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Banks as Systemic Stabilizers in Periods of Crisis: Central Bank of Nigeria Response in Covid 19 Era

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ABSTRACT
A stable economic and social system is invaluable for continued and sustained development. All sectors of the economy are expected to work harmoniously for a stable economy. A body is required to coordinate all sectors to stabilize the economy especially in times of distress. This is the role the Central Bank of Nigeria played in the COVID-19 era in Nigeria. Through its intervention, inline with its mandate, the Bank continues to ensure the stability that is needed for development.

KEYWORDS: Central Bank, Banking system, Sound financial system, Economic development, interest rate, payment system, middle class, interventions, COVID-19

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I. INTRODUCTION

The COVID -19 crisis resulted in many disruptive and devastating shocks to the economy and the entire social setting of the world. The changes attendant on COVID 19 are so profound that the we can now talk in terms of pre COVID 19, the Era of the COVID 19 and post COVID 19. We now talk in terms of past normal and the new normal triggered by COVID 19.

COVID -19 is a systemic crisis, even though it is PRIMARILY A health issue; its effect or impact is all encompassing. It affects economic as well as social activities, it concerns humanity, it challenges the way things are done and presents risks as never before imagined. It shows how we are all connected as humans and proves that the strong and the weak are equally vulnerable.

The lockdown that attended the COVID-19 outbreak plunged world economies into distress, recession, loss of jobs, loss of livelihoods, loss of revenue for governments and peoples, budget cuts, rising poverty, hunger, deaths; it is indeed a tale of misery.

In this pathetic situation national and global institutions rallied to offer hope and relief to the most vulnerable and to find ways to sustain the economy and build a new crop of businesses and new ways of doing things.

The banking system as a system stabilizer in times of crisis has risen to the occasion by putting in place responses and measures to ameliorate the situation and drive the economy to an early return to normalcy.

This discussion shall proceed in the following way, following this Introduction, the paper would look at the following: the banking system, promoting sound financial system, COVID 19 disruptions to economic and social systems, Central Banks' response to COVID 19 Disruptions looking at the nexus between the CBN's intervention and development, as well as challenges and then draw a conclusion.

The Banking system

The Banking system is made up of institutions that provide financial services. It basically engages in efficient allocation and reallocation of resources, and wealth distribution for economic and commercial purposes.Banks are also enablers of economic activities by providing loans for businesses and other economic and social activities; payment system operations and providing advice to investors and for investment purposes. Banks operate under a regulatory environment and in Nigeria, the Banking system is regulated by the Central Bank of Nigeria.[2]

Amongst the principal objects of the Central Bank of Nigeria (CBN) are for the Bank to promote sound financial system in Nigeria and act as a banker and provide economic and financial advice to the Federal Government[3]

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[2]See the Central Bank of Nigeria (CBN) Act 2007 and the Banks and Other Financial Institutions (BOFIA) Act 1991

Banks operate in Nigeria under license issued by the CBN subject to the approval of the Minister of Finance. The license gives the conditions of operations and is subject to review from time to time as the CBN considers necessary from time to time. Any bank that fails to comply with the conditions of a license or additional conditions may incur fines or even revocation in deserving cases.[4]

The CBN carries out its supervisory and regulatory powers over the banks through meetings, issuance of circulars and directives communicating policies for implementation by banks towards realizing the objectives of the CBN.

PROMOTING SOUND FINANCIAL SYSTEM IN NIGERIA

A major objective of the CBN is the promotion of sound financial system in Nigeria. This is important because a sound financial system is critical to economic growth; which is in turn necessary for development and well being of the citizenry. According to the CBN[5] a sound financial system " enhances economic performance of the players by improving the overall welfare of the people. The financial system provides a platform for financial infrastructure to help allocate resources to individuals/units that are potentially more productive to invest those resources. The financial system gives room for more efficient transfer of resources/funds. In any economy, problems of inefficient allocation of financial resources and information asymmetry may arise as one financial institution possesses superior information than the other parties. The financial system provides a balance between those who have funds to invest and those in need of funds, if the problem of information asymmetry is solved. The transfer of funds from surplus units (mainly household) to deficit units (mainly business, government and some households) can take place directly, while direct finance, as the process is called is inconvenient both for ultimate provider of funds and the ultimate user of funds."

