

INTER-SECTORAL FINANCING, 1982

The volume of net inter-sectoral financing transactions, increased from ₦ 6,821.8 million in 1981 to ₦ 10,960.0 million in 1982 but represented a decline of 10 per cent compared to the 1980 level of ₦ 12,176.4 million. (See Table 1).

The increased activity in financial transactions in 1982 were recorded in the following markets: Other Debt (₦ 3,926.4 million), Government Loans and shares (₦ 2,412.0 million), Domestic Loans and Advances (₦ 2,087.0 million). Besides, Federal Debt increased by ₦ 2,469.4 million. Another major area of activity is the Foreign Assets market where there was a decline of ₦ 1,738.2 million compared to the 1981 position.

One significant development is the huge rise in 'Other Debt' which comprises mainly Other Private Short-term Capital and other Investments. The increase in total 'Other Debt' transactions is largely explained by the short-term capital provided by the Rest of the World in the form of trade credit.

As in 1981, the total financing needs of the economy could not be met entirely from domestic sources, resort had to be made to external sources to provide the shortfall of ₦ 5,293.2 million. The Federal Government Sector also recorded a surplus of ₦ 2,390.3 million. The two sectors therefore provided the net financial resources needed by the other institutional sectors. The Private and the State Government sectors recorded deficits of ₦ 4,967.8 million and ₦ 2,592.7 million, respectively. Similarly, Insurance Companies as well as Commercial Banks had deficits of ₦ 94.7 million and ₦ 32.7 million, respectively for which they had to seek funds to enable them reach equilibrium. (See Table 3).

TRANSACTIONS IN FINANCIAL ASSETS

There was a decline in the volume of transactions in the market for foreign assets from ₦ 3,053.2 million in 1981 to ₦ 1,676.6 million in 1982. As was the case in 1981, this resulted in a net surplus (₦ 1,285.5 million) for the Rest of the World sector and a corresponding decrease of ₦ 1,738.2 million in the foreign assets of Nigeria.

The total volume of transactions in the currency and deposits market showed a remarkable increase of 181.0 per cent over the 1981 level. The largest proportion of the funds (45 per cent or ₦ 560.2 million) was supplied by the private sector especially the household sub-sector, while the Government sector and the other financial institutions sector supplied respectively, 32.5 per cent or ₦ 403.3 million, 22.5 per cent or ₦ 278.6 million. As would be expected, the banking sector and the Other Financial Institutions received the funds in the form of deposits in almost equal proportions. The increase in currency and deposits partly reflects the compliance with the Federal Government advance import deposits requirement. This partly explains the increase of ₦ 377.1 million in commercial banks' deposits with the Central Bank.

Activities in the Government debt market also repeated the 1981 pattern, with a large proportion of the funds coming from the banking system and the rest of the world. However, this market was a significant source of funds to the Federal Government (₦ 2,406.9 million). The Private Sector, especially the parastatals sub-sector, squeezed for funds, disinvested to the

tune of ₦ 1,395.9 million in Federal Government debt instruments.

In the Loans and Advances market, there was a substantial decline (30 per cent) in the volume of activities. The bulk of the funds came from the banking sector (₦ 1,575.8 million) and the major recipient of the advances was the private sector, mainly the businesses (87 per cent) with the balance going to the Other Financial Institutions and the State Government subsector.

Another important area of activity during 1982 was market for Government Loans and shares. The total volume of transactions (net) amounted to ₦ 2,412.0 million. The funds came from the Federal Government. These were partly on-lent to the states (₦ 1,251.8 million) and partly used directly or indirectly to finance the private sector. (See Table 1).

SECTORAL ADJUSTMENT

As was pointed out earlier, virtually all the domestic sectors experienced deficits in 1982. The gross savings of the banking sector (₦ 74.5 million) which showed a marginal decrease over the 1981 figure was hardly sufficient, to cover its gross capital formation (₦ 89.2 million). In order to reach equilibrium it had to disinvest in the foreign exchange market to the tune of ₦ 1,738.2 million. The disinvestment in foreign assets, accounting for 93.5 per cent of the total, was mainly by the monetary authority sub-sector of the banking sector. The other sources of funds for the banking sector were currency and deposits (₦ 612.2 million), other debt (₦ 2,443.0 million) and Domestic Loans and Advances (₦ 37.6 million). Other Debt referred to above consisted mainly of Acceptances on Customers Accounts, Confirmed Documentary Credits, and Guarantees. The funds mobilised were used to acquire Federal Government debt instruments (₦ 3,175.7 million) and make loans and advances totalling ₦ 1,575.8 million to other domestic sectors, mainly businesses.

