INTERNATIONAL TRADE FAIRS AS A SOURCE OF ECONOMIC DEVELOPMENT:

A CASE STUDY OF KADUNA INTERNATIONAL TRADE FAIR

BY

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DECLARATION

I hereby declare that this piece of research work is original and a product of my own research findings. All materials used have been duly acknowledged in the references accordingly.

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YAHAYA RUFA'I BUNGUDU

CERTIFICATION

This project report entitled INTERNATION TRADE FAIRS AS A SOURCE ECONOMIC DEVELOPMENT: A CASE STUDY OF KAUDNA INTERNATIONAL TRADE FAIR by YAHAYA RUFA'I BUNGUDU meets the requirements governing the award of the degree of Masters in Business Administration of the Ahmadu Bello University, Zaria and is hereby approved for its contribution to knowledge.

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DEDICATION

To my Parents Alhaji Yahaya and Hajiya Mairi in whose unqualified love I found the embers of inspiration to succeed.

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ABSTRACT

Chapter one of the study contains the introduction which highlights the statement of the problem objective of the study. Scope of the study, Research methodology, limitations of the study as well as the definition of some relevant terms refered to in the study.

Chapter 2 is the literature review. The chapter is divided into 3 parts viz-(1) objectives of trade fairs (2) Nigeria's Economic development in perspective aid (3) the Nigerian Financial system and the development of the economy.

Chapter 3 deals with Research Methodology and Historical background. The chapter explains the methods and sources of Data collection namely personal observation, personal discussion as well as Secondary sources. The last part of this chapter gives a brief historical background of trade fairs.

Chapter 4 is the Data presentation and analysis. The Chapter highlights the official themes of Kaduna traditional trade fair from 1976 to 1996,some notable achievements of the fair. Data of revenue generation and participants of the fair as well as records of sales of the fair. The last part of the chapter gives a find analysis of the data so presented.

Chapter 5 contains the summary, recommendations and conclusion.

ABBREVIATIONS

CBN	-	Central Bank of Nigeria
HDI	-	Human Development Index
GDP	-	Gross Domestic Product
NIPC	-	Nigeria Investment Promotion Council
SME	-	Small and Medium Scale Enterprises
NIDB	-	Nigerian Industrial Development Bank
NBCI	-	Nigeria Bank for Commerce and Industry
NERFUND	-	National Economic Reconstruction Fund
NDIC	-	Nigeria Deposit Insurance Corporation
FDI	-	Foreign Direct Investment
SAP	-	Structural Adjustment Programme
KCCIA	-	Kaduna Chamber of Commerce and Industry and Agriculture

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CHAPTER ONE

1.1 : INTRODUCTION

Nigeria's trade policy of pre-independence was designed primarily to serve the interest of the colonial power and to perpetuate dependency relations in favour of the later. As defined by the architects of colonialism the role of the colony in the international division of labour was to serve primarily as a source of raw material and markets for the products of industries of the European countries. The diverse and rich agricultural and natural resources of the country were to be exploited for the benefit of the colonial power while the large and growing population as well as the export earnings, of the country were to provide demand for the manufactured goods of the European countries. With the attainment of independence by Nigerian there was a change of policy on the development strategy. Industrialisation was accorded a high order of priority in the new nations quest for economic growth and development. The country opted for an import substitution industrialisation strategy the attainment of which requires the involvement of both the organised private sector and public sector.

The private sector has been acknowledged to be the engine of economic development and growth because it is the pivot of economic activities in a market economy. The roles of the private sector include:-

1. Creation of wealth through systematic production of desired goods and services.

2. Creation of useful employment

3. Formation of capital resources as well as the development of the capital market with a view to enhancing profit making.

4. Generating revenue for government in form of taxes customs and excise duties and levies.

5. Fostering the transfer of technology

6. Encouraging and promoting qualitative supply of professional management within the economy.

7. Inculcating higher standards of work ethnic with the motive for greater profits on the basis of high productivity.

The immense contributions of the private sector towards economic development are so visible and significant that no serious society can afford to ignore. In the light of above, various chambers of commerce and industry were formed in various parts of the country in order to strengthen the private sector to enable if perform its role effectively in the economic development of the country. These chambers of commerce often use trade fairs as avenues to provide appropriate forum for businessmen and women industrialists and entrepreneurs and other members of the general public to meet together and exchange ideas on matters of immediate concern and vital interest like the promotion of industrial goods and services as well as deliberate on the state of the economy in particular and of the larger international macro-economic sphere in general. These ultimately determine the nature of the business environment within which the trade fairs operate.

A trade fair is a place where producers can in a minimum of time, expose their kind of trade to hundreds or even thousands of prospective customers, many of whom they would never have thought of meeting or contacting. After each trade fair all businesses concluded are considered to have attained the phase of realisation. The fair is still in motion even though it is concluded by maintaining action within groups for direct contracts between the suppliers, manufacturers and the consumers. It also provides additional offers and renders services by assisting those clients to realise as easily as possible the projects or businesses they have initiated and agreed upon at the fair.

1.2 : STATEMENT OF THE PROBLEM

Trade fairs should or are expected to serve as a forum for promoting bilateral and prospective business entities among participating countries. But despite huge annual expenditures on international trade fairs by the organising bodies there is not yet any concrete success in attaining the objectives upon which the trader fairs are being held in the country. Other countries which started at the same level with us have now left us behind. Do the trade fairs play any significant role in mobilising the productive capacity of our people and economy ?.

Do the trade fairs generally promote the industrial growth and economic development of the country ?.

1.3 : OBJECTIVES OF THE STUDY

This study is intended to show as much as possible the extent to which Kaduna international trade fair has contributed to the economic development of the country. At the end of the study it will be analysed as to whether the trade fair has achieved some of the noble objectives it was intended to achieve when it was initiated some 20 years ago. In particular:

1. Does the Trade Fairs offer information on technological novelties and innovations.
2. Does the Trade Fairs gives insight into the technological achievements of the country available up to date.
3. Does the Trade Fairs provide avenues for the display of new ideas and initiatives.
4. Does the Trade Fairs offer suppliers and consumers the choice of varied products and services.
5. Do trade Fairs provide avenues where tenders and offers for one or several products or services are secured.
6. Are business deals made and contracts signed at our International Trade Fairs

1.4 : SCOPE OF THE STUDY

The study is limited to only the Kaduna international trade fair and its impact on the economic development of the Northern part of Nigeria. The study is intended to cover the period from inception of the Kaduna international trade fair in 1976 up to 1996. The study does not intend to cover any rigorous details the level of operations of some of the companies/industries found to have been established as a result of contacts made at the trade fairs.

