

# **Movable Assets Registry in Nigeria: Promoting Growth through Effective Legislation**

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## Abstract

*There is a visible dichotomy in the Nigerian economy, which breaks it into a large and growing informal sector, buoyed by an array of inadequacies that have reduced the ease of doing business, and a formal sector that is largely stagnant. As a result of many years of incongruent and mostly unstable political-social and economic policies, unemployment and poverty rates have run amok, driving large portions of the population to the informal sector. Economic exclusion has festered as more and more people get structured to the periphery of the economy. With a population estimated by McKinsey to hit 207m by 2020, and a financial exclusion rate of over 50 %, the job of poverty reduction has become even more challenging. One of the key handicaps of the informal sector is the lack of bankable assets among operators in a banking system that is predominantly formal. Indeed, the Nigerian financial superstructure is patently formal but sits squarely on a substructure of informality. This has hampered banks' effort to maximally finance the informal sector. However, the recent introduction of the Secured Transactions in Movable Assets Law, 2017, promises to unleash the hitherto unbankable informal sector assets to facilitate financial inclusion. This paper examines the existing principles of the Nigerian law of Secured Credit vis-à-vis the potentials of the new law to boost access to credit by the informal sector. It proposes that the implementation of the new law be accompanied by massive enlightenment and education of stakeholders, to avoid misconceptions and mistakes that may discourage lenders from fully embracing the new rules. It goes further to suggest a combination of strategies for making the most out of the new law so as to facilitate responsible bank lending to the informal economy in Nigeria.*

*Keywords: Secured credit, collateral registry, economic exclusion, Informal sector*

## 1.0 . Introduction

The ability of lenders to smoothly and cost effectively enforce their contracts with borrowers is critical to an effective financing regime. The willingness of lenders to make loans is the result of many well thought out factors. They include, but are not limited to, the viability of the business in which the loan is to be invested, the availability of alternative repayment sources and the probability of default on the part of the borrower. They also includes the availability of funds with the lender and the level of commitment by the borrower, by way of equity in the transaction. A borrower, who cannot show commitment to the repayment of a loan and thereby give confidence to the lender, might as well forget the idea of borrowing. Debt contracting, and by extension, the supply of credit, has serious implications for economic activity, and in particular, poverty reduction and economic growth.

Movable assets, by which we mean all non-real estate assets, including plant, machinery and equipment, accounts receivable and inventory, have recently become the focus of the search for the much needed collateral for bank lending to Micro, Small and Medium Enterprises (MSMEs). According to Calomiris, et al (2016), this renewed search is partly due to the fact that existing legal systems for the use of movable assets as collaterals in many jurisdictions, and where they exist at all, have proved to be weak in a number of areas and in particular, three dimensions:

- 1) They limit the scope of movable assets that can be used as collateral;
- 2) They are also lacking in centralized registration systems, which permit monitoring of the security interests of lenders and to make sure that no other lender has rights to the same collateral, except they are done with some rule of priority; and
- 3) They do not promote the enforcement of rights. Right enforcement in the event of default is often possible only through long and winding courts processes.

The informal sector is dominated by Micro, Small and Medium enterprises (MSMEs), and has been recognized and an engine of growth in most economies. Our effort in the promotion of growth and socio-economic equity will profit from improved knowledge of the sector and its members. Moreover, recent developments in the area of using movable assets as security for bank lending in Nigeria, call for the participation of all and sundry to ensure that we maximize the benefits of the current legislative environment of financing MSMEs.

### **1.1. Micro, Small and Medium Enterprises: A Definitional Clarification**

The definition of what constitutes an MSMEs is not only dynamic, it is also environmentally sensitive in the sense that what constitutes a small enterprise in one jurisdiction may be a microenterprise in another; and vice versa. Besides, there is a dynamic element to the concept driven by the size of the host economy and its attributes. Therefore, there is no universal standard definition of an MSME operator. Rather, each jurisdiction determines the entry requirements, so to speak, for enterprises in each class. In Nigeria, some attempts have been made to establish an objective set of criteria for membership of each category of enterprises.

