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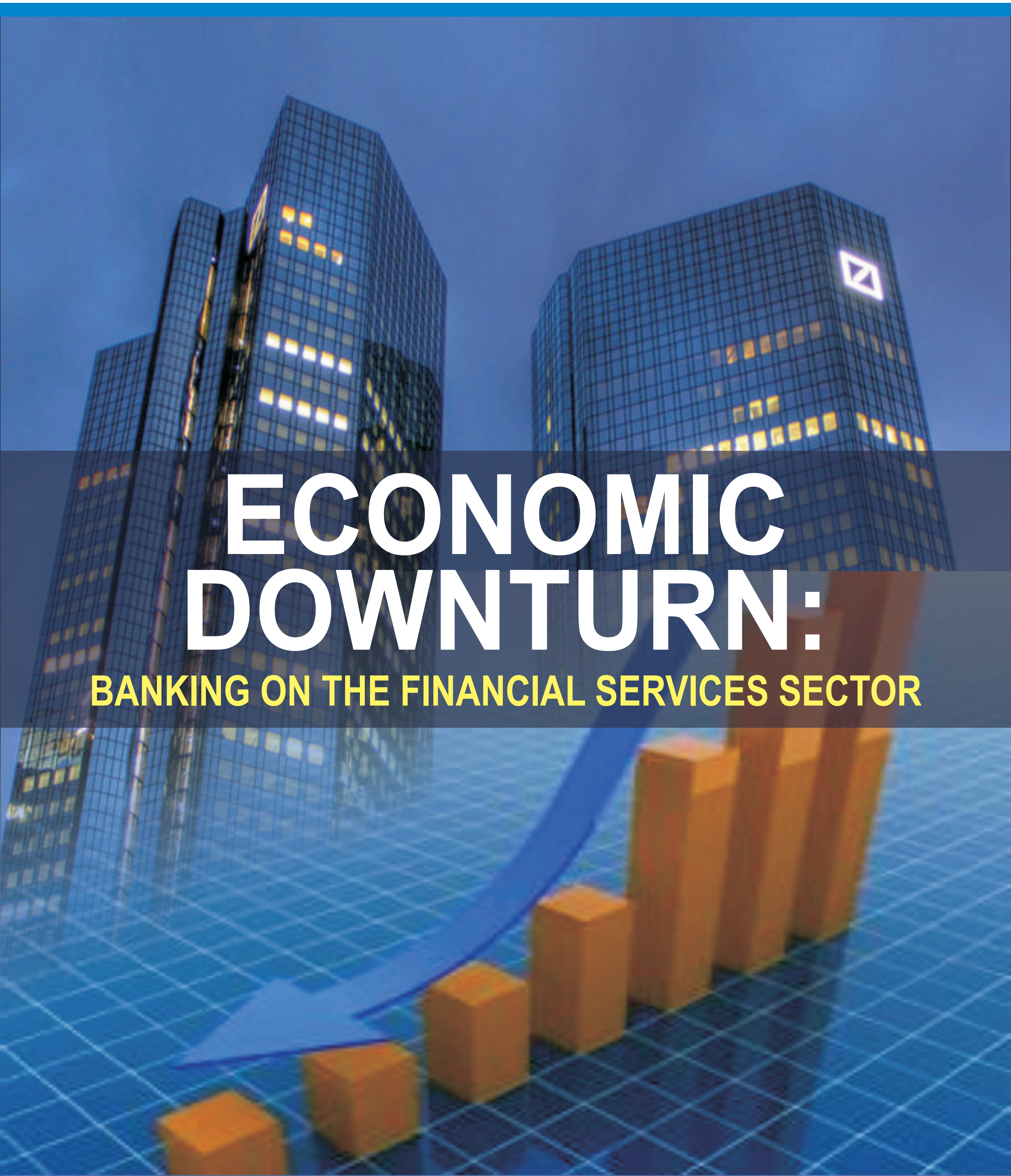

