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EXAMINING THE RATIONALITY OF GOVERNMENT INTERVENTION FUNDS FOR STABILISING THE PRODUCTIVE SECTORS OF THE NIGERIAN ECONOMY

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Abstract

This research study examines the appropriateness of the use of public funds as Intervention funds by the Government to stabilize key productive sectors, in a mixed economic system, where the role of Government is supposed to provide a sound, friendly and healthy business environment. The Federal Government of Nigeria through the Central Bank of Nigeria (CBN) has established various forms of intervention funds for certain economic sectors like Aviation, Agriculture, Power, Textile industries among others, that are privately dominated business activities, to stabilize the economy. The paper reviews the rationale and impact of such intervention funds and how the Monetary Authorities (The Federal Ministry of Finance and the Central Bank of Nigeria) have attained the objective of economic stabilization through Intervention Funds. The Library research method was used to obtain the relevant data and information like Central Bank of Nigeria Bulletin, Nigeria Bureau of Statistics Reports, Publications, Journals and other works of literature. The productive sectors of the economy like agriculture, manufacturing, power, aviation etc are very critical for job creation, income generation and redistribution, poverty reduction and improved standard of living of the citizens. Access to finance is globally acknowledged as a major challenge to both small and big business firms due to banks' stringent conditions of lending but saddling the apex bank or its disbursement agents with commercial lending activities has become a contentious issue in contemporary times. But how has this initiative resolved the financing needs of these productive sectors or revitalized the ailing business entities? The research findings revealed the increase in the volume of credits or funds to these preferred sectors but the specific impact on revamping the economy as a whole, which is the ultimate goal (stabilizing the economy) is yet to be achieved. Meanwhile, the Central Bank of Nigeria is being heavily distracted from its traditional role of monetary policy management and economic advisory role to the Government. This study is constrained with the

paucity of data to fully investigate the impact of the established funds. The paper observes that the use of State funds as Intervention Funds in a mixed economy system or capitalist economy is practically at variance with theoretical principles except in a socialist economy where the government is practically involved in resources allocation and distribution. The government should, therefore, create a conducive business environment by providing basic infrastructures, establishing an appropriate regulatory framework and allowing the establishment of development finance institutions for all critical sectors (Intervention Funds can serve as seed investments), as it is obtained in India and European countries so that finance can be easily accessible to all sectors of the economy.

Keywords: Economic sector Intervention fund, Productive sector, Economic recession, Business failure, economic growth, Public sector, Private sector

INTRODUCTION

Market failure is generally a consequence of market imperfections that often weakened the market economy where the interplay of demand and supply of goods and services should be the determinants of prices of factor resources. Nigeria is predominantly a mixed economy where both the private sector and public sector have defined roles to play in the development of the economy. Isimoya (2012) stated the Mixed Economic system in Nigeria has its legal backing in the 1979 Nigerian constitution which specifies that (i) the State shall control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen based on social justice, equality of status and opportunity. (ii) the State shall manage the major sectors of the economy (Defence, Currency, Export/Import, Aviation, Military, Railway, Mineral resources etc and may take an active part in other sectors like Education, Electricity . Water resources, Agriculture etc) and (iii) the State shall without prejudice to the rights of any person, participate in the areas within the major sectors of the economy and protect the rights of every citizen; and engage in any economic activity outside the major sectors of the economy. In a mixed economy there exist the combined roles of both private and public ownership of productive resources. The private sector which is made up of private individuals and firms are charged entirely with some areas of economic activities while some selected areas to are the preserve roles of the public sector (comprising the government and its agencies). Most developing countries of Africa, Asia and Latin America are classified as Mixed economies and are referred to as Third world Economies. In the Mixed economy, both the public and private sectors have significant roles to play in the supply of goods and services and profitability is a major consideration for the private sector for any investment decision. The division of economic activities into public and private sectors is primarily based on the theoretical principle of profit-making objective and satisfying the goals of the large society. The Public sector is the segment of the economy comprising the government and its organs, agencies and undertakings. While on the other hand, the Private sector is the segment of the economy other than the public sector where all economic decision making is in the hands of non-government entities.

The public sector refers to that segment of the national economy whose activities economic and non-economic are under the control and direction of the government and its agencies. The objectives of the Public Sector include the efficient performance of the market mechanism, regulate monopolies and monopolistic tendencies in the economy, provide the legal and institutional framework necessary for the market economy, check externalities. Externalities refer to the positive or negative effect enjoyed respectively by one party as a result of the action of another party,provision of goods or services and equitable distribution of income and wealth, public sector reduces unemployment rate and issue policy to guarantee full employment and public sector exists to ensure a viable balance of payment and stable exchange rate.

The Private sector refers to the segment of the economy whose economic and non-economic are under the control and direction of non-governmental units. The private sector provides the opportunity for private ownership and utilization of factors of production. The objectives of Private Sector include; ensure consistency in management decision making; provides a basis for specific planning; provides means for corrective actions and control; enables simulation of exertion and accomplishment and provides a specific sense of direction for the staff.