Generally Central Banks implement a country's monetary policy, controls the country's entire money supply and is the lender of last resort. The Central Bank also manages the country's foreign exchange and gold reserves; regulates and supervises the banking industry; sets the official interest rate used to manage both inflation and the country's exchange rate and ensuring that this rate takes effect in a variety of policy mechanisms.[6]

The CBN has, over the years, been directly or indirectly involved in the financing of growth-enhancing programmes and projects of the Federal Government. The involvement is incidental to the Bank's core mandates and part of its development and corporate social responsibilities, to accelerate growth and development of the Nigerian economy.[7] The Governor stated that the Bank's intervention initiatives encompass real sector programmes, particularly, agriculture, small and medium enterprises, infrastructure and youth empowerment. Notable among them are: the Commercial Agriculture Credit Scheme; Real Sector Support Facility (RSSF); SME Credit Guarantee Scheme (SMECGS); SME Re-structuring and Refinancing Fund (SMERRF); Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL); Power and Airline Intervention Fund (PAIF); Nigeria Electricity Market Stabilisation Fund (NEMSF); Anchor Borrowers' Programme (ABP); Nigeria Textile Intervention Fund; Non-oil Export Stimulation Facility; Youth Innovative Entrepreneurship Development Programme (YIEDP); and Export Credit Rediscounting and Refinancing Facility. These initiatives have continued to impact positively on employment, food security, and power generation, transmission and distribution. All these are in addition to CBN's Ways and Means Advances to the Federal Government.

Sadly,in spite of these initiatives the economy continues to head toward recession as the Governor himself acknowledged.

The situation became even more critical with the COVID-19 pandemic and called for targeted responses from the CBN and the financial sector in general.

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[3]section 2 (d) and (e) CBN Act

[4]section 5 BOFIA

[5]see The Nigerian Financial System at a Glance @ https://www.cbn.gov.ng/Out/2017/CCD/THE%20NIGERIAN%20FINANCIAL%20SYSTEM.pdf pg. 20 accessed 23/05/2020

[6]see generally section 2 of the CBN Act

[7] key note address by Governor of the CBN Godwin Emefele @ "Financing Government Programmes in Economic Downturn – The Role of Central Bank of Nigeria?", FOR CBN EXECUTIVE STAFF AT GOLDEN TULIP HOTEL, LAGOS, SEPTEMBER 05 - 08, 2016 https://www.cbn.gov.ng/Out/2018/RSD/CBN%20EFR%20Vol%2053%20No%204%20December%202015.pdf visited 1st June 2020

COVID- 19 Disruptions to economic and social systems

Globally COVID-19 impacted the economic and financial system negatively. Equity markets declined rapidly, losing around 30 percent market value in a number of weeks. Short term lending markets and international US dollar funding markets were badly hit; the US Treasury market (the deepest and most liquid financial market in the world) showed signs of illiquidity. These stresses impacted credit markets, making it difficult for businesses and government to borrow funds at any tenure.[8]

Activities in virtually all economic sectors such as tourism, transportation especially aviation and automotive service collapsed; leading to mass loss of jobs and pay cuts.

Social life was also affected by measures put in place to contain the spread of the virus such as social/physical distancing, wearing of masks, stay at home orders, constant washing of hands and use of hand sanitizers, ban on crowd/congregation of persons as seen in suspension of public religious worship, social ceremonies such as weddings celebrations, suspension of schools, court sittings and introduction of virtual meetings and studies.

In Nigeria, the crash in Oil price being Nigeria's main foreign exchange earner as well as main source of national income further worsened the situation

Central Banks' Response to COVID -19 Disruptions

In keeping with its role of enabling a sound financial system Central Banks globally have taken a series of measures to provide liquidityfor banks and markets, through longer-term financing operations; reduction of reserve requirements. In particular, the U.S. Federal Reserve has reactivated the commercial paper funding facility to facilitate the flow of funding to corporates through short term funding markets. The bank has also established two facilities to support credit to large employers through loan and bond purchases in primary and secondary markets, and another facility to support lending to small businesses.