Accordingly, microenterprises are business entities employing less than ten persons, and have assets (excluding land and building) valued at less than N10 million. By contrast, small enterprises employ between ten and 49 persons, and have assets, excluding land and building, worth between ten and N100 million. Medium enterprises are those employing between 50 and 100 persons and have assets, less land and building, valued between N100 million and one billion naira. The result of the foregoing, the structure of the financial system and the attitude of lenders to risk in the informal sector is the focus of interest of those seeking to expand access to finance for MSMEs, which has been very poor.

Some statistics on the plight of MSMEs in this region may help illuminate our view of the situation. Of the 40m Small and Medium Enterprises in Sub-Saharan Africa, only 18 million have bank accounts. Of that number with bank accounts, only 4 million have any form of bank loans, and 18 million are underserved. With regard to Nigeria, there are 37million MSMEs, of which a whopping 36 million are microenterprises, whose only assets are either land or some chattels. To this category of entrepreneurs, bank financing is hard to come by. According to KPMG (2013), only 20 per cent of the loan portfolios of 84 per cent of the banks they surveyed went to SMEs. Meanwhile, members of the sector constitute over 60 per cent of economic activity in the country. Empirically, it has been established that insufficient collateral is one of the main reasons these firms are rejected when they apply for bank credit (Fleisig et al., 2006).

### **1.2. The Nigerian Economy and Structural Dualism**

The Nigerian economy has certain striking features that have largely shaped its growth and development trajectory. Two of those features stand out and deserve special mention. First, the Nigeria economy is very heavily dependent on the external sector. This is a major negative feature. The petroleum or oil sector has had an overwhelming influence on the economy. This influence is traced largely to the role of crude oil exports in the financial well-being of the country (Englama, et al: 2013). The oil sector, an essentially enclave economy, is driven by forces mostly domiciled abroad. However,

the flow of petrodollars has continued to exert ever increasing influence on the direction of things in the country.

Second, economic dualism, the mutual coexistence of contradictory phenomena, is a generally accepted feature of every economy. However, the extent of such dualism and the relative roles of its constituent parts is the very significant factor of interest. Dualism, as a concept, was developed by scholars to characterize the coexistence of opposing socio-economic conditions, exemplified by the modern and rural sectors, in a particular space. When applied to an economy, dualism is typified by such phenomena as the continuing wide differences between the rich and the poor, as well as the intermingling of ghettos and opulent cities in the same country. Economic dualism is one of the key features of the Nigeria economy and the subject of interest in the work.

Two categories of operators continue to dominate the Nigerian Economic space. These are the large corporations including government, its parastatals and agencies, and large limited liability companies. In this category are also medium corporations, employing substantial numbers of people and also professionals. They constitute the formal sector. The other segment of the economy is made up of artisans – bricklayers, mechanics, electricians; commercial bus drivers and commercial motor cycle operators. These are members of the self-help community and the army of the self-employed. They constitute the informal sector and make up over 60 per cent of the economy of Nigeria. The whole idea of movable assets as security for bank lending derives from the burning desire of government to canalize financial resources to the informal sector.

### **1.2.1. Nature of the Informal Sector**

The informal sector encompasses the good, the bad, and the ugly parts of the economy. The bad and ugly parts are to be found in the operating environment of the sector, which manifests the following features:

- a) No legal framework under which operators can function;
- b) Non-enforceable contracts: for instance, they rely on itinerant bankers who collect their savings for a fee often of one's day collection per month;
- c) High risk operations and borrowing from moneylenders or loan shacks;
- d) No title to land where they have any; and
- e) Poor or no infrastructure or common services to operate.

The good side of informality may be found in the make-up of the members of the sector. They are characterized by evident energy and drive, youth and the desire for self-actualization. Members of the informal sector are skilled in survival strategies and have very creative minds. Their inventive genius and survival instincts subsume the very difficult conditions under which they operate.