1.5 : RESEARCH METHODOLOGY

The main source of information on the study has being from the secondary data such as seminar papers presented annually as part of the activities marking the Kaduna international trade fair annually. Also on the field data gathered by both Kaduna chamber of commerce and industry and Federal Ministry of Commerce and Tourism during the trade fairs were used. Other materials that are deemed relevant to the study like newspapers and journals were also utilised.

1.6 : LIMITATIONS OF THE STUDY

The obvious limitation or constraint of this study is the lack of time that would have enabled me distribute questionnaires to fair participants. This is due to the fact that the trade fair usually holds once in a year and for a period of only 2 weeks maximum. My office work schedules has not allowed me to undertake such a worthy adventure.

Another constraint is the lack of detailed data on business transacted in various fields and the enquiries made during the trade fairs. These should have been collated and published by the Kaduna chamber of commerce and industry, the organisers of the Kaduna International Trade Fair.

Also I am unable to visit some of the companies/industries found to have been established as a result of contacts made at the trade fairs. This would have enable me know the present level of the productive capacities of such industries.

1.7 : DEFINITION OF RELEVANT TERMS

1. Business - A legal entity established to provide goods and services for profit making.
2. Consumer - Person(s) who patronised the goods and services provided by businesses.
3. Inflation - The rise or fall in value of goods and services, measured in the local currency.
4. Private Sector - Individuals that mobilises their personal resources for investment into the economy.

5. Budget Deficit - A situation where government spend more that its revenue.

6. Import - Substitution - A policy where items that are being imported for local consumption would now be made or manufactured from within the country either using local or imported technology.

CHAPTER TWO

LITERATURE REVIEW

TRADE FAIRS AND ECONOMIC DEVELOPMENT

2.1 INTRODUCTION:

'Trade Fairs' according to Jacques Kunstenaar 'are the oldest trade promotion instruments known to man.' Trade Fair is one of the most popular and effective means of promoting, both local and international trade. Trade fairs are indeed avenues for the exchange of business ideas as well as making business contacts. The ultimate objective and end result of visiting and/or participating in trade fairs is to make business contacts and exchange ideas with the best and brightest minds from across the country and around the world.

Trade Fairs attract enthusiastic and serious entrepreneurs from far and near. It could also be a stimulus and a source of encouragement for people to attempt investing in business. Trade Fair exposes customers to new products and services as well as provide vital information to participants. In fact trade fairs provide a clearing house for corroboration and verification of business information, data and statistics.

2.2 : OBJECTIVES OF TRADE FAIR

Trade Fairs obviously are of great relevance to businesses and by extension to the economy as a whole. The main objectives of trade fairs include:

1. To contribute by volume of business transactions conducted at the fairs to the national economy and industry.

2. To connect joint ventures in production, sales, distribution etc of products and/or services.

3. To contribute to the commercial, productional as well as the technological co-operation between entrepreneurs both locally and internationally.

4. To play a distinction role as an instrument of export-import trade promotion, exchange of ideas and as marketing points of goods and services.

5. To stimulate the uninitiated members of the society into the mechanics of business.

2.3 : TRADE FAIRS AND THE CONSUMING PUBLIC

Trade fairs are a veritable paradise for manufacturers and traders in consumer goods industry as both can promote their products both existing and new to a diverse market at a comparatively low cost. When a certain trade fair gains reputation for attracting enterprising participants from a wide range of industries, the trade fair attendance increases year by year ushering in more reputed participants. This exposes the consuming public to new and better products and services as well as providing vital information to the participants at the trade fair. Example, the turnover of a new product in a trade fair helps the manufacturer in deciding as to whether to modify the product or go into a large scale production of the product or even withdrawn the product from the market completely.

Secondly a favourable consumer reaction towards a new product or idea is a signal to other entrepreneurs to consider the manufacturing of the particular product so that the demand can match the supply. This leads to a healthy competition among the manufacturers which result in better products for the benefit of the consuming public and the economy as a whole.

Thirdly the information gained by the consumer at the fair about a particular product that is being manufactured outside the country but only marketed here at present will help the product to gain acceptability when the manufacturer later decides to introduce the same product in that country. Awareness of a particular product by consumers is an asset to a manufacturer. The amount of interest stimulated in the consuming public by a group of product and/or services is an indicator for indigenous manufacturers and/or foreign companies to explore ways and means of making them in the country either by joint ventures, licensing or direct manufacturing in the country and thereby contributing to the economic developments of the country.

2.4 TRADE FAIRS AND LARGE SCALE MANUFACTURERS

By large scale manufacture, I refer to both foreign as well as indigenous companies participating at the trade fair to exhibiting their products and services and who have investments above N100m. The indigenous companies to exchange ideas and establish business contacts with them. This interaction between the indigenous businessmen and the foreign participants at the fair can create the necessary climate for industrial/economic development in the country.

The exhibition of a new and better technology at the trade fairs can create an awareness of its existence and availability and consequently a desire to acquire it either through research inside one's own enterprise or through a collaboration agreement for manufacturing the product in the country. This can open opportunities for the export of indigenous products that could compete favourably with other products outside the country. It can be equally beneficial to the foreign manufacturer enabling him to identify a possible supplier in the country who can supply the product at reduced prices to his market.

Moreover foreign manufacturers have much to gain from the trade fairs if they have an interest to participate in the economic development of the country. At the trade fair they get a first hand information about the country, its governmental and bureaucratic set up, its economic and industrial potentials, its level of political stability thereby enabling them to estimate the possible risks involved in making an investment in the country as well as access the protective legal and financial guarantees they would require before making any investment.

2.5 THE TRADE FAIRS AND SMALL SCALE ENTREPRENEURS

The trade fairs may be able to promote the growth of small scale industries in an economy more so if they are manufacturing intermediate goods which are used as raw materials for the manufacture of a number of end products by the large scale manufacturers. The small scale entrepreneurs get the opportunity to exhibiting their products to a large audience at a comparatively low cost. This of course is a cost effective way of reaching the customer in a developing economy like Nigeria where other media means like newspapers, radio and T.V. etc are expensive or ineffective. The trade fairs are ideal places for the small scale entrepreneurs to test market their products and access the reaction of the consuming public at an economical cost.

