

+ FIVE FUN STEPS TO MANAGING FINANCE FOR STARTUPS

STORIES OF AFRICA'S MILLENNIAL ENTREPRENEURS

the **BUSINESS** DAY  
ceo

FINDING THE  
BALANCE

DR. YETUNDE ODUGBESAN-OMEDE



NOVEMBER 2019



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# CONTENT

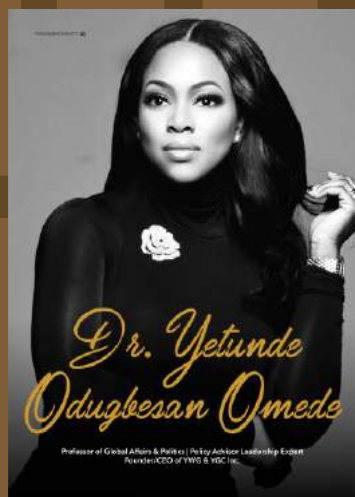
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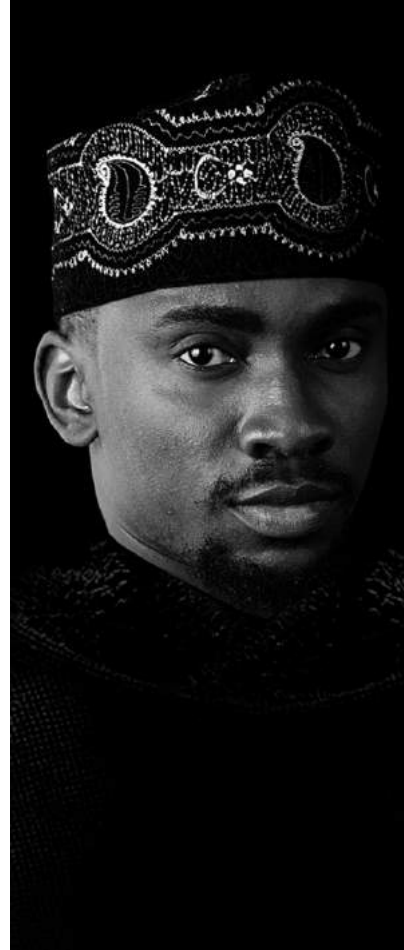
# Lehlé Baldé

It's another exciting edition of the CEO magazine. The cover person for this edition exudes excellence in everything she does and I'm excited for you to get to know her. It's so important to tell the stories of different types of entrepreneurs and leaders to show what is possible. Dr Yetunde shows us how to be a bossy lady and how to balance for better.

I hope you enjoy the November edition of the magazine.

Warm wishes,  
**Lehlé Baldé**  
(@lehlalumiére)  
Editor

# Tomi Wale



As a creative director and head of a creative strategy company, an entrepreneur growing an enterprise in an environment such as Lagos, the quest to have a balanced life especially with health, finance and social activities cannot be overemphasised. It is such a great one to have Dr. Yetunde Odugbesan-Omede talk about this and present more insight on her new book "Balance".

Dr. Temitope Laniran also gave a candid piece on the government's policy on taxation. This edition is such a piece to be shared a lot! E

Enjoy it,  
**Tomi Wale** (@tomiwale\_)  
Creator & Art Director





The issue of finding balance in ones life cuts across the generations, geographic location and more. **I believe there's more to be learned from one another than focusing on what separates us.**

*Dr. Yetunde  
Odugbesan Omede*

# take the **millennial** survey



■ on **getupinc.com**



# Noah Ibrahim

MD/CEO  
NOVARICK HOMES AND  
PROPERTIES LIMITED

**Would you say your background has a part to do in your career and how?**

Yes.. It has a whole lot to do with it, I've been on an entrepreneurial journey since I was a kid, even though I didn't know at that time.. My father always made sure I worked hard for anything I was going to have. Also, I



am someone who believes that every penny a man wants is in the hands of others, and he has to give use value to others to be able to earn that money. So for me value comes first, and that's why i'm in real estate, the business of value.

## **What inspired you to go into real estate?**

Hmmm. I'll say pursuit of value.. I was looking for where I could best add value to the lives of people, helping them attain real wealth over time, and in turn make a living for myself . I was inspired through the story of my friend whose dad bought 6 plots of land in Lekki phase 1 about 20 years ago for 30 Million Naira... He built on 2 plots, and left 4 plots behind for the family. As we speak, 1 plot of that land is worth about 100 Million Naira. So my friend and his family is sitting on 400 Million Naira worth of land, and that's over 1000% profit... Now that's value.

Real estate, especially land can never depreciate, so I see it as a solid avenue to generate wealth.





## Why was it important for you to tackle power in the real estate industry?

As we all know that power is one of the major factors affecting the real estate industry, which makes it imperative to tackle. However, we decided to tackle power based on the following reasons.

- a. The switch to renewable energy is becoming rampant in developing countries, and it seems to be the future.
- b. Affordable and Clean Energy is the 7th UNDP Global Sustainable Development Goals which makes it important to achieve
- c. Considering the health hazards from using power generators, and the noise pollution, we'd rather live in an environment that's free from these deadly machine.
- d. The energy is tapped from the sun, and it's never ending.

After much research, we deemed it fit to position our company to harness the opportunities that will come from tackling power through real estate.



## Why do you see the need to expand the brand Novarick?

The Novarick brand was borne out of sheer passion for value addition, it stands for a company that puts the customer first. The Novarick brand has subsidiaries in Energy, Agriculture, communications and construction, all being designed to better improve the lives of Nigerians within this sphere. We want to reach out all over Nigeria and Africa, we want to be the pacesetters for green and clean communities and other innovative solutions across the continent.



*We want to reach out all over Nigeria and Africa, we want to be the pacesetters for green and clean communities.*





## **Do you see yourself doing anything other than real estate and what would that be?**

Well Yes, I'm definitely going to be doing other businesses, I currently own stakes in 5 other companies as we speak (Agric, Fintech, Foodtech, Logistics and Fashion) and I want more. On the side, I want to become a farmer and a motivational speaker, and also play golf professionally.

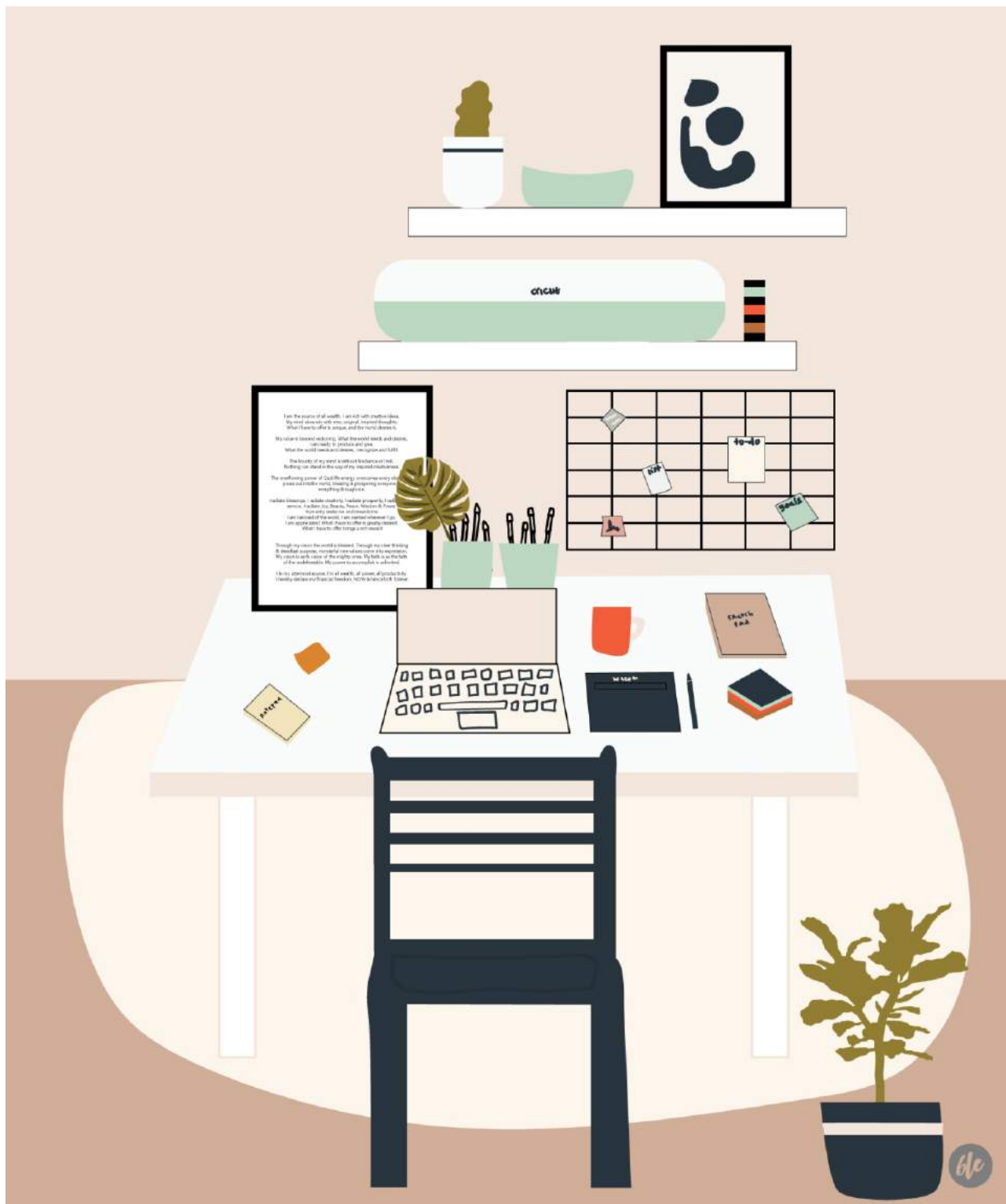
## **Has the real estate industry changed since you started and how drastically has it changed?**