The profit-making motivation is the goal of the private sector economy which is financed and controlled by the individuals or private firms or institutions whereas the objective of the public sector is the welfare of the citizens. Both private and public organisations are exposed to economic changes and fluctuations generally refers business cycles which usually have adverse implications on the production of goods and services by the private sector or provision of public goods by the public sector.

Jhingan (2011) describes a business cycle as a phenomenon of cyclical booms or depression which is generally characterized by alternating waves of expansion and contraction. According to Burns (1946) business cycles are a type of fluctuation found in aggregate activity in nations that organize their work mainly in business enterprises; a cycle consists of expansion occurring at about the same time in many economic activities, followed by similarly general recessions contractions and revivals which merge into the expansion phase of the next cycle, this sequence of changes is recurrent but not periodic, in duration business cycles vary from more one year to ten or twelve years, they are not divisible into shorter cycles of similar character with amplitudes approximating their own. The Central Bank of Nigeria reported (2016) that the business cycle is a shorter-term variation in the tempo of economic activities that could affect global and national economies. It reflects the upward and downward movements in output, inflation, interest rate and employment, resulting in expansion or contraction in the economy. Economic recessions affect the productive sectors adversely as distresses set in that might results in business firm failures with consequential effects of unemployment and other social vices. Business fluctuations have caused failures in the business world as many businesses have collapsed due to cyclical business activities with colossal impacts on job losses, poverty and crime fallouts. In Nigeria, the government through the Central Bank of Nigeria (CBN) has employed different Intervention funds to stabilize the real sectors of the economy in a period of economic downward or recession to protect the industries and save jobs.

Statement of the problem

In a Mixed economic system or capitalist economy where the role of the Public sector or Government is primarily to provide the legal framework and friendly business environment for private business organisations to thrive thereby enhancing the competitiveness of the market system. The appropriateness or rationality of employing State funds to bailout distressed business organisations becomes an issue. How does direct disbursement of funds to select critical sectors to advance the fiscal and monetary policies of Central Bank of Nigeria as policy measures in the period of economic recession.?

The objective of the Study

The primary objective is to assess the impact of using Public funds as intervention fund for selected business entities. Specifically, the paper examines the direct effect of such sectoral funding by the government on the affected industries and organisations.

Research Question

The relevant question is the feasibility, viability and sustainability of using Public funds to manage private industries to avert business failure and job loss or revamp ailing private business entities.

Research Hypothesis

Public intervention fund has no significant impact on turnaround strategic plan for private distressed industries and firms.

Significance of the Study

The study is important as it serves as a guide to policy and decision-makers in the future, in responding to economic challenges and to avoid pitfalls of past failures. The study would also serve as policy review for State Intervention funds and help to address shortcomings of the policy measures.

2.0 THEORETICAL FRAMEWORK

2.1 Concept of Business Cycles

The business cycle is a pattern of fluctuation in economic activities moving upward or downward over a given period. Keynesian definition of the business cycle is a trade cycle composed of periods, good trade characterized by rising prices and low unemployment percentages, altering with periods of bad trade characterized by falling prices and high unemployment percentages. A business cycle changes in economic activities that affect the Gross Domestic Product (GDP) of a country. Evans (2014) business cycle is an economic phenomenon measured by, in terms of the real GDP growth rate, the movement from a peak to a trough (recession), back to peak (expansion). Burns (1946) Business cycles are a type of fluctuation found in aggregate activity in nations that organize their work mainly in business enterprises; a cycle consists of expansion occurring at about the same time in many economic activities, followed by similarly general recessions or contractions and revivals which merge into the expansion phase of the next cycle, this sequence of changes is recurrent but not periodic, in duration business cycles vary from more one year to ten or twelve years, they are not divisible into shorter cycles of similar character with amplitudes approximating their own.

Jhingan (2011) identified four phases of a typical cycle as (i) Expansion (ii) Recession (iii) Depression and (iv) Recovery.

The expansion phase is a period of the boom with an increase in demand, output, employment and income which does not correspondingly lead to a rise in wages, interest rates, rentals or tax rates. It is generally a period of boom or prosperity with prospects for productivity and profitability growth. Recession phase represents a decline in prices, reduction in production, fall in investments, strain in the banking system, shrink in bank credits, fall in profit margin, closure of business firms, rise in unemployment rates and the purchasing power is reduced as people are unable to make purchases.

Depression phase results in recessionary periods when there is a reduction in production capacity, fall in employment and income levels. This general fall or decline in economic activities would affect banks deposits that would, in turn, reduce bank loans to the productive sectors of the economy.

The recovery phase is the period when economic activities generally turning upward. Early signs of recovery are noticeable excess or idle capacity in the economy, prices increase, profits increase and there is an increase in business expectation.