The small scale entrepreneurs also get ideas about the products that are manufactured by other competing small scale enterprises and decide on additions to make on their own product range. They decide on which new product to make by assessing the reactions of the consuming public to products and services made by competitors in the market. If the product or service comes from a foreign manufacturer, the small scale entrepreneurs may get the chance to strike a deal for a joint venture or licensing and be the first one to introduce the same product in the local market.

The contacts established between small scale entrepreneurs and large scale manufacturers create an awareness and understanding of the problems and solutions existing in the industry in terms of manufacturing, marketing, personnel and governmental regulations. Thus trade fairs can create an opportunity for the rapid development of a strong small scale industrial sector in the country which is necessary for economic development.

2.6 TRADE FAIRS AND THE GOVERNMENT

The successful and regular running of trade fairs as well as the types of products displayed, reflect in a way the level of economic development and industrial potentials of a country. The inflow of technology into the country can be maximised through successful running of trade fairs. Hence the government has a large stake in trade fairs and their success.

The government can use trade fairs as an opportunity to highlight the features of its industrial policy. It can make clear both its objectives and policy directives so that the indigenous and foreign participants can tailor their strategies to suit government targets and to avoid conflicts at a later date. The government can also publicise its incentives and concessions in order to attract investors both local and foreign to invest in key sectors of the economy.

The government can also use trade fairs in promoting even development throughout the country. This can be done through the active encouragement of organisations such as the various state chambers of commerce and other agricultural associations to hold trade fairs in different geographical areas of the country so that the attention of large scale manufacturers and entrepreneurs could be drawn to the potentials that exist in these areas for agricultural and industrial investment.

The officials of the ministries of trade as well as commerce and tourism can use the international trade fairs for obtaining information on the latest and most relevant technology in various fields which should enable them to design and articulate an appropriate and effective industrial policy for the economic development of the country.

2.7 TRADE FAIRS AS AVENUES FOR MULTI-LATERAL CO-OPERATION

Trade fairs can highlight the enormous benefits that are derivable between the various sectors of the economy. The coming together of manufacturing, agricultural, mining, banking, commercial as well as several other sectors of the economy during a trade fair symbolises the symbiotic nature of their relationship. If properly explored this is bound to result in greater efficiency of performance for each sector as well as higher quantum coefficients for the Gross Domestic Product (GDP). For example, during a trade fair in session the manufacturer appreciates how true it is that the consumer is king/queen. He sees in the farmer or the miner the real source of his vital raw materials and further understand the relevance of the bankers whom he approaches for his finance whenever the need arises.

Co-operation between the developed and the developing countries can also be seen as more vital when the exporter from say Europe met a Nigerian importer at the trade fair and they both discuss heart-to-heart their various perspectives, potentials and limitations. They are bound to better appreciate the need to co-operate and assist each other in order to ensure the mutual benefits of trade relations.

Also foreign missions and their host government may also use the trade fairs as an avenue to emphasise the need for better and improved trade co-operation. They might as well use the trade fair opportunity to explore the possibilities of reducing trade barriers between their countries particularly in areas of relative advantage to each other.

2.8 NIGERIA'S ECONOMIC DEVELOPMENT IN PERSPECTIVE

PREAMBLE:

> "The foundation of any economic development must be rooted in partnership between the government and the people with the government assisting the individual to achieve his best in life consistent with his ability, talent and aspirations".

Alhaji Aminu Saleh (Former Secretary to Federal Military Government) at the 16th Kaduna International Trade Fair Seminar on 2nd February 1994.

2.8.1 INTRODUCTION:

Economic development encompasses growth in output and other positive changes in incomes distribution relative to Gross Domestic Product (GDP), literacy rate, employment opportunities, savings and credit availability, exchange rate of the national currency, rate of inflation etc. The contribution of all these variables should lead to an improvement in the living condition of the population. However, it is important to note that economic development is just a part of national development which encompasses all aspects of human aspirations including among other things political, social, economic, cultural and religious aspects. Certain parameters are commonly applied to measure a country's level of economic development like per capita income, literacy rate. poverty level, life expectancy rate, labour employment rate, and level of technological development among others. The world bank for instance developed a Human Development Index (HDI) to integrate some of these variables. The higher the levels of each of these variables, the higher the HDI and the economic conditions of the country.

There are two important determinants of economic development viz - institutional framework and resources availability. The institutional framework refers to the norms or rules of conduct and generally accepted ways of doing things. The level of socio-economic, and political activities of country is said to be directly proportional to the level of its economic transformation. The resources endowment of a nation includes its natural resources like land, minerals, oil, water etc and human resources both trained and untrained, skilled and unskilled, educated and the uneducated etc. The level of natural resources endowment of the country sets the pace of its economic development. However, this potential cannot be realised without adequate human resources to harness them.

2.8.2 STATE OF THE ECONOMY

Nigeria is a country with an area of 923,773 square kilometres and has a population of between 90 to 100 million people with the population growth rate of about 2.6% to 3.2% per annum. The territory stretches from the coastal waters of the Bight of Benin to the southern rim of the Sahara and is currently divided into 36 states with Abuja as the Federal Capital. The country attained political independence from Britain in 1960.

Prior to 1960, economic activity in the country was largely limited to production and marketing of agricultural produce and a few selected non-oil minerals such as tin ore and columbite. This was supplemented with the importation and marketing of foreign manufactured goods. Thus agriculture was the prime mover of the economy in terms of income and employment opportunity. In fact the country was rated as one of the most important agricultural countries in Africa, because of was self sufficient in food production and was even able to export some of its agricultural food products. The country then was the world's leading exporter of palm produce and groundnut, the second largest cocoa exporter after Ghana as well as a major supplier of rubber, cotton and Soya-beans.

After independence the new Nigerian government was then faced with the Herculean task of improving the living conditions of the people. Thus focus therefore shifted to moving the economy away from the predominantly agrarian structure to an industrialised economy through the application of appropriate legislation and incentives. Based on these the development strategy emphasised the establishment of imports substitution industries in order to reduce the importation of consumables, the provision of socio-economic infrastructural facilities as well as the financial system reform. Also the government in its effort to accelerate the pace of economic growth, actively participated in the industrial scene by establishing publicly funded core industrial projects in order to provide inputs for downstream industries in the areas of fertilizer, Iron and steel mills, petroleum and petrochemicals, water and electricity, transportation as well as provision of health services. The government also participated in banking and insurance sectors. The rationale for extensive government involvement in the economy was that the huge financial resources and high technology required for certain activities in the economy could not be provided solely through local private initiative. In retrospect however experience has shown that government seemed to have been unduly over-involved by its direct participation in the economy.