A whole lot, the reception is getting higher everyday, there's more information out there a customers are getting enlightened. It used to be harder for people to invest in real estate, but now there is more room for inclusion of the lower class in getting properties. On the bigger scale, there hasn't been much change, we still have loads of empty houses that people cannot afford to live in.



Where do you see the real estate industry in the next 5 years?





## WORKSPACE

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**BUSINESS** DAY

# The Economic Club

The first edition of the Economic Club, a networking series by BusinessDay and Circa Non Pareille. The economic club offers young professionals an opportunity to network and learn from seasoned professionals in a relaxed after work environment.





The first edition covered conversations about navigating a career in law, the economy around us, effex rate and much more.



Essentially the economic club combined 3 things: the importance of cerebral conversation, helping young people understand the economy around them and culinary experiences.



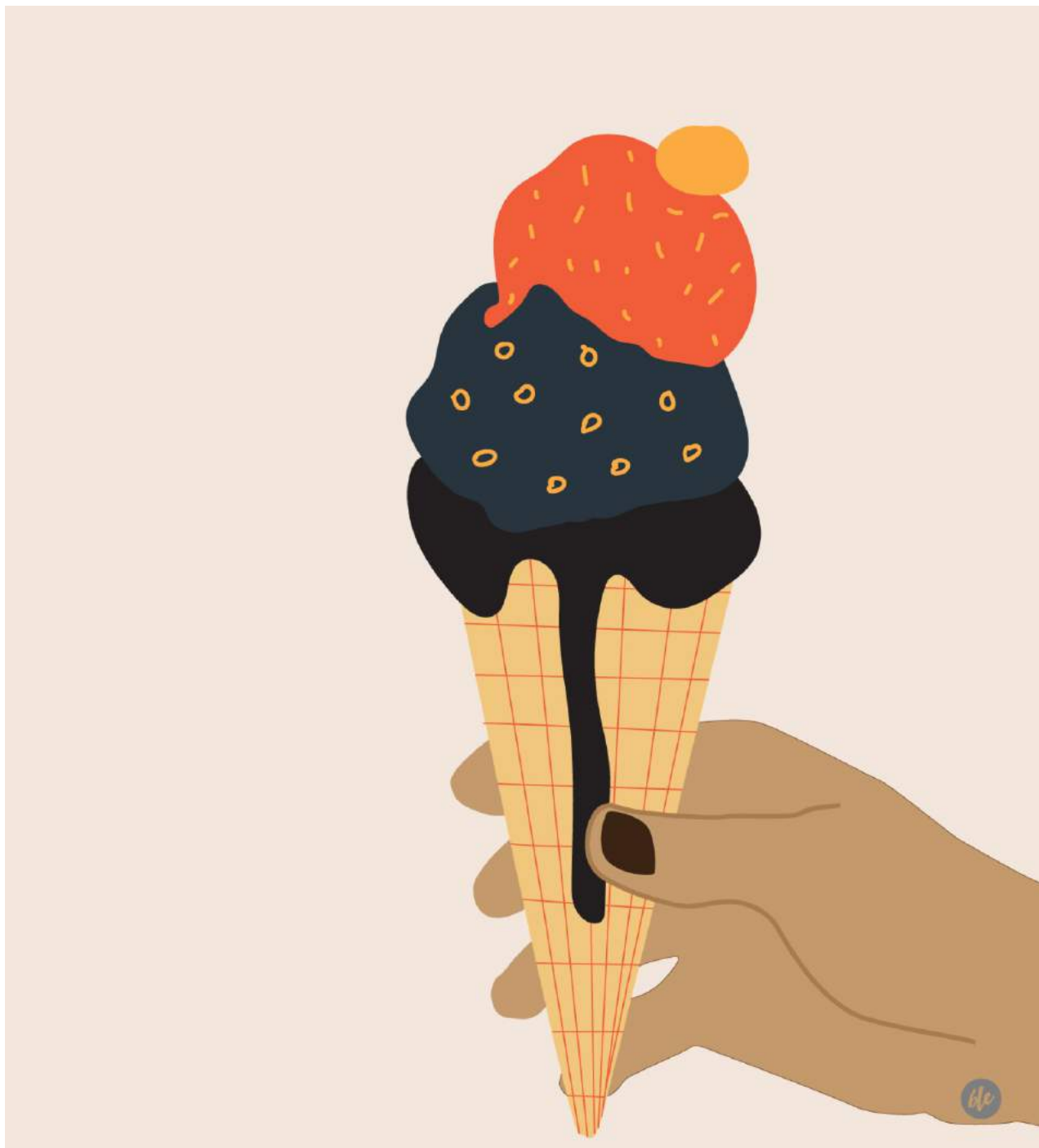




**BUSINESSDAY**

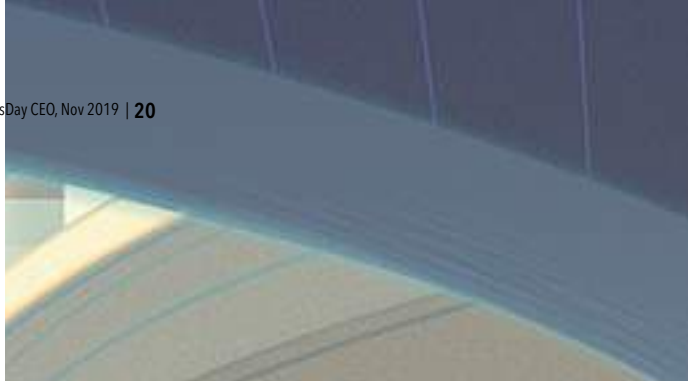
# The Economic Club

For more information please  
send an email to  
[lehle.balde@businessday.ng](mailto:lehle.balde@businessday.ng)



**ICE-CREAM**

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# First Time

It was love at first whiff.

He was 15 when he walked into Debonairs Pizza at Ikeja City Mall, and he fell in love. That smell, Lord. So amazing. He imagined this would be what abroad smelled like; rich, tasty, foreign.

The scuffed soles of his leather shoes knocked loudly against the polished tiles but the heavy buzz of conversation muted the sound. It was impossible not to notice him though; mechanics never enter shopping malls through the front door after all. But here he was, eager to celebrate the end of his apprenticeship, to taste all the wonderful things Tade had told him about. Two girls paused in the act of taking a selfie as they stared. He dropped his eyes from their gaze, pressing his elbows hard against his sides to hide a large tear in his overalls.







He tried to ignore the stares as he pressed forward.

"Welcome to Debonairs Sir. What would you like?"

Sir. They called him Sir, with their forced oyibo accents. His chest puffed up and he pointed up to the menu board at a meaty looking pizza. "Na dis one..." he started to say but as he watched the girl recoil reflexively from the wash of his breath, the sound of mean laughter cut through his speech. He turned and saw a group of beautiful people, not much older than him pointing and laughing. Shit. He'd forgotten the hole. Now his armpits were exposed.

His skin started to burn as shame washed through him. Lowering his head, he backed away from the counter careful to press his elbows down, and would have run out if there hadn't been so many bodies. Sweat dribbled through the hairs on his body and his thin grey overalls was beginning to cling.

He would have left, back to the little room he and Mama called home, but when he saw the escalator leading to the cinema, he stopped and stared, his heart starting to beat fast with hope. The cinema would be dark, Tade had said; no one would judge him in there.

