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NDIC**QUARTERLY****TABLE OF CONTENTS****Content****Page No****Review of Developments in Banking and Finance for Third Quarter of 2016****By Research, Policy & International Relations Department**

The banking sector recorded a number of developments during the period under review. Some of these developments were bye-products of the Central Bank of Nigeria (CBN) Monetary Policy Committee meetings, while the rest include local and international economic developments that have direct or indirect impact on the economy and the banking sector .

Financial Condition and Performance of Insured Banks for Third Quarter of 2016,**By Research, Policy & International Relations and Insurance & Surveillance Departments**

During the period under review, the banking Industry witnessed both positive and negative changes in financial parameters. Total Assets increased marginally, Shareholders' Funds also increased marginally. The Banking Industry Capital Adequacy Ratio (CAR) stood at 14.98% which was more than the regulatory threshold of 10.00%. However, there was a significant decline in the industry's major earnings components like profit before tax, return on assets, and return on equity.

ADOPTION OF INTEGRATED PROTECTION SCHEME (IPS) IN NIGERIA: ISSUES AND CHALLENGES

BY

**Hashim I. Ahmad, Ishaya P. Tarfa and Cordelia A. Utaan
Research, Policy and International Relations Department, NDIC.**

The study discusses the issues and challenges associated with the adoption of Integrated Protection Scheme (IPS) in Nigeria. Some of the issues that need to be considered when designing an IPS as found in the literature include: operational independence, limits and scope of coverage as well as funding plan in addition to other design features that apply to the Bank Deposit Insurance System (DIS). The study also examined some of the potential challenges IPS will face if adopted in Nigeria. The challenges include, among others: cumbersome procedures of failure resolution and reimbursement of depositors; increased moral hazard; ineffective supervision of participating institutions arising from large industry; inadequate legal and regulatory framework; challenges related with asset disposal; risk of cross subsidization; and determination of appropriate coverage level. Notwithstanding the challenges, the study found that there are prospects which include: Existence of Financial Services Regulation Coordinating Committee (FSRCC); Existence of Separate Deposit Insurance Funds for various categories of banks; Deployment of Consolidated Supervision; Target Fund Ratio Framework; and Amendment of the NDIC Act 2006. The prospects are indeed overwhelming and could make a good case for the adoption of IPS in Nigeria. The authors also reviewed the practices in some jurisdictions such as the United Kingdom, Malaysia and Korea where IPS is practiced, in order to buttress the points made in terms of the issues and challenges associated with the adoption of IPS. The review reveals that the issues in the countries were similar except for few differences in terms of institutions and products covered by the IPS. The study concluded with the recommendation that the Nigerian government should consider the adoption of IPS in the country because of its importance and the absence of effective compensation systems in the other markets (insurance and capital market). The adoption could be in phases as done in Malaysia where at the moment only banking and insurance products are covered by the IPS.

MONEY SUPPLY GROWTH AND ITS INFLATIONARY EFFECTS IN NIGERIA

BY:

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This study examines the relationship between money supply growth and inflation in Nigeria using time series data for the period of thirty-three years (1980-2012). In analyzing the data both ordinary least square (OLS) regression method and Autoregressive distributed lag (ARDL) bound F-test for co integration were used. Variables for this study are (inflation, money supply growth M1& M2, interest rate, exchange rate and fiscal deficit). The OLS result indicates narrow money supply growth M1, interest rate and fiscal deficit are positively related to inflation. While broad money supply growth M2 and exchange were negatively related to inflation. Bound F-test for co-integration result indicates that there is an evidence of long run relationship between money supply growths when inflation is used as dependent variable. However granger causality result revealed that there is a unidirectional causality running from money supply growth to inflation in Nigeria which is in tandem with classical quantity theory assertion. Finally, the study recommends a long term stabilization of monetary policy instrument especially the open market operation (OMO) and the need for government to reduce its deficit financing.