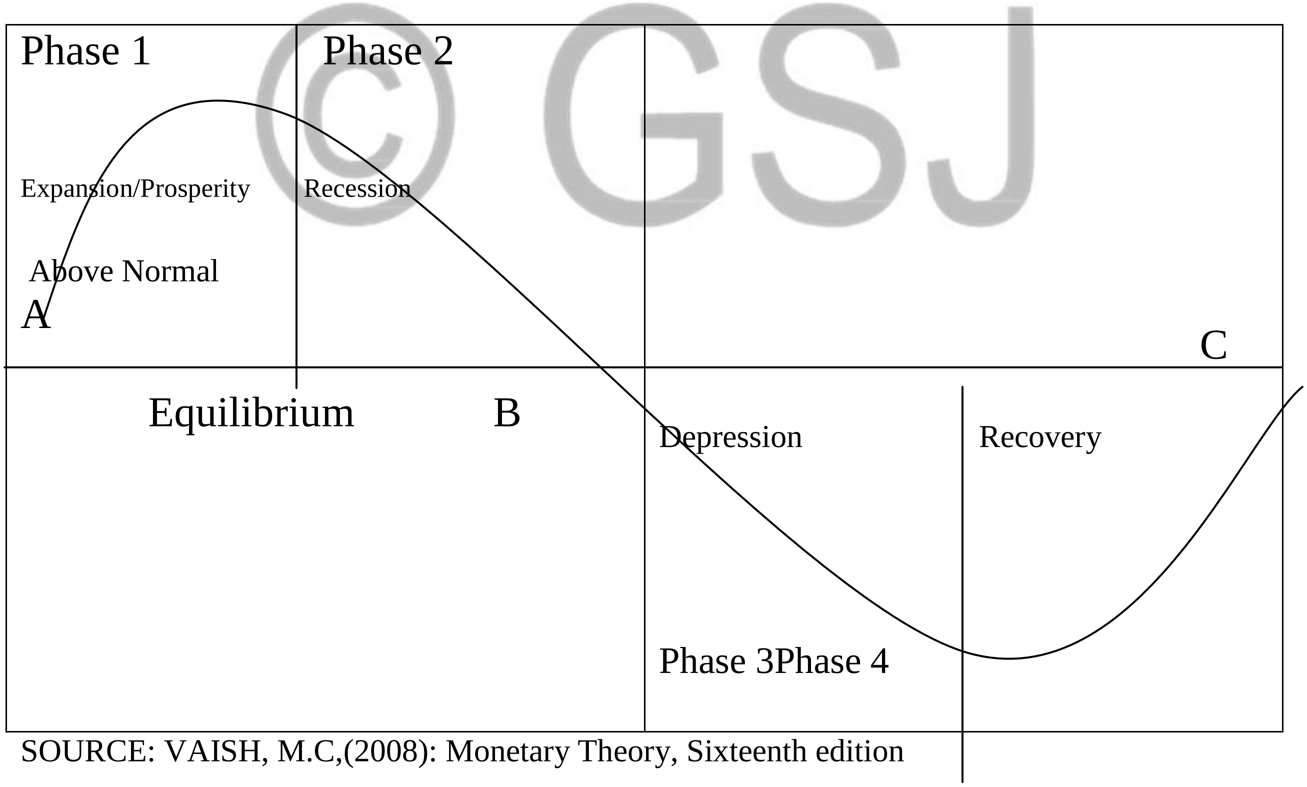
Some basic features of business cycles include; cyclical fluctuations, non – periodic or irregular, affect aggregate variables of the economy, variables move in the same direction but at different rates, and non – seasonal fluctuations. Business cycles are usually recurrent fluctuations in aggregate employment, income, output and price levels.

Table 2.1 CHARACTERISTICS OF DIFFERENT PHASES OF TRADE CYCLES

SN	Characteristics	Depression	Recovery	Expansion	Recession
1	Employment	Low	Slow rise	High	Sudden fall
2	Industrial output	Low	Slow increase	High, bottlenecks appear late-stage	Decreasing
3	Wage rates	Low	Rise, but lag behind prices	High, but lag behind prices	Falling but lag behind prices
4	Prices	Low	Slow rise	High, very high in late-stage	Rapid fall
5	Bank loans	Low	Expand	High	Cut sharply
6	Bank Reserves	High	Slow fall	Low	Sudden rise
7	Bank clearings	Small	Slow rise	Large	Sudden rise
8	Discount rates	Low	Fairly low	Rise	High
9	Cost of Production	Low	Rise slowly	High, very high in late-stage	falling
10	Profits	Positive toward end	Rise	High but falling	Disappear
11	Business failures	Many	Few	Few	Sudden rise
12	Speculation	Very little	Rise slowly	Widespread	Little
13	Business inventories	Low	Rise slowly	High, very high in late stages	Falling
14	Building construction	Almost nil except for public works	Slow rise	Much, very high in late-stage	Sudden stop
15	Feeling	Hope	Hope	Optimism	Hesitation

Source: Vaish M.C (2008): Monetary Theory, Sixteenth Edition

Table 2.2 Phases of Business cycles



SOURCE: VAISH, M.C,(2008): Monetary Theory, Sixteenth edition

2.2 Causes of Business cycles

The factors responsible for business cycles could either be endogenous or exogenous variables. The endogenous or internal factors are internal mechanism within the economy that can give rise to self - generating business cycles so that every expansion will cause recession and contraction and every contraction or depression will lead to recovery or expansion. These internal factors include excess bank credit, excess savings and less consumption, excess investible funds or investments, innovation and creativity, positive competition leading excess production, enhanced productivity capacity, effective population control measures and efficiency of factors resources.