But how could he get there when the stairs refused to stay in one place?

Colourful conversation floated around his head as he watched the moving stairs; food, politics, corruption, sex, school, work. Then he was ready to try.

He stepped on the flat surface but promptly lost his balance when it lifted into a stair. People laughed and some stopped to watch. He tried again, and almost fell. His armpit hole was gaping now, his overalls wet and clinging, skin burning, chest heaving with unshed tears. He gritted his teeth and his shoulders sank in defeat.

A man casually took his elbow and said, "Step on when I do."

He did, and though he grabbed the railing in fear when the stair lifted, he didn't fall.

He glided to the top, and when he finally got to the dark cinema where no one judged, he watched his movie through a sheen of tears he refused to let fall.

# First Time

By A. M. A. Chiegboka





# THE AFRICAN MILLENNIAL RADIO SHOW



WED & FRI | 2PM on



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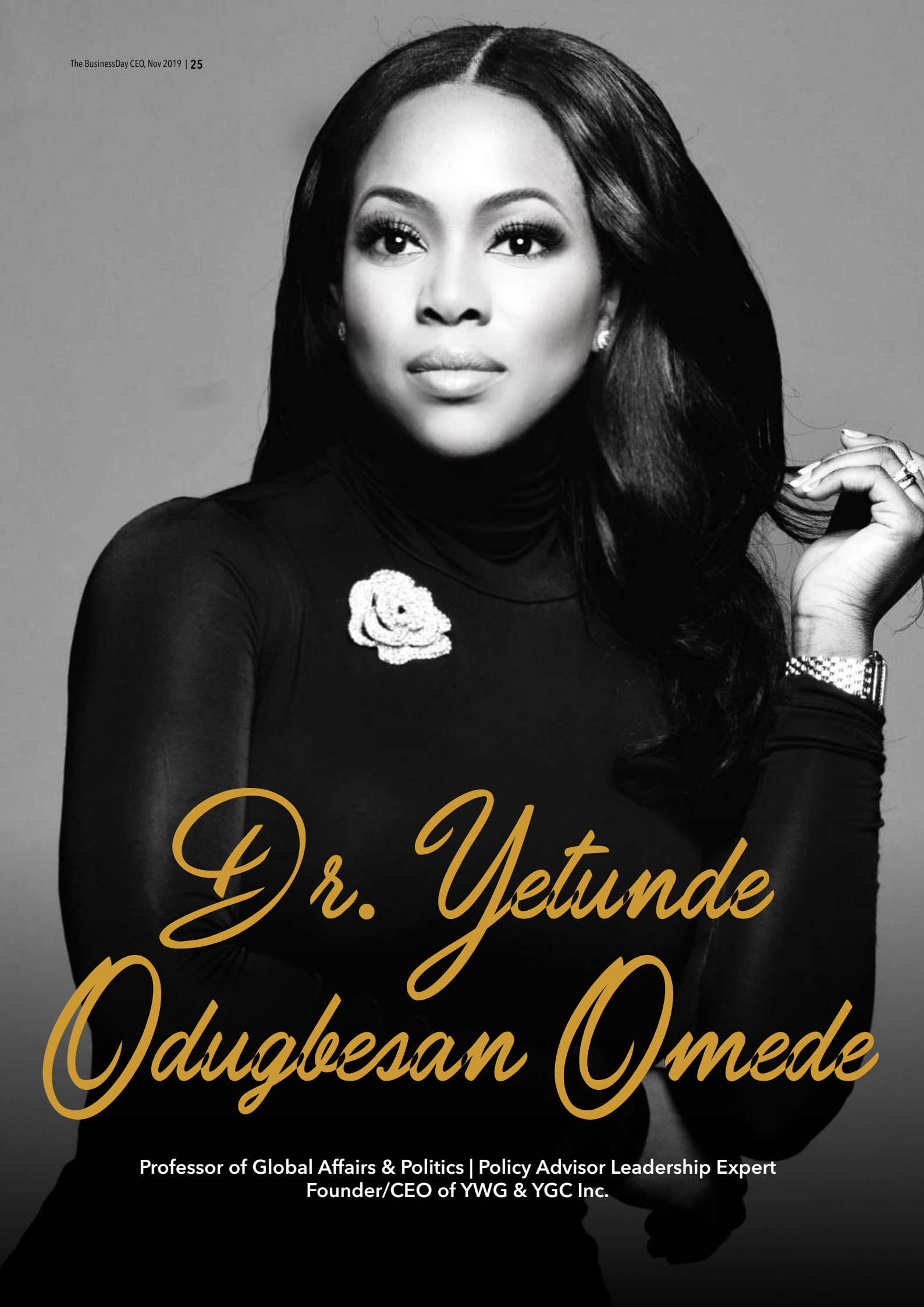


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A black and white portrait of Dr. Yetunde Odugbesan Omede. She is a woman with long, dark, wavy hair, wearing a black turtleneck top with a large, ornate, light-colored brooch on the left side of her chest. She is looking directly at the camera with a slight smile. Her right hand is raised, resting near her hair, and she is wearing a watch and a ring. The background is a plain, light color.

# Dr. Yetunde Odugbesan Omede

Professor of Global Affairs & Politics | Policy Advisor Leadership Expert  
Founder/CEO of YWG & YGC Inc.

Yetunde Odugbesan-Omede, Ph.D., is a Visiting Assistant Professor of Global Affairs and Politics in the department of History, Politics and Geography at Farmingdale State College where she teaches Comparative Politics, Women in Comparative Political Development, Imperialism, Global Politics, African Politics and Introduction to Politics. Dr. Yetunde's area of research expertise is in corruption studies and global ethics. She is also newly appointed to Universities in Exile Consortium as a member where the consortium publicly defends academic freedom, the core value of all their member institutions, and nurtures academics who have been persecuted and uprooted by creating a sense of intellectual community among exiled scholars. She is a member of Transparency International Anti-Corruption Research Network (ACRN), American Political Science Association (APSA), International Studies Association (ISA), Professionals in Foreign Policy, United Nations Association of New York, Young Professionals for International Cooperation and Global Women Leadership Collaborative and a former researcher at Rutgers Institute of Anti-Corruption Studies (RIACS).



## **What were the issues you saw that made Balance become a thought?**

Three years ago, I remember telling my husband on a drive home that my next book would be about balance. I told him that I wanted to start a global conversation on the importance of balance. Throughout the years, people would ask me, "how do you balance it all?" Being a career woman, a wife, mother of two, a woman who wears many hats...I realized earlier on "balance" was a deliberate act. It would be times where I would feel at my lowest or things just seemed stressful...it was because I was out of balance. I was putting more energy into one area of my life and neglecting the other areas that were equally important. I realized that I had to work hard to try to be present in every area of my life no matter how challenging it was. Along this discovery process, I also discovered that men too struggle with finding balance. Men often times keep these struggles to themselves and do not have the same outlets to discuss and share their own issues and fears like women do. I address all these areas in my book.





**In a world full of activities, what should be the most important things millennials should focus on?**

Self-care. In a world where there is increasing emphasis on accomplishments, accolades, acquiring material goods and more... self-care is not something publicly worthy to seek. There is a growing number of people who are in emotional and mental distress but masking it with the glorification of being busy. I want millennials to focus on their mental and physical wellbeing, to live a quality life and finds things that bring joy and happiness all while they are pursuing their various endeavors. I truly believe that if you are intentional and deliberate, you can create the life you want.

**Millennials and GenX (or older) often have conflict in orientation and approach to life, how do you think the peculiarities of both generations can be utilized?**

I think there are areas of overlap that can be explored. The issue of finding balance in ones life cuts across the generations, geographic location and more. I believe there's more to be learned from one another than focusing on what separates us.





