



Haruna N. Yahaya, from Minna-based member firm Haruna Yahaya & Co. (Chartered Accountants), shares insights on current trends in the Nigerian economy, and looks at some of the government's incentives to support SMEs.

Q: Has liquidity in the economy improved?

Haruna: The liquidity has improved due to the laudable initiatives of President Bola Ahmed Tinubu. These involve a combination of monetary and fiscal policies aimed at stimulating economic activity and ensuring adequate availability of funds in the financial system. Some of these key government policies to enhance liquidity in Nigeria include:

- a. **Monetary Policy Measures:** The Central Bank of Nigeria (CBN) implements various monetary policy tools to regulate liquidity in the economy. These measures include adjusting the Cash Reserve Ratio (CRR) presently at 45%, which determines the proportion of banks' deposits that must be held in reserve, the liquidity ratio of banks is now at 30% and the Monetary Policy Rate (MPR), which influences interest rates in the economy is pegged at 24.75%. All the above rates are as at 30th April 2024.
- b. **Open Market Operations (OMOs):** The CBN conducts OMOs to buy or sell government securities in the open market, thereby controlling money in circulation and influencing the level of liquidity in the banking system. By buying securities, the CBN injects liquidity into the system, while selling securities withdraws liquidity. In April 2024 the CBN sells N676.65 Billion at OMO market.



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- c. **Reserve Requirements:** Adjusting reserve requirements for banks can impact the amount of funds they have available for lending and other activities. Lowering reserve requirements increases the funds available for lending, thus boosting liquidity. As at April ending, Cash reserve for Banks is 45%.
- c. **Government Spending:** Fiscal policy measures, such as increased government spending on infrastructure projects or social welfare programs, can inject liquidity into the economy. Government expenditures often lead to increased economic activity and circulation of money. The present administration has intensified efforts in infrastructural developments both at National and sub national levels thereby creating liquidity in the economy.

Q: Has more been done to create SMEs?

Haruna: SMEs contribute significantly to Nigeria's GDP, accounting for 48% of the Country's GDP. SMEs are involved in various sectors of the economy, including agriculture, manufacturing, services, and retail. The Nigerian government has implemented various initiatives and policies to support small and medium-sized enterprises (SMEs) in the country. Some of these measures include:

- **Establishment of Development Finance Institutions** offering loans, grants, and capacity-building programs tailored to the needs of SMEs.
- **Credit Guarantee Schemes** facilitating SMEs' access to finance.
- **Tax Incentives and Concessions** given to SMEs to reduce their tax burden and encourage entrepreneurship.
- **SME Access to Markets** through initiatives such as trade fairs, exhibitions, and market linkage programs.
- **Entrepreneurship Development Programs** including workshops, and training sessions to equip SME owners with the skills and knowledge needed to start, manage, and grow their businesses successfully.
- **Infrastructure Development** projects, such as roads, electricity, and telecommunications, to improve the business environment for SMEs.
- **Access to Technology and Innovation Support** by providing access to technology hubs, incubators, and innovation centres.
- **Policy Reforms and Regulatory Simplification** affecting SMEs create a more conducive business environment

Q: Has it become easier to get loans?

Haruna: Access to getting loans in Nigeria has improved significantly in recent years due to various initiatives and reforms aimed at enhancing financial inclusion and supporting entrepreneurship. Here are some factors influencing the accessibility of loans in Nigeria:

- **Development Finance Institutions** have increased access to finance for SMEs and other sectors of the economy. These institutions offer targeted and specialised loan products and financial support to businesses, including startups and small enterprises.
- **Credit Guarantee Schemes** backed by the government or other financial institutions help mitigate the risk for lenders, making it make it easier for SMEs and individuals to access loans.

- **Microfinance Institutions (MFIs) and Fintech Companies** have expanded access to loans, particularly for underserved segments of the population such as rural communities and low-income earners. These institutions leverage on technology and alternative credit schemes to reach borrowers who may have limited or no access to traditional banking services.
- **Government Interventions** and programmes aimed at promoting entrepreneurship and economic empowerment provide funding support and capacity-building opportunities for aspiring entrepreneurs and existing businesses.
- **Regulatory Reforms** which ease the doing of business and strengthening the financial sector have contributed to a more conducive environment for lending and borrowing. Efforts to streamline loan application processes, enhance credit reporting systems, and enforce borrower protection laws have helped reduce barriers to accessing loans.