On the other hand, exogenous factors are things outside the economic system that might trigger business cycles as the world has become a global village through international business, international trade and technology. There is interdependence among nations of the world hence adverse economic action in any of the worlds leading to the economic crisis in national economies like wars, revolutions, migrations, natural disasters epidemic breakout on a wider scope, wrong economic policies and decisions and policy of reciprocity.

Business cycles have both negative and positive effects or implications as they affect the aggregate output, employment, income, prices, interest rates, rental income, wages, purchasing power, productivity, profitability and living standard of the citizens. The measure of economic performance is the Gross Domestic Product (GDP) which begins to fall in the period of recession, contraction or depression while it grows in a period of expansion or recovery.

2.3 Business cycles Indicators

Business cycle indicators are economic parameters or figures that give timing information on typical cycles and help to monitor activities during such cycles, to aid planning and policy formulation policy. There are three known indicators or parameters of business cycles namely (i) leading economic indicators (ii) Coincident economic indicators and (iii) lagging economic indicators. Leading economic indicators are designed to anticipate the timing of the ups and downs in the business cycle. They are associated with the drivers of business cycles in market economies. This indicator helps to predict the cycle peaks and trough three to twelve months before their occurrence. Such parameters or indicators include; supply of money or credit, changes in investments, changes in inventory, changes in fixed capital, government expenditures, manufacturing production index, vendor performance index, stock price index, a new building permit for private housing, interest rate spread, initial claims of unemployment insurance among others.

Coincident economic indicators measure the economic conditions to determine the actual phase of the business cycle in an economy, Coincident indicators are variables that move along with aggregate economic activity, whose cyclical upswings and downswings generally correspond to periods of expansion and recession respectively. Coincident economic indicators are known as the primary source of information on business cycle turning points. The parameters or variables used include the number of employees on non- agricultural payrolls, industrial production, real personal income, and real manufacturing and trade sales.

Lagging economic indicators are indicators measure expansion or depressions three to twelve months after the occurrence of a business cycle. Such indicators are labour cost per unit of output in manufacturing, average prime interest rate, amount of outstanding commercial and industrial loans, the consumer price index for services, consumer's credit as a fraction of personal income, the average duration of unemployment and ratio of unsold goods to sales for manufacturing and trade.

2.4 Theories of Business Cycles

2.4.1 Monetary Theory

To the Monetarist trade, the cycle is a purely monetary phenomenon which is the changes in the flow of monetary demand on the part of businessmen that lead to prosperity and depression in the economy. According to the Monetarists, it is possible for non – monetary factors like strikes, floods, earthquakes droughts, wars to cause partial depression but not a general depression. The expansion phase of the business cycle may occur through increase bank credits to the productive sectors by reduction of lending rates by banks. Such policies would improve the production capacities of the manufacturing sectors, this would further increase the incomes of factors owners. With the cycle of prosperity and expansion, there would greater optimism in the market with greater borrowing by producers which would lead to excessive production and eventually the banks stop additional lending which would invariably incite recession in the economy.

2.4.2 Keynesian Theory

The Keynesian theory of the trade cycle is an integral part of his theory of income, output and employment. Trade cycles are periodic fluctuations of income, output and employment. To Keynes business or trade cycles is associated with changes in the marginal efficiency of capital and other significant variables in the economic system. Keynes opined that the cause of depression and unemployment is lack of demand while recovery or revival of the economy can be achieved by increasing or raising the aggregate demand.

2.4.3 Schumpeter's Innovation Theory

According to Joseph Schumpeter the proponent of the Schumpeter's Innovation theory, trade cycles are the consequences of innovations in the structure of an economy. To Schumpeter, business cycles are the outcome of economic development in a capitalist society. The model of this theory is based on two stages, the first is the initial impact of innovation and the second the reactions to the initial impact of innovation. This theory accepts the statement of Juglar that "the cause of depression is prosperity.

2.4.4 Business Failures

Business failures are commonly attributed to variables that are both internally and externally induced, According to the research conducted by the Association of Insolvency and Restructuring Advisors, 91 % of failures are related to mismanagement (internal factors) while 9 % of failures are due to influences beyond management's control (external factors). The symptoms of a business firm show up early in the form of insolvency where cash outflows exceed cash inflows that is the inability of the company to meet its short term obligations. Illiquidity is at the root of the failure of business firms to generate profitability which is also linked to a lack of proper financial planning. Money plays an important role in the management of organisations, for example, an organisation without money cannot hire people, buy materials and equipment it needs to earn a profit. Commercial organisations exist primarily to earn a profit or make money within, of course, a regulated environment. Finance is often recognised as the lifeblood of any organisation. Financial management involves systematic efforts of management devoted to the management of finance which is needed for all activities of a firm. Poor financial management could result in a downturn in business operations which would invariably affect performance and profitability**.**

Symptoms of business distress

Business trouble means different things to different people depending on the perception of the stakeholder. Business trouble or distress often results in loss of investment, loss capital, loss of jobs, loss of goodwill, loss of reputation and loss of income.