### **1.2.2. The Financial System and banking Typology**

The financial superstructure erected over the substructure of informality in Nigeria, has the following characteristics:

Banks

- Development Banks
- Agricultural Banks
- Commercial Banks
- Merchant Banks
- Microfinance Banks
- Mortgage banks

With the exception of the microfinance banks, and to some extent, the mortgage banks, all the other banks are not only concentrated in the urban areas, but are by their very nature not suited to serve the needs of the informal sector. The consequence of the foregoing is that the informal sector is plagued by limited access to credit. It is underserved by the existing financial institutions; lacks liquidity and still bugged down by heavy reliance on cash for most transactions. There is need therefore to address the challenges of the quantum and availability of credit to the sector.

It is in regard to the foregoing challenges of the informal sector and the fact that it hosts the bulk of our youths and holds the key to much of the jobs to be created in the next few years, that we focus on the recently promulgated Collateral Registry Law in Nigeria. On the 25th of May, 2017, the National Assembly - the Senate and the House of Representatives - passed into law the Collateral Registry Act and the Credit Reporting Act, both of which have the aim at affording Small and Medium Enterprises the opportunity to access loan facilities from banks and other financial institutions, using movable assets as securities or collaterals.

### **1.2.3. Informal Credit Markets**

The incongruence of the financial superstructure superimposed on a substructure of informality has made it almost impossible for the banks to serve the needs of small business in Nigeria. As a result, thriving informal credit markets have developed, alongside formal credit markets, both in the rural and urban areas. Informal credit markets manifest in different forms including market unions, church societies, moneylenders, village meetings, pawn brokers and landlords. Other forms of this market are the Rotating Savings and Credit Schemes (ROSCAS), Accumulating Savings and Credit Schemes (ASCAS). In the ROSCAS, participants contribute a fixed equal amount at specified intervals and take turns in pulling out the total funds contributed by all. On the other hand, participants in an ASCAS make contributions of a fixed, often equal,

amount at specified intervals and on the anniversary of the fund, usually a year, each person pulls out their portion of the fund and the contribution restarts.

Informal credit markets operate on the brinks of illegality. Operators make their own rules and charge premium based on their perception of the risk involved in every transaction. Information is important in the functioning of informal credit markets and information asymmetry is a present disability of the market. Loans are price mostly with an eye on the risk involved. The cost of credit is therefore very high and availability is not guaranteed.

Formal credit markets, on the other hand, consist of the banks and other formal non-bank financial institutions.

## **2. Brief Literature Review**

In their study of the impact of collateral registries, Love, et al (2010), analysed the effect which the introduction of movable asset registers may have on bank financing. Using firm-level data from 72 countries the study explored the impact of introducing collateral registries on firms' access to bank financing in seven countries that implemented collateral registration for movable assets. It finds that introducing collateral registries for movable assets increases firms' access to bank finance. The study also found that the impact of these registries was more pronounced or larger among smaller and younger firms.

Flieseig, et al (2006), tried to determine why banks are unwilling to embrace SMEs but instead keep them at arm's length, when it comes to lending. The study was of the opinion that banks in emerging markets or creditors in general, are usually afraid to accept movable collateral. Indeed, one major problem with movable collaterals is that they are movable and quite often they do move away from the sight of the lender.

Historically, MSMEs, especially microenterprises do not rely significantly on bank funding. In his study of enterprises in Nigeria Osuji (2005) established that microentrepreneurs in Nigeria were predominantly male and aged below 30 years. Their principal areas of business were wholesale and retail trading, services and minor manufacturing. They sourced their initial capital mostly from personal savings and gifts from close family members. Formal bank loans as a source of capital accounted for less than 5 per cent of start-up capital funds for female and 9 per cent for male entrepreneurs.

Love, et al (2010) established that the introduction of collateral registry has the effect of spurring access of firms to bank financing.

## **3. The Concept of Security and Secured Credit Law in Nigeria**

Classical theory of secured credit transactions recognizes security in terms of interest of a person called the creditor in the property of another called the debtor. This interest

makes certain rights available to the creditor over the property, in order to satisfy an obligation or debt owed by the debtor (Sykes and Walker; 1993). In other words, security is the right given to one party in the assets of another party, as a means of securing the performance by that other party of the payment of an obligation (Good; 1983).