However, despite these positive developments, challenges persist, including high interest rates, collateral requirements, and inadequate credit information infrastructure. Additionally, the impact of external factors such as economic volatility, inflation, and currency fluctuations influence lenders' risk appetite and lending practices.

Overall, while progress has been made in improving access to loans in Nigeria, continued efforts are needed to address existing barriers and ensure that financing remains accessible and affordable for businesses and individuals across the country.

Q: Have there been any significant regulatory developments in Nigeria over the last 12 months?

Haruna: Definitely, they include the following:

- **Startup Act 2022:** Enacted to support startups, this legislation promises to be a gamechanger for the entrepreneurial ecosystem.
- **Taxation of Non-Resident Digital Companies:** Non-resident digital companies may now be subject to income tax on a deemed profit basis.
- **Strengthening Business Regulations:** The Companies and Allied Matters Act (CAMA) was passed in August 2020, enhancing Nigeria's business regulatory environment.
- **Tech Ecosystem Engagement:** Regulators like the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), and National Information Technology Development Agency (NITDA) engaged with the FinTech ecosystem, issuing circulars, guidelines, and regulations.

- **Ease of getting Tax Identification number (TIN).** Businesses must obtain TIN from Federal Inland Revenue Service (FIRS). It is free and seamless.
- **Financial Inclusion Efforts:** Ongoing efforts to bridge the financial inclusion gap through FinTechs, which leverage digital technologies to reach underserved populations.

Q: How would you describe the health of the accounting industry in Nigeria in terms of customer demand, fee pressure, and staff recruitment and retention?

Haruna: The health of the accounting industry in Nigeria is influenced by several factors which include the following:

Customer Demand

- I. Steady Demand:** There is consistent demand for accounting services due to regulatory requirements
- II. Growing SME Sector:** The SME sector drives demand for accounting professionals to enable them to meet the loan requirements.
- III. Digital Transformation:** Technology adoption increases demand for specialised services like forensic accounting and data analytics.

Fee Pressure

- I. Competition:** Intense competition among accounting firms puts pressure on fees. This made some small firms to quote low prices.
- II. Client Expectations:** Clients seek value for money, leading to fee negotiations to save operation cost.
- III. Economic Challenges:** General economic downturns impact clients' ability to pay higher fees.

Staff Recruitment and Retention

- I. Talent Shortage:** Finding skilled and motivated accountants remains a challenge.
- II. Attrition:** High turnover due to better opportunities abroad or in other sectors of the economy.
- III. Retention Strategies:** Firms focus on training, career growth, and work-life balance to retain staff but still difficult to retain quality staff.
- IV. Demand for higher remuneration:** Newly qualified staff and fresh graduates without experience are now asking for higher.

Q: Are there any services areas where demand has grown over the last 12 months?

Haruna: Over the last 12 months, several service areas have experienced increased demand in response to various factors such as changing consumer behaviours, technological advancements, and evolving market trends.

- i. E-commerce and Digital Retail:** With the ongoing shift towards online shopping and digital commerce accelerated by the COVID-19 pandemic, there has been a significant surge in demand for e-commerce platforms, digital retail solutions, and related services. Businesses across industries have invested in developing or enhancing their online presence to reach customers and drive sales through digital channels. Accountants are not left behind, as services such as cloud accounting for online services are on the rise.
- ii. Online Education and E-learning:** With widespread school closures and remote learning becoming the norm, there has been a surge in demand for online education platforms, e-learning tools, and virtual learning environments. Educational institutions, corporate training providers, and individuals have turned to digital platforms to deliver and access educational content remotely, driving growth in the online education sector.
- iii. Digital Marketing and Advertising:** As businesses increasingly rely on digital channels to reach and engage customers, there has been growing demand for digital marketing and advertising services. Businesses seek to leverage digital platforms such as social media, search engines, and online marketplaces to promote their products and services, drive brand awareness, and generate leads, leading to increased demand for digital marketing agencies, content creators, and advertising technology solutions.

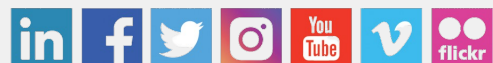
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