Generally, the inability of both management and owners (shareholders) or their representatives (Board of directors) to heed the warning signs might lead to business failure. Which is a situation that the business or firm is unable to generate revenue to cover its operating expenses?

Some other contributory factors to business failures are

(i) Loss of revenue; lost income and a declining customer base may be due to circumstances beyond a businesses control, such as the current economic climate. But it can also be attributable to other factors, such as pricing, location, declining market share, slow or non-paying customers,

(ii) Management/operational issues; the majority of start up's by nature may not possess or employ the proper balance between ownership and management skills. When internal management is insufficient, the effects generally are reflected on the bottom line.

(iii) Lack of capital; all businesses must have sufficient working capital. Accountants say a business should have a balance sheet to support three to six months of payroll and fixed expenses, to maintain a cushion for an(unforeseen loss or crisis.

(iv) Economic conditions; history reflects that the most common causes of business failure are related to economic conditions outside the control of the business.

(v) Credit/debt issues; many businesses for too long have relied on access to easy credit in the forms of lines of credit, loans and home equity lines of credit to finance their businesses. Small to mid-size businesses are now struggling as a result of tighter lending, high-rate credit cards, reduced lines of credit and maturing loans.

2.5 Stabilisation policies of Business Cycles

Different policy measures have been suggested to stabilize the economy in periods of business cycles, which are monetary policy, fiscal policy and direct control measures.

2.5.1 Monetary Policy

Monetary policy as a stabilizing measure is used to control recession or depression where the Central Bank employs cheapens the cost of borrowing and increasing the reserves of banks to allow extend more credits to the economy. The monetary authority reduces bank rates and interest rates and could also buy securities through open market operations. Monetary policy has been observed to have limitations in effectively managing recession and prosperity as both the apex bank and banking institutions might not induce private sector for more credits as some other variables or factors would increase aggregate demand in the economy.

2.5.2 Fiscal Policy

Fiscal Policy measures are tailored to control government spending, personal consumption pattern Taxation is part fiscal policy aim at controlling the spending capacity of the business firm and individuals. In times of economic depression, the government increases public expenditures, reduces taxes and operating budget deficit financing which is intended to improve or increase aggregate demand for goods and services. Public expenditure on infrastructures has multipliers on employment, income and prices. Borrowing to fund budget deficit by the government is effective means of allocation of financial resources within the banking system which the business firms are unwilling to access at the time of depression.

Reduction of tax of corporate might invariably decrease operating cost of businesses with the hope of making the goods and services affordable to the people at lower prices. However, the reduction in tax rates would also reduce the revenue profile of the government and hamper its capacity delivers on projects and programmes.

2.5.3 Direct control

Direct control measures are policies for efficient and judicious use of available resources to stabilize the economy. Such measures include rationing, licensing, price and wage controls, export duties, exchange controls, quotas etc. The effectiveness of these measures depends on the economic system. structure of the economic-financial system, prevailing economic and business environment, value system and corruption-free system, political leadership, the overall policy objective of the nation and market mechanism

2.6. Public Sector Intervention

The debate on the rationality of intervention in a Mixed economy or Capitalist economy by the Public sector has been on for long, with the understanding that the price mechanism or market mechanism is expected to allocate factors resources and prices of goods and services in such an economic system. Public sector intervention has been justified primarily based on market failure where the free market or unregulated market failed to efficiently productive resources. Similarly, market failure is attributed to lack of information or imperfect information or economics of ignorance, externalities where there is the inherent social cost of producing an item apart from the associated production cost, misuse of property rights. Public sector intervention is sometimes needful especially in the production of public goods which are non- rivalry. Public goods are those goods and services which are jointly consumed by many people at the same time and its consumption by one person does not alter its availability for another person. They are non-rivalrous that is no one has an exclusive right over the consumption of the good. They are

non-excludable that is if one person consumes the good it is not possible to prevent others from consuming it

Public goods are classified into social wants and merit wants. Social wants are those wants which are satisfied by services that must be consumed in equal amounts by all. These goods and services are to meant satisfy want that neither excludable nor rivalrous and are provided by the government whether an individual pays for them or not such as parks, garages, defence, education, judicial education. Merit wants are those wants which are satisfied by the government on merit through the general budget. When the government feels that people are not consumer goods and services in sufficient quantities in the society, it provides them free or subsidies them such goods and services are called merit goods. Merit goods are goods which the society operating through the government feels the individuals should be encouraged to consume which include housing, education, health care etc Merit goods are goods whose consumption benefits both consumers and non-consumers alike which the government considers essential for the overall society even there might be some sort of resistance to its provision. Intervention by the Public sector is also hinged on the need for social justice and equity in the country in which ordinarily cannot be guaranteed from the private sector. Public sector intervention takes the form of an offer of subsidies, duties waivers, tax reduction, tax holiday, less stringent business regulations and policies, etc

