

## **THE ROLE OF NIGERIA EXPORT IMPORT (NEXIM) BANK IN ECONOMIC DEVELOPMENT OF NIGERIA: A REVIEW**

**Ayodele Thomas**

Department of Financial Studies, Redeemer University Ede, Nigeria

Ayodeleconcept@yahoo.com

**Akinyede Oyinlola** 

Department of Financial Studies, Redeemer University Ede, Nigeria

foluesan@yahoo.com, akinyedeo@run.edu.ng

**Iriobe Grace**

Department of Financial Studies, Redeemer University Ede, Nigeria

iriobeg@run.edu.mng

### **Abstract**

*The paper was written to review the role of the Nigeria Export-Import (NEXIM) bank in the development of Nigerian economy. The NEXIM bank which was set up in 1991 with enviable mandate of propelling the economy through trade finance, export market advisory services and Export Guarantee facility among others could not fulfill the objectives of its funding fathers. This was due to poor management team and poor funding. The bank has been resuscitated in 2010 under the new leadership of Mr. Roberts's Orya who has outperformed his predecessors due to his management doggedness and the cooperation of the current government in terms of funding. It was therefore recommended that the management should be given free hand to perform, and be empowered with more funds and the management should open a cordial linkage with other EXIM banks in bigger economies of the world. Through these, the NEXIM would be able to perform maximally.*

*Keywords: NEXIM bank, Financial System, Trade finance, Foreign exchange, Loan*

## INTRODUCTION

Economies all over the world place, high premium on availability of a funding mechanism to develop and accelerate foreign trade. The focal medium for this task is the export-import (EXIM) banking which is a strategic tool that has assisted in the economic miracle recorded in many advanced countries and the emerging economies of the world.

In Nigeria, the Nigeria export and import bank (NEXIM) was established by Act 38 of 1991 as Nigeria's Export Credit Agency (ECA) to propel the economy through trade finance, project finance, treasury operations, guarantees, insurance, export market advisory services, market information, exporter education and strategic partnership (Adekanye, 2010).

This banking model in Nigeria which is supposed to be a catalyst for export growth and resultant economic propensity outside the mono-economy dominated by reliance on crude oil, has passed through tough periods in the hand of successive government ranging from partial funding to total neglect.

This paper is therefore produced to review the various activities of the bank from the inception till present moment in order to suggest paths for improvement so that the Nigeria export-import bank (NEXIM) can be made more productive and competitive both within the Nigerian financial system and among the international communities.

## EXPORT TRADE FINANCE IN NIGERIA

Nigeria's export sector is characterized by the dominance of a single export commodity (crude oil) which constituted about 96% of total exports (Ojo, 2010). Macro economic policies have been adopted with a view to achieving growth in exports, particularly in the manufacturing sector in the recent time. Therefore, the finance need of this sector has considerably increased since the firms involved in export are consistently growing larger, more productive, more capital intensive (Bernard et al, 2009).

Chaufeur and Farole, (2009) also opined that export trade finance is indeed a critical factor for trade activity because export trade finance is more sensitive to economic fluctuation and financial crisis than domestic trade finance.

However apart from the general structural barriers facing export trade, access to commercial bank financial service is one of the major problems stifling the growth of export trade in Nigeria because of high interest rates and little disbursement in terms of the volume of credit (Theodore, 2004). According to Odularu (2008), high cost of finance does not allow exporting industries to modernize outdated plants and machineries in Nigeria, which result in poor quality goods for exports.

Therefore due to the constraints mentioned, many exporters and importers have opted for looking up to the Nigeria Export Import Bank (NEXIM) for a better financial assistance.

### **NIGERIAN EXPORT IMPORT BANK (NEXIM) PRODUCTS**

The NEXIM bank which replaced the Nigerian Export Credit Guarantee And Insurance Corporation has a share capital of N50 billion held equally by the federal ministry of finance and the central bank of Nigeria.