ECONOMIC DOWNTURN:
BANKING ON THE FINANCIAL SERVICES SECTOR

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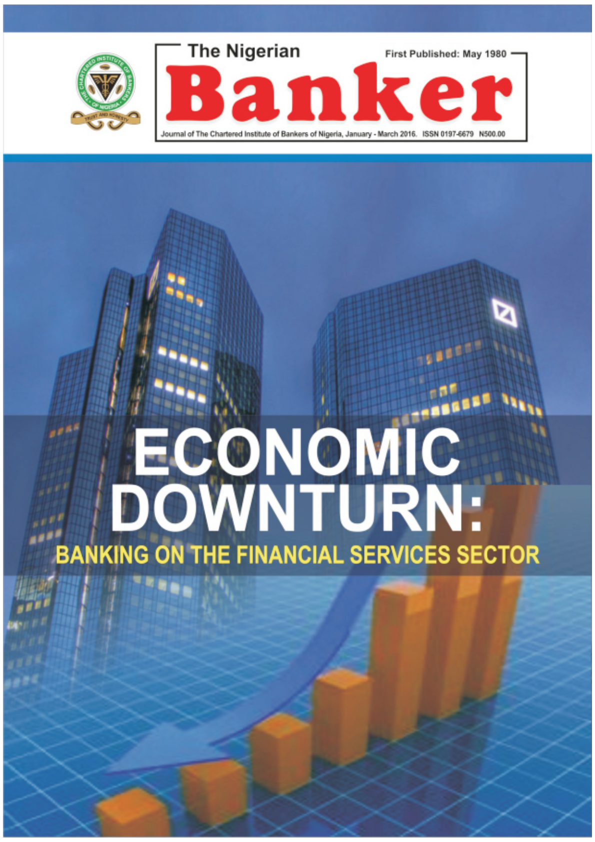
Contents



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From The
Editor's Desk

There have been pervasive apprehensions on global economic growth prospects for 2016. The World Economic Outlook forecasts that global growth, estimated at 3.1 per cent in 2015, would hover around 3.4 per cent in 2016. Economic growth in emerging markets and developing economies have been predicted to be gradual when compared with the expected growth rates in developed economies. Some of the key factors that would fundamentally impact on global growth prospects are the slowdown and the rebalancing of the Chinese economy; lower commodity prices; strains in some large emerging economies; and the not-too-accommodative monetary conditions in the United States.

Nigeria as a country would have to live for some time with the reality of the international price of crude oil which currently remained at a stubbornly low rate of around $40 per barrel, the lowest in the last ten years. This rate would likely endure as Iran reappeared in the global economy and the fact that the United States of America has started exporting crude oil after a hiatus of almost 40 years implying a larger supply of the black gold in the international market. The National Bureau of Statistics (NBS) in its projection of the economic outlook for 2016, estimated the real Gross Domestic Product (GDP) growth in Nigeria to be 3.78. While this would be an appreciable progress from the 2015 value of 2.97, it however falls significantly below the 6.22 recorded in 2014.

The Nigerian government would have to take hard decisions to ensure that the growth rate rebounds to the 6.22 value recorded in 2014. There would be need for short, medium and long term measurable and feasible strategies for the country. While the current effort at ensuring fiscal discipline of government's Ministries, Departments and Agencies (MDAs) through the implementation of the Treasury Single Account (TSA) is a welcome development, there is the need for further initiatives that would block other financial leakages.

A religious implementation of the 2016 budget is critical to the achievement of a robust growth in 2016. The over 1.5 trillion Naira marked for capital projects in the 2016 budget and other sectoral initiatives would have considerable impact on the economy if executed. The Efficiency Unit (E-Unit) recently established by the government to monitor its agencies and ensure all expenditures are necessary and represent the best possible value for money is also appropriate for improved economic performance.

The financial services industry, being the bedrock of the economy, would play vital roles if the economy is to be safeguarded and stabilized in the face of the global economic downturn. The banking sector, while not neglecting the bottom lines, should also be strategic in its allocation of resources. The sector should fund projects and businesses that would create employment opportunities and boost productive activities in the country.

Rukayat Yusuf

OPENING REMARKS

by

OTUNBA (MRS) 'DEBOLA OSIBOGUN, FCIB
President/Chairman Of Council,
The Chartered Institute Of Bankers Of Nigeria

at the
Business Breakfast Session on Economic Outlook 2016: Implications for Businesses in Nigeria,
organised by the
CIBN, Centre for Financial Studies
and
Biodun Adedipe Associates Limited
on January 28, 2016 at Oriental Hotel, Lekki, Lagos.

Protocols

It is my pleasure to welcome you to the 2016 Business Breakfast Session organised by the CIBN Centre for Financial Studies (CIBNCFS) and Biodun Adedipe Associates Limited (BAA). The principal focus of this initiative in its 2nd year-run is to have a strategic x-ray of the Nigerian Economic Outlook for 2016 and its implications for businesses in Nigeria.

Let me specially thank **Dr Joseph Nnanna,** the Deputy Governor, Financial System Stability, Central Bank of Nigeria (CBN) who is here to deliver the Keynote Address. In addition to the enduring relationship that has existed between the CBN and the CIBN in supporting each other's initiatives over the years, Dr Nnanna's personal support to the Institute has been significant.

Over the last one year, apprehensions across all sectors concerning the future of the Nigerian economy have become very pervasive. This is worsened by the nose-diving global price of crude oil, our main source of revenue, the weakening of the Naira at the exchange-rate market, and the rising youth unemployment. However, in periods of economic hardship, the role of the banking and finance sector is central to the survival of other sectors. Hence, the performance of the economy depends largely on how the financial sector is managed during such crises

As concerns on the state of the economy grow, the attention of various economic units is focusing on various quick-wins that can be deployed to resuscitate the economy. While expectations are turning to the banking industry, other productive sectors are also expected to chart feasible paths that will complement the policy thrusts of the banking and finance sector.