The Other Financial Institutions (merchant banks, specialised banks and insurance companies) undertook an adjustment process broadly similar to that of the banking sector. The gross capital formation undertaken by this group of sectors amounted to ₦ 94.1 million. They dis-saved to the tune of ₦ 14.2 million bringing the combined total financial requirement on the capital account to ₦ 108.3 million. This is made up as follows: Merchant Banks, ₦ 10.5 million; Specialised Banks, ₦ 3.1 million; and Insurance Companies, ₦ 94.7 million. Funds were raised by the Other Financial Institutions from currency and deposits market (₦ 629.2 million), Other Debt (₦ 402.7 million), Domestic Loans and Advances (₦ 137.3 million) and Insurance Funds (₦ 112.9 million). These funds were deployed in acquiring assets in different markets. Principally, these were Domestic Loans and Advances (₦ 511.2 million); Other Debt (₦ 296.2 million) made up mainly of Money at Call (₦ 175.6 million); Bills Discounted (₦ 36.8 million); Private Bonds (₦ 14.0 million); and amounts due from agents, and other debtors of insurance companies (₦ 57.6 million). Others were Currency and Deposits (₦ 278.6 million) and Other Foreign Assets

(₦58.9 million). The Other Financial Institutions dis-invested in State Debt to the tune of ₦5.0 million.

The improved performance of the 'Other' Financial Institutions in 1982 is largely attributable to the activities of the merchant banks. Total financial transactions by the merchant banks on the assets side amounted to ₦947.4 million which represents 74.4 per cent of the Other Financial Institutions. The major sources of funds for the merchant banks were currency and deposits (₦580.1 million), Domestic Loans and Advances (₦137.3), and Other Debt (₦240.7 million) of which money at call was ₦175.6 million. The merchant banks invested in the following assets: Currency and Deposits (₦279.2 million), Federal Debt instruments (₦105.5 million), Domestic Loans and Advances (₦279.2 million), and Other Foreign Assets (₦58.9 million). This performance of the merchant banks is partly explained by the increase in their number from six to eight during the year and partly by the increased volume of their activities in general.

The insurance companies' share of total transactions in the Other Financial Institutions was much less than that of the merchant banks. In fact, the insurance companies experienced decreased activity overall. For instance, insurance funds were ₦112.9 million in 1982 as against ₦146.5 million in 1981. Even then this constituted an important source of funds to the insurance companies and together with other debt, which was dominated by out-standing claims, were the only sources of funds to the sector. On the uses side, only currency and deposits recorded increased activity (₦76.4 million). A lower level of activity was recorded in the other markets.

The third component of the Other Financial Institutions is the specialized banks. Currency and Deposits (₦126.8 million) was the main source of funds to the specialized banks in 1982. A breakdown of the figures shows that increased deposits by the private sector amounted to ₦49.8 million, while a draw-down of their deposits with the banking sector provided ₦77 million. This contrasts sharply with the previous year when Government Loans and Shares was the main source of funds to this sector. Other sources yet unidentified provided the balance of ₦52.7 million. The funds so generated were used to increase the Loans and Advances portfolio by ₦209.0 million, and also to invest in private bonds (₦14.0 million).

Estimated gross capital formation of the Government sector amounted to ₦8,598.1 million whereas the estimated savings amounted to ₦8,395.70 million. This means a deficit of ₦202.4 million on capital account. Although the Federal Government had a surplus of ₦2,390.3 million on capital account, this was more than off-set by the deficit of the State Governments, which stood at ₦2,592.7 million. Portfolio adjustment was achieved by issuing government debt instruments to the tune of ₦2,464.5 million, obtaining loans and advances from the banking sector (₦98.6 million) and transacting in miscellaneous markets resulting in a net use of ₦32.0 million.