As stated by Orya (2013), the bank still have the following products to give its customers

- i. Direct Lending Facility (DLF) - NEXIM lends money directly to Nigerian exporters to fund their purchase of capital goods, raw materials, packing materials. spare parts through its direct loan facility. The facility also covers the provision of infrastructure as well as revitalization and modernization of plants and machinery.
- ii. ECOWAS Interstate Road Scheme- The scheme is designed to promote free flow of good among member states of West Africa; free of duties, taxes and restrictions while in transit. In addition, the scheme seeks to eliminate the time wasting escort system and check the diversion of goods consigned to a specific destination.
- iii. EXPORT Credit Guarantee Facility (ECGF) - NEXIM's export credit guarantee facility is designed to protect Nigerian banks against the risks to non payment for loans or advances granted to exporters to meet short term export contracts. Also, it makes available pre-and post-shipment guarantee for a period of 180 days.
- iv. Export Credit Insurance Facility (ECIF)-NEXIM's export credit insurance facility is designed to protect Nigerian exporters against the risks of non payment for goods and services exported on credit terms as a result of commercial and political events.
- v. Export Trade Support Facility (ETSF) - This facility involves the granting of a line of credit or guarantee to facilitate the purchase by ECOWAS importer of Nigerians goods.
- vi. Foreign Input Facility (FIF) - The facility provides manufacturers of export products with foreign currency loans to import capital equipment, packaging and raw materials to produce finished products for export. The facility has a maximum tenor of seven (7) years inclusive of a moratorium period of not more than two (2) years. It is repayable in foreign currency.
- vii. Local Input Facility (LIF) - This involves a medium to long term facility and it is provided in local currency to enable exporters finance capital purchases and other activities that would require more than one year repay. The facility has a maximum

- tenor of seven (7) years inclusive of a moratorium period of not more than two (2) years.
- viii. NDE Facility (NDEF) - This product is designed to provide direct financial assistance to qualified Nigerian graduates (the participants in the National Directorate of Employment (NDE)) to enable them undergo tutelage with established exporters under the Start-Your- Own -Business (SYOB) programme, prior to their exporting exportable goods and services themselves.
  - ix. Rediscounting and Refinancing Facility - This helps banks to provide pre and post shipment finance in local currency to support non-oil exports. The scheme gives exporters access to the bank's export portfolios at preferential rates. This financing scheme provides a bank with credit of up to one year.
  - x. Creative Arts and Entertainment Facility - This facility entails the granting of credit to the creative arts and entertainment practitioners in the country locally and guaranteeing their finances in foreign countries.
  - xi. Stocking Facility (SF) - This is provided in local currency and it enables manufacturers of exportable goods to procure adequate stocks of raw material to keep their production at optimal levels.

### **CHALLENGES FACING NEXIM IN THE PAST FEW YEARS**

The Nigerian Export Import (NEXIM) Bank has been battling with some challenges, before year 2010, among which are:

- i. Decline of loanable funds – Records show that there was an alarming decline in the quality of risk assets of the bank as its total loan portfolio as at 20<sup>th</sup> August 2009 was N14.6 billion out of which 72% was non-performing. Also within this range, 69.05% was classified as completely lost.
- ii. Poor Performance — There was a decline in the banks' income over the years due to the poor management handling the bank then.
- iii. Monetary authorities apathy towards the bank — Due to the poor performance afore mentioned, the Central Bank of Nigeria (CBN) and the Federal Ministry of Finance were apathetic, leading to reluctance in more funds into the bank. These two bodies are the shareholders of NEXIM bank.
- iv. Poor Marketability- The bank could not make itself known to private stakeholders. Many Nigerians were not aware of the banks mandates. Also the Export-Import (EXIM) banks in other parts of the world were not aware of the existence of NEXIM. there by robbing Nigeria of investible funds.

- v. Diversion of NEXIM funds — Facilities extended to some cronies in the past were not targeted at the mandates of the bank but rather to service extraneous interests. This was said to be the main reason for high bad debt. Genuine clients were mostly denied access to funding facility, thereby turning the bank into a mushroom of deals and counter deals. This development was said to have robbed the nation of advances in the export financing sector such that most established EXIM banks were not interested in doing business with Nigeria.

### **A REVIEW OF THE RECENT PERFORMANCE OF NEXIM**

The board of Directors of NEXIM bank under the dynamic leadership of Dr. Kingsley Moghalu, Deputy Governor Financial Stability. Central Bank of Nigeria (CBN), in 2010 approved the strategic repositioning of the bank to effectively deliver on its statutory mandate and become an effective tool of Nigeria non-oil economic transmission. The step above has culminated to the following