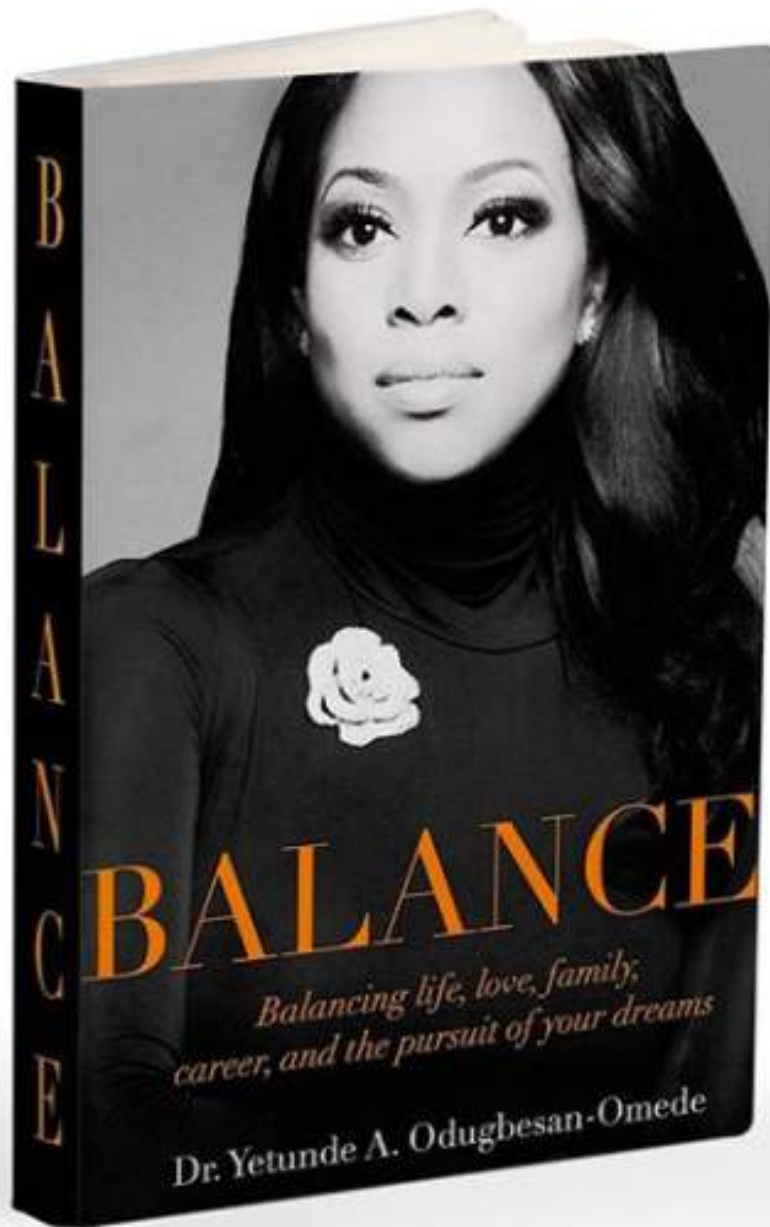


Please understand that sometimes placing emphasis on timing can be good because it keeps you focused but it's not guaranteed. Don't let time trap you into thinking you are not accomplished or not where you should be in life.



*Dr. Yetunde  
Odugbesan Omede*

Dr. Yetunde currently serves as a Senior Fellow on the Millennial Policy Initiative Commission on Gender Equity. Millennial Policy Initiative (MPI), serves as an incubator for modern policy reform and dialogues addressing our nation's most pressing challenges. Dr. Yetunde will be contributing to policy briefings, policy recommendations and collaborating with organizations including the American Civil Liberties Union (ACLU), Sierra Club, Emerge America, End Citizens United, Lawyers' Committee for Civil Rights Under Law and elected officials from across the country. The goal of the Commission on Gender Equity is to provide vital policy recommendations and to promote more equitable representation of women in elected office; to ameliorate or close the gender pay and wealth gaps; and to ensure greater protections for the civil rights and liberties of women within society.



[www.dryetunde.com/books](http://www.dryetunde.com/books)



## **On mentors and proteges, what measures should an entrepreneur put in place to effectively maximise both relationships?**

In my previous book, *Young Woman's Guide*, I have a chapter titled *Mentors*. In the chapter, I talk about the importance of knowing oneself or at least being comfortable with setting boundaries. Often times we see a lot of mentees or protégés who end up in one sided relationships with mentors because they believe that being in close proximity to someone they admire or look up to is worth enduring being berated and used all in the name of "gaining experience."

So, in order to maximize your relationship with your mentors, please temper your expectations and understand that everyone is human and no one is perfect. But also be wise and confidence enough to set boundaries where respect for oneself and the other should be the foundation. For mentors, mentorship is a form of service. It is the ability to help guide and mold someone to fulfill their highest potential, which should be treated with integrity and respect. When someone entrusts part of their lives in your hands for guidance, that should not be abused or taken for granted.



**For Millennials starting a family, working and interested in furthering their education, can you give expert advice on how to balance those over a 5 year window?**

Please understand that sometimes placing emphasis on timing can be good because it keeps you focused but it's not guaranteed. Don't let time trap you into thinking you are not accomplished or not where you should be in life. Only God truly knows what will be accomplished when and where. One of the key ways to find balance is it first recognize if you are out of balance. Ways to finding if you are out of balance, is when you see yourself putting more attention and time in certain area while the other areas in your life is lacking attention and the care that is necessary to keep it vibrant and alive.

There are a growing number of people who are in emotional and mental distress but masking it with the glorification of being busy. **I want millennials to focus on their mental and physical wellbeing, to live a quality life.**



*Dr. Yetunde  
Odugbesan Omede*





Dr. Yetunde is also the Founder of Young Woman's Guide, an organization that provides leadership development and training to young women from all backgrounds. You can learn more about her organization by visiting [www.youngwomansguide.com](http://www.youngwomansguide.com). Dr. Yetunde has held many leadership positions. She is currently an at-large member of the Alumni Leaders Council (ALC) of Rutgers University Alumni Association. Dr. Yetunde also served as a member on the 21st National Presidential Search Committee who was charged with choosing the current sitting President, Dr. Robert Barchi of Rutgers University. Dr. Yetunde is a member of United Way of Essex and West Hudson Women's Leadership Council and New Leaders Council Women's Caucus. She is also the Vice Chair of Leadership and Management for the United People for African Congress. She was appointed to serve as the Chair of Humanitarian Affairs and Social Advocacy for City of Newark African Commission under Mayor Cory Booker.



## **What are the important lessons from Balance?**

To learn more about the most important lessons from my latest book: *Balance: Balancing life, love, family, career and the pursuit of your dreams*.

You can pre-order it at [www.dryetunde.com/books](http://www.dryetunde.com/books)



*Dr. Yetunde  
Odugbesan Omede*

**In order to maximize your relationship with your mentors, please temper your expectations and understand that everyone is human and no one is perfect. But also be wise and confident enough to set boundaries where respect for oneself and the other should be the foundation.**







**WONDER**

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# five FUN

**STEPS TO  
MANAGING  
FINANCE FOR  
STARTUPS.**

Running a small business is hard enough, running a small business without money is worse. It is no longer news that owning a startup is the new cool; every millennial I know has a business idea up their sleeve. While this is great, the greater question is, how profitable is your startup? Besides the passion for your work, are you making enough money to at least pay yourself and those working on this dream with you? Because honestly, if you're unable to effectively monetize your startup, you and your dream are on the verge of going under. So, how exactly do you make profit from your startup? By learning to effectively manage your business finances. Here are five easy steps to help you achieve that:

***ASIDES THE PASSION  
FOR YOUR WORK, ARE  
YOU MAKING ENOUGH  
MONEY TO AT LEAST  
PAY YOURSELF AND  
THOSE WORKING ON  
THIS DREAM WITH  
YOU?*** **///**



# one

**Keep separate books of account for your personal finance and business finance.**

Do not mix up personal finances with that of the business, or dip into the business account to take care of personal needs. Your Business is a different entity from you. The earlier you understand that, the higher your chances at profitability.



# two

**Record ALL transactions, even the minutest of them!** All income (money coming in) and expenses (money going out) should be properly accounted for. As a business owner, you must know how much is coming in and going out on a daily basis, and where it is all coming from and going to, as this affects business' profit. Maintaining a separate account for petty cash - cash set aside for expenses incurred in the day-to-day operations of the business; e.g. cost of transportation, printing, fuel, etc. - is also very important, as it provides you with an accurate figure on how much your business spends on petty expenses each year, helping you to plan for them in the coming year.



