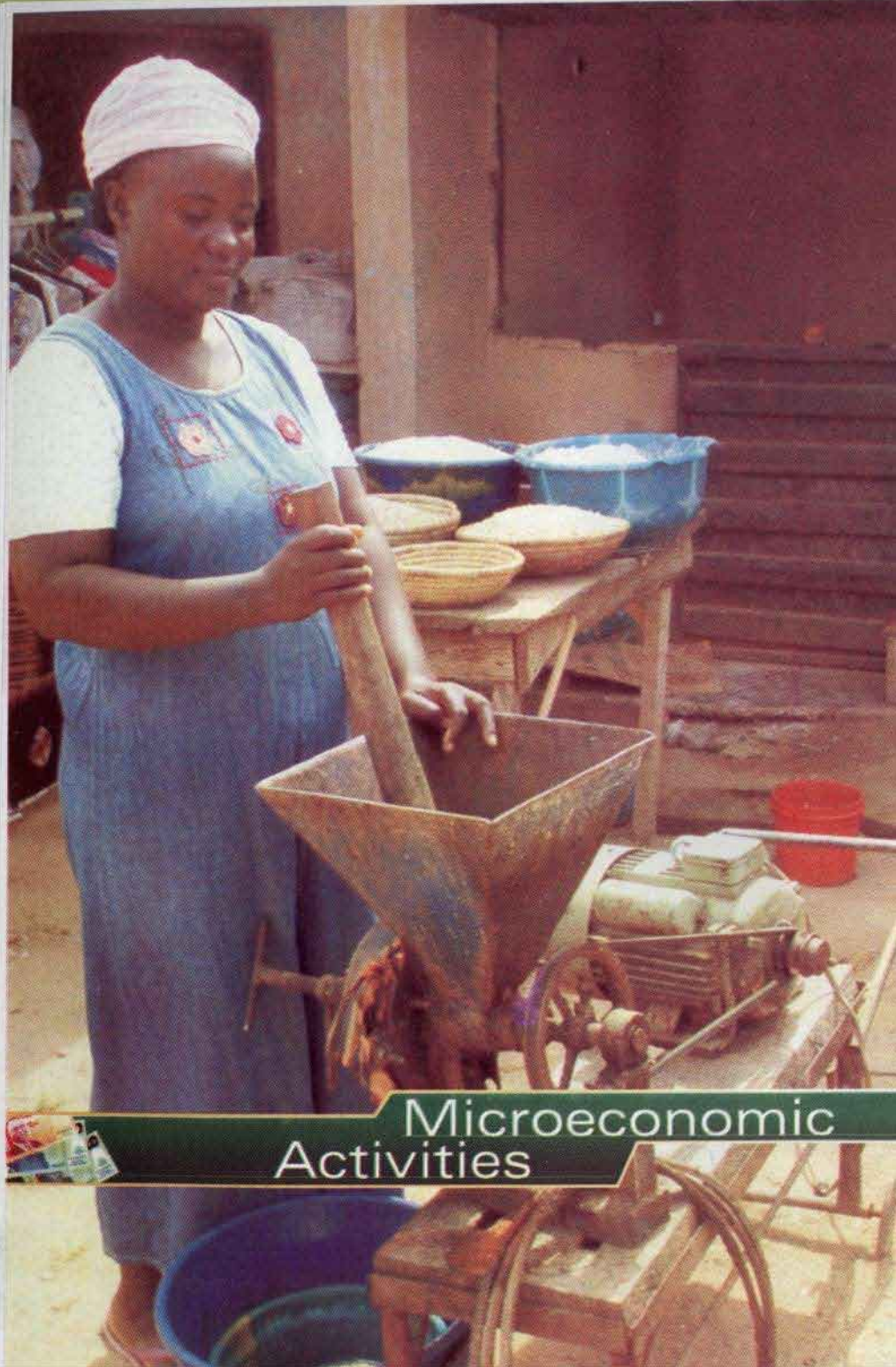
The tremendous contributions of the Deputy Chief Servant (The Deputy Governor of Niger State), Alhaji Ahmed Musa Ibetu, The Secretary to Niger State Government, Dr. Muhammad Kuta Yahaya in this drive of holistic governance and management of public resources is immeasurable.

I hope your encounter with this piece will trigger your passion to better the lot of the poor and underprivileged in Niger State and beyond.

Tim. I. Jiya

Director General,
Niger State Small and Medium Enterprises and
Microfinance Agency (SMEs&MF)
Minna, Niger State.
October, 2007.





