

INTER-SECTORAL FINANCING, 1984

The volume of inter-sectoral financing in 1984 was ₦13,412.0 million, 15 per cent down from last year's level of ₦15,818.6 million. Similarly, total gross capital formation financed by the various sectors declined from ₦9,566.7 million in 1983 to ₦7,669.9 million, a fall of about 20 per cent. Most of the transactions were recorded in the following markets: Federal Debt (₦5,819.7 million), Currency and Deposits market (₦2,803.8 million), Government Loans and Shares (₦2,403.8 million) and Domestic Loans and Advances (₦1,225.9 million).

The Households and Business sectors (i.e. oil companies and non-oil business) had surpluses in their capital accounts while all other sectors experienced deficits including the Rest of the World sector which had consistently been in surplus for the past three years. The Government sector (Federal and State Governments) recorded the highest deficit in 1984 (₦4,660.3 million) although that figure is lower than the 1983 deficit of ₦5,528.2 million. A significant development in 1984 was that unlike the situation in the last couple of years when domestic sector deficits had to be partly financed via balance of payments deficit, the domestic sectors provided ₦264.3 million to the Rest of the World on net basis. In other words, the surpluses of the Households (₦3,769.2 million) and Business sector (₦1,250.3 million) were more than enough to finance the deficits of the other domestic sectors resulting in a net flow of ₦264.3 million abroad.

Transactions in Financial Assets

In the Foreign Assets market (including Foreign Exchange) the volume of transactions was ₦568.9 million. The market provided the Rest of the World funds totalling ₦467.9 million. This reflected the acquisition of foreign assets by the banking sector (₦575.3 million), other financial institutions ₦44.4 million while the government sector netted a credit of ₦2.1 million.

In the Currency and Deposit market volume of transaction fell by 9 per cent from ₦3,079.0 million in 1983 to ₦2,803.8 million in 1984. The Business sector supplied ₦4,381.9 million or 99.9 per cent of the total funds that the market received in 1984. As would be expected the banking sector got the bulk of the funds (₦2,826.1 million) and the Other Financial Institutions (₦674.3 million). The Household Sector actually reduced its holdings in this market by ₦885.4 million (See Table 3).

The market for Government Debt instruments provided one of the avenues for the Banking sector, as financial intermediaries, to invest the funds it received in the currency and deposit market during 1984. It increased its holdings of government debt instruments by ₦2,683.0 million. Similarly other Financial Institutions invested additional ₦618.9 million while the Household sector invested ₦2,767.0 million. The Rest of the World actually disinvested to the tune of ₦266.5 million.

The loans and advances market was funded by the Business sector (₦2,313.1 million), Government sector (₦1,316.8 million) the Banking sector (₦569.2 million) and the Other Financial Institutions (₦179.5 million). The Household sector received virtually all the loans and advances supplied in this market in 1984; a total of ₦4,378.6 million.

Sectoral Adjustment

The **Monetary Authority Sector** experienced a drastic fall in the volume of financial transaction in 1984. Total transactions fell from (₦3,448.0 million) in 1983 to (₦224.3 million) in 1984.

Gross Saving was ₦35.0 million. Other sources of funds were: Currency and Deposits (₦573.2 million) and a disinvestment in Federal Debt instruments (₦802.6 million). The funds so generated were used to acquire Foreign Exchange (₦336.8 million), and grant domestic loans and advances (₦215.2 million). The sector also repaid some of its Other Debt (₦806.2 million) net.

Commercial Banks Sector undertook an estimated gross capital formation of ₦94.9 million. With a gross saving of ₦36.0 million the sector had a deficit of ₦59.8 million. The commercial banks raised ₦1,754.9 million from Other Debt market. An additional source of funds was the disinvestment in the currency and deposits market (₦458.5 million). The sector invested heavily in Federal Debt (₦3,485.6 million), Domestic Loans and Advances (₦548.7 million) and Foreign Exchange (₦238.5 million).

There was a significant improvement in **Merchant Banking** activity in 1984 relative to 1983. Total transactions rose from ₦692.0 million in 1983 to ₦725.6 million in 1984. Merchant Banks invested ₦608.7 million in Federal Debt instruments, ₦250.3 million in Domestic Loans and Advances market, and ₦114.1 million in Other Debt. In order to finance such a level of activity, the merchant banks disinvested in currency and Deposits (₦305.2 million) and raised additional ₦417.7 million from the same market. From the Domestic Loans and Advances market ₦59.5 million was raised in addition to the ₦221.0 million supplied by the Other Debt market.