# three

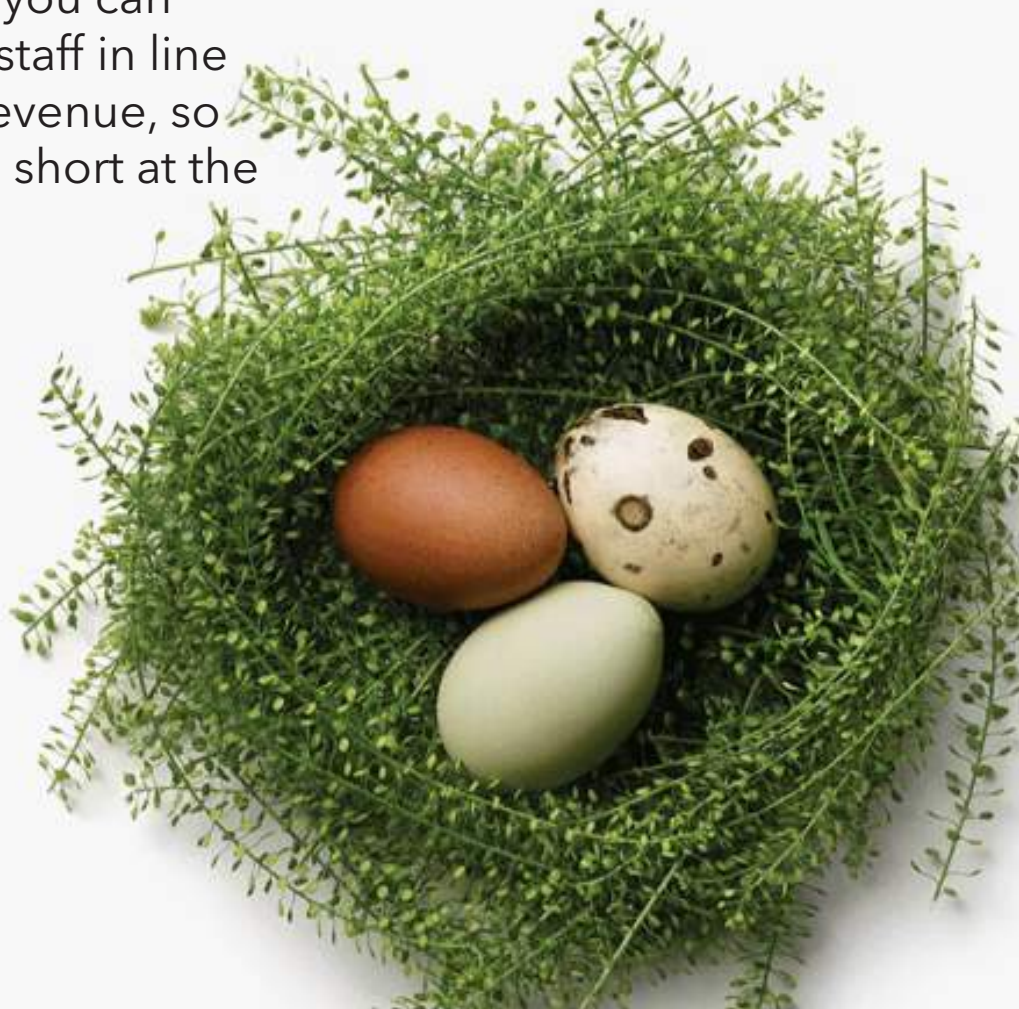
**Know your Creditors and Debtors.** I can't stress this enough. It is important you keep track of what clients owe you, and what debts you owe others. Record as much relevant data on your debtors as possible so you're able to track them in the future and/or recall the specifics of each transaction. Relevant data includes basic client information, invoice date and number, terms of agreement, amount paid and date, amount owing and due date. You should also create and adhere strictly to a debt repayment schedule for cases where you owe others, as you don't want to be tagged an *onigbese*.





# four

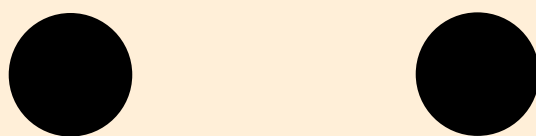
**Have a Payroll System.** Growth is an exciting prospect for startups, as your business grows, more hands on deck would be needed to make the work easier and faster. A payroll shows the number of staff you have and their respective salaries. Before going out and hiring people, it is important you calculate what you can afford to pay each staff in line with your current revenue, so you don't come up short at the end of the month.



# five

**Reduce cash holding to the barest minimum.** Automate your money process if possible, so that most of your income and expenses pass through the bank. This way, with almost no cash in hand, it would be harder to wake up and squander business finances. Remember to hold just enough petty cash for the daily running of your business.





For any comment, please contact me on  
**Instagram:** @financial\_literacy\_advocate  
or **mail** at: chidinmaokoli.oc@gmail.com







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# TWEETVOLUTION: A TWITTER REVOLUTIONARY WAVE

*Stanley Osi*



In recent years, we have witnessed a drastic change in communication, largely due to the explosion of social media and technologies. Diverse social media platforms, such as Facebook, YouTube, Instagram, Snapchat, and Twitter, have been on the rise and have also been influential in terms of growth in business size. Particularly, Twitter has become one of the popular social media platforms since its inception in 2006, with over 330 million monthly active users (Twitter, 2019), more than 40% or more specifically, 134 million on a daily basis. Statistics shows that Twitter users account for about 23% of all Internet users, and 63% of adults (ages between 35 and 65) use Twitters. Since the first tweet was sent by Jack Dorsey (@jack) on March 21, 2006, the average number of tweets per day has increased from 300,000 in 2008 to 200 million in 2011 and to 500 million as of January 2017 (Omnicores, 2017).





A young woman with her hair styled in numerous small, tight braids, each wrapped in a vibrant purple thread. She is looking down at a smartphone held in her hand. She is wearing a light-colored top with a dark, floral or geometric pattern. The background is blurred, suggesting an outdoor setting with other people.

No one can deny that social media is a very vital marketing tool in the twenty-first century, particularly amongst millennials (the future spending power), and as consumers become expressive in their thoughts and opinions about brands through their tweets and reviews, marketing has graduated to a whole new level. The use of wits and humour to push brand presence and awareness has establish itself on Twitter, and while it also built a haven for influencers to promote brands and get engagements, it has also created an air of deviation from its overly playful atmosphere to a touch of pleasure and business. Although this can be seen as a new wave of digital culture, it is also a revolution to the archetypal media participation and circulation of information. With a simple tweet, a brand could spin or die, a product could boom or lose its credibility, and in this era of information which we live in, the more the info, the more the audience.





It makes total sense that social media is influencing life. Asides from the “Blue tick”, Twitter is a leveler because while you can easily tweet at anyone, it is solely up to them to engage in return. A lot of people have taken their art to the limelight through twitter. On the 27th of February, 2019, Eli Yusuf Sarki, known as Eli Waduba (@Ewaduba) got the job of his life when he tweeted an art work of Kevin Hart, and in reply, the actor and comedian expressed his desire to purchase the painting. Another tweep, a photographer, tweeted a picture of a shoot he did for Mercedes Benz, and the brand replied and he was engaged in a conversation, more recently is the Innoson/Farouk testimony. While some have taken their chances by chasing their opportunities to the end, some others have used twitter as a room to begin their advocacy, others as a way of advertising their faux righteousness and for some others, they have carved a niche for themselves and booked a spot in the limelight. All in all, it is not always ‘Just Twitter’.

A person wearing a dark blue t-shirt is holding a gold-colored smartphone with both hands. The background is slightly blurred, showing green foliage and a blue bicycle wheel. A large, semi-transparent brown rectangle is overlaid on the left side of the image, containing white text.

For some people, twitter is more than just social media, it is another life inside of life. While for some others, it is a simple means of selling themselves through another identity. Modern day twitter is a hub for so many things, opinions, change. It is also a platform for change. The downside about this change is that sometimes it comes with some sort of misinformation, hypocrisy and clout. Other times alot of good and truthful advocacy has been unfolded and corrected. Using the Nigerian Twitter scene as a reference point, Twitter covers a wide range of topics and audience pouring out their opinions. From Political Twitter, to Football Twitter, Feminist Twitter and Relationship Twitter, Savage Twitter, Business, Tech and Brands Twitter etc. It is like an ocean filled with fishes of different colours. Most times, Political Twitter and Feminist Twitter are the hardcore Twitter premises. The high level of opinionated people ready to discredit and disagree with an opinion different from theirs is off the roof, however, these Twitter presents us with a lot to learn about things, and people.

Although Twitter is beautiful and is a creative workspace, one has to maintain a fitting reputation both on and off it, the internet always remembers, and digital footprints are everywhere. Some live to uncover scandals and sentiments, others chase clout and live on fakery, coupled with a lot of “behind the scenes” conspiracies – and with those whose lives are built around these streets, there lies the heavy task of a reputation to guard. With the weight of things that happens behind the keypads, it is only right that one gets careful with what they engage in and also what they chose to advocate for and believe in.