In the face of inadequate local capital and technology, the government encouraged foreign participation in the Nigerian economy in order to supplement domestic efforts. During 1970's the aggregate yearly average Foreign investment in the country was US $11.5 billion but by 1980 it went down to US $11.2 billion and further downward to US $ 11.0 billion in 1986. By 1987 Nigeria had moved from a surplus inflow of $148 million in 1975 to a negative of $614 million. The manufacturing sector which had reached a high of 44.5% of the Foreign Direct Investment (FDI) stock in Nigeria in 1975, had dropped to 30.1% in 1987. By 1995 the FDI fell sharply by an estimated US $1.1 billion. In 1995 the Federal Government repealed the exchange control Act of 1962 and the Nigerian Enterprises Promotion Decree of 1989 in order to stimulate free flow of foreign investment. The new decree no 16 of 1995 reflects the final abandonment of the indigenisation policy started under the enterprises promotion decree of 1972/73. The decree set up the Nigerian Investment Promotion Commission (NIPC) whose primary function is to encourage, promote and co-ordinate investment in the Nigerian economy.

In the financial sector of the government established the Central Bank of Nigeria (CBN) in order to foster and nurture the development of a sound monetary and financial system. The CBN which is the apex regulatory authority of the financial system was established in 1958 and commenced operation on 1st July 1959. The establishment of CBN expected the repatriation of the nations money that was hitherto invested in overseas financial markets for re-investment in Nigerian treasury bills to start off the Nigeria's money market. At the same time other financial institutions such as the Commercial banks, Merchants banks, Insurance firms and Development banks sprang up in number. As at June 1986 there were 28 and 12 Commercial and Merchant banks respectively, but the figure rose sharply to 66 and 54 Commercial and Merchant banks respectively by December 1993. However recently the financial sector has been infected by distress virus resulting in the liquidation by the CBN of 26 Banks in 1995 (commercial banks and merchant banks), as a result of which about 187,000 depositors losses N10.8 Billion of their deposited funds. In subsequent years, the government created regulatory bodies such as the Nigeria Stock Exchange, Securities and Exchange Commission, Nigeria Deposit Insurance Corporation, National Insurance Supervisory Board and Federal Mortgage Bank of Nigeria in order to supervise the functioning and orderly development of the nations financial system.

In view of the limited achievements recorded by many public enterprises, the government set out to reduce its direct participation in economic activities which the private sector could undertake more efficiently. This philosophy inform the Federal Government's privatisation and commercialisation programme adopted in 1986 through the Structural Adjustment Programme (SAP). The implementation of the programmes has made the level of government subvention to such enterprises to reduce considerably. The technical committee on privatization and commercialisation (TCPC) which was later converted into the Bureau for public enterprises has privatised about 55

Government Companies and realised over N37 billion from government divestment.

The Nigerian economy has witnessed fluctuating fortunes since 1960. Available record have indicated for instance that Nigeria has moved from a low income status to middle income and then back to low income status between 1960 to date. Also in the mid 70's, Nigeria's Gross Domestic Product (GDP) per capita was estimated to be about US $1010 up to 1980 before declining to US $250 in 1987 and about US $290 since 1990. However in terms of the world bank's Human Development Index, the country has recorded modest progress.

For example, life expectancy which was around 34 years in 1960 rose to about 41 years in 1975 and up to about 52 years from 1990. Likewise the literacy rate rose from 25 percent in 1960 to about 51% from 1990.

It is a fact that Nigeria is blessed with natural resources such as minerals, good climate, fertile soil and a large population. However these are only primary resources which can only be harnessed by appropriate capital investment, efficient utilisation and a capable/good leadership. On the whole, it can be said that the development of our resources has been adversely affected by a number of resources and institutional constraints.

One of the major resource constraints facing the country is capital inadequacy. Increasing national output requires that a nation mobilises enough financial resources through domestic savings and foreign capital inflow. Our experience in this regard is that domestic savings have not been adequate at a time when foreign capital inflow is shrinking. Some of the key factors responsible for this situation are the persistent fiscal deficit of government, unstable political and economic environment and the debt burden. The importance of a stable political environment cannot be over-emphasised. In fact many economic experts and commentators alike have highlighted that an unstable political climate contributes adversely to country's prospects for attracting and enhancing. Foreign investment inflow. The country's political environment has not been particularly conducive due to tension, fear and uncertainty.

The Federal Government domestic debt was about N1 billion in 1971. This increased to about N10 billion in 1980, N84 billion in 1990, N161 billion in 1992 and reaching N415.3 billion by 31st December 1995. In the same vein total external debt stock by 1978 stood at US $2.2 billion. This increased to US $13.1 billion in 1982, US $33.1 billion in 1990 but declined to US $27.5 billion in 1991 and increased steadily to US $32.6 billion by 31st December 1995.

Another constraint to our economic development is the weak technological base. Developing countries are dependent on the importation of foreign technologies to support their production. As most of these technologies need to be adapted for effective utilization many developing countries like Nigeria have experienced difficulties in doing this. Most often the technologies imported are capital intensive and use imported inputs. However because of our large population and the abundant natural resources, there is the need to adopt technologies that use labour and local raw materials intensively. Due to the low adaptation of these technologies, there was massive importation of both labour and raw materials even while there is a sharp decline in the foreign exchange resources.

Due to lack of adequate institutional sources of industrial funding after so many years of operation by some specialised institutional sources of long term finance like the Nigeria Industrial Development Bank (NIDB), the Nigeria Bank for Commerce and Industry (NBCI) and the various state government development finance corporations, the government saw the need for a more pointed effort at financing industrial development. This necessity informed the establishment of the National Economic Reconstruction Fund (NERFUND). The fund established by decree 2 of 1989 is primarily designed to provide long terms loans to SMEs (Small and Medium Scale Enterprises) for the acquisition of machinery and equipment and other fixed assets. The loans which have a tenure of between 5 to 10 years are designed to have a mandatory moratorium of between 1 to 3 years.

Since inception, NERFUND has granted approval to 373 industrial projects spread across the country with disbursement of about US $ 80.9 million or N2.24 billion made to over 200 projects. Over 70 of these disbursed projects have been commissioned into full commercial operation while the remaining are in various stages of active implementation.