Within the euro area the European Central Bank (ECB) has launched the Pandemic Emergency Purchase Program (PEPP), a temporary asset purchase program for private and pubic sector securities.

The Bank of England has launched a term funding scheme to support SME lending, a COVID Corporate Financing Facility to support liquidity among larger firms, and providing liquidity to the banking sector through expanding its liquidity facilities.[9]

In Nigeria the CBN's response has been somewhat encompassing involving conventional and non-conventional economic and monetary tools.

In Nigeria the CBN has taken some policy measures to cushion theeffect of the pandemic with the following measures:

The Health Sector: The health sector is in the front line of the COVID-19 disruptions. The COVID-19 is first and foremost a health issue. Hospitals, clinics, doctors, nurses, pharmacists, laboratory technologists / technicians and other health workers are expected to adequately rise to the occasion, unfortunately this is not the case in Nigeria. COVID-19 even stretched and stressed the capacity of health care system in advanced societies.

Nigeria health care system has been grossly incapacitated for decades now. Patients usually bring basic equipment such as cotton wool/swabs, gloves, methylated spirit, injection needles for their treatment. Others such as oxygen tanks, scanners etc and protective equipment for medical personnel are lacking.

There is chronic underfunding, lack of medical infrastructure as well as low ratio of doctors to population. It is stated that there are only 40,000 doctors to an estimated population of 196 million people in Nigeria. The WHO recent data shows that there are four doctors per 10,000 patients in Nigeria; while in the US, the ratio is 26 doctors per 10,000 patients and in the UK, the ratio is 28 doctors per 10,000 patients. The health sector also suffers from minimal budgetary allocation. In 2019 only 3.9 percent of the budget was allocated to the health sector; as against the 15% minimum prescribed by the African Union. In the 2020 approved budget even in the face of the health pandemic only 4.14 percent of the budget is allocated to the health sector. The poor situation of the health care has given rise to brain drain in the sector as well as medical tourism, where Nigerians seek medical care outside the country for even minor ailments.

The COVID-19 outbreak and the attendant travel ban and closure of international and national borders exposed further the deplorable and pathetic state of our health care sector.

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[8] Impact of COVID-19 on the Global Financial System @ http://www3.weforum.org/docs/WEF_Impact_of_COVID_19_on_the_Global_Financial_System_2020.pdf pg. 4 accessed 23/05/2020

[9] COVID-19 pandemic: Financial stability implications and policy measures taken @ https://www.fsb.org/wp-content/uploads/P150420.pdf pgs. 9 /10 accessed 23/05/2020

The CBN has publicly declared that it is set to fully intervene in the health sector especially following the revelations that came to light following the outbreak of the COVID-19 in Nigeria. The CBN is set to support the government by helping to build specialist hospitals across the country especially in the area of diagnosis and surgery. These specialist hospitals when operational will help stem medical tourism and thereby relieve the drain on our external reserves caused by constant travelling of Nigerians abroad for medical purposes. The CBN is also working towards supporting the pharmacy and pharmacology industry to boost capacity in our drug and vaccine production. The CBN has set aside 100 billion naira in loan in 2020, to support the health authorities to ensurethat laboratories, researchers and innovators work with global scientists to patent and or produce vaccines and test kits in Nigeria. The CBN also directed the Deposit Money Banks to increase their support to the pharmaceutical and health care industries to enhance local drug manufacturing, increased bed count in hospitals across Nigeria; fund intensive care as well as in training, laboratory testing, equipment and Research and Development.[10]

Micro Small and Medium scale Enterprises (MSMEs)

Small and Medium scale Enterprises and Industry remains the driver of economic development. It is widely recognized and accepted that small and medium sized enterprises (SMEs) have a significant role to play in economic development in general and industrial development in particular. Worldwide SMEs make up over 90 percent of enterprises and account for 50 to 60 percent of employment. SMEs engaged in manufacturing account for between 40 and 80 per cent of manufacturing employment.