The Government sector invested mainly in government loans and shares (₦2,412.0 million) and in currency and deposits (₦403.3 million).

The Private Sector performance followed the previous year's pattern. At ₦4,967.8 million the Savings-investment gap for the sector was substantial. Perhaps because of the tight money

situation, funds were obtained mainly by disinvesting in Federal Government debt instruments (₦1,395.9 million), borrowing from the banking sector and other financial institutions (₦1,813.5 million) and from subventions from the Government sector, (₦1,113.6 million). Private sector institutions that reduced their holdings of Federal Government debt in 1982 were mainly the federal parastatals. The private sector also participated actively in the currency and deposits market as well as in insurance and pension funds as it invested a net of ₦560.2 million and ₦112.9 million in these markets, respectively.

The Rest of the World sector made a net saving of ₦5,293.2 million on capital account in 1982. The most significant development is the provision of short-term capital by way of deferred payments on merchandise trade. This is a considerable increase over the 1981 position of ₦332.7 million. The increase in the short-term capital transactions by the Rest of the World had the effect of reducing the size of the sector's claims on domestic sectors on account of foreign exchange. Next in importance as a use of funds is the reduction of the Rest of the World liabilities in foreign assets market by ₦1,285.5 million. The sector invested in Federal Government debt instruments to the tune of ₦493.4 million.

Financial Intermediation

The gap between the banking system lending to and the deposits received from other sectors narrowed significantly from ₦2,592.6 million in 1981 to ₦895.2 million in 1982. (See Table 4). This is attributable to the reduced lending to all the broad groups but especially to the private sector which received ₦1,813.5 million in 1982 as against ₦2,778.7 million in 1981. Lending to Governments fell marginally by ₦6.3 million to ₦98.6 million. Similarly, there was a marginal decrease of ₦5.6 million in domestic loans and advances to Other Financial Institutions in 1982 as compared to ₦28.6 million in 1981.

Deposits with the banking system increased by ₦720.3 million over the 1981 level but was considerably less than the 1980 figure of ₦5,483.9 million. The distribution of deposits in terms of holders shows that about 53.8 per cent or ₦560.2 million was held by the private sector, while the holdings of Federal and State Governments amounted to ₦403.3 million or 38.8 per cent of total net holdings. The balance of ₦76.4 million or 7.4 per cent was held by the Other Financial Institutions. The federal and state governments deposited ₦304.7 million more than they received as loans from the banking system. Similarly, the Other Financial Institutions were net lenders to it by ₦53.4 million. By contrast, the Private Sector, mainly businesses, was a net borrower by ₦1,253.3 million.

Flow of Funds Office
Research Department

TABLE 1
NIGERIA'S FINANCIAL FLOW MATRIX, 1982
(N/million)

Transaction	Monetary Authority		Commercial Banks		Merchant Banks		Specialised Banks		Insurance ¹ Companies		Federal ¹ Government		State ¹ Government		Private Sector		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	
A. Gross Savings	18.0	—	56.5	89.2	4.7	15.2	15.8	18.9	-34.7	60.0	7,330.1	4,939.8	1,065.6	3,658.3	814.7	5,782.5	5,293.2					14,563.9	
B. Gross Capital Formation																							14,563.9
C. Net surplus	18.0	—	-32.7	89.2	-10.5	15.2	-3.1	18.9	-94.7	60.0	2,390.3	4,939.8	-2,592.7	3,658.3	-4,967.8	5,782.5	5,293.2						
D. Total Financial Sources / Uses	457.8	475.8	3,038.0	3,005.3	957.9	947.4	149.1	146.0	274.9	180.2	587.9	2,978.2	2,495.0	-97.7	4,261.9	-705.9	-1,262.3	4,030.9					10,960.2
1. Foreign Exchange (Net)			-1,626.4		-111.8																		-1,738.2
2. Other Foreign Assets						58.9																	61.6
3. Currency & Deposits	-417.7		1,421.8	391.9	580.1	279.2	49.8	-77.0		76.4		503.7		2.7									1,634.0
4. Insurance & Provident Fund										112.9				-100.4		560.2							1,634.0
5. Federal Debt			2,094.6		1,081.1		105.5				28.2	2,469.4	62.5			112.9							112.9
6. State Debt											-5.0					-1,395.9							2,469.4
7. Government Loans and Shares							46.6					2,412.0		-4.9									-4.9
8. Domestic Loans & Advances		-0.3	37.6	1,576.1	137.3	279.2		209.0		23.0	0.0		1,251.8		1,113.6								2,412.0
9. Other debt	875.5	7.9	1,567.5*	68.0	240.7	224.6		14.0	162.0	57.6	-1,881.5		1,149.5		1,813.5	16.9							2,087.0
10. Unidentified items and Discrepancy Source				11.1		-0.2		52.7								-477.9		23.6					3,926.4
Total	475.8	475.8	3,094.5	3,094.5	962.6	962.6	164.9	164.9	240.2	240.2	7,918.0	7,918.0	3,560.6	3,560.6	5,076.6	5,076.6	4,030.9	4,030.9					25,524.1