Don't chase clout, chase the opportunities





Don't chase  
clout, chase the  
opportunities

*-Stanley Osi*







**POWERFUL BEYOND MEASURE**

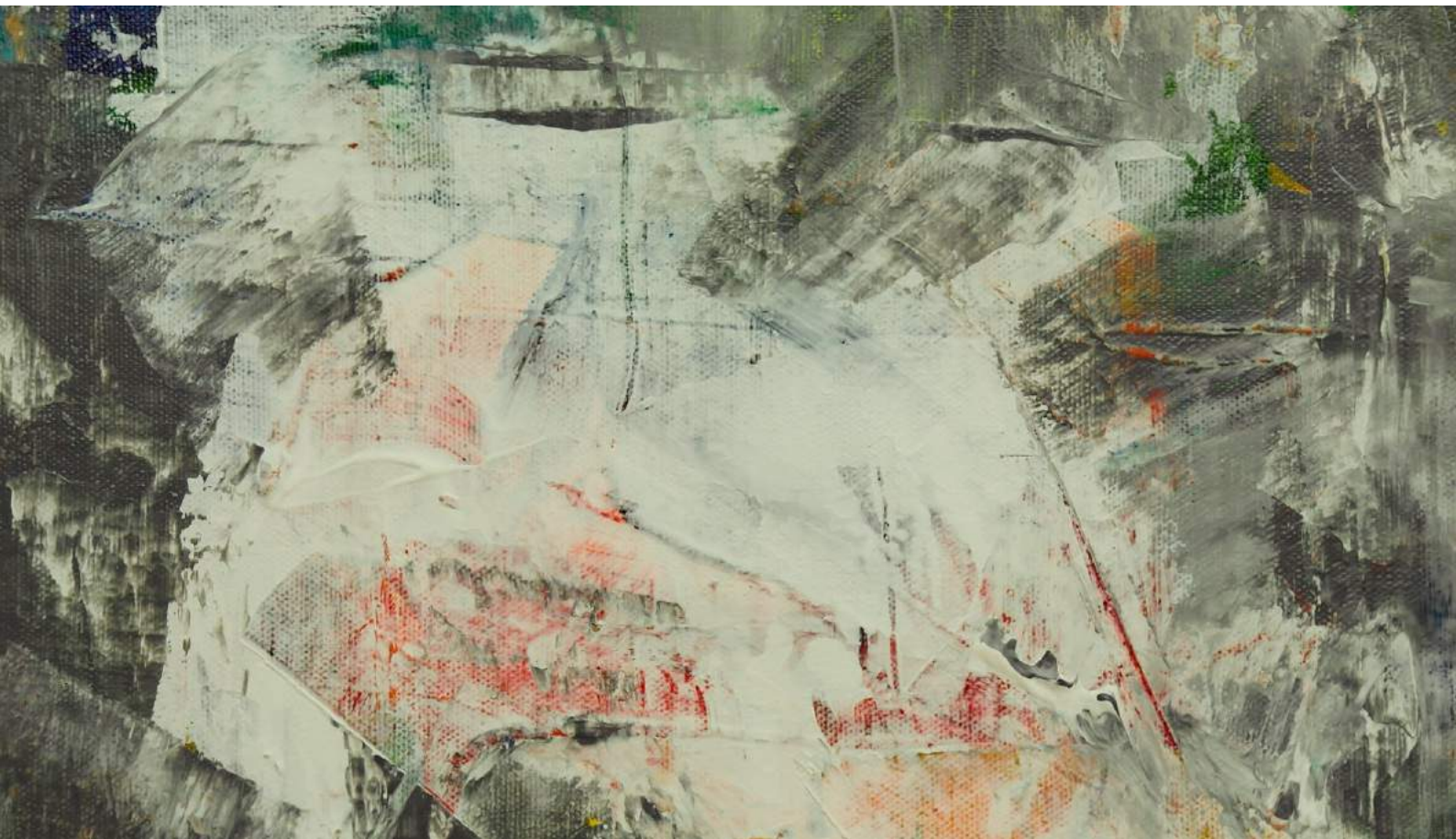
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# TAX. MINIMUM WAGE. NIGERIA.

**Dr. Temitope Laniran**

Institute for Development Studies, University of Sussex.

Centre for Petroleum Energy, Economics & Law, University of Ibadan



Nigeria's economy is recovering from the 2016 recession, albeit still fragile. GDP substantially increased to about 1.9 per cent in 2018 from 0.8 percent in 2017, off improvements in manufacturing and services, as well as spillovers from higher oil prices, and a gradually converging exchange rate.

Persisting structural and policy challenges, however, continue to constrain growth to levels below those needed to reduce vulnerabilities, lessen poverty and improve weak human development outcomes. Many Nigerians struggle to make ends meet amid rising living costs.

Over 87 million Nigerians live in extreme poverty on less than equivalent of two dollars a day. Following months of political bickering and strike action threats by Labour unions, the Nigerian government announced a new monthly minimum wage raise of approximately 66.67 per cent from 18,000 Naira (50USD) to 30,000 Naira (83USD). Despite the increase in minimum wage, Nigeria remains the lowest paying country among the emerging economies using the case of the BRICS (Brazil, Russia, India, China, South Africa). It is important to note that the values used for the BRICS economies were mostly 2018 estimates as against the 2019 estimates used for Nigeria. The value of 18,000 Naira in 2011 was (120USD) when it was enacted and as such there is a significant difference of about 37 USD in the actual value of the increase. Despite this difference, the government has been struggling with implementing this new wage, which at the



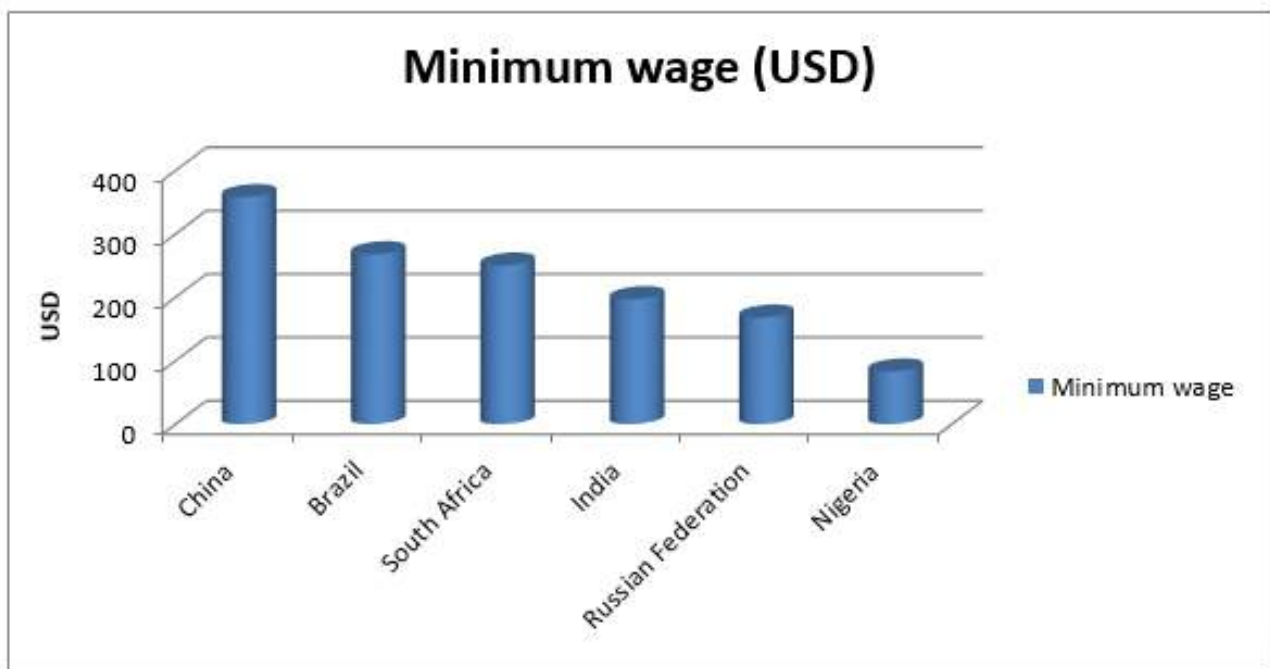


**Art by Oye**

Instagram: @artbyoye

[www.artbyoye.com/quick-portfolio](http://www.artbyoye.com/quick-portfolio)





*Source: Several Sources*

least could stimulate aggregate demand and ultimately growth.

Perhaps, this confirms the relationship between productivity and wage. While Brazil is also a significant player in the oil market, the over 10 billion USD generated from its oil export between January and June of 2018, only accounted for less than 9 percent of the country total export within the same period. In the case of Russia and Nigeria oil exports accounts for approximately 60 per cent and 90 percent of export earnings and 30: 10 percent of GDP respectively.

