

ISD Coverpage

Personal Code	ggc360
Title of the article	Trader Moni: FG's agenda to stimulate real sector growth
Source of the article	New Telegraph
Date the article was published	August 22rd, 2018
Date the commentary was written	October 10th, 2018
Word count (750 words maximum)	750
Section of the syllabus the article relates to	Section 4: Development
Section 1: Microeconomics	
Section 2: Macroeconomics	
Section 3: International economics	
Section 4: Development economics	

Article #3:

Trader Moni: FG's agenda to stimulate real sector growth Published August 23, 2018¹



In a move targeted at bringing the micro, small and medium scale enterprises (MSMEs) business to the front burner, the Federal Government recently launched a new lending initiative under the Government Enterprise and Empowerment Programme (GEEP), known as Trader Moni, to empower two million MSMEs nationwide. Taiwo Hassan reports.

Statistically, findings from the Office of the National Bureau of Statistics (NBS) revealed that Nigeria currently has about 97 million small businesses. Ideally, such figure has a semblance of a country whose real sector is booming. However, the reverse is the case as the segment is still grappling with lots of economic headwinds, mostly due to lack of capital and support incentives. The failure of alternative funding is liable for why the sector is contributing less than four per cent to the country's gross domestic product (GDP).

New lending scheme

To change the tide, the Federal Government, through the Bank of Industry (BoI), introduced Trader Moni scheme for SMEs operators and start-up businesses to assist them with soft loans to boost their business capacities and reduce unemployment.

¹ Correspondents. "Trader Moni: FG's Agenda to Stimulate Real Sector Growth." Newtelegraph. N.p., 23 Aug. 2018. Web. 11 Nov. 2018.

<<https://newtelegraphonline.com/2018/08/trader-moni-fgs-agenda-to-stimulate-real-sector-growth/>>.

The goal of the administration is to take financial inclusion down to the grassroots, the bottom of the ladder, considering the contribution of petty traders to economic development.

Basically, the Federal Government is also aware of the fact that many of the petty traders cannot meet loan requirements of commercial banks, thereby making their business face untold hardship.

With the new scheme in place, the Federal Government is restoring confidence in Nigerian traders in order to support them to grow their businesses.

Bol's position

Speaking at the unveiling of Trader Moni in five markets in Lagos recently, Executive Director, Bol, Toyin Adeniji, explained that the initiative was designed to take financial inclusion down to the grassroots in a bid to support two million beneficiaries nationwide with loans, between now and end of the year.

She noted that the bank would not relent until every Nigerian, who is willing, benefitted, irrespective of status or level of education.

Adeniji added that the goal of the scheme was to take financial inclusion to the bottom of the pyramid, whereby pure water seller, bread seller, food seller, Okada rider, among others, can access loan to expand their business without any collateral.

“President Muhammadu Buhari-led administration recognised the contribution of petty traders to economic development and identified the fact that some of them may not have what the commercial banks may require to grant loans, so, he support this initiative to help them grow their business,” she stated.

Corroborating her view, Chief Operating Officer, GEEP, Uzoma Nwagba, said that GEEP had three products, including ‘Farmer Moni’ for farmers, which avails them opportunity to access up to N300,000 loan each.

“We have ‘Market Moni,’ which target market women, traders and artisans that are little bigger and more structured, they get between N50,000 and N100,000. The whole initiative is available across the country.”

Nwagba urged beneficiaries to ensure they pay back to avail others the opportunity to benefit, saying “all this initiative is aimed at expanding financial inclusion because we have over 23 million Nigerians that are financially excluded, this administration aims to reach them so that they can grow their businesses.”

Modus Operandi

Trader Moni is designed to help petty traders expand their trade through the provision of collateral-free loans of N10,000. The loans are repayable within a period of six months. Under the scheme, beneficiaries can get access to a higher facility ranging from N15,000 to N50,000 when they repay N10,000 within the stipulated time period.

Speaking on the scheme’s operation, the Bol executive director said: “This Trader Moni initiative is mobile phone-driven; after your details have been captured by an agent and sent to Bol system for validation, within 48 hours you will get cash notification in your mobile wallet account. You can either transfer the cash to your bank account or cash it out in any mobile money agent around.