The estimated gross capital formation by the **Specialized Banks** was ₦95.2 million, a steep rise from (₦20.5 million) in 1983. The gross saving was ₦1.1 million resulting in a deficit of ₦94.1 million on capital account.

There was also a remarkable change in the pattern of financing. In 1984, the specialized banks raised ₦39.0 million from the Government loans and Shares market which represented 31 per cent of total source of funds unlike in the past when this market was the most important source of funds. The other sources were Other Debt (₦126.6 million) and ₦18.5 million from Currency and Deposits market. The funds so raised were deployed in three markets: Domestic Loans and Advances (₦31.1 million), Currency and Deposits (₦54.5 million) and Other Debt (₦4.4 million).

The **Insurance Sector** recorded some improvement in its financial transactions compared to 1983. Total transactions rose from ₦-36.9 million in 1983 to ₦25.5 million in 1984. The estimated gross saving of ₦14.8 million was more than enough to finance the gross capital formation of ₦5.8 million, so the excess was deployed in the financial markets. The principal source of funds to the sector, however, was Insurance and Provident funds (₦19.9 million). Another source of funds was the disinvestment in domestic loans and advances (₦3.4 million). On the uses side, the sector invested ₦12.6 million in Currency and Deposits, ₦10.2 million in Government Debt instruments and reduced its liabilities in the Other Debt market by ₦8.4 million.

The **Federal Government** deficit of ₦2,252.6 million on capital account resulted from the excess of the estimated gross capital formation of ₦3,360.5 million over the gross saving from current operations which was estimated to be ₦1,307.9 million. The major source of funds to the Federal Government sector in 1984 was Federal Debt market from which funds totalling ₦5,819.7 million were raised. The other source was a disinvest-

ment in currency and deposits market (₦19.7 million). The Federal Government met its commitments on capital formation from the funds mobilized and also invested in financial assets: Government Loans and Shares (₦2,403.8 million), Federal Debt Instruments (₦45.5 million) and also reduced its liabilities in Other Debt (₦1,337.5 million).

The **State Government Sector** had a dissaving of ₦328.2 million and yet had to finance an estimated gross capital formation of ₦2,279.5 million. The resultant deficit of ₦2,607.7 million was financed by borrowing from the financial markets. The sector raised ₦1,124.2 million from the Government Loans and Shares market. It also borrowed massively from the other debt market (₦1,518.2 million). State Debt provided the balance of the funds (₦28.2 million).

Apart from applying the funds raised to cover the saving-investment gap, the sector invested ₦23.6 million in Currency and Deposits and ₦2.1 million in Other Foreign Assets. The state government sector in addition reduced its liabilities in Domestic Loans and Advances by ₦37.2 million.

The capital transaction of the *Oil Companies Sector* produced a net surplus of ₦183.0 million, since the gross capital formation ₦635.0 million was less than the gross saving of ₦818.0 million. This surplus was invested in financial assets. A total of ₦213.0 million was invested in Currency and Deposit and ₦139.1 million net in Domestic Loans and Advances. The oil companies raised ₦158.2 million from the other Debt market, and ₦10.9 million from sources yet to be identified.

The pattern of financing of the *Non-oil Business Sector* was similar to that of the oil companies. The sector had a gross saving of ₦3,916.2 million from current operations and undertook gross capital formation of ₦2,848.9 million so had a surplus of ₦1,067.3 million which it disposed of in the financial markets. The surplus notwithstanding, the non-oil business sector borrowed heavily from the Other Debt market ₦5,324.9 million. The funds were deployed in the following markets: currency and deposits market (₦4,168.9 million) a major source of funds to the banking sector; Insurance and Provident funds (₦19.3 million) and Domestic Loans and Advances market in liquidation of loans (₦2,174.0 million). This pattern of financial mobilisation and deployment reflects the continued recession in the economy. This contrasts sharply with the period 1980-1982 when the sector experienced deficits and therefore was a net user of funds. The *Households Sector* which includes households, parastatals, and unincorporated business is the present residual sector of our Flow of Funds matrix. With a net surplus of ₦3,769.2 million on capital account, the sector reduced its

claims in other foreign assets, currency and deposits and insurance provident funds by ₦46.7 million, ₦885.4 million and ₦29.4 million respectively.