The most pressing national challenge is the N2.2trillion budget deficit recently presented by President Muhammadu Buhari, GCFR. The major worry this generates is where the shortfall will be raised from in the face of unabated fall in global oil prices which currently has fallen below $30 per barrel. The implication of this is that the expected national revenue from oil will fall thereby increasing the projected deficit way beyond the projected N2.2trillion.

It is pertinent therefore, that alternatives to generate revenue must be devised to save the economy from crumbling and government should, as a matter of urgency, come up with detailed developmental programmes that can drive productivity especially in the non-oil sectors. Also, while presenting a budget deficit is not peculiar to Nigeria, the distinctiveness lies in the poor implementation experienced over the years. This should, henceforth, be religiously addressed by government to ensure the full implementation of the budget.

Government should provide the enabling environment for critical sectors of the economy to channel investments for real development. Trillions of Naira have been stored away as a result of the implementation of the Treasury Single Account (TSA). Government should create a platform where these monies are ploughed back into critical sectors under a supervised regime to generate growth. Any attempt to make banks fund government expenses as a social responsibility measure should be discouraged forthwith.

We encourage government to consider the option of financing the deficits through the capital market as the stock exchange exists to provide a platform for financing the economy from equity and fixed income perspective and other asset class perspective.

The time is here for us as a nation to look beyond the present and make a strategic plan with actionable points to stimulate growth in all areas. The effort of the government should be increased in the area of mobilizing revenue by drawing more informal sector companies into the government tax net.

In conclusion, Ladies and gentlemen, let me assure you that the resource persons here today are men and women of repute. I implore you all to give us your undivided attention by fully engaging in today's discourse as the points raised here would be forwarded to relevant agencies for implementation.

God bless Nigeria
God bless you all!

Otunba (Mrs) 'Debola Osibogun, FCIB
President/Chairman of Council
The Chartered Institute of Bankers of Nigeria

ROUNDTABLE SESSION ON ECONOMIC OUTLOOK 2016:
IMPLICATIONS FOR BUSINESSES IN NIGERIA

Keynote Address by

OKWU JOSEPH NNANNA, PH.D

Deputy Governor (Financial System Stability) Central Bank of Nigeria

At a Round Table Session

TITLED **"ECONOMIC OUTLOOK 2016: IMPLICATIONS FOR BUSINESS IN NIGERIA"**

Organised by

The CIBN Centre for Financial Studies

in collaboration with

B. Adedipe Associates Limited

at Oriental Hotel, Victoria Island, Lagos on Thursday, 28 January, 2016

Protocol

1.0 INTRODUCTION

1.1 Distinguished Fellows of the Institute, invited Guests, Ladies and Gentlemen, I am delighted to present this keynote address at this Round Table Session on Economic Outlook for 2016 and its implication for Business in Nigeria. I consider this event both important and timely. Important because it offers us all the opportunity to exchange ideas on how to address the economic challenges that we currently face and timely, because it came at a period the cacophony of voices on policy choices and strategies to address current economic challenges need to be properly streamlined and given purpose.

1.2 However, it is important to note that current economic challenges are not completely new or peculiar to Nigeria as a nation. Indeed, the consensus is that it is a global phenomenon. On our part, we recognize that we have been through this road before as we recall that in the mid 1980's oil price declined to as low as $12 per barrel. During that period the economy experienced twin deficits as budgets collapsed due to fiscal contraction and the balance of payments went into deficits as exports also declined. We saw our economic growth plummet as spiraling inflation and unemployment worsened poverty in our land. Notwithstanding the enormity of the challenges in those years, we successfully pulled through mainly, on account of the resilience of the Nigerian spirit and our resolve to learn the right lessons and chart a proactive course of action. Current challenges demands no less from us as we review global and domestic macroeconomic conditions necessary for our discussion.

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 There is no gainsaying that Nigeria, like many other frontier markets is not immune to adverse global economic conditions. In fact, given the speed and impact of Globalization, economic threats in any part of the world are quickly transmitted to the domestic economy in a matter of months, if not days as a result of interlinkages in global financial markets and unfettered capital and trade flows. This explains why current global economic developments are impacting our domestic economy in more profound ways than we ever imagined in the past. It is, therefore, inappropriate for us to always think about solutions to domestic economic challenges in isolation of its external root causes.

2.2 Current review of the global macroeconomic trends suggests that the year 2015 presented a “mixed grill” in global economic conditions as global growth declined from 3.4 percent in 2014 to a projected 3.1 percent in 2015. However, IMF recently revised its growth outlook for 2016 to 3.4 percent on account of slowdown in China and persistent decline in oil prices. Advanced economies with its modest and uneven growth are expected to lead global growth in 2016. Specifically, the United States recorded 2.8 percent growth in 2015, largely driven by improved household expenditure, increase in fixed investment expenditure and low energy prices. However, current monetary policy normalization in the US and its implication for higher interest rates and strengthening of the dollar may become a source of instability for global financial markets and trade going forward.