2.7 Intervention Policies in Nigeria

In the Federal Government through the Monetary management Authority, the Central Bank of Nigeria (CBN) employed various policy measures towards propelling or stimulating economic growth. Before now the CBN focuses on improved access to credit, sectoral credit allocation, the establishment of specialized financial institutions subsidy provisions, among others to support the preferred sectors of the economy. According to Olaitan (2015), the twin focus of the interventions became stimulating growth through the development of identified weak private sector and strengthening of the financial system. According to the Central Bank of Nigeria, the broad policy objectives of interventions are as follows;

(i) Improving access to affordable finance to promote long term investment in the real sector
(ii) Diversifying the economy
(iii) Creating jobs and
(iv) Promoting inclusive growth

Table 2.3 List of various CBN interventions in the Real Economy

S/N	**Intervention Program**	**Year Established**
1	Agricultural Credit Guarantee Scheme (ACGS)	1977/78
2	Trust fund Model (TFM)	2001
3	Agricultural Credit Support Scheme (ACSS)	2003
4	Entrepreneurship Development Centres (EDC)	2008
5	Commercial Agriculture Credit Scheme (CACS)	2009
6	Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)	2010
7	SME Restructuring /Refinancing Fund (RRF)	2010
8	Small and Medium Enterprise Credit Guarantee Scheme (SMECGS)	2010
9	Power and Airline Intervention Fund (PAIF)	2010
10	Micro Small and Medium Enterprises (MSME) Development Fund	2014
11	Nigeria Electricity Market Stabilisation Facility (NEMSF)	2014
12	Anchor Borrowers' Programme	
12	Special Bailout Funds for State Governments	2015

Source: Central Bank of Nigeria Economic and Financial Review (Charles N O Mordi), December 2015.

Based on these defined goals and objectives the evaluation of the public sector interventions is simply to assess the performance of each intervention using the four (4) parameters to review the intervention fund performance. Below is the summary of the performance of intervention funds on the Nigerian Economy from the records of the Central Bank of Nigeria.

Performance Evaluation of CBN Interventions in the Nigerian Economy (2009 – Date)

Table 1: Performance Evaluation of CBN Interventions in the Nigerian Economy (2009 – Date)

INTERVENTION	OBJECTIVES	MODALITIES	FUNDING SOURCE	EXIT DATE	IMPACT/ACHIEVEMENT as at July, 2016	CHALLENGES
₦200 Billion Commercial Agriculture Credit Scheme (CACS)	To fast-track the development of the agricultural sector of the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate, enhance national food security, increase output, generate employment as well as diversify the revenue base.	DMBs are granted facilities to be disbursed to clients (both private and state governments) at a maximum interest rate (all inclusive) of 9.0 per cent. CBN earns 2.0 per cent as interest from the 9.0 per cent	₦200 billion FGN Bond for 7 years tenor, floated by the Debt Management Office (DMO)	The scheme which was initially meant to terminate in September, 2016 was extended to September 2025	₦373.73 billion disbursed in favour of 460 projects. Contributed to the creation of 1,132,260 jobs created along the various agricultural value chains. Increased capacity utilisation of agro-allied companies.	Underutilisation of installed capacity due to inadequate raw materials as a result of low agricultural productivity. Infrastructural constraints (transport and electricity) are increasing the cost of production of beneficiaries
₦200 Billion Small and Medium Enterprises Restructuring and Refinancing Facility (SMERRF)	To re-finance and restructure banks' existing loan portfolio to manufacturers to improve access to finance as well as improve the financial position of DMBs	Administered at 7.0 per cent per annum payable on quarterly basis. The Managing agent (BOI) is entitled to a 1.0 per cent management fee and the Banks, a spread of 6.0 per cent. Loans shall have a maximum tenor of15 years	₦200 billion debenture issued by Bank of Industry (BOI) to fund SMEs and manufacturing sector	Scheme has been discontinued while repayment is still ongoing.	₦381.99 billion disbursed to 604 projects. Contributed to the creation of 89,860 direct jobs. Increased productivity and turnover of firms. Restoration of 905 MW of electricity to the National grid. ₦6.9 billion estimated as interest savings to beneficiaries.	Quest for cheap imported goods. Cost of power supply is significantly increasing beneficiaries cost of production.