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The A.B.C. of S.M.E. & MICROFINANCE in Niger State

S.M.E. MICROFINANCE

What is S.M.E?

It is small, medium enterprises. The concept is that every human person existing under the earth is endowed with some natural potentials. That is, the ability and capacity to exercise God-given talents for the purpose of self development and social transformation for better living. These skills when identified and developed then put into use become an enterprise.

The idea is that you can always start small but think "BIG". So you move from small thinking, graduate to medium and develop to become "BIG" entrepreneur.



A photograph of a man in a white tank top operating a sewing machine in a cluttered workshop. The man is focused on his work, with his hands on the fabric. The room is filled with various items, including a yellow container, a wooden table, and hanging clothes. The overall atmosphere is one of a busy, small-scale manufacturing environment.

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What is Microfinance ?

This is a process of providing the economically active poor and low income households with financial services. It is mainly a credit platform to help them engage in income generating activities or expand their small businesses. Other financial services provided by microfinance institutions include savings, microleasing, micro insurance and payment transfer.

History of Microfinance in Niger State:

Previous administrations in Niger State have had numerous agenda on microfinance in order to complement the policy at the center (the Federal Government).

However, no administration thought of the sustaining strategy like the present Chief Servant, Dr. Mu'azu Babangida Aliyu, OON.

On the 20th of June, 2007, the Executive Governor appointed a Senior Special Assistant on SME/Microfinance and subsequently made the desk an Agency on 20th August, 2007 and appointed a Director General and Chief Executive Officer for it.

This is the first of its kind in the history of the state. The essence is to provide focus on empowering the poor and less privileged which will lead to self-reliance and self-responsibility.





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How is SME/Microfinance Going to Work in Niger State?

The vehicle of any form of business or enterprise is capital (money). No matter how sound a business idea, without money, the possibility of success of such a business is bleak. It is in this principle that the Chief Servant of Niger State, Dr. Mu'azu Babangida Aliyu, OON in his wisdom said that the pragmatic approach to tap Entrepreneurship potentials across the state is to have in place Microfinance bank unit. With these institutions in several locations of the state, it becomes easy for people to access cheap fund to support their trade, skills and micro enterprises. The new approach therefore is to de-emphasis government distribution of money in the name of encouraging enterprise and building human capacity. In most cases, such money is wasted in avenues that do not last and poverty, job creation and self responsibility the schemes are aimed to address remain unchanged.

Ownership of Microfinance Banks

The Central Bank of Nigeria's guidelines for Microfinance Banks (MFBs) stated that these institutions can be established by individuals, groups of individuals, community development associations, private corporate entities or by foreign investors. Significant ownership diversification shall be encouraged to enhance good corporate governance of licensed Microfinance Banks (MFBs).

It should be noted with emphasis that Government at any level should not own shares in Microfinance Banks.



The reason is to avoid unserious attitude attached to handling of public properties as well as political interferences. Government central role is that of facilitator and provision of enabling environment as well as providing intervention measures.

How do we own Microfinance Bank?

You can own a Microfinance Bank by sensitising High Network Individuals (HNIs), vibrant cooperative societies, Development Associations/ Youth Associations, Women groups, Union Associations (e.g. Nigerian Union of Road Transport Workers), Non Governmental Organisation (N.G.O), Religious Associations and similar organization in your localities or areas.

They will come together, get the basic idea and value of Microfinance Bank and then set in place a mechanism of money they will contribute as shares. This however requires high integrity. This is where Local Government is a crucial tool. Local Government administrators that are worth their salt are expected to be good facilitators of this people oriented project.

The SME/MICROFINANCE AGENCY is a bridge between those who want to establish

Microfinance Banks, the Government, Central Bank of Nigeria and Corporate Affairs Commission.

The Agency is established for you to consult with on sensitization, mobilization, registration

requirements and procedures of MFBs and possible intervention measures by the State and Local Governments.

What is the Capital Base Required to Operate a Microfinance Bank?

They are in two categories, namely:

Microfinance Bank licensed to operate as a unit bank within a Local Government Area, a minimum capital requirement of ₦ 20 Million.

Microfinance Bank licensed to operate within a State, a minimum of ₦ 1.0 Billion.

Who are the clients of Microfinance Banks?

The clients of Microfinance Banks include the very poor vulnerable groups (women), the economically active poor, and the low income households that have little or no access to conventional formal financial institutions. They are typically self employed, petty traders, hawkers, food sellers, shopkeepers, artisans, street vendors in the urban and peri-urban areas and mostly small holder farmers in the rural areas.