The following has been identified as the reason why SMEs make vital contribution to the development process from the UNIDO experience

- SMEs are more labour intensive and tend to lead to more equitable distribution of income than larger enterprises. They play an important role in generating employment and thus alleviating poverty, often providing employment opportunities at reasonable rates of remuneration to workers from poor households and women who have few alternative sources of income
- SMEs contribute to a more efficient allocation of resources in developing countries. They tend to adopt labour intensive production methods and thus more accurately reflect the resource endowments in developing countries where labour is plentiful and capital is scarce. To the extent that these enterprises operate in informal markets, the factor and product prices they face also provide a better reflection of social opportunity costs than the prices faced by large enterprises.
- SMEs support the building of systemic productive capacities. They help to absorb productive resources at all levels of the economy and contribute to the establishment of dynamic and resilient economic systems in which small and large firms are interlinked. They also tend to be more widely dispersed geographically than larger enterprises, support development and diffusion of entrepreneurial spirit and skills, and help to reduce economic disparities between urban and rural areas.[11]

Sadly this cannot be said of SMEs in Nigeria, and this stems mostly from the fact that the basic infrastructural base is lacking and secondly they do not have access to credit at affordable and reasonable terms. The situation has now been worsened by the COVID-19 pandemic. It is in reversing this, that the CBN has set aside 50 billion soft loans to micro, small and medium businesses.

In a circular referenced FPR/DIR/GEN/CIR/07/049 titled: Guidelines for the implementation of the 50Billion Naira Targeted Credit Facility, the CBN issued guidelines for the implementation of the facility.

The facility is introduced as a stimulus package to support households and micro, small and medium enterprises (MSMEs) affected by the COVID-19 pandemic.

The objectives of the facility as stated by the guidelines include:

i. Cushion the adverse effects of COVID-19 on households and MSMEs;

ii. Support households and MSMEs whose economic activities have been significantly disrupted by the COVID-19 pandemic.

iii. Stimulate credit to MSMEs to expand their productive capacity through equipment upgrade, and research and development.

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[10] CBN to intervene in health sector @ https://www.cbn.gov.ng/Out/2020/CCD/CBN%20UPDATE%20(March).pdf accessed on 23/05/2020

[11] Dr.SarwarHobohm: Small and Medium Enterprises in Economic Development: The UNIDO Experience http://www.sesrtcic.org/files/article/157.pdf

Eligible participants include :

iv. Householdswithverifiableevidenceoflivelihoodadverselyimpactedby COVID-19; and

v. Existing enterprises with verifiable evidence of business activities adversely affected as a result of the COVID-19 pandemic.

vi. Enterprises with bankable plans to take advantage of opportunities arising from the COVID-19 pandemic.

Eligible activities under this intervention include:

vii. Agricultural value chain activities

viii. Hospitality (accommodation and food services)

ix. Health (pharmaceuticals and medical supplies)

x. Airline service providers

xi. Manufacturing/value addition

xii. Trading

xiii. Any other income generating activities as may be prescribed by the CBN.

The scheme is financed from the Micro, Small and Medium Enterprises Development Fund (MSMEDF)[12] and the participating financial institution for the scheme is NIRSAL Microfinance Bank (NMFB).

Under the scheme eligible households can access a maximum of N3million; while SMEs can access up to maximum of N25 million. Interest rate is 5% p.a up to 28th February 2012 and thereafter, the interest on the facility shall revert to 9% as from 1st March 2012

Working capital is for a maximum period of one year, with no option for rollover; while term loan is for a maximum of three years with, at least, one-year moratorium

The Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL) Microfinance bank, on behalf of the Central Bank of Nigeria (CBN), has started the disbursement of the N50 billion Targeted Credit Facility (TCF) to the beneficiaries.[13]The NIRSAL Microfinance boss[14] said, ‘’The facility is available for service providers in the health sector, trading and all those businesses that have been affected by the Covid-19 pandemic’’

This initiative is to provide liquidity and allow the economy to normalize. Businesses are hurt. People are hurt. People are no longer staying on jobs’’.

This initiative will no doubt, if effectively and efficiently implemented restart the economy and help many businesses that have collapsed due to COVID-19 come alive again.