In the case of Nigeria, service sector accounts for about half of the GDP and industrial productivity accounts for about a quarter. Furthermore, a large infrastructure gap, low revenue mobilization, and continued reliance on

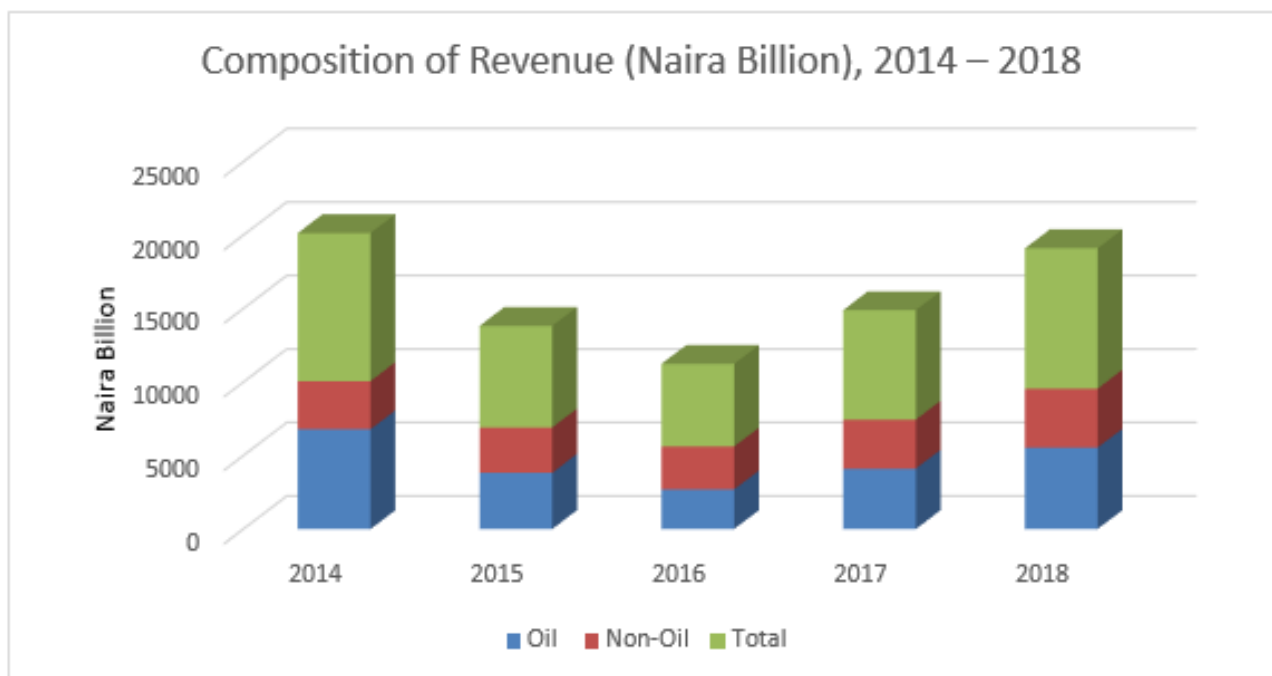


**Art by Oye**

Instagram: @artbyoye

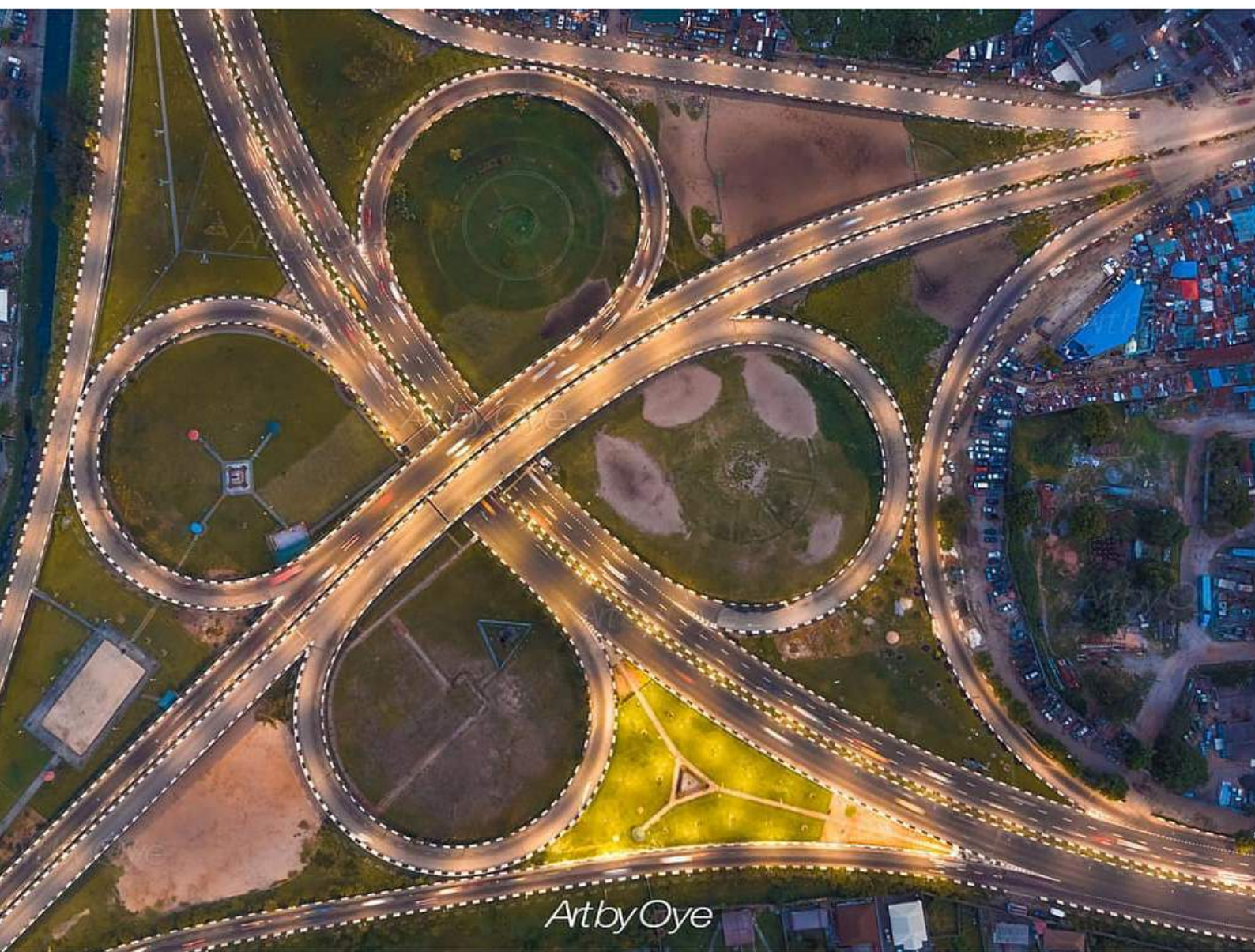
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volatile oil production and prices have continued to impede the ability of the country to fast track growth and development. In a bid to mitigate the situation, the government has funded its expenditure through alternative means such as borrowing. While debt to GDP is below most globally acceptable thresholds at approximately 19.3 percent, debt servicing currently costs approximately 31 percent of projected revenue for 2019 and about 54 percent of actual revenue recorded in 2018. With oil still accounting for more than half of the total government revenue and considering the continued volatility in the crude market as well as other exogeneities involved, there is a need to shove up government non-oil revenue.