What are the economic and socio-political benefits of SME/Microfinance Agency?

It is a searchlight on potentials of skills and entrepreneurship within various communities.

It is a guide for people to start small and think big.

A lot of people especially the youth and women will shift from idle living to proactive lifestyle.

The Agency will promote self-reliance and



self responsibility to teeming masses and those considered to be economically weak.

With time, people will be able to take independent views and position on political matters which will lead to socio-political emancipation.

It is a direct machinery to fight poverty headlong, create job opportunities and enhance rural transformation.

It will reduce rural urban migration and promote sustainable socio-economic development of the state.

Promote diversification of the economy of the target groups and communities.

What are the functions of SME/Microfinance Agency?

The Agency, among others, will perform the following duties:

- Serve as the liaison between the State Government and Local and International organized private sector. In particular, it will liaise with various microfinance, a small and medium enterprises and associations with common interests.
- Co-ordinate existing Community Banks in the State to ensure their transformation to Microfinance Banks.
- Promote sensitization among stakeholders such as Local Government Areas, traditional rulers, religious leaders, opinion leaders and so on. Hence, it helps as to create awareness for the Agency and key role of Microfinance institutions in promoting small and medium enterprises.

- Sensitize and mobilize Local Government staff and rural communities to unite and form cooperative groups and numerous skills associations. This will be an effective tool of setting up of small and medium business enterprises.
- Liaise between the State and Local Governments, Co-operative societies, development Associations/Corporate groups, and patriotic individuals so as to facilitate establishment of at least one Micro-Finance Bank in each Local Government Area.
- This will also activate cooperative societies and Cooperative Department of the Ministry of Commerce.
- Coordinate relevant regulatory authorities such as C.B.N and Corporate Affairs Commission with existing and would be Microfinance Banks for registration, licensing and smooth running.
- Liaise between Microfinance institutions and micro, small, medium business enterprises so as to fertilize symbiotic growth in the state.
- Source for and disseminate information through appropriate language, form and means that would enhance access by rural dwellers to microfinance and micro-insurance.
- Encourage and facilitate development of Business clusters Networks, Cooperatives, NGOs



(Community Based Organisations) and Microfinance institutions across the state.

- Coordinate activities of SMEDAN, Development partners and other relevant Agencies to ensure maximum benefit of micro, small and medium enterprises development in the state.
- In conjunction with the State's Ministry of Commerce and Industry, facilitate the establishment of Business Support Centers (BSC), Business Information Centers' (BICs), Industrial Development Centers (IDCs) and Industrial Parks in the State and Local Government Areas.
- Create a platform for government intervention for ensuring that disadvantaged and vulnerable individuals and groups in the State benefit from SME and Microfinance Programmes.
- The Agency will also initiate, organize and coordinate seminars, conferences, workshops and interactive sessions for promotional and capacity building purposes.
- The Agency will also put in place a process of creating awareness among the political elites class and civil servants in the State and Local Government Areas as well as the pensioners (prospective and active), on the need to be investment friendly and exposing them to some investment opportunities such as stock market, property etc for the purpose of future comfort.

- Other relevant responsibilities not listed here which may arise from time to time.

Where do we locate the Agency?

Niger State Supply Company Building, Ahmadu Bahago Road, Minna. Meanwhile, you can keep in touch with the Agency through the following contact:

1. Office of Secretary to the State Government, Governor's Office No 1, Musa Zago Road, Minna Niger State.
2. E-mail tim.jiya@yahoo.com or tim.jiya@gmail.com
3. 08051164880

Conclusion:

Do quickly make use of this opportunity to be yourself in decision making and life responsibility as offered by Niger State Government through the pragmatic and people care leadership of Dr. Mu'azu Babangida Aliyu (Talban Minna), the Executive Governor of Niger State.



CONCEPT OF MICRO-FINANCE BANK AND MODALITIES FOR ESTABLISHMENT

It is a well known fact that a vast majority of Nigerians live in the rural areas. The living condition of these Nigerians is deplorable and majority live well below poverty level. One major reason for this situation is the absence of one of the most crucial factors of production- **capital**. In Nigeria, 65% of the populace is excluded from access to financial services as they are often served by the informal financial sectors such as moneylenders, friends, relative and Non-Governmental Organizations. This lack of economic empowerment more than any other singular factor is largely responsible for the poverty level in our rural areas.