Monetary Policy

- On 16 March, the Central Bank of Nigeria announced new measures:
  - A 1 year extension of a moratorium on principal repayments for CBN intervention facilities;
  - The reduction of the interest rate on intervention loans from 9 percent to 5 percent;
  - Strengthening of the Loan to Deposit ratio policy (i.e. stepped up .enforcement of directive to extend more credit to the private sector);
  - Creation of N50 billion target credit facility for affected households and small and medium enterprises;
  - Granting regulatory forbearance to banks to restructure terms of facilities in affected sectors;
  - Additional N100 billion intervention fund in healthcare loans to pharmaceutical companies and healthcare practitioners intending to expand/build capacity;
  - Identification of few key local pharmaceutical companies that will be granted funding facilities to support the procurement of raw materials and equipment required to boost local drug production;
  - N1 trillion in loans to boost local manufacturing and production across critical sectors.

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[12]In 2010, the CBN established the Small and Medium Enterprises (MSME) Development Fund worth 220 billion naira; this fund was formally launched in August 2013. This fund would be made available to micro-finance banks with good track records for disbursement under direct lending to the MSMEs scheme.

[13]CBN starts disbursement of N50 billion Covid-19 intervention fund @ https://nairametrics.com/2020/05/02/cbn-starts-disbursement-of-n50-billion-covid-19-intervention-fund/ accessed 27/05/2020

[14]Managing Director of NARSAL Microfinance Bank Mr. Abubakar Kure

- The CBN has adopted a unified exchange rate system for Inter-Bank and parallel market rates to ease pressure on FOREX earnings as oil prices continues to plummet.
- CBN adopts the official rate of N360 to a dollar for International Money Transfer Operators rate to banks.
- For on-lending facilities financial institutions have been directed to engage International development partners and negotiate concessions to ease the pains of the borrowers.
- Provision of credit assistance for the health industry to meet the potential increase in demand for health services and products "by facilitating borrowing conditions for pharmaceutical companies, hospitals and practitioners".

II. AGRICULTURE

Agriculture is more than production of basic food crops; at present, agriculture includes forestry, fruit cultivation, dairy; poultry, mushroom, bee keeping, etc. also, marketing, processing, distribution of agricultural products etc. are all accepted as a part of modern agriculture.

Given Nigeria's large rural population and lack of industrialization, agriculture plays a crucial role in the life of the economy. It should be the backbone of the economic system. Agriculture not only provides food and raw material but also employment opportunities to a very large proportion of population. Unemployment is a major bane to sustainable development drive.

Development of agriculture would increase export and reduce imports. The importance of agriculture to our economy cannot be overemphasised especially in the COVID 19 era with falls in demand and price of crude petroleum with its attendant loss of earnings and depletion of our foreign reserves. Agriculture would help to reduce adverse balance of payments and save foreign exchange.

In 2015, President MuhammaduBuhari launched the Anchor Borrowers Program to provide support in kind and in cash to small scale farmers to boost agricultural production and boost the sector to be a net earner of foreign exchange as well as create employment and income for a large majority of Nigerians.

CBN has announced a further intervention to fund 1.6 million farmers across the country in the 2020 wet season through the Anchor Borrowers Program.[15] The step according to the Bank would guarantee food security in the country. Due to the Corona virus, interest rate under the scheme has been reduced downwards, from 9 to 5 percent as a way of incentivising participating farmers in this difficult period.

Activities under the CBN intervention scheme clearly includes agriculture as well as agricultural value chain activities.

Interest rate and economic development

Interest rate is a major driver of the economy determining investment in the real sector. The role of determining interest rate falls on the CBN. This it does through the Monetary Policy Rate (MPR). This rate guides the banks in fixing interest rates on transactions. The current MPR is 12.5% and this was reviewed downward from 13.5 % following the COVID 19 disruptions.

A high interest rate is not the best method to encourage and propel local enterprise and capital growth in the country. Interest rate at 12.5 percent will discourage borrowing especially among small and new marketers. It is intrinsic and necessary for the policy makers to utilize monetary policy and fiscal policy to stimulate trade and industry to the advantage of local investors who do create most of the jobs in the economy. More or less the higher interest rate contradicts growth policy and subsequently may lead to economic contraction as less business is developed. Therefore with less indigenous economic development comes more unemployment, which does not augur well for a country struggling to maintain sound macroeconomic stability.