Essentially, the classical concept of security conveys the idea of agreement or consensus between the debtor and the creditor, i.e; creation of security is by consensus. However, in reality not all security interests are created by agreement. Security interest may be created or could arise by the operation of law. A lien, for instance, may creep into an asset from elsewhere to attach to a property. Several forms of business interchange may lead to the creation of security even when there is no consensus. For example, certain trade conventions, practices and traditions give rise to security interests being created without agreement. For example, when a man sells his property to another and collects part payment, he has security interest in the property. Similarly, when goods are carried on a sale or return basis, security interest arises but not consensually.

Another important issue in secured credit law is the fact that security inheres in the interest of the debtor in the asset and not the asset itself (the Res). This makes room for the coexistence of two or more security interests in the same property. This fact will benefit the new law on the use of movable assets as collateral for bank lending in Nigeria, as we shall show shortly. In that regard, what becomes critical is the order of priority among the coexisting security interests.

The features of Nigeria's secured credit law generate some implications. First, they highlight the right of the creditor to make the debtor's property answerable for his debt. Second, the right of the debtor to redeem his asset is preserved and third, the liability of the creditor to restore the property to the debtor on the performance of his debt obligation is also established. Essentially, a lender has two options open when making a loan: he may grant the loan to the borrower on personal recognizance and trust. He may simply confirm the sources of repayment and then proceed on the basis of the borrower's covenants to pay. This is where undiluted faith and risk coincide. On the other hand, the lender may insist of some form of collateral to support his faith in the borrower and his covenants.

Asking for collateral is not necessarily evidence of lack of faith in the borrower's covenants. Often, security is mandated by law. In Nigeria, the Banks and Other Financial Institutions Act, 2004, forbids banks from granting unsecured loans. The need for collateral is also informed by the uncertainty in the business environment and the need to hedge against all possible risks.

### **3.1 Forms of Security**

Real property has been the preferred asset form that lenders use to secure loans (See Figure 1). Incidentally, land is the most common asset available to the poor in Nigeria. It ought to be their main source of security to back up loans. Unfortunately, that has not been the case. The Land Use Act, 1978, puts some serious hurdles in the way of those who want to use land as security for bank lending. It gives the federal and state governments total control of all lands in their domains. It therefore compels all land owners (or allottees because people no longer own but merely occupy the land at the mercy of government) to seek and obtain governor's consent for every mortgage transaction. The result is that land, which ought to be the easiest bankable security of the poor, has been taken away from them and handed over to government. They are therefore unable to use their land effectively to borrow money. They now resort to chattels, which until the passing of the present law on movable securities was not attractive to lenders.

#### **3.1.1. Land as Security for Bank Lending**

The Classical theory of security presupposes that for security to exist, there must be a transfer of interest in the land from debtor to creditor. That is why this view of security, already criticized by learned minds, projects the idea of consensuality in the creation of security interest. According to Smith (2001), security interest need not be created by the parties themselves. They could evolve by operation of law; for example a lien.

Mortgage of landed property in Nigeria is either legal or equitable. Legal mortgage, which requires the full perfection of the lender's title and payment or heavy dues to government, has been the preferred choice of lenders. It secures their interests and frees them from any need to secure any kind of approval before disposing of the property. With a legal mortgage, the lender is fully empowered to realize the property to offset the loan. Borrowers, on the other hand, prefer equitable mortgage, which may be by merely depositing the tile documents of the property with the lender. The challenge is that lenders are often unable to realize this security due to the legal hurdles they need to settle before selling the asset. By contrast, once default has been established in legal mortgages, the lender needs no permission of the courts to dispose of the property. As a consequence, land has not provided the succor it ought to provide to those who own it and want to borrow on it.

#### **3.1.2 Quoted Securities**

The stock market has provided a ready avenue for investors seeking to profit from the fortunes of established corporations. It is a heaven for portfolio investors. As the name implies, portfolio investors are those investors who buy stock on the hope of capital gains and dividends. They are not a coveted class of investors because they are usually the first to bail out whenever the economy is in difficulty. Compared to Foreign Direct

Investment, they are an undesirable set of investors, and therefore help to further its difficulty.

