

## PROPONG BOI ON CAPITAL MARKET FUNDING

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The Bank of Industry (BOI) is a development financing institution with a mandate to provide funding at considerably low rates to preferred sectors and categories of businesses. The Bank recently gave indication for expanded operation with a drive to increase its funding of businesses and enterprises and boost the growth of the Nigerian economy. It also announced its intention to mobilise funds to support the new operational drive. Rasheed Olaoluwa, the new managing director of the bank, on his assumption of office said the bank has intention to strengthen its financing activities in the economy, and so is ready to raise funds to meet this target. This intention is understandable on the premise of limited funds from the government compared to the deluge of funding applications that the bank receives.

### THE CAPITAL MARKET WINDOW

It is instructive to note that BOI has functioned basically with funding from the government and donor agencies. This is a very limited window. Contrary to this funding approach, other development banks have long created in roads to using the capital market to mobilise funds for on-lending to the sectors of need. It therefore becomes imperative for the institution to look beyond to explore similar opportunities in the Nigerian capital market for long term fund mobilization. For instance, in addition to issuance of new bond instruments, it could also securitise its existing loan assets to raise fresh funds.

### AVAILABLE OPTIONS

**SECURITISATION OF LOAN ASSETS:** The bank can pool its loan assets together and issue a fresh instrument. Though the loans have different rates and tenures, but the new instrument will be priced in a manner that will not compromise the objective of the bank.

**BOND ISSUANCE:** BOI can also make a clean issuance of a bond instrument with the proceeds targeted at funding particular projects, such as infrastructure and education.

### PROFILE OF BOI

BOI was restructured in 2001 having metamorphosed from the Nigerian Industrial Development Bank (NIDB) Limited, which was incorporated in 1964. The International Finance Corporation held 75% of its equity along with a number of domestic and foreign private investors. Although the bank's authorized share capital was initially set at N50 billion in the wake of NIDB's reconstruction into BOI in 2001, it has been increased to 250 billion in order to put it in a better

## MARKET UPDATE

	15/01/13	15/12/13	15/08/14
Naira/US\$	157.65	159.94	162.85
Brent, US\$/BBL	109.78	107.84	97.34
COCOA, US\$	1487.82	2685.47	3215.33
MPR%	12.00	12.00	12.00
INFLATION RATE %	10.3	7.9	8.0
MORTGAGE RATE %	22.0	23.0	23.0

## STOCKS CONSTITUTING GMA INDEX

STOCKS	31/12/13 Price (N)	15/08/14 Price (N)	%Change in Price
OANDO	24.25	26.69	40.00
GTBANK	27.02	29.10	7.70
OKOMU	44.00	36.47	-17.11
STANBIC	21.35	29.15	36.53
DANGSUGAR	11.70	8.94	-23.59
FIDSON	2.79	3.01	7.89
TRANSCORP	4.35	5.63	29.43
CCNN	11.75	14.33	21.96

	PRICE(N)	NAV (N)
	31/01/14	15/08/14
UHOREIT	50.00	50.00
UPDCREIT	10.00	10.00

Index	31/12/13	15/08/14	% Change
NSE ASI	41,329.19	41,379.49	0.12
GMA Index	1.50	1.67	10.93

Source: CBN, SEC and NSE

position to address the nation's rising economic profile in line with its mandate.

Following a successful institutional, operational and financial restructuring programme embarked upon in 2002, the bank has transformed into an efficient, focused and profitable institution that is well placed to effectively carry out its primary mandate of providing long term financing to the industrial sector of the Nigerian economy.

BOI's vision is to be a leading self-sustaining Development Finance Institution, operating under sound management and banking principles that would promote the emergence and development of a virile competitive industrial sector in Nigeria.

The core mandate of Bank of Industry (BOI) is to provide financial assistance for the establishment of large, medium and small projects; as well as

expansion, diversification and modernization of existing enterprises; and rehabilitation of ailing industries.

The bank's mission is to transform Nigeria's industrial sector and integrate it into the global economy by providing financial and business support services to existing and new industries to attain modern capabilities to produce goods that are competitive in both domestic and external markets.

### CLIENTS COVERAGE

BoI operations are focused on key and priority sectors such as agriculture, manufacturing and construction, power and aviation, solid minerals and mining, and entertainment. Its funds are targeted at small, medium and large enterprises; new or existing companies, seeking expansion, modernisation or diversification. It also funds credit worthy business promoters, borrowers with strong management capability, and good financial prospects. Such clients however must have demonstrable ability to meet loan repayments. The business of borrowers with no record of unpaid loans to erstwhile development finance institutions and other banks are also funded.

### PROJECT SELECTION CRITERIA

The bank's emphasis is on prudent project selection and management. Accordingly, it supports quality projects with potential developmental impact. Top on its considerations are the capacity of projects to substantially contribute to industrial output, make use of largely domestic raw materials, promote the expansion of exports through the production of high quality products that are attractive to domestic and export markets; and projects create both forward and backwards linkages, with the rest of the domestic or regional economy. Other considerations are industry in which Nigeria's comparative advantages could be converted to competitive ones, enterprises with high employment generation capacity, small and medium enterprises (SMEs) that have linkage with large firms, belong to clusters and operate under franchise, enterprises promoted by women entrepreneurs.

### FUNDING MODEL

The bank's funding model is by the creation of pockets of funds dedicated to specific industry or sector, and in some cases, a designated project. Currently it manages a portfolio not less than twelve (12) funds covering various sectors. The funds are Cotton Textile Garment (CTG) Fund, Power and Aviation Fund, Cement Fund, State MSME Fund, Rice Intervention Fund, NAC Fund, Sugar Development Council Fund, AfDB Line of Credit and several others.

### CONCLUSION

The Nigerian economy maintains very strong growth outlook. This portends serious challenge for institutions like the BOI that stands as major growth drivers on the basis of their funding interventions and linkage with the enterprises and businesses. BOI must of need position itself to create access to the capital market as alternative funding if it must make the necessary impact.

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