An increase in interest rate weakens loan payment capacity of the borrower therefore non-performing loans and bad loans are positively correlated with the interest rates

The truth is however that interest rates for borrowing are much higher than 12.5 percent when all the hidden charges are included; while that for savings can be as low as 3 percent or even less .

The gap between deposit rates and lending rates is therefore too wide to encourage savings that will create liquidity for the system. This is an area that requires CBN's intervention.

CBN's response in the COVID Era is seen in its Extension of Moratorium on Loans.

A one-year extension of moratorium on principal repayments for CBN intervention facilities effective March 1, 2020. This also applies to all intervention loans that are already under moratorium in which case there would be

[15]https://www.premiumtimesng.com/news/top-news/396888-anchor-borrowers-programme-cbn-to-fund-1-6-million-farmers-for-2020-farmingseason.html#:~:text=The%20Central%20Bank%20of%20Nigeria,Anchor%20Borrowers%20Programme%20(ABP).&text=He%20said%20the%20step%20was,food%20security%20in%20the%20country.

an additional period of one year. All participating financial institutions were directed to provide new amortisation schedules for all beneficiaries.

Reduction of Interest Rate on Intervention Loans. The CBN also reduced the interest rate on all applicable CBN interventions from 9% to 5% per annum for one year starting from March 1, 2020. This will stimulate investment and boost overall demand in the economy, thereby leading to general economic growth.

Grant of Regulatory Forbearance to Deposit Money Banks[16]The bank granted regulatory forbearance to Deposit Money Banks (DMBs) to temporarily restructure the tenure and terms of loans for the households and sectors most affected by the pandemic. The apex bank promised to work closely with the DMBs to ensure that the forbearance is transparent and temporal. Further to this, the CBN would support industry funding levels to maintain the capacity of the DMBs to direct credit to individuals, households and businesses. It would also provide additional incentives to encourage extension of tenured credit facilities, without affecting individual DMBs financial strength and overall financial stability of the system.[17]

Strengthening of the CBN Loan to Deposit Ration Policy.The CBN would equally support industry funding levels the maintain the Deposit Money Banks' capacity to give loans. This will also include additional incentives to further encourage extension of tenure of credit facilities

Inflation control

Inflation is generally understood as a significant and sustained rise in the general price level or a declining value of the monetary unit. With inflation the currency purchases less goods and services. It discourages savings, as interest on savings cannot equal rise in prices of goods and services. Inflation is usually triggered where there is too much money in the economy chasing few goods. In such cases demand is growing faster than supply. Also when companies' spend so much to produce goods and services, to remain in business they need to increase their prices to cover cost of production and maintain profit margins. This causes inflation as more is paid by consumers to purchase same goods and services.
An inflation rate of between 2 and 3 percent is adjudged tolerable, because inflation is also a sign that an economy is growing. To be positive such inflation must result from productive activities.

According to the National Bureau of Statistics, Nigeria, from 2006 until 2013, Nigeria Inflation Rate averaged 10.5 Percent reaching an all time high of 15.6 Percent in February of 2010 and a record low of 3.0 Percent in July of 2006.

At present the National Bureau of Statistics state that Nigeria's inflation rate is 12.34 percent in April 2020. This is higher that of March 2020 and is reported to be the highest since April 2018.

Monetary policies alone have not been successful in controlling inflation in Nigeria, this is because the monetary and fiscal policies are not always harmonized as should be the case.

The CBN has noted that an inflation rate of over 12 percent is inimical to output growth in the Nigerian economy.

The Monetary Policy Committee of the CBN, (MPC) thus called on the fiscal authorities to speedily address legacy structural impediments giving rise to upward-trending price developments. Amongst these, the Committee identified infrastructure deficit and the long-standing clashes between herdsmen and farmers, which are constraining domestic production and contributing substantially to the rise in food inflation. The MPC, therefore, urged the Federal Government to relentlessly seek innovative ways of addressing security challenges across the country in order to boost aggregate food supply. The Committee further noted the contribution of imported food and other tradeables to the rise in price levels but emphasized the opportunity to ramp up production of domestic substitutes supported by the Bank's development finance initiatives, particularly in agriculture and manufacturing sectors.[18]