2.8.3 MACRO-ECONOMIC POLICY IN NIGERIA

Macro-economics deals with the functioning of the economy as a whole. It entails how an economy's total output of goods and services and its application of resources are determined and what influences these aggregates to fluctuate. More specifically, macro economic attempts to explains changes in income distribution, interest rate, and prices level. Macro-economic policy is a process by which the agencies responsible for the conduct of economic policy manipulate a set of economic variables in order to achieve some desired economic objectives. The authorities responsible for macro-economic policy in Nigeria include the central Bank of Nigeria (CBN), the Federal Ministry of Finance, National Planning Commission and the Presidency. In Nigeria Macro-economic objectives include the achievement of domestic price stability, equitable distribution of income, stability of external trade relations and balance of payment equilibrium, full employment of productive resources as well as an acceptable rate of economic growth. There are usually Primary and intermediate variables adopted in the pursuit of these objectives. The Primary variables are those which the regulatory authorities have direct control over while the intermediate variables are those which the regulatory authorities have only indirect control on. Most macro-economic policy objectives are usually expressed quantitatively as target by the regulatory authorities who are believed to be in a position to determine them. For instance inflation rate is a target usually set by the regulatory and influenced by way of manipulating the money stock (intermediate variable) via bank credit or bank statutory reserves (Primary variables). Similarly the fiscal authorities may seek to control inflation through changes in revenue (intermediate variable) by fine-tuning the tax rates on household and/or corporate income (Primary variable). Owing to inherent trade-offs among policy objectives, careful and efficient planning and design are required to ensure the realisation of desired goals of policy.

Against the background of making choices among conflicting objectives and maximising the use of scarce resources policy makers generally aim at an appropriate policy design which involves striking a balance between supply and demand factors. Supply side factors include labour capital and their productivity which affects domestic output of goods and services while on the demand side factors such as income, expenditure and economic conditions in the rest of the world affect prices and volumes of exports and imports.

In Nigeria, Macro-economic policy is designed largely in the context of monetary policy as well as fiscal, trade, exchange rate and income policies. In this setting the first stop is to review economic developments and national priorities in the recent past. Next the major economic problems of the countries are identified and analysed to form the basis for sectoral forecasts. The sectoral forecasts are based on assumptions that policies of the recent past remain unchanged the outcomes of the sectoral forecasts are consolidated into a reference scenario which is intended to indicate whether existing problems are likely to be resolved without any action by the authorities. If the reference scenario is unacceptable then the authorities informed by induction and matured judgement outline some preliminary targets of macro-economic policy from which a policy package is developed to form a programme.

In the formulation of monetary policy the CBN employs various quantitative models. At the moment, the CBN uses a model consisting of identifies and structural equations. Some consistent flows have been found and developed within the monetary survey i.e CBN and commercial and merchant Banks.

Tools of Macro-economic Policy

Tools of macro-economic policy include actions in monetary, fiscal, balance of payment and exchange rate management as well other initiatives to boost aggregate supply.

Instruments of Monetary Policy: Until September 1992, Nigeria applied only the direct instruments of monetary control which involved direct administrative regulation of interest rates, fixing of credits ceiling and allocation of credit to various sectors of the economy. Administratively managed interest rates and credit ceiling sought to influence the growth in domestic credit while the direct credit programme was aimed at ensuring that credit was made available to the priority sectors of the economy viz Agricultural and Industrial sectors. The main critism of this approach to monetary policy management was that it was inefficient because of the disproportional allocation of credit in favour of the public sector and the tendency to crowd out the private sector. For instance, as fiscal deficits rose sharply and were being financed by the banking sector, actual credit available to the private sector shrink relative to its resource requirements. This factor constrained the proper development of the private sector and its contribution to gross output in the economy. The monetary authorities eventually removed selective credit ceilings from September, 1992. Effective 30th June, 1993 the country started adopting the indirect monetary policy largely through the use of open market operations (OMO) complemented by existing reserve requirements and discount rate mechanism which are intended to control the growth in money stock and achieve some desirable target of interest and exchange rates.

Instruments of fiscal policy - Fiscal policy refers to discretionary changes in the level, composition and timing of government expenditures and revenues. Fiscal expenditures (expenditures on equipment, buildings public services or social security), if directed at productive sectors of the economy could be capable of increasing output in the desired direction. Excess of expenditure over revenue results in deficit. Fiscal deficits tends to have more adverse effects on monetary aggregates and inflation if financed mainly by the banking sector. Since mid 80's the Federal Government fiscal deficits have been financed largely by the CBN. Following the adoption of indirect techniques of monetary control the strategy had been that budget deficits be financed through the money market. Similarly, the value added tax was introduced in January, 1994 in order to boost the revenue base of the Government while attempts have been made, starting from 1995 to adhere strictly to budget provisions. To this end a budget monitoring and co-ordinating committee was set up to ensure strict adherence to budgetary guidelines.

Strategies of Debt Management - Debt management straddles fiscal and monetary policies. The need to manage debts arises from the desire to minimise its burden on the economy. Debt burden emanates largely from deficits of fiscal operations and from investment of borrowed funds on projects that cannot pay for themselves. The way in which debt is managed has important implications for the overall strategy of monetary policy. In the last few years, external debt service as a proportion of total export earnings of the nation has risen sharply. In order not to stifled growth and economic stability the current strategy is to reduce the country's debt service ratio to manageable level. As a means of achieving the desired outcome various debt management strategies have been put in place. These include refinancing, rescheduling, adopting debt reduction techniques as well as seeking outright debt cancellation from external creditors. In addition the policy of restricting external and emphasising concessional loans for priority projects is still in force. Under this policy government borrowing is limited to soft loans from multinational institutions such as the World Bank, African Development Bank and European Investment Bank.

Balance of Payment and Exchange Rate Policy - Exchange rate policy involves choosing a foreign exchange management strategy and determining the rate at which foreign exchange transactions will take place. A country's exchange rate policy affects its relative price structure in domestic currency terms between tradable and non tradable items. Also exchange rate policy pursued affects the overall level of domestic prices as well as inflation target. For these reasons the particular system of foreign exchange management and level of exchange rate adopted are crucial as they are bound to have a widespread impact in terms of price movements in the entire economy. In order to ensure appropriate implementation of pricing policies in all sectors of the economy, the government ensured a greater reliance on market forces and a reduction in complex administrative controls since 1986. The Naira exchange rate for the US $ and other tradable currencies has to a large extent, been market determined. The deregulation of the foreign exchange market is yet to remove all the distortions in the market especially as the supply of foreign exchange remains very critical arising from the combined effects of rising debt service ratio and fluctuations in foreign exchange earnings from exports. In the short run the problem is how to manage demand of the foreign exchange while in the medium to long term the issue is how to reduce the debt service burden, encourage non-oil export, boost the supply of foreign exchange and unify the autonomous and official exchange rates.