2.3. On the other hand, growth in the Euro Area remained anemic at 1.5 percent in 2015, but projected to slightly improve to 1.7 percent in 2016, due to low interest rates and low energy prices, both of which will likely offset the negative impact of weakening net exports on growth. In Japan, recovery is expected to pick up albeit, sluggishly with a projected increase in growth from o.6 percent in 2015 to a projected 1.0 percent in 2016. This is predicated on Japan's recent successful anti-deflationary policies, growing fiscal stability and improving exports.

2.4 However, commodity exporting emerging market economies remains the weak link in global growth, as Brazil grapples with recession at a negative -3.8 percent growth in 2015, largely driven by exchange rate misalignments and decline in commodity exports, especially oil. In China, the aftershocks of growth rebalancing is unraveling with less than expected growth of 6.7 percent in 2015 as against 7.3 percent recorded in 2014. The decline in growth was driven by declining investment, decreasing export trade and sustained financial market vulnerabilities. The implication of the foregoing on the global economy remained uncertain as inflation is on the decline, and fragilities in global financial markets and declining oil prices fuel worries about global recession in the medium term.

3.0 IMPLICATION FOR THE DOMESTIC ECONOMY?

3.1 At the Domestic front, global economic uncertainty is impacting domestic macroeconomic variables in substantial ways. Whether it is the free fall of oil prices, fragile money and capital markets, or sluggish and sticky product and labour markets, its impact on domestic macroeconomic stability and by extension, the business climate in Nigeria is quite obvious judging from the less than stellar performance of domestic macroeconomic trends in recent times.

3.2 Data from the National Bureau of Statistics indicated that growth has been on a sustained decline from 6.23 percent in 2014 to 2.8 percent in Q3 in 2015. This was largely driven by slowdown in the growth of non-oil sector which declined to 3.03 percent in third quarter of 2015 from 7.51 percent in corresponding period in 2014. Expectedly, poor growth performance was mirrored by declining industrial capacity utilization which decreased from 60.5 percent in Q1 of 2015 to 59.5 percent and 54.9 percent in Q2 and Q3 respectively. The impact on unemployment was predictable as it increased from 7.5 percent in Q2 of 2014 to 8.2 percent in corresponding quarter of 2015. The overall unemployment rate in Nigeria today is about 25 percent, with the youth accounting for the majority of the job seekers.

3.3 However, it is hardly surprising that Headline inflation has been on a creeping upward trend from 9.2 percent in June and July, 2015 to 9.4 and 9.6 percent in November and December, 2015 respectively, mainly driven by rising imported food inflation which increased from 10.13 percent in October to 10.35 percent in December 2015. These developments clearly underscore the need for increased domestic food production and infrastructure development to bridge the domestic output gap that impact relative prices in the economy.

3.4 The implication of persistent decline in oil prices on our reserves is indeed manifest given the level of contribution of oil receipts to our reserves. With nearly 80 percent of reserves coming from oil receipts, it is not surprising that when the oil sector sneezes, our reserves catch cold. Consequently, reserves have declined from $34.25 billion as at end-December, 2014 to $28.41 billion at end-December 2015 on account of oil price decline. This explains why we at the Central bank embarked on demand management strategies to stabilize our forex markets because of the severe shock on our reserves accretion.

4.0 DEVELOPMENTS IN THE FINANCIAL SERVICES SECTOR

4.1 Over the years, the financial services sector has played important roles in mitigating the impact of economic downturns in the economy through its intermediation functions. During periods of economic crises, the financial system serves as bulwark to the economy by the provision of credit that business need to survive and thrive. However, this does not suggest that the banking system is completely immune to the commodity and asset price shock and the financial instability currently impacting the global economic landscape.

4.2 For instance, recent monetary policy normalization in the United States and its consequent hike in interest rates coupled with fragilities in emerging market financial markets provided window for capital reversals, especially portfolio investments. The bearish trend in the Nigerian stock market since 2014 is traceable to both the US monetary policy stance and the exchange rate management strategy of the CBN. This is attested to by the sustained decline in All Share Index (ASI) from 34,657 in 2014 to 28,642.25 as at end- December 2015. Also Market Capitalization trended downwards from 11.48 percent in end- December 2014 to 9.85 percent as at end-December, 2015, thus shading 14.2 percent during the period under review.

4.3 In the money market, interest rate movements were mainly driven by liquidity surfeit in the banking system which averaged N747.73 billion per day, in addition to Statutory Revenue Allocation through monthly FAAC disbursements of about N870.00 billion coupled with the liquidity impact of the reduction in CRR from 25 percent to 20 percent during the period under review. The impact of these liquidity injections can be assessed from the downward trend of the average interbank call and OBB rates which decreased from 1.00 and 1.50 percent respectively to 0.85 and 0.94 percent respectively as at end-December 2015.