Successive Governments particularly at federal level have at various times, come up with programs, policies and schemes such as Directorate of Food, Roads and Rural Infrastructure (DFRRI), Peoples Bank of Nigeria (PBN), National Directorate of Employment (NDE), National Poverty Eradication Programme (NAPEP) all aimed at alleviating poverty among the vast majority of Nigerians with varying degrees of success.

Recently, the **Micro Finance Scheme** was introduced as a better and broader way of reaching and serving the credit needs of the rural dwellers and low income earners of the Nigerian populace. Microfinance is defined as a means by which the economically active poor and low income households are provided with sustainable financial services, mainly credit facilities to help them engage in income generating activities or expand their small businesses thereby helping them fight poverty.

THE EXISTING REGULATORY FRAMEWORK

The Central Bank of Nigeria (CBN) being the sole regulatory body of Micro Finance activities has put in place a Micro Finance Policy, Regulatory and Supervisory Framework for Nigeria. The salient features of the framework include but not limited to the following;

- The hitherto existing regime of Community Banks in the country has ceased with the advent of Micro Finance Scheme. All existing Community Banks are required to transform into Microfinance Bank (MFBs) within twenty four months from the commencement of the new Scheme by increasing their shareholders funds to Twenty Million Naira failing which such shall cease operation as a Community Bank.
- Under the new Scheme, a MFB could be promoted by individuals, group of individuals, community development associations, private corporate entities or foreign investors.



Microeconomic Activities



Microeconomic Activities



- Two categories of MFBs have now been formulated and adequate capitalization is now very paramount.

The two categories are;

- a) Microfinance banks licensed to operate **as unit banks** (a.k.a community banks) the minimum paid up capital of which shall be **Twenty Million Naira** and shall operate branches and cash centres and can attain the status of a state MFB by spreading organically from one location to another until it covers at least **two-thirds** of the LGAs of that state. It shall also be allowed to open branches in other states upon fulfilling prescribed conditions of the CBN.
 - b) Microfinance Bank licensed to operate in a state the minimum paid up capital of which shall be One Billion Naira and shall operate multiple branches within a state. It shall be allowed to operate branches in other states provided it operates branches in at least two-third of the LGAs of the state it is currently licensed to operate in upon fulfillment of prescribed conditions of the CBN.
- Every licensed institution shall add 'microfinance bank' after its name which shall be duly registered at the Corporate Affairs Commission.
 - Multiple incorporations of Micro Finance Banks by any previous promoter or their proxies, agents,

subsidiaries even under different or disguised name shall not be allowed.

- Since Micro Finance Banks are deposit taking institutions and in order to reinforce public confidence in them, they qualify for the deposit insurance scheme of the Nigeria Deposit Insurance Corporation (NDIC).
- In line with the transparency policy of the Government and in compliance with the Money Laundering Law, licensed Micro Finance Banks shall be required to disclose their sources of funds.
- The following stakeholders have been identified and assigned specific roles and responsibilities. They are; Government, Central Bank of Nigeria, Microfinance institutions, Public Sector poverty alleviation Agencies and Donor Agencies. Significantly, the Government among other roles is expected to **set aside an amount of not less than 1% of the annual budgets of state governments for on-lending activities of microfinance bank in favour of their residents.**

OWNERSHIP AND LICENSING REQUIREMENTS

The Central Bank of Nigeria has put in place a **Regulatory and Supervisory Guidelines for Micro Finance Banks in Nigeria**. Therein, details have been



provided on the modality for establishing and running of MFBs in Nigeria. Some of these provisions are highlighted below:

Ownership:

As stated earlier, Microfinance banks can be established by individuals, groups of individuals, community development associations and private corporate entities or by foreign investors. The Central Bank of Nigeria encourages significant ownership diversification to enhance good corporate governance of licensed Microfinance banks.

Licensing:

Any promoter(s) seeking a license for a Microfinance bank business in Nigeria shall apply in writing to the **Director, other Financial Institution Department, Central Bank of Nigeria, Abuja.** There shall be two (2) categories of licenses available for promoters (both local and foreign) of Microfinance banks, based on geographical coverage as specified below:

- (i) A microfinance bank licensed (a.k.a community bank) to operate as a unit bank. The minimum capital requirement shall be ₦20 million (twenty million Naira) or such amount as may be prescribed by the CBN from time to time.
- (ii) A micro finance bank licensed to operate in a state and open branches within a specified state or federal capital territory. The minimum capital

requirement shall be One billion Naira (₦ 1.0 billion) or such amount as may be prescribe by the CBN from time to time.