		and or working capital facility of one year with provision for roll over				
Small and Medium Enterprises Credit Guarantee Scheme (SMECGS)	To fast-track the development of the manufacturing SMF sub-sector of the Nigerian Economy	Provide guarantee cover of 80.0 per cent of principal and interest on term loans for SMEs	Contingent liability		87 projects valued at ₦4.21 billion in favour of 9 financial institutions	Apathy of banks to fund SME projects from their balance sheet. 80.0 per cent guarantee not considered as adequate incentive by financial institutions to lend to SMEs
Power and Airline Intervention Fund (PAIF)	To stimulate and sustain private sector investment in the power and airline sectors as well as fast track development in both sectors of the economy	Administered at a rate of not more than 7.0 per cent per annum. The Managing agent (BOI) is entitled to a 1.0 per cent management fee and the banks, a spread of 6.0 per cent. Effective May 2016, new projects charged at 9.0 per cent (BOI at 1.0 per cent, CBN at 3.0	₦300 billion debenture issued by Bank of Industry (BOI)	2025	40 power projects valued at ₦140.442 billion; and 16 airline projects valued at ₦120.762 billion were financed. 840 MW of power generated and 120 km of gas pipeline constructed. Resuscitation of a number of aircrafts, captive and embedded power projects to complement the national grid	Pricing of electricity, Wanton destruction of pipelines and increasing cost of aviation fuel has hindered repayment by beneficiaries.

		per cent, DMB at 5.0 per cent).				
Nigerian Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL)	Creates access to finance by integrating end-to-end agriculture value chains with financing value chains. It seeks to de-risk agricultural finance value chain, build long-term capacity and institutionalise incentives for agricultural lending	Guarantee banks' exposure to agricultural sector and provide cascaded interest rebates to farmers.	NIRSAL created as a Special Purpose Vehicle (SPV) and fully funded by CBN			NIRSAL has taken off fully as a SPV and reports to its Governing board.
₦220 Micro Small and Medium Enterprises Development Fund (MSMEDF)	The Fund seeks to enhance access by MSMEs to financial services, increase productivity and output of microenterprises; increase employment and create wealth, and to engender inclusive growth	Administered at 2.0 per cent per annum to PFIs for on-lending to beneficiaries at 9.0 per cent. Maximum loan tenor of 1 and 5 years for micro and SMEs, respectively.	Funded by CBN		478 projects funded by PFIs valued at N74.797 billion	Low uptake by PFIs due to low lending margins that is considered not commensurate with the risk of lending to MSMEs and startups. Poor capacity of PFIs to monitor micro entrepreneurs.
Nigeria Electricity Market Stabilisation Fund (NEMSF):	The NEMSF is aimed at putting the Nigerian Electricity Supply Industry (NESI) on a route to economic viability and sustainability by	Funds to be disbursed at 10.0 per cent per annum with a ten-year tenor. 6.0 per cent CBN; 2.0 per	Funded by CBN		₦106.64 billion disbursed to 23 market participants. ₦8.67 billion earned by beneficiaries as interest savings on funds	Court judgment against the take-off of Transitional Electricity Market (TEM). Wanton destruction of gas

	facilitating the settlement of Legacy Gas Debts and payment of outstanding obligations due to market participants, service providers and gas suppliers that accrued during the Interim Rules Period (IRP Debts)	cent NESI SS Ltd; 2.0 per cent Participating Mandate Banks			received.	pipelines.
₦300 Billion Real Sector Support Fund (RSSF)	Established to stimulate output growth, enhance value addition and engender productivity in the economy. The Facility will concentrate on increasing credit to priority sectors of the economy with sufficient employment capabilities, high growth potentials, increase accretion to foreign reserves, expand the industrial base and consequently, enhance the diversification of the economy	Interest at 9.0 per cent (all-inclusive) and CBN to earn 1 per cent.	Special Intervention Reserve (SIR) of DMBs		4 projects valued at ₦4.6 billion approved. Contributed to the creation of 17,000 direct and indirect jobs.	Apathy of DMBs to fund real sector projects from their SIR
Anchor Borrowers' Programme (ABP)	Designed to create an ecosystem that links small holder farmers to local processors; improve productivity in identified commodities with high domestic production	Administered at 2.0 per cent per annum to PFIs for on-lending to beneficiaries at 9.0 per cent	CBN MSMEDF		₦15.77 billion disbursed to 76,251 small holder farmers through 5 private anchors in 3 states. 26 states have expressed interest in participation under the	Fragmentation of farm holdings by small holder farmers have limited the use of mechanisation and hence

	potential; and also build capacity of small holder farmers				wet season farming	hindered the optimisation of potentials
Secured Transaction and National Collateral Registry (ST and NCR)	A collaborative effort between the Central Bank of Nigeria (CBN) and the International Finance Corporation (IFC) as a financial infrastructure to deepen credit delivery to the micro, small and medium enterprises (MSMEs). The Secured Transaction and National Collateral Registry (ST and NCR) seeks to specifically, address the constraints posed by lack of collaterals as a hindrance to credit by MSMEs	The NCR is a public data base of ownership of assets, allowing borrowers to prove their creditworthiness and potential lenders to assess their ranking priority in potential claims against particular collateral.	Counterpart funding for the provision Registry on-line platform		27 Financial Institutions have registered their administrators on the NCR platform	Delayed passage of the ST and CR Bill. Poor capacity of financial institutions on asset based lending
₦50 Billion Textile Intervention Facility:	A one-off special intervention with a seed fund of ₦50 billion to resuscitate the textiles industry in Nigeria. The Facility will be used to restructure existing loans and provision of additional credit to cotton, textile and garment (CTG) companies in Nigeria as	Long-term loans for acquisition of plant and machinery. All-Inclusive rate of 4.5 per cent; 3.5 per cent to CBN and 1.0 per cent to BOI Fund Management by BOI	CBN. To be funded by repayments from other Interventions.	31st December, 2025		