4.4 The combination of the impact of liquidity surfeit and the oil price induced decline on foreign reserves triggered sustained speculative attack on the Naira that subsists till date. The pressure on the forex market also led to the widening spread between the interbank rate and BDC segments of the forex market in recent times. While the interbank rates widened from N165/ $US to N197/$US as at end-December 2015, the BDC rates depreciated to N237/US$ and closed at N267/US$, as at mid-January 2016. The delisting of 41 items by the CBN and its recent decision to stop the sale of forex to the BDCs are measures aimed at conserving Nigeria's dwindling foreign reserves. The impact of these two policy measures has temporarily halted the hemorrhage in the reserves in recent times. Let me add that the delisting of the 41 items represents a temporary measure.

4.5 Notably, an important indicator of the role of the financial system in supporting growth is in the area of sectorial credit distribution by the banking system. Currently, sectoral credit allocation clearly shows that oil and gas sector lead other sectors at 49.7 percent of total banking sector credit, while services and industry are equally strong beneficiaries at 44.0 percent and 34.6 percent respectively. While the increased credit to industry and services are welcome developments, the persistent decline in oil prices coupled with high banking industry exposure to that sector portends a strong downside risk to the financial system if the trend continues. Although, it is important to note that notwithstanding the developments in the oil and gas sector, new banking loans to the sector still grew by 9.65 percent as at end- December 2015.

4.6 Notwithstanding the impact of the global economic uncertainty on our financial system and its exposure to oil and gas, other measures of our financial system health remain strong. The Capital Adequacy Ratio (CAR) of banks stood at 17. 66 percent, as at December, 2015- this is well above the prudential requirement of 10 percent. Non-performing loans stood at 4.88 percent representing a 2 percentage point increase, but remains below the prudential requirement of 5 percent during the review period. These suggest the ability of the Nigeria financial system to withstand current economic challenges going forward.

5.0 IMPLICATION FOR THE FUTURE OF BUSINESS IN NIGERIA?

5.1 It goes without saying that every challenge comes with opportunities. I therefore believe that our current economic challenges have thrown up fresh opportunities that our business leaders need to explore for growth. First, already our forex demand management policies have started yielding results as businesses are bracing up to take up the challenge of domestic production of hitherto imported commodities, thus reducing the demand pressure on the forex market. Second, with the appropriate pricing of petroleum products underway, opportunities for local refining of crude oil are brighter than ever before and this will provide investment opportunities in the down and upstream segments of the oil value sector chain. We also expect our banks to re-discover the agricultural sector, as lending to this sector will free the economy from the strangle hold which the oil and gas sector has long had on the economy.

5.2 The critical area of infrastructure development is another opportunity to attract foreign and domestic investments into our economy. The programs in power, transportation development, especially rail, roads and aviation provide investment opportunities all by themselves, in addition to bridging infrastructure deficit that will ultimately drive down cost of doing business in Nigeria and improve returns for local and international investors willing to take advantage of the Nigerian market.

5.3 The challenge of easy access to investment capital and low interest rates are being addressed headlong by the Central bank of Nigeria through its special intervention programs. These programs are targeted at substantially de-risking some sectors and providing credit support to private investors to boost local investment on a sustainable basis. These programs include commercial agriculture (CACS), Medium and Small Scale Business Development Funds (MSMDF), and Real Sector Support Facilities (RSSF) etc. Recently, the central bank of Nigeria reduced the cash reserve requirement(CRR) for banks and a programme is being put in place to encourage banks to access this funds and on- lend them to real sector investors at concessionary interest rates. I urge our local investors and businesses to quickly take advantage of these opportunities to grow their businesses and by extension our economy.

6.0 CONCLUSION.

Ladies and Gentlemen, despite the challenging domestic and external macroeconomic environment which we currently face, we are convinced that it offers us the much needed opportunity for introspection. I do hope that this event will enable us pay adequate attention on how to deepen structural reforms and enhance the transformation of the economy on a sustainable basis. I wish you a very successful deliberation.

President/Chairman of Council, CIBN, Otunba (Mrs.) ’Debola Osibogun
Stakeholders’ Engagement in Osun State

VALUE/CORE OBJECTIVE:
RETENTION IN COST REDUCTION

BY
YEMI MOREBISE
[FCA, ACTI, HCIB, MBA, BA (Sunderland)]

INTRODUCTION

The main options for organizations to increase their profitability relate to increasing their revenue or reducing their cost. In reality, no one of these options comes easy, they require stern determination and rigorous efforts. Due to rapid diminution in the consumers' purchasing power and the thinning margins for companies, organizations must put serious tab on their cost profiles with a view to making significant savings which can be reinvested into more productive areas to gain much needed competitive advantage and enhance their bottomline.