- (iii) Such application shall be accompanied with the following:
 - a. **A non-refundable application fee of ₦50,000.00 or ₦100,000.00** for MFBs licensed to operate in LGAs or state, **Respectively**, in bank drafts payable to the Central Bank of Nigeria;
 - b. A deposit of the minimum capital requirement for the relevant category of MFB, which shall be in bank draft and payable to the CBN. **The capital thus deposited, together with the accrued interest, shall be released to the promoters on the granting of a license;**
 - c. Satisfactory, verifiable and acceptable evidence of payment by the proposed shareholders of the minimum capital requirement for the category of license being applied for, including a personal statement that capital does not originate from bank credit, any form of credit of questionable sources, or any activity that relates to money laundering;
 - d. A certificate of capital importation issued by an authorized dealer (banks) in the case of foreign capital;
 - e. A copy of the MFB's detailed feasibility report disclosing relevant information that shall



include:

- i) the objectives and aims of the proposed MFB,
- ii) the justification for the establishment of the MFB,
- iii) the services that the MFB intends to provide,
- iv) the branch expansion programme (if any) within the first five years,
- v) the proposed training programme for staff and management's succession plan,
- vi) a five-year financial projection for the operation of the MFB, indicating its expected growth and profitability,
- vii) details of the assumptions upon which the financial projections have been made,
- viii) the organizational structure of the MFB, setting out in detail, the functions and responsibilities of the top management team,
- ix) the composition of the Board of Directors and the curriculum vitae (CV) of each member, including other directorships held (if any),
- x) appropriate management information system, internal controls and procedures, including manuals of operations, and
- xi) the conclusions based on the assumptions made in the feasibility report;

- f. A copy of the draft Memorandum and Articles of Association;
- g. A letter of intent to subscribe to the shares of the proposed MFB, signed by each subscriber;
- h. A copy of the list of promoters/proposed shareholders in tabular form, showing their business and residential addresses (not post office addresses) and the names and addresses of their bankers;
- i. The names and CVs of the proposed members of the Board of Directors. Each CV must be personally signed and dated;

In considering an application for a license, the CBN shall satisfy itself that:

- i) The promoters and the proposed management team are "fit and proper" persons to invest in/manage the financial services industry in Nigeria by regulatory standards;
- ii) The promoters have submitted the names and curriculum vitae of the top management team of the proposed MFB;
- iii) The minimum paid-up capital/shareholders' funds of the relevant category being applied for is acceptable and the source is verifiable and satisfactory to the CBN;
- iv) The quality of the management of the proposed MFB is sound;
- v) The earnings prospect of the company is



realizable; and (vi) the objects of the company as disclosed in its Memorandum and Articles of Association agree with the services listed in the relevant provisions of these guidelines.

- j. The CBN shall before the issuance of an approval-in-principle (AIP), arrange an appraisal interview for the promoters of the proposed MFB. The date and time for the interview shall be communicated to the promoters in writing.
- k. If satisfied, the Director may grant a license to the MFB; where the grant of license is declined, and the reason for refusal shall be communicated in writing to the applicant.
- l. The CBN may at any time vary or revoke any conditions of a license or impose additional conditions.
- m. Where a license is granted subject to some conditions, the MFB shall comply with those conditions to the satisfaction of the CBN within such period as the CBN may deem appropriate in the circumstance. Any MFB that fails to comply with such conditions shall be guilty of an offence under BOFIA1991 (as amended).
- n. All licensed MFBs shall be required to add "microfinance bank (MFB) ltd" after their names which shall be registered with the corporate affairs commission in compliance with the companies and allied matters act (CAMA).

Application and licensing fees

The application and licensing fees, which may be varied at the Instance of CBN, shall be as follows:

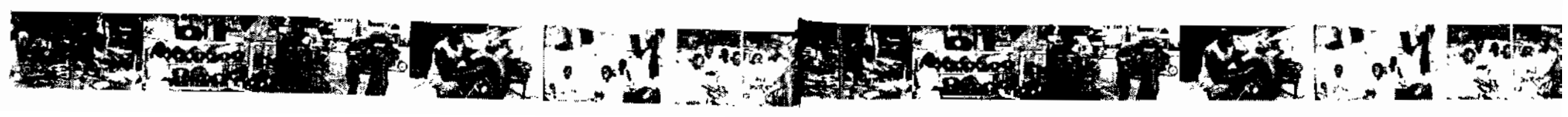
	Unit MFB	State MFB
	₦	₦
(a) Non-refundable Application fee	50,000	100,000
(b) Non-refundable Licensing fee	100,000	250,000
(c) Change of Name fee	20,000	50,000

An MFB wishing to convert its license status shall be required to pay the applicable non-refundable licensing fee.