2.9 THE ROLE OF THE FINANCIAL SYSTEM IN ECONOMIC DEVELOPMENT

2.9.1 INTRODUCTION:

A financial system is a conglomerate of various institutions, market instruments and operators that interact within the economy to provide financial services. Such services may include resource mobilisation and allocation, financial intermediation and facilitation of foreign exchange transactions in order to enhance international trade. The financial system thus plays an important role in the process of economic growth and development of a country. The economic development of a country is often constrained by shortage of adequate capital for investment among others. Capital accumulation process for investment requires domestic savings or foreign assistance. The implications of probably debt burden through foreign assistance which is not in form of grants make domestic savings a very critical and reliable factor in the capital formation process.

Capital formation whether financed from internal or external sources requires the mobilisation of economic surpluses. For investment to increase there must be a growing surplus over and above current consumption that can be channelled into productive sectors of the economy. The different ways of accumulating capital entails different institutional arrangement. The financial sector provides a major institutional mechanism for the mobilization of minuscule and not-so-minuscule resources from surplus units and for channelling of same to the deficit units through the extension of credit. The efficiency with which this is done greatly influences the savings-investment process and has implications for the management of the economy and the attainment of sustained economic growth and development.

2.9.2 THE NIGERIAN FINANCIAL SYSTEM AND THE DEVELOPMENT OF THE ECONOMY

Nigerian financial system comprises the regulatory/supervisory authorities, the Banking institution, Development banks, non-bank financial institutions and funds and the Nigerian capital market.

1. **The Regulatory Authorities** - These are very crucial for the functioning and orderly development of the financial system. Highlights of the various regulatory authorities are provided below:

a. The Central Bank of Nigeria (CBN) - The CBN is the apex regulatory authority of the financial system. It was established by the CBN Act of 1958 and commenced operation on 1st July 1989. The CBN promotes monetary stability and a sound financial system and also acts as a Banker of last resort to the banks. The CBN also encourages the growth and development of financial institutions. The promulgation of the CBN Decree 24 and Banks and Other Financial Institutions (BOFI) Decree 25 both of 1991 gave the bank more flexibility in regulating and supervising the banking sector and licensing finance companies which hitherto operated outside its regulatory framework.

b. **The Nigeria Deposit Insurance Corporation (NDIC)** - The NDIC complements the regulatory and supervisory role of the CBN. The promulgation of Decree No 22 of 15th June 1988 led to the establishment of the NDIC. It took off effectively in February 1989. It was set up to provide deposit insurance and related service for banks in order to promote confidence in the banking industry. The NDIC is empowered to examine the books and affairs of insured banks and other deposit-taking financial institutions. Licensed banks are mandated to pay 15/16 of 1% of their total deposit liabilities as insurance premium. A depositor's claim is however limited to a maximum of N50,000.00 (fifty thousand naira only) in the event of a bank failure. In the last four years the NDIC in collaboration with the CBN has intensified its effort to resolve the problem of distress in the banking sector.

c. **The Securities and Exchange Commission (SEC)** - SEC was established by the SEC Act of 24th September 1979, which was further strengthened by the SEC Decree of 1988. It is the apex regulatory organ of the capital market. Its major objective is the promotion of an orderly and active capital market. In doing this, the SEC has a major function of ensuring adequate protection of the investing public. Other functions of the SEC initially included the determination of the prices and the time companies securities were to be sold; approving the volume of such securities and registering all securities dealers, investment advisers and market places such as Stock Exchange branches with a view to maintaining proper standards of conduct and professionalism in the securities business. The role of the commission was further enlarged by the companies and Allied Matters Decree of 1990 which empowers it to approve and regulate mergers and acquisitions and authorise the establishment of Unit Trusts. In the course of deregulation of the capital market, the function of price determination has been transferred to the issuing houses. However the SEC still continues to maintain surveillance over the capital market in order to enhance efficiency. In 1993, the SEC issued guidelines on the establishment of Stock Exchange in furtherance of the deregulation of the capital market. Following the promulgation of the Nigerian Investment Promotion Decree 16 and the Foreign Exchange (Monitoring and Miscellenous Provisions) Decree 17 of 1995, SEC released guidelines on foreign investments in the Nigerian Capital Market.

d. **The Federal Ministry of Finance (FMF)** - The Federal Ministry of Finance advises the Federal Government on its fiscal operations and interacts with the CBN on monitory matters. Before 1991, the responsibility for the supervision and licensing of banks was shared between the FMF and the CBN. The CBN became the sole authority for the licensing of banks since 1991. The FMF is responsible for the licensing of Bureaux De Change and until 1991 was responsible for regulating Insurance companies.

e. **The Nigerian Insurance Supervisory Board (NISB)** - The NISB was established by the Insurance special supervision fund (amendment)Decree 62 of 1992. The NISB is charged with the effective administration, supervision, regulation and control of the business of Insurance in Nigeria. Its functions include the establishment of standards for the conduct of insurance business, protection of Insurance policy holders and establishment of a Bureau De Change to which complaints may be submitted against insurance companies and their intermediaries by members of the public. The NISB was established to take over the regulation and supervision of insurance business from the FMF in order to ensure better results and more effective control and supervision including ensuring adequate capitalisation and reserves, god management, high technical expertise and judicious funds placement.

f. **The Federal Mortgage Bank of Nigeria (FMBN)** - The FMBN was established by Decree 7 of 1977. It took over the assets and liabilities of the Nigeria Building Society. The main functions of the FMBN include the provision of banking and advisors services as well as research activities pertaining to housing. Following the adoption of the National Housing Policy in 1990 and the promulgation of Decree 3 of January 1991, the FMBN was empowered to license and regulate mortgage institutions in Nigeria and act as the apex regulatory body for the mortgage finance industry. In 1993, a new institution Federal Mortgage Finance was curved out of the FMBN. The financing function was thereafter transferred to the Federal Mortgage Finance while the FMBN retain its regulatory role.