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[16] Regulatory Forbearance for the Reconstructing of Credit Facilities of Other Financial Institutions Impacted by Covid – 19 <https://www.cbn.gov.ng/Out/2020/CCD/CBN%20CIRCULAR%20TO%20OFIS-%20REGULATORY%20FORBEARANCE%20FOR%20THE%20RESTRUCTURING%20OF%20CREDIT%20FACILITIES%20OF%20OFIS%20IMPACTED%20BY%20COVID-%2019.pdf> accessed 22 June, 2020

[17] The Central Bank of Nigeria recently extended the time frame for the submission of audited financial statement of all Other Financial Institution (OFIs) by three months. This was due to the lockdown of most cities as a result of the coronavirus pandemic. 'Extension of the Timeframe for the Submission od Audited Financial Statements' <https://www.cbn.gov.ng/Out/2020/CCD/extension%20of%202019%20AFS.pdf> accessed 22 June, 2020

[18]communique 128 of the MPC https://www.cbn.gov.ng/Out/2020/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No.%20128%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20held%20on%20Thursday%2023rd%20and%20Friday%2024th%20%20January,%202020.pdf

The CBN has no doubt risen to the occasion by coming up with interventionist program to stabilise the economy in this era of the COVID 19. But as can be seen from above, the intervention must align with other measures such as the fiscal measures and other social issues, such as security of lives and livelihoods.

The rising debt profile is also not helping the outlook of the economy. There is need for the government to consider in earnest diversification of the economy, seeing that reliance on oil revenue is no longer sustainable. There should be more focus on getting many Nigerians and companies to pay tax. Also there has to be a concerted effort at reducing the current excessively high cost of governance that allocates a huge percentage of the budget to recurrent expenditures, leaving minimal resources for capital and developmental purposes.

Other measures

Other measures taken by CBN to stabilize the economy during the lockdown include:

Uninterrupted Financial Services during the Period of Lockdown. The Governor of the CBN and the Minister of Finance, Budget and Planning obtained a Presidential approval to permit critical financial services to function during the period of lockdown. This was to enable essential strategic financial transactions to go uninterrupted during the period, while the general public was advised to limit their use of cash and avail themselves of the use of online payment channels in order to check further spread of the corona virus.[19]

Payment systems are important for the proper functioning of financial markets and the economy. There is a linkage between payment systems, banks/ other financial institutions, and the economy as a whole. Thus problems with the payment systems affect the entire financial system and the economy as a whole. Section 47 of the Central Bank of Nigeria Act 2007 provides for the Bank to facilitate the efficient clearing of cheques and credit instruments and to establish clearing[20] houses for the purpose. By keeping the payment system running during the period of the COVID lockdown the Bank ensured that the economy is stabilized.

Suspension of Lay-Offs in Banks. In order to minimise and mitigate the negative effects of the COVID -19 pandemic on livelihood, the CBN directed that no bank in Nigeria shall lay-off any staff of any cadre without the express approval of the apex bank, where it becomes absolutely necessary to lay-off such staff.[21] This measure is very profound in Nigeria given the unemployment margin which is exacerbated by massive unemployment. The few employed Nigerians bear the burden of family and friends that are unemployed, adding to that burden by further loss of jobs will definitely cause massive disruptions of the already fragile situation. Ensuring that jobs are safeguarded is thus an important measure in stabilizing the economy.

Working with the private sector – CACOVID

The CBN is working with the private sector Coalition Against COVID (CACOVID) to support the Presidential Task Force on COVID -19 across its response as well as mobilising palliative.[22]

The Central Bank of Nigeria believes that Nigeria can take advantage of the COVID -19 pandemic and turn it to an opportunity.

The key sectors covered by the interventions include Agriculture, hospitality (accommodation and food services), airline service providers, manufacturing sector, pharmaceutical and medical activities.