MANAGEMENT

Directors

- A. The maximum number of directors (including executive directors) on the board of an MFB shall be seven (7), while the minimum shall be **three (3)**. To qualify for the position of a director in an MFB, it is required that the person must not be a current employee of a bank or other financial institution, except where the MFB is promoted by a bank or other Financial institution and the person is representing the interest of such Institution. In the circumstance, where a current employee of a bank or other Financial Institution is proposed for the position of director, the **consent of the employer must be given in writing to the CBN**. No person



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shall serve as a director in more than two (2) institutions under the regulatory purview of the CBN.

- B. At least two (2) members of the Board of Directors, other than the Executive management, shall be required to have banking or related industry experience.
- C. The appointment of new directors and management staff shall be approved by CBN.

Management Requirements

The following minimum qualifications and experience are mandatory for officers who may occupy the key top management position in MFBs:

- A. Managing Director/Chief Executive; a recognized university degree or its equivalent and or professional qualification with at least seven **years post-qualification experience in banking or related industry.**
- B. Department Head; a recognized university degree or its equivalent and or professional qualification with at least five years post-qualification experience in banking or related industry.
- C. A person with any other qualifications or experience that may be considered adequate by the CBN may hold either of the positions (a) and (b) within MFB.



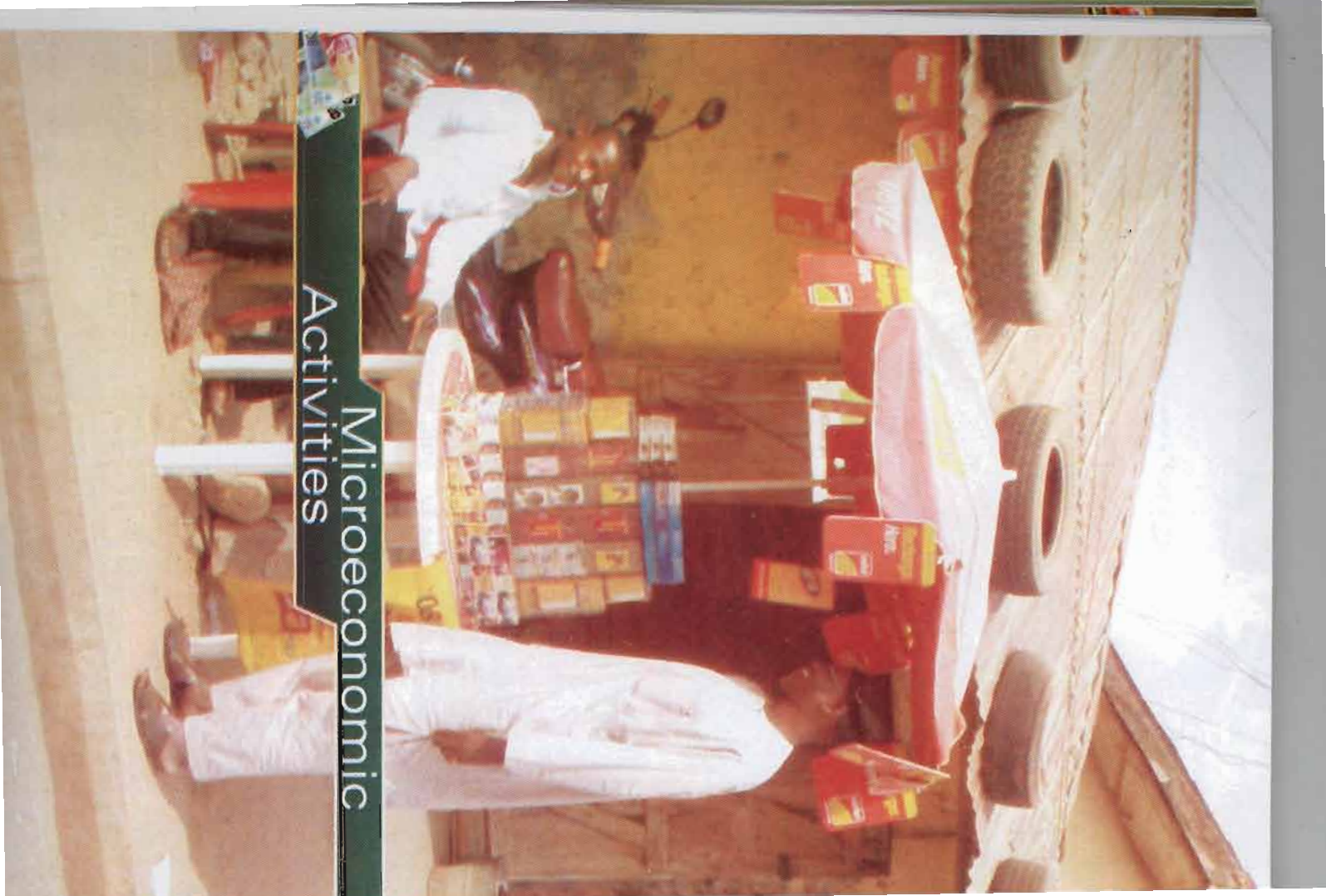
Certification process

In recognition of the peculiarities of micro finance services and the management of MFBs, it shall require that the top management possesses the requisite certification on microfinance management from recognized certification institutions acceptable to Central Bank of Nigeria. To fulfill this requirement, members of the top management team of an MFB shall be required to submit evidence of such certification. Members of the executive management shall be required to possess certification on microfinance management not later than three (3) years after the take-off of the certification programme. A transition period of twenty four (24) months shall be allowed for the take-off of this programme, following the implementation of the microfinance policy. Failure to comply with this condition shall be a sufficient ground for the removal of the affected officer.

CONDITIONS PRECEDENT TO THE COMMENCEMENT OF OPERATIONS

- A. The promoters of an MFB shall submit the following documents to the CBN before it is permitted to commence operations:
 - i. A copy of the **shareholders' register** in which the equity interest of each shareholder is properly reflected (together with the original for sighting)





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- ii. A copy of the **Share Certificate** issued to each shareholder;
- iii. A certified true copy of form C02 (Return of Allotments) filed with the Corporate Affairs Commission;
- iv. A certified true copy of form **C07 (particulars of Directors)**, and a written confirmation that the Board of Directors approved by the CBN has been installed;
- v. **A certified true copy of the Memorandum and Articles of Association** approved by the CBN and filed with the Corporate Affairs Commission;