2. **The Banking Institutions** - These include Commercial and Merchant banks, low income and rural sector - targeted institutions like the Peoples Bank of Nigeria and Community bank which are special purpose banks. Commercial and Merchant Banks perform a major role of financial intermediation in the economy and facilitate the payment system of the modern exchange economy. They both operate under the legal framework of the Banks and Other Financial Institutions (BOFI) Decree 25 of 1991. Prior to this the Banks activities were governed by the 1952 Banking ordinance and the Banking Act of 1969 and amendments.

a. Commercial Banks - Commercial banks started operations in Nigeria in 1892 when Standard Bank (now First Bank) of Nigeria commenced operations. The commercial banks performed three major functions namely acceptance of deposits, granting of loans and the operation of the payments and settlements mechanism. Since the government commenced active deregulation of the economy in September 1986, the commercial banking sector has continued to witness rapid growth, especially in terms of the number of institutions and product innovations in the market. The number of commercial banks and their branches rose from 30 and 2397 in 1986 to 64 and 2530 respectively as at 1995. Since the enactment of the CBN and BOFI Decrees, commercial banks have been operating under a changed environment which seeks to minimise the risks associated with innovation and deregulation. The commercial banks continue to dominate the banking sector in terms of their share of total assets and deposits liabilities. The total assets/liabilities of the commercial banks increased from N315,541.5 million in 1994 to N400,292.9 million in 1995.

Available statistics show that total commercial bank credit to the economy rose from N6.3491 billion in 1980 to N44.8686 billion in 1993. The share of agricultural and industrial sectors were N462.2 and N1.9568 billion or 7.2% and 30.8% in 1980 respectively. In 1993 their shares stood at N10.7530 billion and N23.1106 billion or 24.1% and 51.8% respectively.

ɔ. **Merchant Banks** - Merchant Banks are wholesale banks in that they cater for the needs of corporate and institutional customers. Their role in the economy is to provide medium to long-term finance by engaging in activities such as equipment leasing, loan syndication, debt factoring and project financing. The 1st Merchant

Bank in Nigeria, Nigeria Acceptances Limited (NAL) started operations in 1960. By the end of 1995 there were 51 Merchant Banks with 151 branches, while their total assets amounted to N87.8 billion compared with N70 billion in 1994. Effective January 1994, Merchant banks wishing to undertake commercial banking activities could seek necessary approval from te CBN. From available statistics Merchant banks total credit to the economy rose from N712 million in 1981 to almost N12.0 billion in 1993. Of this amount agricultural and industrial sectors took N28.6 million and N304.2 million or 4% and 42.7% respectively in 1981 while in 1993 and N8.86 billion or 24.1% and 74.1% respectively.

c. **Peoples Bank of Nigeria (PBN)** - The decision to establish the Peoples Bank of Nigeria was announced by the Federal Government in the 1988 budget with an initial allocation of N30 million. The bank attained its legal status by the promulgation of Decree 22 of 1990. Specifically the bank is to meet the credit needs of small borrowers who cannot satisfy the stringent collateral requirements normally demanded by conventional banks. Thus the bank is expected to facilitate access to credit for economic operators at the grassroots and thereby increase their self reliance. Initially, it granted loans only up to N5000.00. The lending floor and ceiling were removed in 1994 and applications were henceforth to be treated on individual merits. The activities of PBN continued to expand as the number of branches stabilised at 275 in 1995. Also its total assets rose from N928.3 million in 1994 to N1,114.1 million in 1993. As at 1995 a total of N213.8m loans and advances were disbursed by the bank.

d. **The Community Banks** - A community bank in the Nigeria context is defined as a self sustaining financial institution owned and managed by a community or a group of communities to provide financial services to their community. The National Board for community banks is responsible for receiving and processing applications for the establishment of community banks. The first community bank in Nigeria commercial operations in December 1990. Since then the NBCB has issued provisional licenses to 1355 community banks. Capital and reserves, total assets deposit liabilities, loans, advances and investments of the reporting community banks were N866.7 million, N4.4481 billion, N3.3446 billion, N1.3664 billion and N465.5 million respectively in 1995. The community banks total loans and advances to commercial activities amounted to N626.7 million as at 1995.

3. **Development Banks** - Specialised banks or Development Finance institutions (DFI) are established in order to contribute to the development of specific sectors of the economy. They consist of the Nigeria Industrial Development Bank (NIDB), the Nigeria Bank for Commerce and Industry (NBCI), the Nigeria Agricultural and Co-

operative Bank (NACB) and the Urban Development Bank (UDB). These institutions are not directly under the supervision of CBN but they are mandated to submit returns on their activities to the bank. The scope of their operations is examined below:

Nigeria Industrial Development Bank (NIDB) - The NIDB was established in 1964 following the restructing of the Investment Company of Nigeria (ICON) which was established in 1959. Specially, the NIDB was set up to provide credit and other facilities to industries, particularly medium and large scale enterprises. Recently, some scale enterprises have also benefited from its financing. The NIDB sources funds from banks, the CBN the Federal Government and the International Finance Corporation. The total assets of the NIDB amounted to N6.0 billion at the end of December 1995 compared with N2.4 billion in 1994 while its cumulative loan disbursements rose to N831.0 million from N612.8 million in the same period. The loan sanctions were widely spread among the various sub-sectors of the company. NIDB's total disbursements for various projects (including agro-allied industries) grew from N50.3 million in 1980 to N1.2945 billion in 1992.

Nigerian Agricultural and Cooperative Bank (NACB) - The NACB was established in 1973 mainly to finance agricultural development projects and allied industries. In its operations, the bank usually interacts with states ministries of agriculture. It also source its funds from government subventions, loans from international finance institutions such as International Bank for Reconstruction and Development Bank (IBRO), African Development Bank (ADB), European Investment Bank (EIB) and International Fund for Agricultural Development (IFAD). The banks also derives funds from short falls from banks that fail to comply with the guidelines on minimum credit to the agricultural sector. The shortfalls are deposited by the CBN into NACB's account for onward lending to farmers. In 1980 NACB disbursed the sum of N28.6 billion and by 1992 the amount disbursed rose to N4.715.5 billion, while the number of projects financed rose from 66 in 1980 to 436,526 in 1993. NACB's total assets and liabilities amounted to N5.8192 billion in 1994 while loans totalling N3.1796 million were made in respect of 68945 projects as at the end of September 1995.

c. **The Nigeria Bank for Commerce and Industry (NBCI)** - Following the promulgation of the Nigerian Enterprises Promotion Decree of 1972, there was the need to develop indigenous enterprises, especially small and medium scale. For that reason the Federal Government through Decree 22 of 1973, established the NBCI which commenced operation in October 1973. Sources of funds for the bank are subventions from the Federal Government and CBN through penalties imposed on commercial and merchant banks for credit shortfalls on loans to small and medium - scale enterprises. The bank also engages in share under-writing, project identification and feasibility studies. NBCI, loans and equity financing/investments in small businesses have continued to be of immense help in the development of SMEs in the country. Between 1980 and 1993 NBCI invested a total sum of N4.0817 billion in small and medium scale enterprises.