Nigeria banks relied heavily on quoted securities as collateral for bank lending prior to the banking crisis of 2008. Shares of high end companies were sought after as collateral for loans. They had wide and growing markets and could easily be disposed of in the event of default.

### **3.1.2.1 Margin Trading**

The ingenuity of the banking system (or rather the lack of it), came alive in their use of equities to secure loans. As the stock market boomed, banks devised the strategy of funding their customers through what is known as Margin Trading. In margin trading, customers who wish to buy stocks were loaned the equivalent of the full amount they deposit for such stocks. Thus, if a customer wanted to buy shares of a certain amount, the bank would grant him a loan of double the amount he brings it. Thus, the customer's contribution is matched by an equivalent sum, doubling his financing taking. The total sum would then be applied to purchase shares of quoted companies to be held by the bank as collateral. People made fortunes on this basis as the market became constantly bullish spurred by margin trading.

This strategy of playing the stock market was good while it lasted. In fact the stock market became so popular that even school children were investing their pocket money in stocks and shares. But the party was over before long. Only the smart Alecs of the stock trade were able to escape the disaster that followed. It was 2008 and a financial crisis had set in, taking down so many banks in its wake. Today, quoted securities are in a recession, literally speaking.

### **3.1.3 Pledge**

Conveying the title or possessory right of the debtor in a property to the creditor, while continuing in possession of the asset is one of the creative ways banks try to do business with SMEs. Banks with a focus on the retail commercial end of the market are often encouraged to lend to customers who are willing to pledge acceptable assets to secure the loan. A pledge is a bailment that conveys possessory right or title to property owned by a debtor, the pledgor, to the creditor, the pledgee. The term is also used to denote the security interest in a property (Smith; 2001). It is something that is given as security for the fulfilment of a contract or the payment of a debt. Items pledged as collateral are liable to forfeiture in the event of failure to meet the underlying obligation.

### **3.1.4 Stock Hypothecation**

When it is impossible to physically transfer chattels to the lender or even pass possessory rights to him, for example, stock of goods in the warehouse, the alternative form of security available is hypothecation. This form of security does not pass property in the goods to the lender. It also does not pass the possession of the goods to him. It only grants security over the goods to the lender through a Letter of Hypothecation. What is created by hypothecation is a potential right this is exercisable, which is automatically extinguished on repayment of the loan. In reality, a hypothecation is not a lien. Indeed, it is not clear the type of interest it creates beyond a right that may be exercised on default (Smith; 2001). Be that as it may, banks have been able to use hypothecation fairly successfully, as a means of canalizing credit to borrowers, especially those in the SME sector.

### **4.0 MSME Financing Gaps and Collateral Registry**

The IFC also reports that there are up to 445 million MSMEs in emerging markets. Of this number, about 30 million are formal SMEs; 70 million are formal microenterprises; and about 345 million are informal enterprises. Formal SMEs (those operating with appropriate structures and modern procedures), contribute up to 60 per cent of total employment and up to 40 per cent of the Gross Domestic Product of emerging economies. The contribution and the numbers will actually be much higher when informal SMEs are included (World Bank; 2015).

In terms of job creation, the World Bank estimates that about, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In terms of employment generation, most formal jobs are generated by SMEs, which also create 4 out of every 5 new positions in emerging markets.

The extent of economic and financial exclusion in Nigeria and the rest of the developing world is also highlighted by further statistics which show that Sub-Saharan Africa is home to about 40 million SMEs. Of this number, only 18 million have bank accounts while only 4 million have any form of credit facility from the banks. In the case of Nigeria, there are about 37 million MSMEs and over 95 per cent of the are microenterprises, with capital funds of less than N50,000. These enterprises are not only mostly unregistered and poorly capitalized, they are predominantly one-man companies. The features of the informal sector and its operators, such as the opaqueness of their operation and lack of organization tend to guarantee that banks will not be enthusiastic to deal with them. As a result, over 90 percent of their loan requests in 85 per cent of banks surveyed by KPMG was rejected (KPMG; 2014).