The governor of the CBN has also announced the bank's short and medium-terms policy priorities which would take effect as soon as the coronavirus transmission curve is flattening and restrictions are eased. According to the governor, it would be the time to reposition the economic environment of the country. The following short-term policies will be introduced by the CBN:

1. Reinvigoration of financial support by expanding interventions all through the value chain of the manufacturing sector;
2. Offering of long-term financing for the entire healthcare value chain to rebuild the country's medical facilities which will ensure that Nigeria has world class hospitals that are affordable for Nigerians and non-Nigerians;

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[19] Central Bank of Nigeria Press Release on Uninterrupted Financial Services During Covid-19 Lockdown <https://www.cbn.gov.ng/Out/2020/CCD/CBN%20Press%20release-COVID-19-30032020.pdf> accessed 22 June, 2020

[20] The exchange of payment related information between system participants and any regulations under which payments are settled on a bilateral or multilateral basis is known as clearing.

[21] Louisa Okaria 'Banks to Seek CBN's Approval on Lay-offs' in CBNUpdate Vol. 2 No. 3 March, 2020 6

[22] Covid-19: CBN's economic stimulus measures a reflection of growth opportunities<https://businessday.ng/banking/article/covid-19-cbns-economic-stimulus-measures-a-reflection-of-growth-opportunities/> accessed 22 June, 2020

3. Development of transport infrastructure which is required for the transport of agricultural products to factories as well as markets,

Upon the full reopening of the economy for business, the apex bank will introduce medium-term policy priorities. It will act swiftly to recover the economy by targeting measures towards sectors that support mass employment and wealth creation in the country. The bank would focus on the following sectors:

Manufacturing: the bank will consider an initial intervention of N500 billion for manufacturing firms to procure state-of-the -art machinery and equipment that would fast-track local production and support increased choice for locally processed products;

Bridging of Housing Deficit in Nigeria: the bank will bridge the housing deficit in the country by facilitating the government's housing development, mortgage finance and institutional capacity. It will pursue the creation of a fund that will target housing construction for developers using the bank verification numbers to verify the developers who would access the fund. It will also explore ways to assist in mortgage finance and capacity building at the state level for quick processing of titles, friendly foreclosure laws and reduction of costs of land documentation which, according to the bank, are major factors inhibiting the provision of affordable housing in Nigeria.

Financing of environmental friendly energy production: According to the CBN, this has a long -term health benefits and will be funded over the next 3 years;

Innovation and research in different sectors through the universities, research institutions, creative industries and any other media.

According to the Central Bank of Nigeria, these are the measures required to achieve an efficient environment that is sustainable.[23]

III. CONCLUSION

The CBN's intervention are geared at stabilizing the economy in line with its mandate. It implores both conventional and practical measures to ensure progress and development of the economy.

A developed economy can be seen in the preponderance of the middle class as opposed to that of the poor. In Nigeria the preponderance of poverty, lack and want is a sure pointer that the country is way from development.

Income levels alone do not define the middle class. Many very high and very low income persons report themselves as middle class. Social scientists have explained this by defining "middle class" as a combination of values, expectations, and aspirations, as well as income levels. Middle class families and those aspiring to be part of the middle class want economic stability, a home and a secure retirement. They want to protect their children's health and send them to good schools including tertiary institutions. They also want to own cars and take family vacations.

Several key elements characterize what seem to be fairly standard middle class values and aspirations. These include economic stability, a better life for one's children, and a current lifestyle that allows for a few creature comforts. One characteristic that stands out in the literature on the middle class is that middle class families emphasize their expectations about the future; this means they work hard, plan ahead, and expect to save in order to attain those plans. Indeed, being middle class may be as much about setting goals and working to achieve them as it is about their actual attainment.

The CBN's intervention if effectively implemented, along with other fiscal and social measures will help lift many more families out of poverty and set them on the way to economic independence. The intervention in the real sector, small and medium enterprises as well as infrastructural development will further create jobs, and economic growth much needed for development.

With increased economic growth, will come social stability and security and the much needed development.

[23] Godwin Emefiele 'Turning the Covid-19 Tragedy into an Opportunity for a New Nigeria'<https://www.cbn.gov.ng/Out/2020/CCD/EDITED--Turning%20Covid%20Tragedy%20into%20Opportunity%20for%20New%20Nigeriat--OpEd%20by%20Gov%20Godwin%20Emefiele--Tue14April2020%201.pdf> accessed 20 June, 2020