To minimize the possible adverse impacts of cost reduction program on the corporate identify, values and objectives, such cost savings initiatives must be well-aligned to the corporate strategy for the retention of the core values and objectives. The pressures, conflicts and complexities that come with cost reduction programs can affect the organization's priorities and values except proper synergy is in place

Core Value

According to BusinessDictionary, core value is "the operating philosophies or principles that guide an organization's internal conduct as well as its relationship with its customers, partners and shareholders". Core values are usually summarized in the mission statement or in the company's statement of core values. It is the summary of the company's belief, ethics and culture.

Mission statement is a declaration of the purpose of the company. Wikipedia defines that a "mission statement is used as a way of communicating the purpose of the organization. It serves to separate what is important from what is not, clearly states which market will be served and communicates a sense of intended direction to the entire organization". Such mission statement should define the company's key market, contribution and distinction.

Core Business Objective

Core business objective is the result that the company hopes to achieve and maintain. It has to decide the means it will use to achieve those results, draw-up a plan and devise a strategy toward its fulfillment. The main objective of most for-profit organizations is to maximize value for its stakeholders.

Cost Reduction

From the BusinessDictionary, cost reduction is "the process of looking for, finding and removing unwarranted expenses from a business to increase profits without having a negative impact on product quality".

Evolving Concept of Cost Reduction

a. **Cost Containment:**
- Focus is mainly on immediate period for action to reduce cost
- Action on low-hanging fruits to capture savings to prevent further deterioration of cost
- The main drawback is its non-sustainability
- Mostly seeks to cut-the-bleeding cost profile

b. **Cost Optimization:**
- Take action that focus on value extraction and improvement as per cost yield or value
- Mostly seeks to stabilize cost profile in comparison to value

c. **Cost Transformation:**
- Focus on strategic cost reduction and sustainability
- Develop scalable cost platform to drive growth
- Reinvest cost savings in long-term growth.
- Builds capabilities.

The best approach to cost reduction is to take a transformational approach and view cost reduction as a means to reinforce the company's strategic direction and increase competitiveness. In reality, cost reduction is a resource allocation exercise, a systematic review of where and how the company will invest or divest scarce resources to ensure the success of the organization. It's far beyond cost cutting, it is about doing more with less to generate major productivity gains.

What is the need for value/core objective retention in any cost reduction program?

i. To maintain and sustain the organization's identity: The pressure and activities of cost reduction programme can adversely affect the identity of the company particularly its culture and values except the program is properly managed and aligned to retain the value/core objective of the organization

ii. To maintain focus, values and objectives: Except the program is meticulously carried-out, the complexities and conflicts in the cost reduction initiatives can distract managers from the business' primary focus or values/core objectives of the organization as encapsulated in the corporate mission and vision.

THE BROKEN LINK BETWEEN COST REDUCTION & BUSINESS CORE OBJECTIVES/STRATEGY

The 2016 Accenture Strategy Research comprising of survey of 700 top executives of to organizations revealed that, though most companies portray cost reduction and growth as their priorities, the critical link between cost reduction and core business objective is broken unattained. The research revealed that 40% of the executives said that their companies did not hit their savings targets in their cost reduction programs. While 80% agreed that they did not expect even the savings from the program to stick beyond their immediate period, mainly due to lack of sustainability.

The main challenge is that companies are not grasping the critical interdependences between their cost reduction efforts and the business growth strategy and as such are not able to sustainably carry-out the cost reduction over a long-term period.

Amongst others, some of the causes for the breakage in the link are:

a. **Poor execution -** The intention for cost reduction is always good but executing them well is a very difficult task. It is mostly executed in a hurry, haphazardly and with no serious focus on the future growth.

b. **Inconsistencies at the top –** The critical risk of cutting the wrong costs, divesting or reinvesting cost savings into wrong areas or wrong valuations. The dangerous mentality of 'do as I say and don't do as I do' will never help the course of cost reduction program in institutions.

c. **The rigid operating models –** Most of the organization's operating models are not flexible enough to accommodate required changes necessitated by a cost reduction program thereby resulting to continuous and complex frictions. To gain appropriate leanness, agility, and efficiency, new operating model needs to evolve suitably in pursuit of the cost reduction program.

d. **Process issues –** In the Accenture survey, only 23% of the interviewed executives submitted that their companies have optimized process in place to identify and eliminate redundant business activities that do not add value. In essence, most existing processes in companies do not effectively support cost reduction initiatives and as such, they need to give-way for a more adaptable process and procedure.

e. **People issues –** Human capital is a critical requirement in driving a successful cost reduction program or any change program in any organization. A key component of the organization that can generate conflicts and constitute stumbling block for the program is personnel at different levels of the organization. Some Managers may see the program as another distraction or management trick to cut jobs.