“At the beginning, you can access N10, 000 and pay back N10, 250 to qualify for N15,000. Once you pay back N15,375 you will qualify for N20,000 loan, when you pay back N21,000 you will get N50,000. All these stages have duration of six months interval to pay back.

Commentary #3:

Trader Moni: FG's agenda to stimulate real sector growth

Nigeria's Federal Government initiated a new micro-credit scheme called Trader Moni which aims to empower two million micro-, small- and medium- scale enterprises (MSMEs) through the provision of collateral-free soft loans². **Microcredit** is the lending of small amounts of money to disadvantaged businesses in developing countries, at a low interest rate and to reduce poverty. Being **collateral free**, low income citizen without property or assets are given the opportunity to borrow. Given an initial N10,000 (\$27.50) with 2.5% interest rate, if repaid within the given six months, a larger loan may be requested. In Nigeria where "97 million small businesses"³ contribute to "less than 4% to the countries GDP"⁴, these schemes aim to restore confidence, increase employment through expanded businesses and "**economic development**"⁵: the improvement of the general quality of life of citizen in a country.

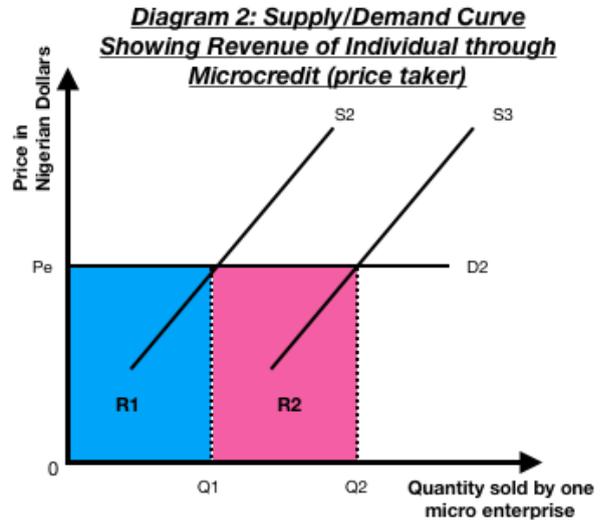
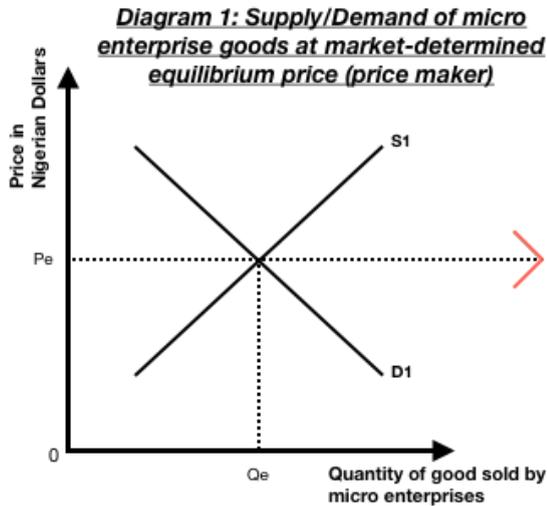
² Correspondents. "Trader Moni: FG's Agenda to Stimulate Real Sector Growth." New telegraph. N.p., 23 Aug. 2018. Web. 11 Nov. 2018.

<<https://newtelegraphonline.com/2018/08/trader-moni-fgs-agenda-to-stimulate-real-sector-growth/>>.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