It acquired Federal Government instruments amounting to ₦2,767.0 million and reduced its liabilities in Other Debt instruments by ₦6,378.8 million. The parastatals subsector received ₦1,240.6 million in loan and shares from the Government in addition to the ₦3,138.0 million the Households sector raised from the Domestic Loans and Advances market.

For the first time since 1981, the *Rest of the World Sector* which had been a net supplier of funds to the domestic sectors needed ₦264.3 million from them in order to reach equilibrium. It achieved this by raising a total of ₦467.9 million in Foreign Assets and reducing its holdings of Federal Debt instruments by ₦291.2 million. The sector also raised ₦60.3 million from other sources yet to be identified. Part of these funds were invested in state debt instruments (₦24.7 million) and in other miscellaneous transactions (₦530.4 million) mainly in the form of direct investment and other private long-term capital investment.

Financial Intermediation

Taking the entire banking system as a unit it would be interesting to examine how much lending it did during 1984 in relation to the deposits it received from the other sectors of the economy.

The banking system's net lending to the economy during the year was ₦1,152.3 million (See Table 4). This represents a substantial decline of 25 per cent on the ₦1,537.4 million total lending in 1983. Business sector borrowing dipped by ₦1,945.1 million as a result of the persisting recession, Government also reduced its borrowing by ₦37.2 million in the bold endeavour to reduce expenditure, even lending to the Other Financial Institutions was down by ₦3.4 million. By contrast Banking system lending to the Household sector rose by ₦3,138.0 million.

A total of ₦3,513.0 million (net) was deposited with the banking system. This represents a slight increase of about 3.0 per cent over the total deposits received in 1983. The Business sector deposited ₦4,381.9 million or 125 per cent of total funds, the Government sector ₦3.9 million and Other Financial Institutions ₦12.6 million.

FLOW OF FUNDS OFFICE,
DOMESTIC FINANCE DIVISION,
RESEARCH DEPARTMENT.

NIGERIA'S FINANCIAL FLOW MATRIX, 1984
(N' million)

Table 1

	MONETARY AUTHORITY		COMMERCIAL BANKS		MERCHANT BANKS		SPECIALISED BANKS		INSURANCE COMPANIES		FEDERAL GOVT.		STATE GOVT.		OIL COMPANIES		NON-OIL COMPANIES		HOUSEHOLDS		REST OF THE WORLD		DISCREPANCY		TOTAL	
	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U
A. Gross Savings	35.0		36.0		33.6		1.1		14.8		1307.9		-328.2		818.0		3916.2		2099.8		-264.3				7669.9	
B. Gross Cap. Formation			94.9		19.5		95.2		5.8		3360.5			2279.5		635.0		2848.9		-1669.4						7669.9
C. Net Surplus	35.0		-58.9		14.1		-94.1		9.0		-2252.6		-2607.7		183.0		1067.3		3769.2		-264.3					
D. Total Fin. S/U	-259.3	-224.3	3744.0	3685.1	692.0	706.1	184.1	90.0	10.7	19.7	4482.2	2429.6	2633.4	25.7	209.5	392.5	3150.9	4218.2	-1963.7	1805.5	528.2	263.9			13412.0	13412.0
1. Foreign Exch. (Net)		336.8		238.5																468.1		107.2			575.3	575.3
2. Other Foreign Assets					-6.2	38.2								2.1						-46.7		-0.2			-6.4	-6.4
3. Currency & Deposits	573.2		1794.4	-458.5	417.7	-305.2	18.5	54.5		12.6		-19.7		23.6		213.0		4168.9		-885.4				2803.8	2803.8	
4. Insurance & Prov. Funds									19.9								49.3			-29.4				19.9	19.9	
5. Federal Debt		-802.6		3485.6		608.7				6.7	5819.7	45.5					0.0		2767.0			-291.2		5819.7	5819.7	
6. State Debt										3.5				28.2								24.7			28.2	28.2
7. Govt. Loans & Shares							39.0					2403.8	1124.2						1240.6					2403.8	2403.8	
8. Domestic Loans & Adv.			215.2	194.7	548.7	59.5	250.3	31.1		-3.4	0.0		-37.2		44.9	184.0	2174.0		3138.0					1225.9	1225.9	
9. Other Debt	-832.5	26.3	1754.9	-129.2	221.0	114.1	126.6	4.4	-8.7	0.3	-1337.5		1518.2		153.7	-4.5	5324.9		-6378.8		530.4			541.8	541.8	
10. Unidentified items & Discrepancy, Source	0.0				0.0					-0.5			0.0		10.9		0.0		36.5		60.3					
TOTAL	-224.3	-224.3	3780.0	3780.0	725.6	725.6	185.2	185.2	25.5	25.5	5790.1	5790.1	2305.2	2305.2	1027.5	1027.5	7067.1	7067.1	136.1	136.1	263.9	263.9			21081.9	21081.9