ALIGNING BUSINESS OBJECTIVE WITH COST REDUCTION

To achieve the main business objective of growth and profitability, organizations must proactively identify activities that drive value, eliminate non-value adding costs and sustainably reinvest savings from cost reduction program into growth and profitable areas as a way of boosting the organizations competitive edge at the marketplace. Cost reduction must not be undertaken in a one-off or flash-in-the-pan manner but as an integral part of the permanent winning culture and strategy.

Some practical methodologies for aligning business objectives with cost reduction programs:

i. Rethinking the business model – Companies must seek to realign their business model from 'brick and mortal' to a more agile, flexible and innovative model. When attention is taken away from mere fanfare to a more focus on efficiency, capability and delivery, the true potential of the organization will begin to emerge from unlocking hidden values in the system, which can be reinvested into priority areas.

ii. Fundamental changes to cost structure – Many organizations have never really researched their cost structure, industry averages or benchmarking their cost-effective competitors. Excess fat often grows in seams of companies particularly where business units and functions overlap and where decision metrics are somewhat ambiguous. Every company has untapped potentials and when you 'x-ray' the cost structure entirely, you will likely discover gaps, redundancies or avoidable costs as well as the real value or yield of each class of costs. The strategy is to identify present and future growth areas and to tailor cost reduction initiatives to free-up significant cash, assets and capital for reinvestment towards long-term growth and competitive edge. Achieving a low-cost profile or position is critical both for improvement to the bottomline and competitiveness.

iii. Unleashing the power of technology – Technology is a game-changer in any industry. It is a transformational tool through the deployment of disruptive technologies such as cutting-edge core banking application, cloud resources, branchless banking, card system, internet and virtual operations. By leveraging on digital business models and strategy, you can eliminate the historically justified high operational cost and help to stimulate enthusiasm towards organizational core objectives.

iv. Building essential capacities and tools – Unless an organization has the requisite capacities to effectively plan, take-decision and manage the cost reduction process, the synergy required for bold results will be lost. Developing essential capacities and tools to cutting costs will help companies beat the industry cost curve, generate higher returns and build core strengths. Strategic cost transformation training and tools will help to empower managers at all level on cost consciousness and competence for long-term mindset. Amongst others, the following are main capabilities requirements for cost transformation:

a. Cross-functional teams – The type of teams charged with handling and managing cost reduction initiatives must be multi-disciplinary with specialist training and experience. The teams should cut-across all functional areas with communication skill and charisma.

b. Accountability – All functions, activities and business lines must have proper accountability and responsibility.

c. Horizontal synergy – The cost reduction target at the top must be synchronized with bottomline mobilization across the entire company.

CONFLICT RESOLUTION MECHANISM

For most companies, cutting cost is simply a part of life, a recurring drill that can sap employees' morale, energy and under-cut performance and drive. From the lens of performance, most cost initiatives are seen as not more than a minute or marginal contribution. This perspective generates a variety of conflicts in the organization. There are various mechanisms that can be deployed for the resolution of such conflicts:

i. Understand the resistance and its root cause
ii. Deploy effective communication strategy
iii. Demonstrate commitment – lead by example and constantly reinforce the right behaviours
iv. Continuously reinstate and re-enforce corporate priorities
v. Build capacity
vi. Adopt clear rules and culture change
vii. Align incentives, rewards to cost initiatives and remove 'blanket' bonus plans
viii. Transparent budgetary system – encourage real-time of budget allocation
ix. Create a comprehensive feedback system
x. Be patient, diligent and disciplined.

It is good to have an excellent strategy and it is even better when you continuously take action on the strategy. Cost transformation is a great measure for companies to sustainably boost their profitability and competitive edge. Nonetheless, key care must be taken to ensure the retention of the Company's core values and core objective in the execution of any cost transformation program.

President/Chairman of Council, CIBN, Otunba (Mrs.) 'Debola Osibogun
Stakeholders' Engagement in Delta State

President/Chairman of Council, CIBN, Otunba (Mrs.) 'Debola Osibogun

Stakeholders' Engagement with the Emir of Kano, His Highness Muhammad Sanusi, II, CON, FCIB (Sarkin Kano): Central Bank of Nigeria, Kano; and Kano State Polytechnic

President/Chairman of Council, CIBN, Otunba (Mrs.) 'Debola Osibogun
Stakeholders' Engagement in Oyo State

NIGERIA'S ECONOMY

IN THE NEXT 4 YRS

BY THE

NATIONAL BUREAU OF STATISTICS

Culled from the Vanguard of February 8, 2016

Amidst several projections of challenging economy in the year 2016 by many economists and the International Monetary Fund, IMF, the National Bureau of Statistics (NBS) has outlined its own position on all key economic indicators, not just for 2016 but also in the next four years to 2019. The projections covers the annual growth rate of real Gross Domestic Products, GDP, annual Inflation rate, and the annual growth rate of the Value of Total Trade, VTT.