¹ Provisional

* Includes short-term capital & trade credits to the economy

TABLE 2
NET ACQUISITION OF FINANCIAL ASSETS 1980—1982
(₹/million)

Years	Banking Sector ¹			Other Financial Institutions ²			Government Sector ³			Private Sector			Rest of the World			Discrepancy
	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	
1980	49.6	75.8	-26.2	10.1	20.8	-31.9	11,162.1	7,409.5	3,752.6	3,447.2	5,549.7	-2,102.5	-1,593.0	—	-1,593.0	0.0
1981	95.2	79.1	16.1	33.3	39.4	-6.1	9,140.8	7,938.3	1,202.5	262.9	4,894.8	-631.9	3,778.7	—	3,778.7	0.0
1982	74.5	89.2	-14.7	-14.2	94.1	-108.3	8,395.7	8,598.1	-202.4	814.7	5,782.5	-4,967.8	5,293.2	—	5,293.2	0.0

¹ Monetary Authority and Commercial Banks

² Consists of Merchant Banks, Specialised Banks and Insurance Companies

³ Federal and State Governments

**TABLE 3
TRANSACTIONS IN FINANCIAL ASSETS (NET)¹
1980—1982**

Transactions type/period	Banking Sector	Other Financial Institutions	Government Sector	Private Sector	Rest of the World	Discrepancy
Foreign Assets (Net)						
1980	2,345.0	8.9	3.0	—	-2,359.8	2.9
1981	-3,068.5	12.5	2.8	—	2,996.5	126.5
1982	-1,738.2	58.9	2.7	—	1,285.9	390.7
Currency and Deposits						
1980	-5,375.4	-118.9	2,812.0	2,682.3	—	0.0
1981	-192.6	-142.5	28.8	306.3	—	0.0
1982	-612.2	-350.6	403.3	560.2	—	0.0
Government Debt						
1980	882.9	-23.0	-919.5	-462.8	522.0	0.5
1981	2,368.5	-23.0	-859.7	-1,965.6	479.8	0.0
1982	3,175.7	128.7	-589.3	-3,212.6	493.5	0.0
Loans & Advances²						
1980	1,498.0	50.8	1,772.6	-3,321.4	0.0	0.0
1981	2,394.3	204.4	632.9	-3,231.6	0.0	0.0
1982	1,538.2	327.3	1,061.6	-2,927.1	0.0	0.0
Other Debt						
1980	-17.1	109.4	1,037.0	-1,339.1	209.8	0.0
1981	-2,203.6	92.6	-2,851.9	-776.4	35.5	0.0
1982	-2,367.1	-219.4	+732.0	-1,795.8	3,537.4	0.0
Unidentified items and Discrepancy Source						
1980	-640.4	7.2	-952.8 ⁴	273.6	35.0	3.4
1981	718.0	-53.2	1,146.4	-1,662.1	-30.3	126.5
1982	-11.1	-52.5	0.0	477.9	-23.6	390.9

¹ Acquisition of assets or reduction in liabilities is shown positives; Sales of assets or increase in liabilities, negative

² Includes Government's Loans and shares of Table 1

³ Includes Insurance and Provident Funds figures of Table 1

⁴ This figure includes Sundry Investments in parastatals, personal advances and loans and advances to institutions