	part of its efforts to promote the development of the textile and garment sector					
₦500 Billion Export Stimulation Facility (ESF)	Established to Broaden the scope of export financing instruments. It seeks to improve access of exporters to concessionary finance to expand and diversify the non-oil export baskets; attract new investments and encourage re-investments in value-added non-oil exports production and non-traditional exports; shore up productivity and create more jobs within the non-oil exports value-chain of Nigeria etc. among other deliverables	All-inclusive interest of 7.5 per cent for facilities ≤ 3 years and 9.0 per cent for facilities > 3 years: (PFI – 4.5 per cent - 6.0 per cent; NEXIM – 1.0 per cent; CBN – 2.0 per cent). Managed by NEXIM	To be funded by CBN	28th February, 2026	Stakeholders' engagement ongoing.	
₦50 Billion Export Rediscounting and Refinancing Facility (RRF)	To encourage and support DMBs to provide short-term pre- and post-shipment finance in support of exports by providing a discount window to exports financing banks and,	All-inclusive rate of a maximum of 6.0 per cent per annum with the pricing structure as follows; CBN/NEXIM would provide the RRF at	Funded by CBN		Disbursement yet to commence.	

	therefore, improving their liquidity and exporters' access to export credit. To also provide moderation and indirect influence on the cost of export credits to the non-oil sector in order to enhance competitiveness of Nigeria's exports and thereby assist in export production and marketing	a rate of 3.0 per cent per annum Participating banks shall have a maximum spread of 3.0 per cent per annum NEXIM as the Managing Agent				
Youth Empowerment Development Programme (YEDP)	Established to improve access to finance by youths to develop their entrepreneurial skills using a well-structured business model; stimulate job creation through the development of small and medium enterprises among Nigerian youths; harness the entrepreneurial capacity of Nigerian youths; and increase the contribution of the non-oil sector to the nation's GDP	NYSC Certificate, Tertiary Institution Certificate, 3rd Party Guarantors as collaterals. Registration of Collaterals (movables) and financed equipment with the National Collateral Registry. Loan at max 9.0 per cent interest rate (all-inclusive)	Funded from CBN MSMEDF		11,000 applications received and about 3,000 processed by lending bank. 1,211 prospective entrepreneurs trained nationwide in the 1st training.	Unwillingness of DMBs to fund startups and their lack of readiness to accept movable assets as collaterals for loans.

Source: Central bank of Nigeria Economic and Financial Review (Mudashiru A Olaitan), December 2015.

3.0 Assessment of Public Intervention Fund

Applying the four policy objectives as parameters, would provide or show the specific performance of the individual Intervention fund to the economy, but there is the data constraints from the Monetary Authority and Beneficiaries – Institutions to appropriately carry the performance assessment.

Why do Intervention funds fail?

There are probable causes of failures in public sector intervention like;

- Political subjectivity
- Corruption and financial malpractices associated with public service
- Lack of continuity of such programmes for the absence of appropriate legislation and legal backing
- Problem of sustainability
- Lack of proper supervision and monitoring
- Unnecessary distractions for Central Bank of Nigeria from its traditional role of central banking functions.

CONCLUDING REMARKS

While recognizing the role and responsibility of the Public sector (Government) in promoting economic growth and stability through its various laws and regulations, policies, programmes and projects that are intended to improve the socio-economic well being of citizens generally. It should be noted that the Nigerian Indigenisation Policy/ Nigerian Enterprises Promotion Decree 1972 and 1977) and the Nigerian Privatization Policy Act (1988) have effectively transferred the ownership and management of public enterprises (PEs) to the private sector.

The past failure of Government's involvement in managing business enterprises has necessitated the realization and opinion that the Government should limit itself to creating a sound business environment for the private sector rather than public sector participation which has not achieved the desired goals and objectives. The trend globally is for the Public sector to exit the control and ownership of business enterprises.

The involvement of Central Bank of Nigeria (CBN) indirect credit supply or provision or another financial Intermediary remains unsustainable given the Apex bank's lack of credit appraisal and review skill for commercial lending, lack of monitoring and evaluation capacity. Involvement in the provision of credit to the productive sectors serves as a distraction to the Monetary authorities. Allowing CBN to focus on its traditional functions would serve the economy better than managing intervention funds in whatever form. There are other forms of Interventions in the private sector that might be more appropriate like progressive regulation, use of appropriate taxation, application of subsidy and duties, sectoral credit policy. Though Public sector intervention is a global phenomenon for varied reasons arising from market failure, externalities, provision of public goods, imperfect information among other compelling reasons. In the case of Nigeria, there is a need for enabling regulatory framework for public sector intervention as it is practised in the United States of America. Also, the regulatory authorities should consider expanding the Development finance market to serve the long term financial needs of the economy.

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