Gross Domestic Product, GDP

In a report released by the NBS said "growth in 2016 is expected to be tepid at best". Economic tepidity is one characterised by dull activities in key market segments and performance areas. NBS' prediction was based on the happenings in the economy recently especially in 2015 marked by huge negative impact of its dependency on oil revenue amidst price shocks. It noted "years prior to 2015, the Nigerian economy was largely supported by the non-oil sector as supply disruptions hampered oil output. In 2015 however, various factors including political uncertainty prior to and six months after the elections, and intermittent supply shocks of refined petroleum products, and others weighted on both oil and non-oil output. The entire economy took a hit". Consequently GDP which is the key indicator of economic health of a country was on the downside, declining in the first and second quarter with marginal recovery in the third quarter 2015. However, NBS stated that "in 2016, the economy is expected to grow by 3.78 per cent, as output in the oil and non-oil sectors are expected to perform marginally better relative to 2015".

According to the Bureau, Federal Government's main economic research agency, "the declines in prices of crude oil and related refined products give the Nigerian government the opportunity for some potential savings as subsidies payments on PMS and other refined products may be diverted into more productive aspects of the economy". It noted that "the government has taken a step further to repeal subsidies on kerosene products.

As it stands there are no subsidies on PMS and this should bode well for government coffers going forward. "In the near term, support to the non-oil sector is expected to come through initiatives by the Central Bank of Nigeria, CBN, and the Government at Federal and State levels. "One of such initiatives is the N300 billion Naira export stimulation fund by the CBN. Increased efforts by State governments to boost internally-generated revenue, when combined with more prudent and targeted infrastructure spending, is likely to lead to better output performance". Going forward NBS said the 2017 to 2019 period is expected to reap the benefits of the extra N1.6 trillion into capital expenditures in the 2016 budget, adding that in particular, plans by the government authorities to increase power supply by developing critical infrastructure to transport gas to the power plants in order to add 2,000 mega watts to the country's stock of power within the next 12 to 15 months will have multiplier effects on both the manufacturing and services sectors. NBS stated "other measures expected to spur growth include fiscal measures such as the implementation of the Treasury Single Account, TSA, improvements in tax collection efforts and the creation of an Efficiency Unit in the Federal Ministry of Finance to ensure that scarce resources are adequately deployed. With hopes on the salutary effects of these measures NBS said over the 2017 to 2019 period, growth is expected to average 5.42 per cent.

Inflationary Pressures

Another key economic variable examined and projected by NBS is the inflation rate. In this report NBS has projected that inflation may rise to 10.16 by end of 2016. But it also indicated a gradual decline such that over the 2017 to 2019 period, inflation is expected to average 9.01 per cent. NBS's outlook for the previous year predicted that curbing inflation would be harder to achieve as a result of the devaluation of the Naira, which occurred in November 2014. Indeed the first half of the year recorded more macroeconomic volatility as the headline rate, year-on-year, recorded a wider range relative to the second half of the year. In the Second half of the year speculative pressure on the Naira compounded supply shocks exhibited in the first half of the year. Though administrative measures by the CBN helped curb some inflationary pressure, according to NBS, speculative pressure on the Naira is likely to exist in 2016 in light of the current state of foreign reserves. The Bureau noted, ''while administrative measures will help provide some cover, the downside risk of such measures is that by making imported goods more difficult to obtain, they increase the price of such goods, leading to higher inflation. "We expect that the Central Bank's adjustment of the foreign exchange management framework will be steady in the year and will thus mean a gradual easing in prices beyond 2016".

Value of Total Trade

2015 saw a decline in both the values of imports and exports. Exports were weighed upon by the decline in the price of crude, while overall sluggish growth as well as foreign exchange restrictions weighted on the value of imports. NBS stated that "going forward the relative lower price of the Naira is expected to result in cheaper prices of non-oil exports, and again curb increases in imports. "Nevertheless, Value of Total Trade is forecast to increase on the margin, increasing by 2.41 per cent as Imports increase by 2.88 per cent and exports increase by 2.16 per cent. "Beyond 2016, a stabilization in oil prices while not expected to reach 2014 levels in the medium term in combination with a more competitive economy is expected to yield a rebound in both imports and exports. "Total Trade is projected to increase by 2.41 per cent in 2016, and grow by an average 15.62 per cent yearly over the forecast period 2017 to 2019".

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The inadequacy of competencies in the banking and finance industry, especially at the executive level has amplified the need to engage, develop, and retain competent personnel to handle the business of banking. In the light of this, there became a need to establish an institution that would assist in bridging the identified gaps in competencies. The Chartered Institute of Bankers of Nigeria (CIBN) has established the Centre for Financial Studies (CFS) to provide relevant, research-based thought leadership, and capacity building opportunities to improve quality of executive-level management in the financial services industry across Africa with a view to equipping them better to drive change and make an impact.

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