- i. Redefining and reviving of the entity (NEXIM BANK)-Since the year 2010, the management has undertaken a corporate transformation exercise centered on the key perspectives of Strategy, Risk Management and Corporate Governance, Financial Performance, Operations, Organization and People. The objective here is to channel its resources into the development of four sectors- Manufacturing, Agro-Processing, Solid Minerals and Services. This is to complement the role of Commercial Banks and other Development Financial Institutions by focusing, on the un-served and under-served markets especially ECOWAS, Central Africa and generally Asia and the rest of the world. However, many Nigerians are yet to be aware of this repositioning of NEXIM even after five years of such step. There is therefore the need for the bank to serve its potential audience before serving the international communities. The home beneficiaries shall surely serve as the agents for marketing NEXIM bank, even to the outside world.
- ii. Employment generation- The revamping exercise of NEXIM bank has surely led to employment generation. According to Orya (2013), the bank through its various operational interventions has generated and sustained direct jobs of over 14,358 as at August 31. 2012. The bank has also projected to create approximately 70,479 and 60,587 jobs by 2015 in the manufacturing and Agro- processing sectors respectively through project financing. The bank therefore needs to be fraud free and be fair in its employee's selection so that what nearly marred the bank before 2009 will not repeat itself.

- iii. Loan Recovery- The bank in the recent times under review has achieved a cumulative loan recovery of N 1.3 billion loan. This has really created a serious challenge for the past management before 2009. Recently, a Remedial Management Department has been specially created to intensify the Banks debt recovery drive and ensure that its portfolio remains healthy. In order to have smooth landing on this, the bank needs the support of the various Anti- Financial Crimes Commissions like Economic and Financial Crimes Commission (EFCC) to track down any erring and stubborn debtors.
- iv. New Strategic Alliances/Initiatives - Since 2010, the NEXIM bank has been striving to deepen the intra-regional trade with the launching of ECOWAS Trade Support Facility and to progress the regional initiative aimed at removing non- tariff barriers. A lot needs to be done in this area as non- tariff barriers still hinder the smooth movement of consignment across the regional boundaries.
- v. Dividend payment- With the turn around of the bank's performance, the management has ensured an appreciable return on the equity investment of the shareholders. Accordingly, an annually dividend is being paid every year since 2010 apart from the one last experienced in the year 2003. This is an improvent on the part of NEXIM bank of Nigeria and it is hoped that the management would not rest on their oars.

## CONCLUSION AND RECOMMENDATIONS

From the write- up so far it has been seen that for any economy to experience quick developmental transformation especially in economy diversification, there is the need for the Export Import bank of such economy to complement the efforts of the conventional banks.

In Nigeria, the Nigerian Export - Import (NEXIM) bank has been battling with so many challenges since 1991 up till 2009 ranging from poor management team to poor funding on the part of the duo —owners (the CBN and the federal Government of Nigeria).

The bank came to limelight in 2010 under the new leadership of Mr. Roberts's Orya with the cooperation of the immediate past President of the Federation (Dr. Goodluck Jonathan). The current management team has performed wonderfully well compared to their predecessors though there are still rooms for improvement. The Researchers therefore recommend that:

- i. The running of the bank should not be politicized as was the usual trend in the system.
- ii. The management should be empowered financially and be given free hand to prosecute erring debtors.

- iii. Rigorous marketing should be embarked upon so that more Nigerians would be aware of the existence of NEXIM bank. Also their mandates should be made known to the public.
- iv. The NEXIM bank should open cordial relationship contact with bigger EXIM banks in countries like China, India, and United States among others, since no economy can exist in isolation especially in international trade.
- v. The management team should position itself as a co-economic driver to assist the monetary authorities in foreign exchange generation and economic diversification.

## REFERENCES

- Adekanye Femi (2010). *The Elements of Banking in Nigeria*, 4th Edition, London: Fazburn publishers.
- Bernard A, Jensen B, Redding S and Schott P, (2009) "The Margins of U.S. Trad, *American Economic Review*, 99(2), 487-493.
- Chauffour, J. and Farole, T. (2009) *Trade Finance in Crisis: Market Adjustment or Market Failure?*" World Bank Working paper 5003 <http://www.goggles search> (retrieved on 22/4/2014)
- Ojo T, Ade (2010). *The Nigerian Maladapted Financial System: Reforming Tasks and Development Dilemma*, Ota- Nigeria: Covenant University Publications.
- Orya Roberts (2013) "NEXIM— Boosting Export Trade", *Nigerian Tribune*, March 20, pp3-4
- Theodore M. (2004) *A framework of Export Strategy for the Federal Republic of Nigeria for 2005 2010*. Commonwealth Secretariat. London and Nigerian Export Promotion Council, Abuja available at <http://www.nepc.go.ng Does!NationalExportStrategy.pdf> (retrieved on 24 4 2014)