- vi. The **opening statement of affairs** audited by an approved firm of accountants practicing in Nigeria;
- vii. A certified true copy of the Certificate of Incorporation of the company (together with the original for sighting purposes only)
- viii. A copy each of the letters of Offer and Acceptance of employment by the management staff and a written confirmation that the management team approved by the CBN has been put in place; and
- ix. A letter of undertaking to comply with all the rules and regulations guiding the operations of MFBs.



- such areas as record keeping and small business management;
- d) Issuance of redeemable debenture to interested parties to raise funds from members of the public, with the approval of the CBN;
 - e) Collection of money or proceeds of banking instruments on behalf of its customers through correspondent banks;
 - f) Provision of payment service, such as salaries, gratuities and pensions for the various tiers of government;
 - g) Provision of loan disbursement services for the delivery of the credit programmes of governments, agencies, groups and individuals for poverty alleviation on a non-recourse basis;
 - h) Provision of ancillary banking services to their customers, such as domestic remittance of funds and safe custody;
 - i) Maintenance and operation of various types of account with other bank in Nigeria;
 - j) Investment of surplus funds of the MFB in suitable instruments, including placing such funds with correspondent banks and Treasury Bills;
 - k) Payment and receipt of interests as may be agreed between the MFBs and their clients, in accordance with existing guidelines;
 - l) Operation of micro leasing facilities, microfinance related hire-purchase, and arrangement of

- consortium lending and supervision of credit schemes to ensure access of microfinance customers to inputs for their economic activities;
- m) Receiving of re-financing or other funds from the CBN and other sources, private or public, on terms mutually acceptable to both the provider of the funds and the recipient MFBs;
 - n) Provision of microfinance related guarantees for MFB customers to enable them have greater access to credit and other resources;
 - o) Buying, selling and supplying industrial and agricultural inputs, livestock, machinery and industrial raw materials to poor persons on credit and acting as agents for any association for the sale of such goods or livestock;
 - p) Investment in shares or equity of any corporate body, the objective of which is to provide microfinance services to poor persons;
 - q) Encouragement of investment in cottage industries and income-generating projects for poor persons as may be prescribed by the CBN;
 - r) Provision of services and facilities to customers to hedge various risks relating to microfinance activities;
 - s) Provision of professional advice to poor persons regarding investments in small businesses; rendering managerial, marketing, technical and



- administrative advice to customers and assisting them in obtaining services in such fields;
- t) Mobilizing and providing financial and technical assistance and training to micro-enterprises;
 - u) Provision of loans to microfinance clients for home improvement and consumer credits; and
 - v) Performance of non-banking functions that relate to microfinance business development services, such as co-operatives and group formation activities, rural industrialization and other support services needed by micro enterprises.