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NET ACQUISITION OF FINANCIAL ASSETS: 1982 - 1984
(N' million)

Table 2

YEAR	BANKING SECTOR ¹			OTHER FINANCIAL INSTITUTIONS ²			GOVERNMENT SECTOR ³			BUSINESS SECTOR ⁴			HOUSEHOLD SECTOR ⁵			REST OF THE WORLD			
	Gross Savings	Capital Formation	Net Acquisition of Financial Assets	Gross Savings	Capital Formation	Net Acquisition of Financial Assets	Gross Savings	Capital Formation	Net Acquisition of Financial Assets	Gross Savings	Capital Formation	Net Acquisition of Financial Assets	Gross Savings	Capital Formation	Net Acquisition of Financial Assets	Gross Savings	Capital Formation	Net Acquisition of Financial Assets	Discrepancy
1982	74.5	89.2	-14.7	-14.2	94.1	-108.3	8,395.7	8,598.1	-202.4	4,216.3	4,773.1	-556.8	-3,401.6	1,009.4	-4,411.0	5,293.2	—	5,293.2	0.0
1983	77.4	108.1	-30.7	40.2	40.1	0.1	307.5	5,835.7	-5,528.2	5,000.5	3,414.8	1,585.7	723.4	182.3	541.1	3,436.8	—	3,436.8	0.0
1984	71.0	94.9	-23.9	49.5	120.5	-71.0	979.7	5,640.0	-4,660.3	4,734.2	3,483.9	1,250.3	2,099.8	-1,669.4	3,769.2	-264.3	—	-264.3	0.0

¹ Monetary Authority and Commercial Banks.

² Consists of Merchant Banks, Specialised Banks and Insurance Companies.

³ Federal and State Governments.

⁴ Oil and Non-Oil Companies.

⁵ Consists of Households, Parastatals and unincorporated businesses.

Table 3

TRANSACTIONS IN FINANCIAL ASSETS (NET)¹ 1982-1984

Transactions Type/Period	Banking Sector	Other Financial Institutions	Government Sector	Business Sector	Household Sector	Rest of the World	Discrepancy
Foreign Assets (Net)							
1982	-1,738.2	58.9	2.7	—	-62.0	1,285.9	452.7
1983	-354.6	-43.6	2.3	—	213.8	145.6	36.5
1984	575.3	44.4	2.1	—	-46.7	-467.9	-107.2
Currency and Deposits							
1982	-612.2	-351.3	403.3	3,244.6	-2,684.4	—	0.0
1983	-3,438.2	20.0	276.0	3,403.6	-248.7	—	0.0
1984	-2,826.1	-674.3	3.9	4,381.9	-885.4	—	0.0
Government Debt							
1982	3,175.7	128.7	-589.3	-200.1	-1,195.8	493.5	0.0
1983	6,063.2	110.4	-7,724.4	0.0	461.6	1,088.4	0.0
1984	2,683.0	618.9	-5,802.4	0.0	2,767.0	-266.5	0.0
Loans and Advances²							
1982	1,538.2	327.3	1,061.6	-1,693.9	-1,233.2	0.0	0.0
1983	592.3	93.4	1,008.0	2,510.5	-4,224.4	0.0	0.0
1984	569.2	179.5	1,316.8	2,313.1	-4,378.6	0.0	0.0
Other Debt³							
1982	-2,367.1	-219.4	1,080.7	-1,877.8	194.9	3,537.4	0.0
1983	-2,893.5	-180.1	909.9	-4,299.2	4,302.7	2,172.4	0.0
1984	-1,025.3	-240.0	-180.7	-5,433.8	6,349.4	530.4	0.0
Unidentified items and Discrepancy, Source							
1982	-11.1	-52.5	0.0	-29.6	569.5	-23.6	0.0
1983	-0.1	0.0	0.0	-29.2	36.1	30.0	0.0
1984	0.0	0.5	0.0	-10.9	-36.5	-60.3	0.0

¹ Acquisition of assets or reduction in liabilities is shown positive, sale of assets or increase in liabilities, negative.