**TABLE 4
LENDING BY AND DEPOSITS WITH THE BANKING SYSTEM¹**

	1980	1981	1982
LENDING			
Federal and State Governments	-87.7	104.9	98.6
Private Sector	1,847.3	2,778.7	1,813.5
Other Financial Institutions	19.2	28.6	23.0
Total Domestic Lending	1,740.4	2,912.2	1,935.1
DEPOSITS			
Federal and State Governments	2,812.0	28.8	403.3
Private Sector	2,682.3	306.3	560.2
Other Financial Institutions	-10.4	-15.5	76.4
Total Domestic Deposits	5,483.9	319.6	1,039.9

¹ Defined as Central Bank, Commercial Banks, Merchant and Specialised Banks

CHART I
FINANCIAL SURPLUS/DEFICIT

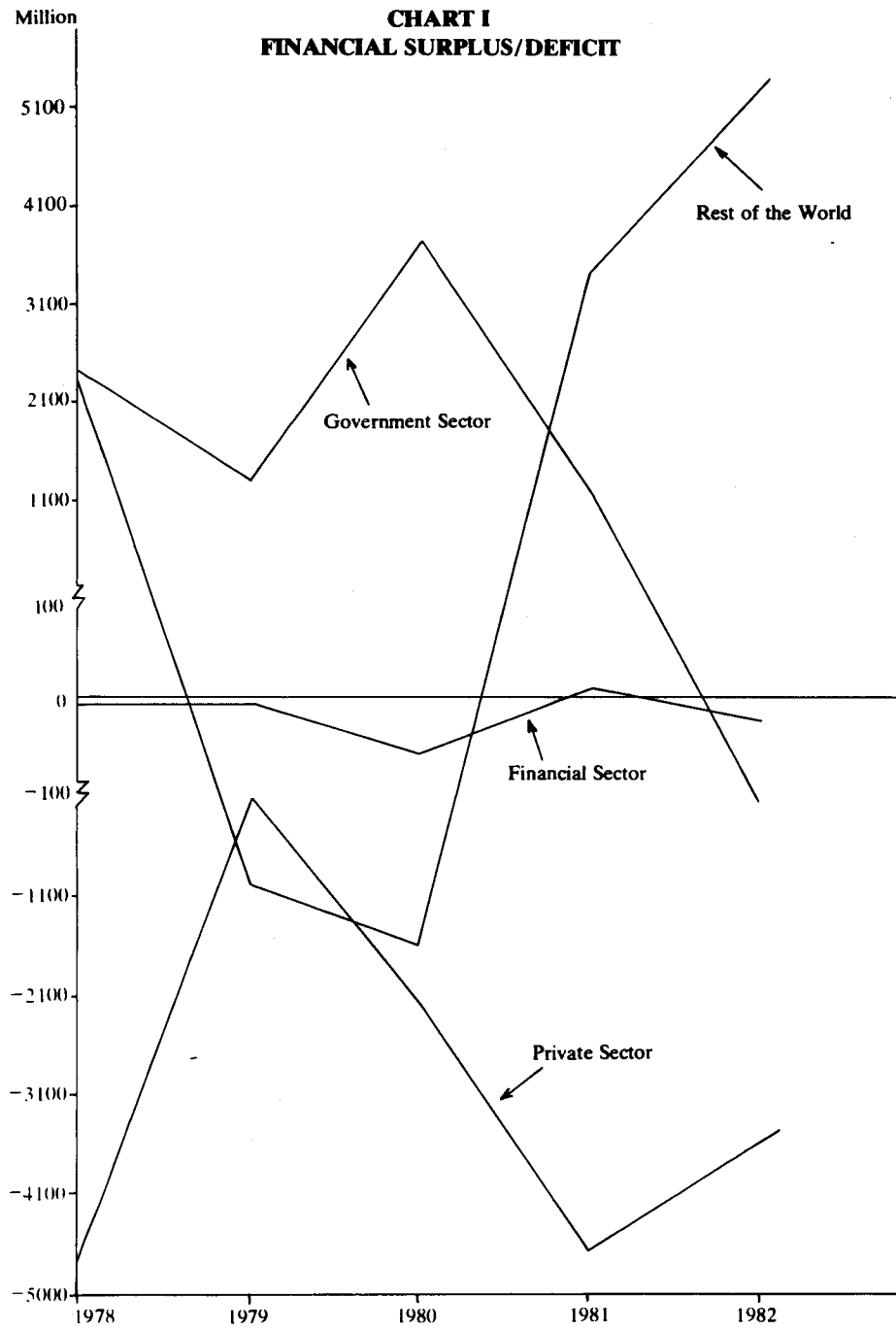
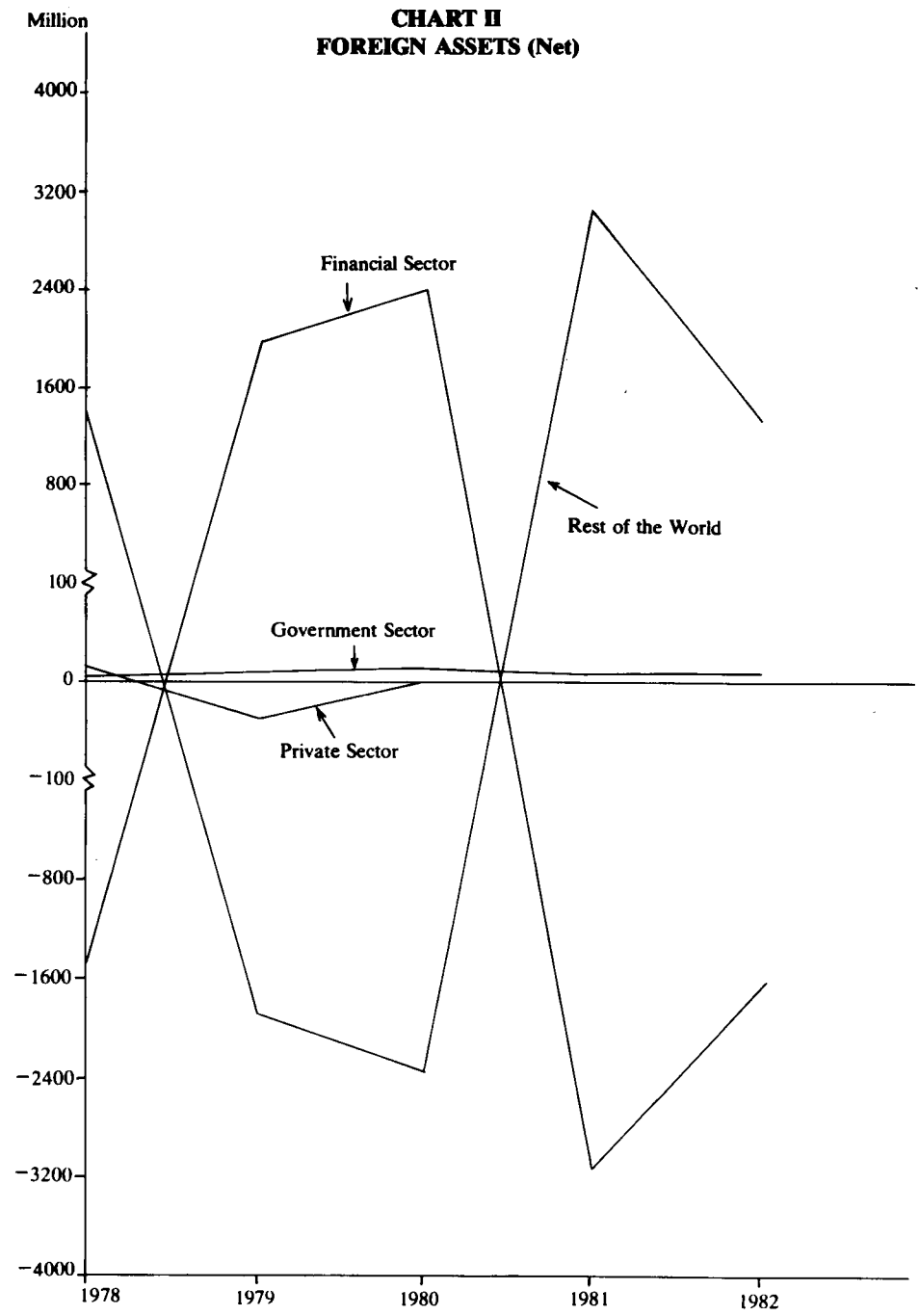
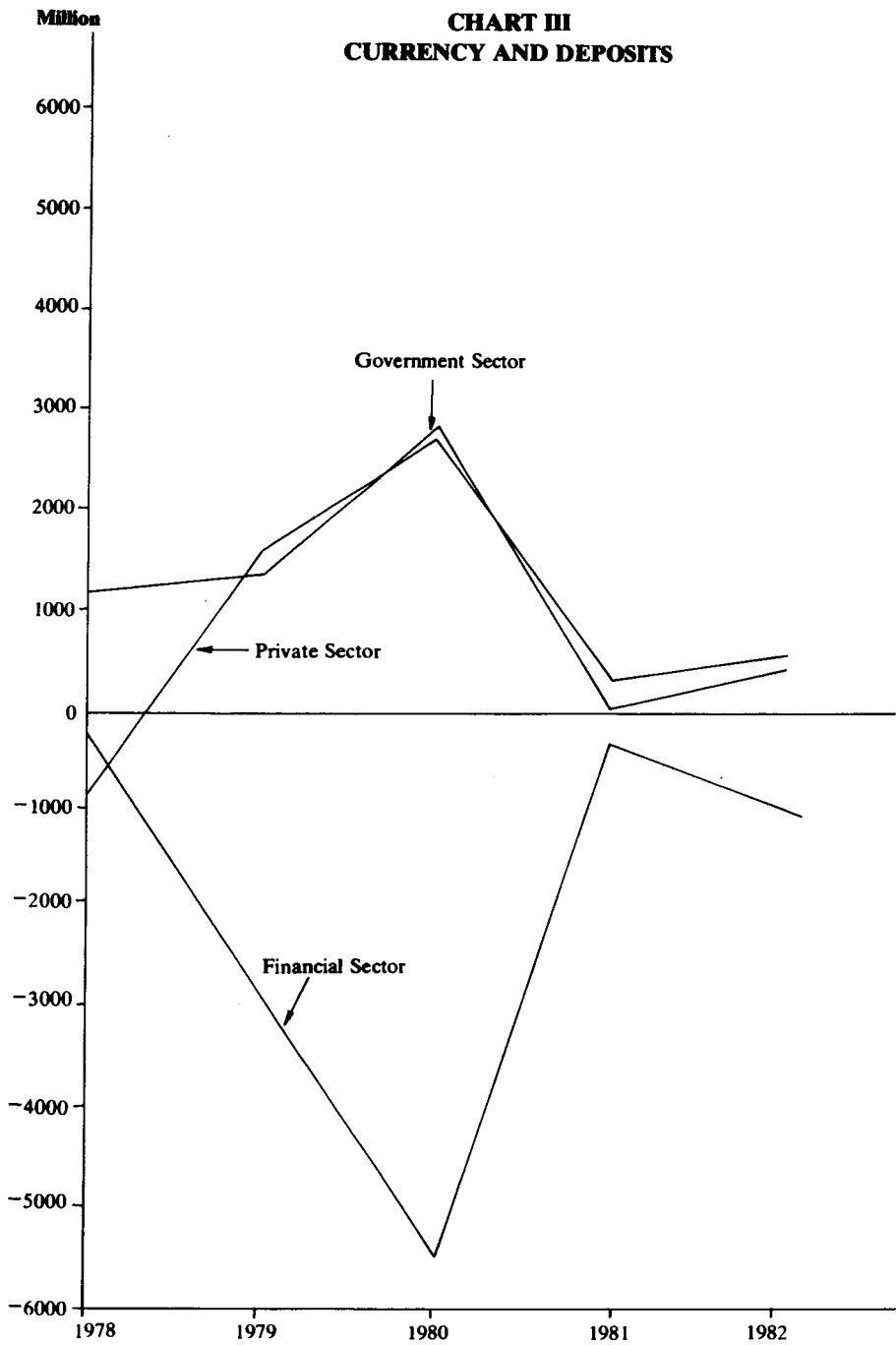


