

# **FINANCIAL INTERMEDIATION STATISTICS**

## **1. Introduction**

Financial Intermediation involves institutions that raise their funds by borrowing, for on-lending. These include insurance companies, credit and cooperative societies, investment companies and the Nigeria Social Insurance Trust Fund (NSITF).

Generally, money as a medium of exchange (or exchange equivalent) has substitutes; instruments in which non-bank financial intermediaries deal. Institutions that deal in these money substitutes/instruments do so for three main reasons. First, they are crucial channels of credit in their own right such that their efficient operations would facilitate the workings of the financial system. Secondly, many of these intermediaries issue and deal in liabilities that are almost indistinguishable from money. Thirdly, even when these assets are not money substitutes, they sufficiently resemble money to enable their exchange for money if the yields on them are attractive. Therefore, one can refer to these institutions as creators of money.

The distinguishing characteristic of financial intermediaries is that their assets consist almost exclusively of financial instruments primarily for non-financial borrowers, such as business enterprises, households and Governments. The contributions of financial intermediation and finance to the nation's GDP has ranged between 8 and 10 per cent in recent years.

## **2. Coverage, Scope, Uses and Users of Financial Intermediation**

## **Statistics**

Financial Intermediation Statistics are administrative statistics derived from the ownership of financial dealings, including flow of funds of NSITF, credit and cooperative societies, insurance as well as investment companies. In the International Standard Industrial Classification [ISIC], revision 3 of 1988, Financial Intermediation is considered as insurance and pension funding (excluding compulsory social security and activities auxiliary to Financial Intermediation). It is assigned the division code '66'. Financial Intermediation Statistics are used to formulate monetary policy and monitor its implementation.

The major users of these in Nigeria are the Central Bank of Nigeria, Federal Ministry of Finance, National Planning Commission, National Insurance Supervisory Board, universities, researchers and private investors.

### **3.Sources & Methods of Compiling Financial Intermediation Statistics**

Although the CBN produces some aspects of insurance statistics, financial intermediation statistics are generated by the National Insurance Supervisory Board (NISB), Nigeria Social Insurance Trust Fund as well as the State Ministries of Trade, Commerce and Industry, which coordinate the activities of credit and cooperative societies. As indicated earlier, Financial Intermediation Statistics are basically administrative data. For example, insurance companies are required to render quarterly returns to the National Insurance Supervisory Board and the Central Bank of Nigeria from where data are extracted and collated into publishable forms.

#### **4. Current Methods of Data Storage and Dissemination**

Financial Intermediation Statistics are stored in hard copies. The most comprehensive data on financial intermediation are published in **Annual Report** by the CBN. It contains detailed analyses of the activities of insurance companies. The National Insurance Supervisory Board (which supervises the activities of the insurance companies) does not produce any comprehensive publication.

Some items of data covered by the CBN's **Annual Report** are:

- Distribution of insurance companies by type of business undertaken.
- Structure of the insurance industry by type of business ownership.
- Paid-up capital of insurance companies by value.
- Income and expenditure of insurance companies.
- Sources of income of life and non-life insurance companies.

The National Bureau of Statistics has proposed a database of 15 items and 181 detail names of variables, which can form the nucleus of a Financial Intermediation data base. The entries are derived from available time-series of Financial Intermediation data and extensions which are considered desirable.

#### **5. NBS Data Base Coding System for Financial Intermediation Statistics**

The International Standard Industrial Classification [ISIC] coding system is used for Financial Intermediation Statistics at the NBS. The Division Code is 66. This identifies the division to which the database belongs. The items and detail codes which form the last four digits are assigned arbitrarily. After the division code, the next 2 digits represent item codes and the last 2 the detail code. For example, the

first item in Financial Intermediation, that is, “Distribution of Insurance Companies by Type of Business Undertaken”, is coded 01 for the item with detail 01-08. Thus, its Division-Item-Detail [DID] is 660101-660108:

66 stands for Division Code.

01 stands for Item Code.

01 stands for Detail Code.

Based on this coding system, the NBS data structure [Statement of Requirements] for Financial Intermediation Statistics is as shown below:

## **6. CONCLUDING REMARKS**

Though the CBN is the apex financial institution in the country, data from segments of the sub-sector would be more authentic if they emanate the relevant supervisory bodies. For instance, in insurance, the National Insurance Supervisory Board (NISB) is better placed to collect and analyse data from their constituency, as it were, and send same to the CBN.

The essence for regular monthly supply of data as in the case of Insurance should be given prominence in the scheme of things. This will keep the apex bank adequately informed of the prevailing state of each operator’s assets and liabilities, structure and sources of income and, of course, financial base. Again, in the case of the insurance industry, the NISB has to be alert to its critical responsibility of

monitoring the insurance activities through data collection and analyses.

It is also necessary to source data from the Securities and Exchange Commission (SEC) in respect of quoted insurance companies, while credit & cooperative societies' statistics could be obtained from the Federal and State Ministries of Agriculture. For investment companies, the onus of data collection is on the CBN even as the NISB focuses on the Nigeria Social Insurance Trust Fund.

Given that the financial intermediation sub-sector plays pivotal roles in the Nigerian economy, it is imperative that data collection strategies are streamlined in order to make reliable data available to potential users.