² Includes Insurance and Provident funds of the basic matrices.

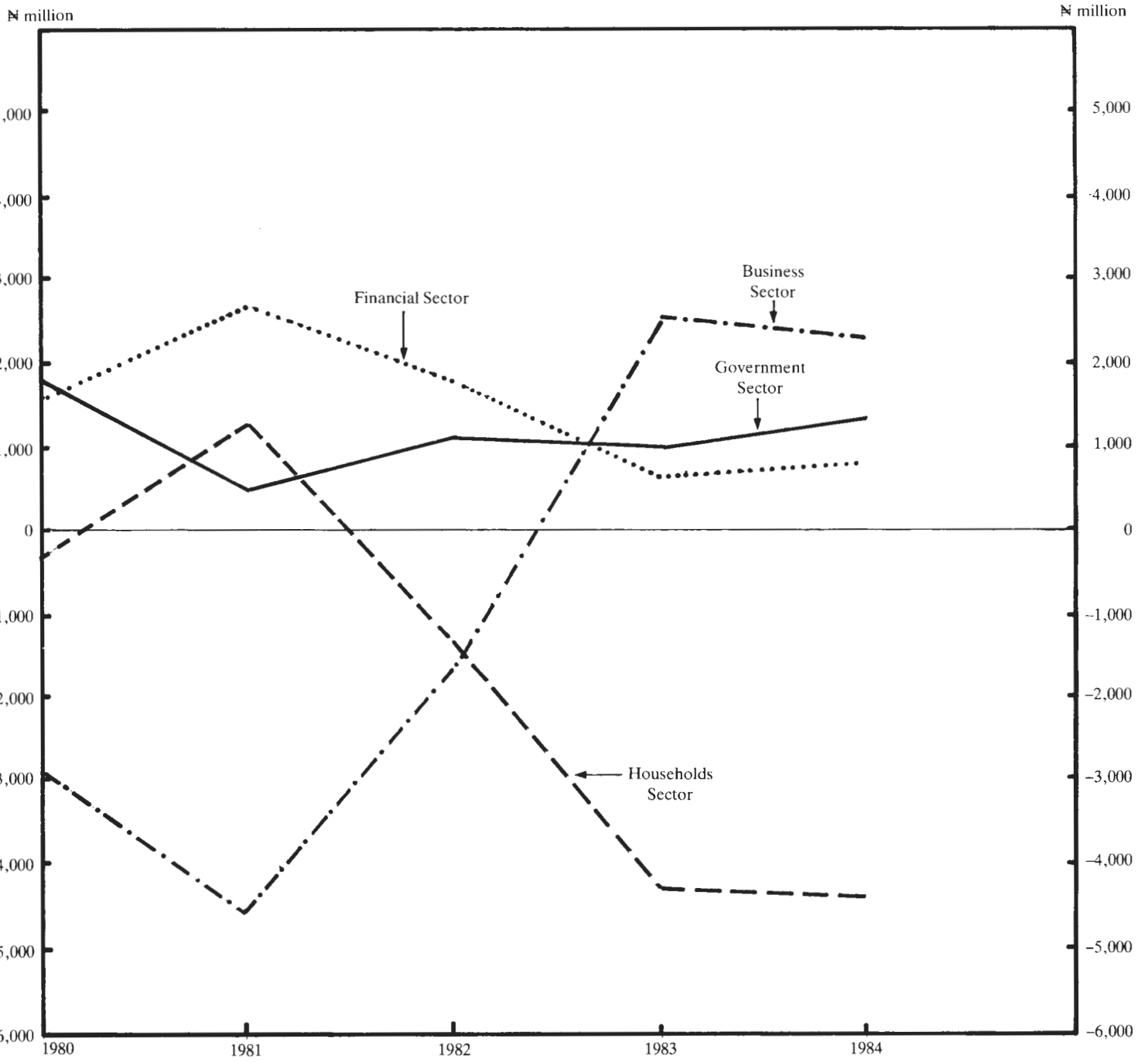
³ Includes Government's Loans and Shares of Table 1.