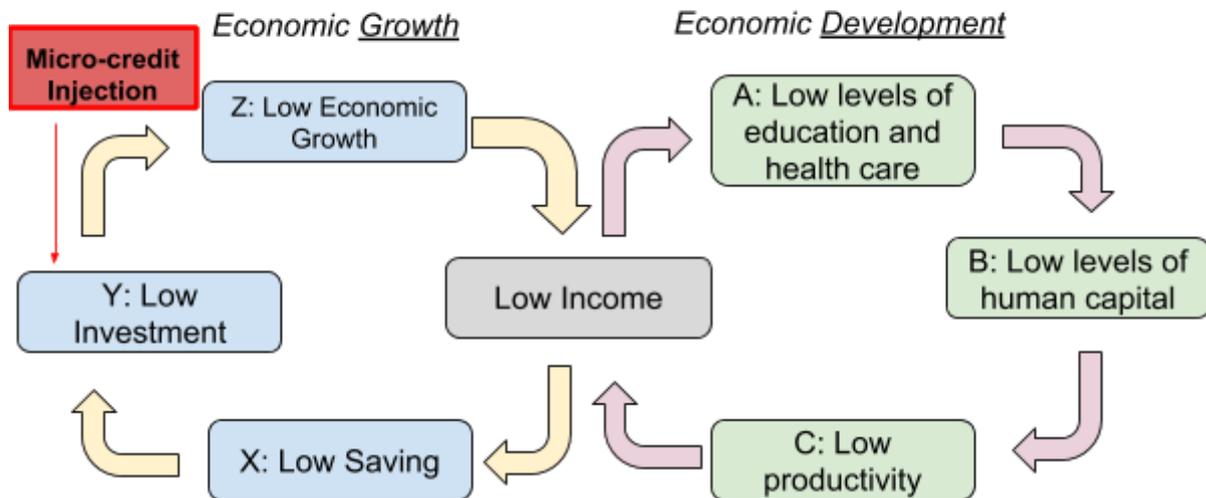


Through the provision of micro credit to small businesses, individuals can increase the quantity and quality of their factors of production (F.O.P.) and their short term revenue. In Diagram 1, it is assumed that the different industries of the “two million beneficiaries”⁶ are perfectly competitive and in a large market of **homogenous goods** (ie. of the same type). Since their individual increase in supply will not lead to long term changes in price of the industry, it allows for firms to be a price taker at P_e , at the market determined equilibrium. In Diagram 2, the supply and revenue of an individual firm is shown through micro credit. Supply of the individual firm will increase shown by the shift of S_2 to S_3 , with the price remaining constant at P_e due to the perfectly elastic demand (infinite demand at P_e) for their good. Here, the short term revenue increase from R_1 to $(R_1 + R_2)$, through the increase of goods/services supplied from Q_1 to Q_2 , can be seen. Through this, individual firms will be better off allowing for development to occur at a local level. If this is multiplied 2 million times such as intended by the scheme, the sector can increase its current 4% GDP contribution, leading to economic growth and long-run increased aggregate supply.

In developing countries such as Nigeria, micro credit schemes aim to break the **poverty cycle**: a sustained level of poverty that may only be ended through intervention. Diagram 3 shows this cycle.

⁶ Ibid.

Diagram 3: Poverty Cycle showing need for economic growth and development



Due to a “lack of capital and support incentives”⁷, the 97 million MSMEs are unable to productively contribute to the countries GDP. Through the micro credit scheme, a market-based intervention, businesses are given an incentive to invest into their F.O.P.: an injection into Box Y. Through increased “confidence”⁸ and interruption of the economic growth side of the poverty cycle, the revenue of individual beneficiaries may increase as shown in Diagram 2 above. This scheme is particularly successful by being inclusive of Nigerians “irrespective of status... education”⁹ and furthermore addressing multiple of the United Nations **Sustainable Development Goals (SDG)** such as poverty reduction, (gender) equality, improved health care/education. Through increased income, families may spend on education/health care (Box A), improving human capital and leading to long term poverty reduction and development on a large scale. Furthermore advantageous is that “financially excluded” individuals, unable to receive loans from commercial banks due to lacking collateral, are given a way to boost their businesses. With interest rates lower than those determined by the market and with longer periods to repay, the potential of the scheme’s success is increased. Production possibility also increases as these growing businesses “target [and empower] women”¹⁰, where a larger fraction of the population becomes a part of the workforce and can, in turn, improve the wellbeing of their families.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

Disadvantageously, the article does not describe a parallel education program, teaching inexperienced lenders to run a business and successfully invest to repay the loan. In the long run, families theoretically run the risk of increasing their overall poverty and indebtedness due to inefficient or failed businesses. This may also occur if impoverished families use the loans for consumption spending rather than investment, which may force further borrowing or selling of assets.

In judgement of this initiative, the positive impact on individuals' quality of life, and the economy must be highlighted. Yet to break the poverty cycle long term, NGOs may be required to teach and guide lenders through the process. In turn, this may furthermore increase the productivity and number of successfully run future businesses, allowing for sustained economic growth and development.

Word Count: 750