#### **4.1. Low Creditors' Rights Index**

Evidently, the banks are genealogically incapable of effectively supporting SMEs, even with all good intentions. They generally feel unsafe with SMEs. The World Bank reports that Africa has very low Creditors' Right Index. This is an index that measures the efficacy of the procedures and machinery established to protect the ability of creditor's to collect their money as at when due. This index encompasses the ability of a creditor to put a lien on a debtor's property; to effect a seizure and thereafter force sell the debtor's property; to effect a garnishee order on the debtor's wages, and to set aside certain purchases or gifts made by the debtor as irregular or fraudulent conveyances. These enablers, as they are, however must be taken together with other factors such as the reason why the debt arose in the first place and the content of any written agreement.

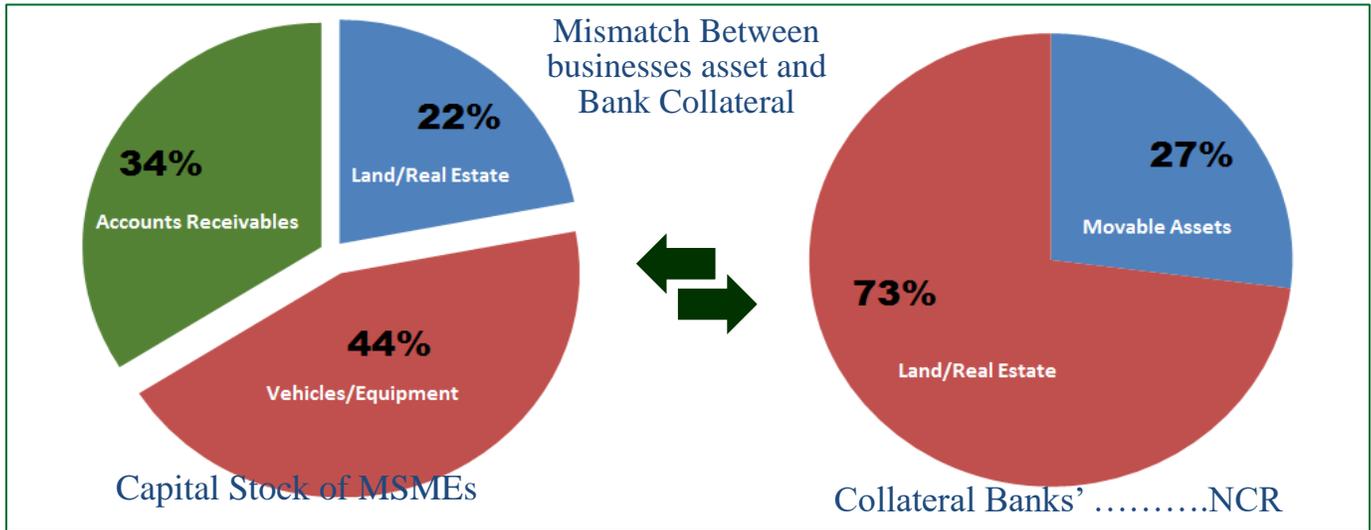
For Africa, the Creditors' Right Index is a paltry 3 compared to 7 in Europe. There is a great need for reforms. The Collateral Registry Law is therefore aimed at these challenges.