Table 4

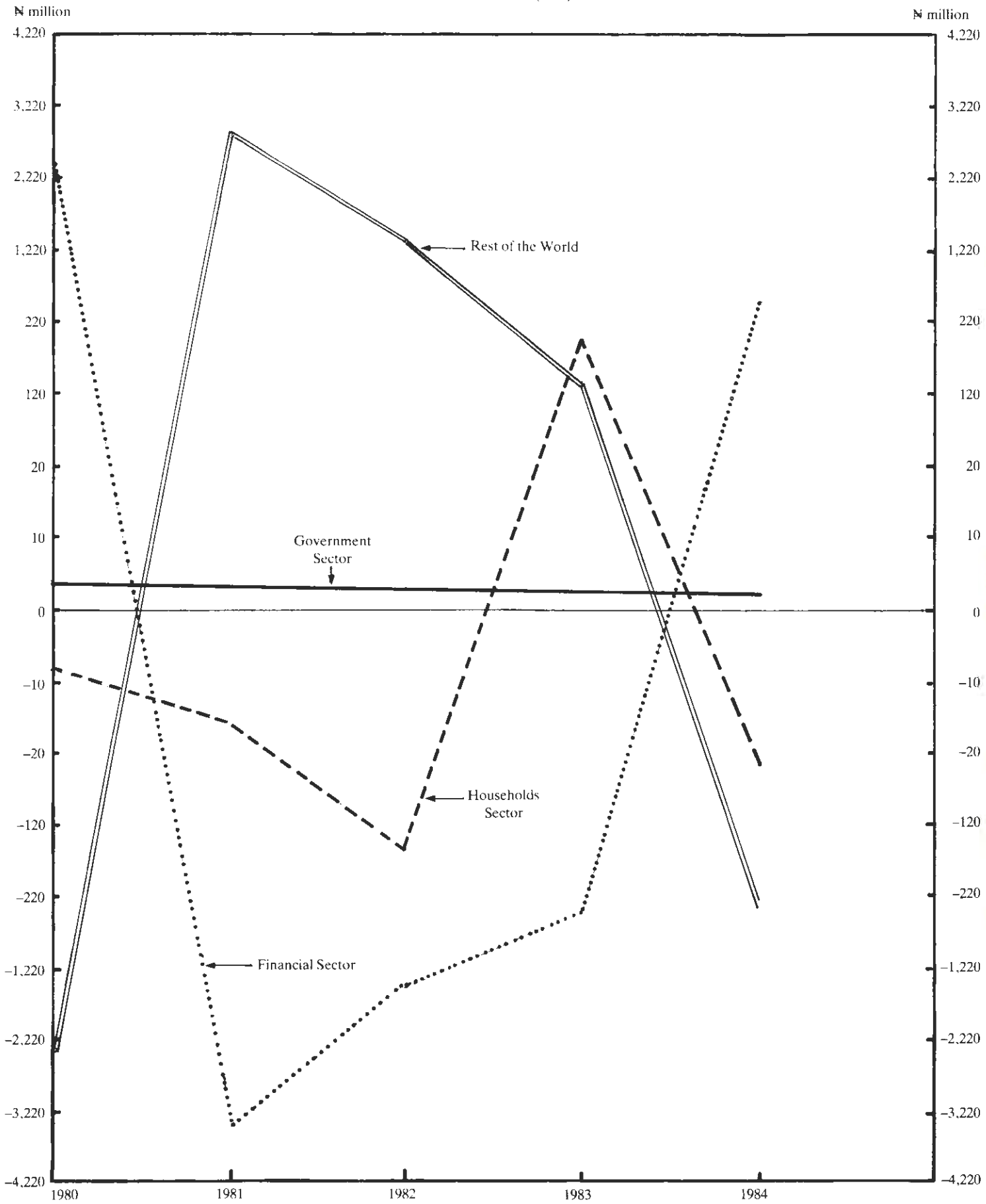
LENDING BY AND DEPOSITS WITH THE BANKING SYSTEM

	1982	1983	1984
Lending			
Federal and State Government	98.6	113.4	-37.2
Business Sector	647.7	-977.9	-1,945.1
Households Sector	642.7	2,400.1	3,138.0
Other Financial Institutions	23.0	1.8	-3.4
Total Domestic Lending	1,412.0	1,537.4	1,152.3
Deposits			
Federal and State Governments	403.3	276.0	3.9
Business Sector	3,244.6	3,403.6	4,381.9
Households Sector	-2,684.4	-248.7	-885.4
Other Financial Institutions	76.4	-4.5	12.6
Total Domestic Deposits	1,039.9	3,426.4	3,513.0