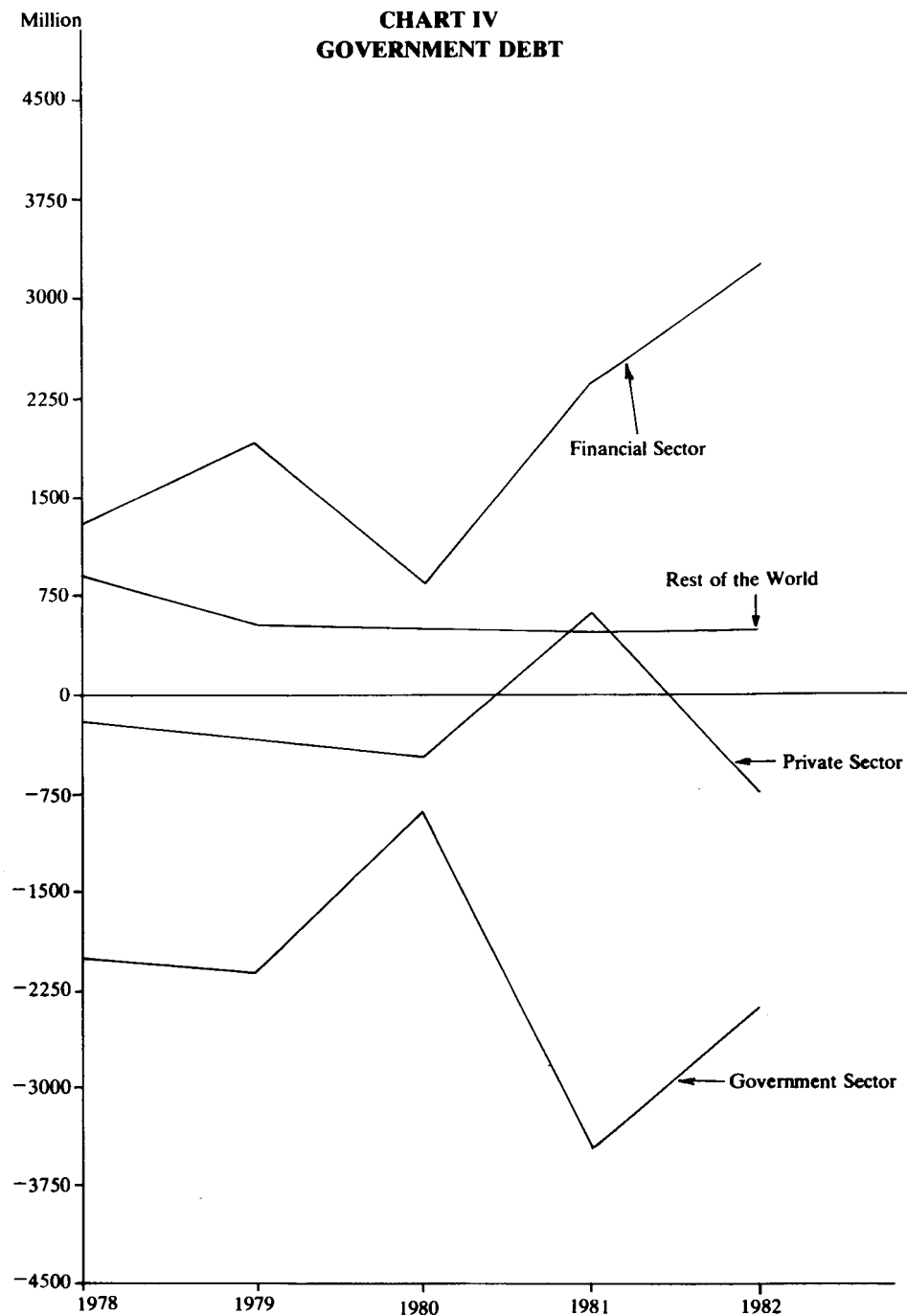
CHART II
FOREIGN ASSETS (Net)



**CHART III
CURRENCY AND DEPOSITS**



**CHART IV
GOVERNMENT DEBT**



**CHART V
LOANS AND ADVANCES**