Note: *No MFB shall undertake any business or activity other than those permitted as stated above or as may be prescribed by the Central Bank of Nigeria from time to time.*

Prohibited Activities

No MFB shall engage in the provision of the following financial services:

- a. Acceptance of public sector (government) deposit except for the permissible activities (f) and (g) stated above;
- b. Foreign exchange transactions;
- c. International commercial papers;
- d. International corporate finance;
- e. International electronic funds transfer;

- f. Cheque clearing activities;
- g. Dealing in land for speculative purposes;
- h. Real estate, except for its use as office accommodation;
- i. Allowing any facility for speculative purposes; and
- j. Entering into leasing, renting, and sale/purchase of any kind with its directors, officers, employees or persons who, either individually or in concert with their family members and beneficiaries, own five percent (5%) or more of the equity of the MFB, without the prior approval in writing of the Central Bank of Nigeria.

INCORPORATION PROCEDURE

Incorporation of a MFB shall begin with the briefing of a solicitor who will be expected to take the following steps;

- Purchase of the Incorporation forms from the Corporate Affairs Commission (CAC)
- Conduct an availability at the CAC to determine suitability or otherwise of the proposed name of the MFB
- Completion of the incorporation forms
- Printing of the Memorandum and Articles of Association (MEMAT), the object clause of which must conform with the guidelines of the CBN
- Payment of the appropriate stamp duty to the Federal Inland Revenue Services-FIRS (stamp duty



- account). The amount payable shall be ad-valorem i.e the amount shall depend on the volume of the share capital.
- Payment of the registration fees at the CAC. This also depends on the volume of the share capital.

Note: *No proposed MFB shall incorporate/register its name with the Corporate Affairs Commission (CAC) until a written approval-in-principle (AIP) has been communicated to the promoters by the CBN, a copy of which shall be presented to the Corporate Affairs Commission.*

Cost implications:

Apart from other financial implications such as rent and office infrastructures, putting a MFB in place has the following incorporation statutory cost elements;

- **Stamp duty** - this is a statutory tax paid to the federal government and it is compulsory. The amount payable depends on the volume of the share capital but the basis of calculation is ₦3 in every ₦200. For a MFB of Twenty Million Naira share capital, the calculation would be ₦3 x ₦20 Million divided by ₦200. The answer in this case is ₦300,000.
- **Registration fee** - is payable at the Corporate Affairs Commission. The basis of calculation is ₦5,000 in every ₦2 Million. The amount payable in this case shall be ₦5,000 x 20 the result of which is ₦100,000.

- Solicitors' professional fees and charges based on the scale of fees approved in the Legal Practitioners Remuneration Order
- License procurement and other miscellaneous expenses relating to logistics, facilitations and other sundry issues at various stages of the exercise.

CAPITALIZATION AND FUNDING CONSIDERATIONS

As stated earlier, the only parties allowed by law to promote a MFB are individuals, group of individuals, community development associations, private corporate entities of foreign investors. Governments at all levels are not permitted to participate in the ownership of MFBs. In fact, ownership of conventional universal banks by government has been limited to only 10%. This position may not be unconnected with the experiences of most state owned banks in the past in which political patronage rather than professionalism was the main consideration for Board and top Management appointments into the banks with its attendant low productivity and eventual distress.

Given the far reaching developmental objectives of Micro financing, MFBs are no doubt, very crucial in the realization of these lofty ideas and a serious minded government such as we now have in place in Niger State could achieve a lot through it in alleviating poverty among rural and low-income earners. However, despite the good intentions of the government, the law prohibits



its direct involvement in the ownership of MFBs. The role of government is specifically spelt out in the Regulatory Framework to include the following:

- Ensuring a stable Macro-Economic environment, providing basic infrastructure (electricity, water, roads, telecommunication etc), political and social stability;
- Fostering adequate land titling and other property rights sufficient to serve the collateral needs of borrowers and Financial Institution;
- Institution and enforcing donor and foreign aid guidelines on micro-finance institutions to streamline their activities in line with the policy of the CBN concerning MFBs; and
- Setting **aside** an amount of not less than 1% of the annual budgets of state and local governments for on-lending activities to microfinance banks in favour of their residents



Microeconomic Activities