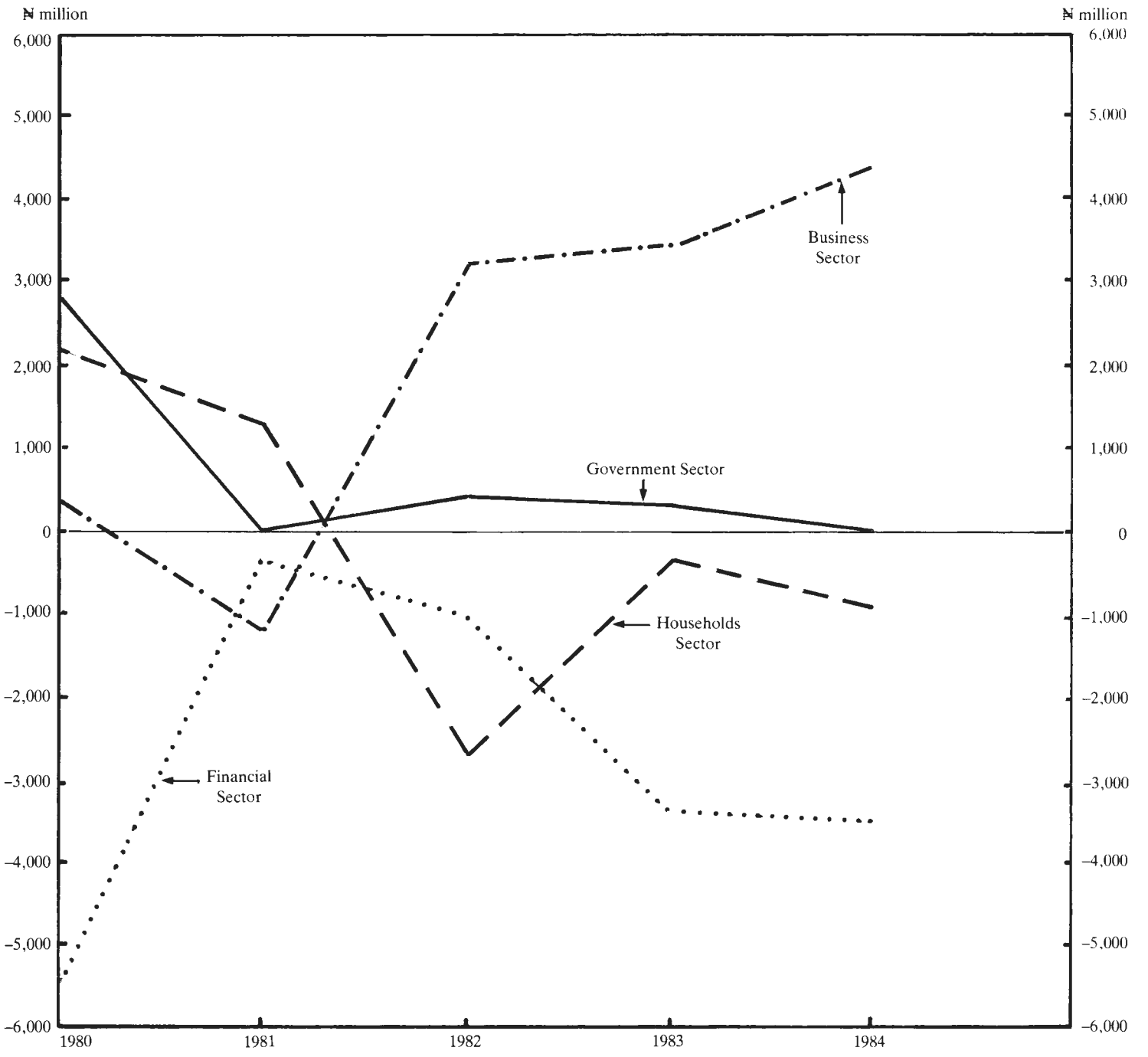
Loans and Advances



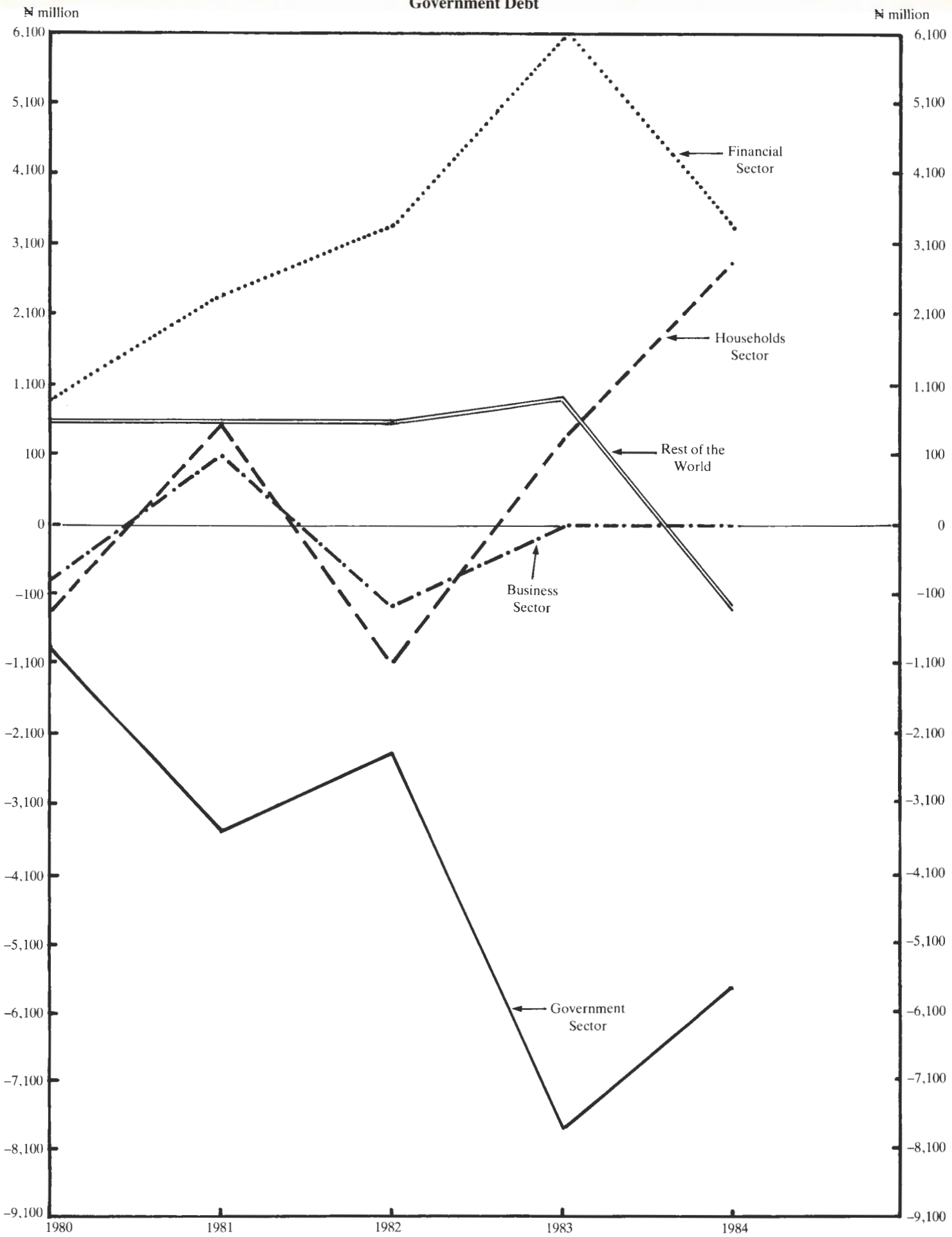
Financial Assets (Net)



Currency and Deposits



Government Debt



Financial Surplus Deficit

£ million

£ million