#### **4.3. Some Basic Data on the Financial Exclusion of MSMEs**

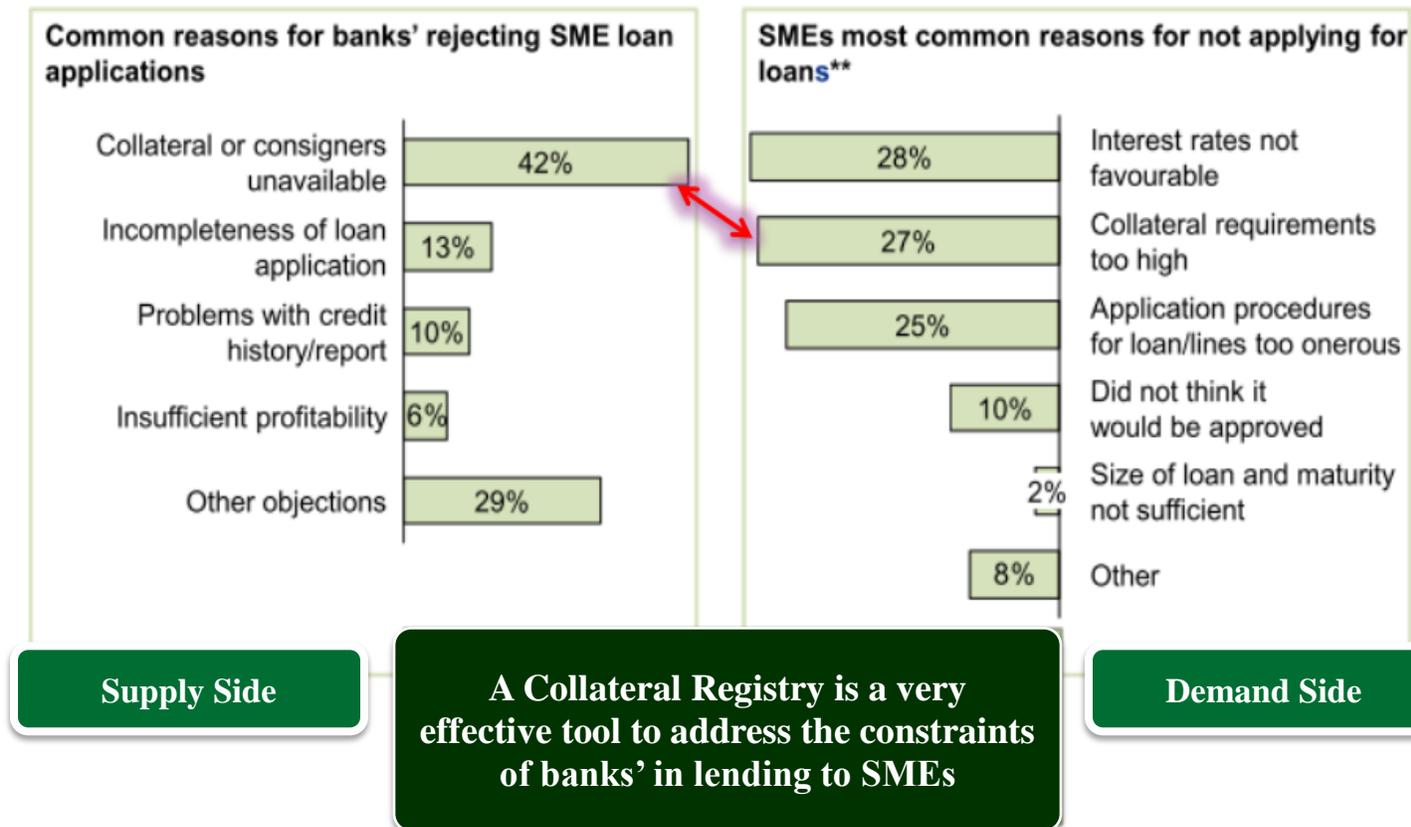
- Commercial banks' loan to MSMEs was 0.12% of total credit to the economy (CBN Statistical Bulletin 2014) (0.099% in 2015 and 0.067% in 2016)
- Net Loans and Advances of MFBs was N129 billion (2014) (N198b in 2016)
- Nigeria ranked 130 in global competitiveness out of 144 countries rated (World Economic Forum; 2012)
- The rejection rate of SME loan applications by nine commercial banks stood at 50% during 2011-14.
- As a result only about 20% of MSMEs have applied for bank loan in the last 5 years
- MSME loan portfolio of most Tier 1 banks is less than 5 %
- Youth entrepreneurship and MSMEs constrained by weak capacity, lack of ACCESS TO FINANCE and parlous infrastructural facilities.