Source: Central Bank of Nigeria Report 2019





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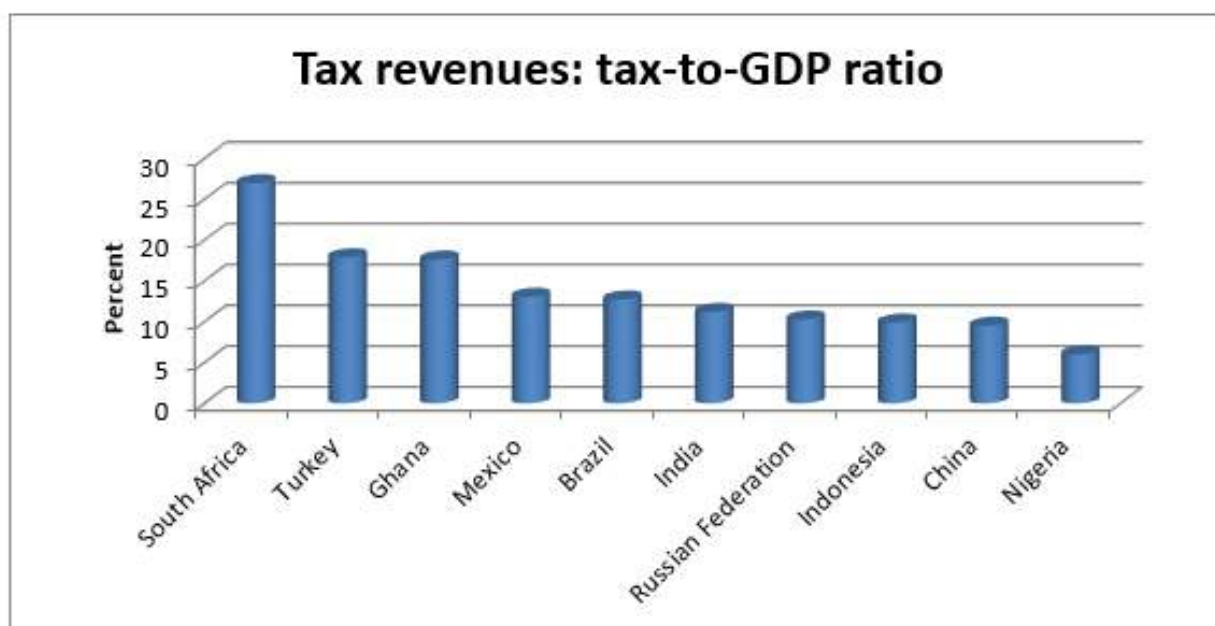
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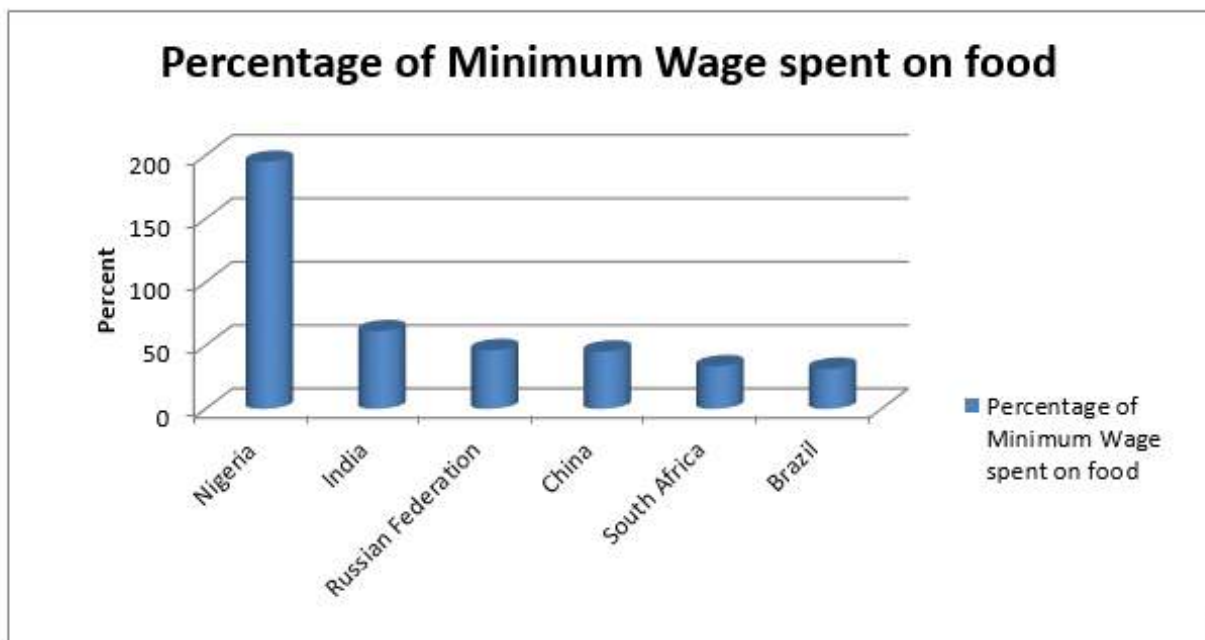
The government announced a 44 percent increase in VAT to 7.2 percent from 5 percent to help boost the non-oil revenue and help the government meet its obligations and finance development. If this scales through, the increment will imply an additional approximately 550 billion Naira revenue annually to the government. At the current 5 percent rate, Nigeria's VAT collection in 2018 totalled 1.1 trillion Naira accounting for 0.9 percent of GDP compared to about 3.8 percent for most commonwealth and ECOWAS countries.

The government has also mandated the tax collecting authorities to increase its contribution to revenue. Despite this effort the tax to GDP ratio has continued to hover around 6 percent, making it the lowest among the emerging economies using the combination of BRICS, MINT (Mexico, Indonesia, Nigeria and Turkey) and Ghana.



Source: World Bank Development Indicators 2019

Certainly, Nigeria needs to diversify its revenue base. While, additional VAT revenue will help in paying salaries, reduce budget deficits, reduce government debt and fund infrastructure and social services especially at sub national levels with the current ratio of 50: 35:15 to states, local and federal government respectively, however, this must be done in a manner that is considerate to the plight of citizens. A recent online survey revealed that Nigerians spend more than 150 percent of the minimum wage on food.



*Source: Picodi Online survey*

Implications of the recent announcement of an increase in the minimum wage would imply an almost inevitable inflationary tendency for prices of basic consumptions through the mechanism of announcement effect, following antecedents of the Nigerian consumer market and announcement of increase in minimum wage.



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Inflation rose from 11.25 percent in March when the discussion of implementation of the new minimum wage gained momentum and climaxed at 11.40 percent in May 2019. The new introduction of about 44 percent increase in VAT would therefore be detrimental to the Nigerian workers, as the gains from the increment would have already been eroded and probably leaving them worse off.

Furthermore, the introduction of an increase in the VAT which ideally would affect quite a number of goods and services would mean an increase in cost of production which producers will spread on goods and services, thereby increasing price levels. There is also the risk of less disposable income and savings and ultimately reduction in aggregate demand and less loanable funds to drive investment.

Also considering the current institutional capacity of the country and the low current tax base, some producers and service providers will evade tax and as such make, compliant businesses less competitive, due to higher margins which could ultimately stimulate growth in the black economy. Recent International Monetary Fund (IMF) data suggests that only about 13 percent of the entire Nigerian labour force of about 77 million are well documented for tax purposes, signifying the current low tax base in the country. Using 2018 Q2 data, tax from the oil sector in form of petroleum profit tax accounted for almost 40 percent of total government tax revenue, while the oil sector in itself only accounted for less than 9 percent of the real GDP. On the other hand, the non-oil





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sector which accounted for more than 90 percent of the real GDP, contributed only about 60 percent of total tax revenue. This therefore suggests a mismatch and corroborates the need to widen the current tax radar. While most major players in the oil sector may be easily taxed, the case in the non-oil sector is different considering the large size of the informal sector which accounts for more than half of the real GDP. This large size of the unorganised informal sector, mostly from the non-oil sector of the economy largely explains the current mismatch in tax revenue vis GDP contribution, as well as the low tax base in Nigeria. While, it is important to note differences in sectoral buoyancy, however, it is also important to understand the contribution of the various sectors to revenue and particularly the role of the informal sector.

Capturing the unorganised informal sector within the tax base is not just a Nigerian problem, but a challenge most developing economies are grappling with. Expanding the tax radar to capture this unorganised informal sector is however, not just daunting, but calls for caution as businesses that operate in this realm are often nascent and fragile. The ability to double or triple the current tax base at the existing rate will have an equal and corresponding impact on VAT revenue. Gains from the current cashless policy being pursued by the Central Bank if well implemented and with proper macroeconomic coordination that encourages comparing of notes between both the fiscal and monetary arms of the economy can create a situation where more previously



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uncaptured businesses and individuals can be brought beneath the tax radar.

While increasing government revenue to be able to meet its wage obligations and provide more resources for infrastructure and social services is a great idea, however, there is need for caution to avoid worsening the plight of the already poor Nigerians. Certainly some Nigerians can afford a VAT increase, however, about half of the population living below 2 dollars a day cannot. This therefore requires that government ensures it introduces some palliative measures to insulate the most vulnerable of the society. Measures such as exemptions of small businesses below a given threshold as well as essential consumables (goods and services). Also, the expansion of the tax radar to include buoyant informal sector players and emerging service sectors operators such as entertainment, leisure and digital sectors coupled with improved legislation, strengthened tax administration, broadened tax base and improved enforcement and compliance as well as incentives for good behaviour can help stem the revenue challenges of the country. Also, government can levy higher taxes above certain threshold of income.



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Finally, government needs to lead by example by ensuring all government agencies comply by remitting all revenues collected on behalf of government such as VATs from government contractors and avoid the “old order”. Transparency, honesty and sincerity of purpose on the part of government needs to be signalled to citizens to encourage tax payment and judicious utilisation of collected revenue for public goods and services will stimulate growth. Continuing the old order will only imply giving with one hand and taking back with the other hand. Government also needs to keep its focus on productivity as against just revenue, as productivity is the ultimate panacea to not just the revenue challenges, but also the exchange rate and unemployment challenges currently facing the country.

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