89% of loans required collateral and the average collateral coverage is up to 150% of the loan amount

**Figure 1: MSMEs Assets and Bank Collateral Mismatch**



**Figure 2: Facts on Rejection of SME Loan Requests**



## **4.2. Nature of Collateral Register**

According to the National Collateral Registry in Nigeria, the following are facts on collateral registry:

- Collateral Register is a Notice Based Registry for Collaterals
- A publicly available database of security interest in movable assets
- A databank where security interests in moveable assets are registered for the purpose of being used as collateral to obtain facilities from financial institutions
- Allows borrowers to prove their creditworthiness and lenders to assess their priority interest in potential claims against particular collateral
- A Registry improves both access to finance and induces prompt repayment, i.e. provides a win-win for the borrower and lender simultaneously

## **4.4. Impact of Movable Assets Register in Some Jurisdictions**

The introduction of collateral registry laws in other countries improved access to finance for their MSMEs. There is no reason why the same should not happen in Nigeria. Below are highlights of some positive stories of the implementation of the movable assets collateral laws in some countries:

### **4.4.1. Ghana**

Ghana introduced the law in 2008. It recorded over 20,000 transactions in one year. In China, where the law became operational in 2007, total number of commercial loans involving movable assets grew by 21 percent per year in 2008-2010. In Doing Business 2012, China gained 6 points out of an 8 point scale on the "legal rights" index of the "getting credit indicator". By 2012, the Credit Reference Center in China recorded cumulative accounts receivable financing of about USD \$3.5 trillion from Oct. 2007, when it was launched, representing around 385,000 registrations (World Bank; 2012).

### **4.4.2. Romania**

Romania introduced collateral registry law in 1999. The result was that registration increased from 65227 in 2000 to 536, 067 in 2006. This growth continued at 60 per cent per annum subsequently. Not only was the system accepted by local organizations, foreign banks, including the European Bank for Reconstruction and Development

(EBRD) and some Austrian banks secured transactions with movable assets. The unique aspect of the Romanian experience was the establishment data bases and appointment of six registrars to facilitate the work.

#### **4.4.3. Slovenia**

Collateral registry was introduced in Slovenia in 1990, with improvements in the countries bankruptcy laws. They also removed certain complications around notarization of credits that hampered the use of movable assets as security. Annual registration rose from 7,508 in 2003 to 31,968 in 2007 and growing at 50 per cent annually

#### **4.4.4. Liberia**

Despite being launched at the height of the Ebola crisis in 2014, the new collateral registry has facilitated more than \$226 million in loans to MSMEs.

### **5. Expected Outcome**

- Diversification of lending portfolio of banks
- Decrease in loan default rate
- 20% Year-on-year increase in banks' acceptance of moveable assets
- Boost production & create employment
- Increased access to credit will increase productive capacity and generate employment
- Increase in assets liquidity by 10%
- Improves the liquidity of assets, especially short-term assets such as accounts receivables
- Decrease in information asymmetry by 35%
- The Registry will cut down the cost of verifying borrowers by 35% and therefore reduce the cost of credit and non-performing loans

### **5. Recommendations**

#### **1) Decisive Implementation Strategy**

For the Nigerian economy to maximally benefit from the collateral registry law, there is need for a lot more work in the following area of implementation anchored on the following:

- **Communication** – there si need to bring the law and its twin brother, the Credit Registry Law to the knowledge of all Nigerians.
- **Education and Training** – we should mount a full scale campaign of training and education to sufficiently inform Nigerians not only of the

existence of the law but the opportunities and benefits available to all therefrom.

- **Continuous Legal Improvement** – we need to continuously review our laws in related areas such as Bankruptcy, to ensure no impediments crop up from them to cripple the new law.

## **2) Commitment of Bank and Other Lenders**

Ultimately, whatever happens in regard to the application and implementation of the law depends on the cooperation of banks and other lenders to whom this law is addressed. Accordingly the banks have key roles to play:

- Utilization of the National Collateral Registry (NCR) platform to leverage on moveable assets for lending to MSMEs;
- Training of staff on asset - based lending as well as use of moveable collateral;
- Creation of moveable asset lending desks to focus on movable assets lending;
- They may nominate NCR administrators as champions of the project;
- The banks are expected to comply with the Secured Transaction in Moveable Assets Act 2017 just as they comply with other regulations issued by their regulators.

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