d. **Urban Development Bank (UDB)** - Several Nigeria cities experience problems of inadequate housing, transportation, electricity and water supply. In order to create a greater capacity for dealing with these problems, the Federal Government established the UDB through Decree 51 of 1992. The Bank has an authorised equity capital of N800 million of which N543.6 million is subscribed by the 3-tiers of government viz Federal, State and Local Governments and the Nigeria Labour Congress. The bank is expected to operate strictly as an independent profit-making institution and to provide financial resources to both the public and Private sectors of the economy for the development of urban dwellers, mass transportation and public utilities. The UDB may with the approval of the Federal Minister of Finance raise funds in local currency. Like other specialised banks, the UDB is exempted from some of the provisions of BOFI Decree of 1991.

e. Non Bank Financial Institutions and Funds. These are institutions and funds within the financial system that play important intermediating roles. These institutions are discussed below:

Insurance Companies - The Nigerian Insurance Supervisory Board (NISB) established in 1992, is the institution charged with the approval and licensing of insurance companies in Nigeria, a function performed by the Federal Ministry of Finance prior to that date. The insurance companies consist of life and non-life as well as those which engage in both functions. They mobilise relatively long-term funds and act as financial intermediaries. Their investments are mainly in government securities, public sector enterprises and the mortgage industry. The Nigerian Insurance Industry has grown tremendously over the years. The number of insurance companies operating in the country as at 1995 stood at 187. The total assets/liabilities of the 90 insurance companies that reported their activities in 1995 amounted to N15.4162 billion. Funds accruing to the industry during the year (1995) amounted to N3.9928 billion. The funds were sourced from gross medium income, "other" liabilities and insurance funds.

The Nigeria reinsurance corporation was established in 1977 to provide insurance cover for insurance companies. In addition the corporation is expected to assist the government in achieving its economic and social objectives in the field of insurance and re-insurance. All registered insurance companies in Nigeria are statutorily required to contribute 20% of the total sum insured to the Nigeria Reinsurance Corporation.

ii. **Finance Companies** - Finance companies are institutions that specialised in short-term non bank financial intermediation. They mobilize funds from investing public in form of borrowing and provide, among others, facilities for Local Purchase Order (LPO) and project financing, equipment leasing and debt factoring. Following the promulgation of BOFI decree in 1992, finance companies were brought under the control and supervision of the CBN. A total of 368 finance companies were operating in Nigeria as at the end of 1995. Their total assets/liabilities totalled N11.2659 billion.

iii. **Bureau De Change** - In order to broaden the foreign exchange market and enhance accessibility to foreign exchange, especially for small user, bureau De Change have been authorised since 1989 to act as dealers in the spot market for foreign exchange. The Federal Ministry of Finance is charged with the responsibility of licensing bureau De Change in Nigeria. As at 1995 a total of 223 buraeu De Change had been licensed to operate.

iv. **Primary Mortgage Institutions (PMIs)** - Primary Mortgage Institutions were established by the promulgation of Decree 53 of 1989. Essentially, PMIs mobilise savings for the development of the housing sector. Their total assets/liabilities as at 1995 stood at N4.6604 billion.

v. **Discount Houses** - Discount houses are a special non-bank financial institutions which specialises in mobilising funds from the surplus sectors of the economy for channelling into the deficit sectors. It does this by providing discounting/rediscounting facilities in government short-term securities. In the process of shifting from direct to indirect monetary control which places emphasis on open market operations , discount houses have been established to serve as financial intermediaries between the CBN licensed banks and other financial institutions. Four discount houses are currently operating in Nigeria. Of these, 3 of them viz First securities discount house, Express discount house limited and Associated discount house limited commenced operation in 1993 while Kakawa Discount House Limited business in 1995. Total assets of the discount houses stood at N3.43119 billion in 1995.

vi. **The National Economic Reconstruction Fund (NERFUND)**- NERFUND was established by Decree 25 of 1988 as a funding mechanism aimed at bridging the gap in the provision of local or foreign funds to small and medium - scale enterprises. The sources of funds to NERFUND consist mainly of contributions from the Federal Government the CBN and foreign sources such as the US $ 50 million from the former Czechoslovakia government and the US $ 230 million from the African Development Bank. Prospective beneficiary enterprises must be 100% Nigerian owned. Under the NERFUND scheme cumulative disbursements of N306.8 million and US $ 80.1 million were made to various projects as at 1994.

g. **Nigeria Social Insurance Trust Fund (NSITF)** - NSITF was established by Decree 73 of 1993. The main objective of the fund is to adopt a more comprehensive social security scheme for Nigerian private sector employees. The scheme was established to replace the defunct National Provident Fund (NPF) which was established in 1961 as a compulsory pension scheme for non-pensionable public servants and employees in the private sector. The NSITF inherited NPF's assets/liabilities. The scheme is expected to improve the benefit's payable to contributors. Nigerian private sector employees are expected to contribute 2.5% of their respective gross monthly incomes to the NSITF as against the flat rate of N4. monthly under the NPF scheme. In addition, each employer of the private sector is expected to contribute additional 5% of the gross monthly emolument as a supplement to the employee's contributions. As at the end of the September 1995 a total of 25,318 contributors were registered as the scheme, while a sum of N179.6 million were collected as contribution. Also while a total of 3942 applications were received only 1603 were processed and a sum of N2.2 million was paid to various claimants as at the end of September 1995.

The Nigeria Capital Market

The Nigerian Capital Market is a channel for mobilising long-term funds.

The institutions in the market include the Securities and Exchange Commission (SEC) which is at the apex and serves as the regulatory authority of the market, the Nigerian stock Exchange, the Issuing houses and the Stock Brooking Firms. The capital market is classified into 2 segments viz the Primary and Secondary market. The Nigerian stock Exchange which commenced operation in 1961 evolved from the Lagos stock Exchange. Following system Review Committee of 1976, the NSE was set up in 1977. It provides a mechanism for mobilising private and public savings and making such funds available for productive purposes. The Exchange also provides a means for trading in existing securities. To encourage small as well as large-scale enterprises gain access to public listing, the NSE operates the main Exchange for relatively large enterprises and the Second-Tier Securities Market (SSM) where listing requirements are less stringent, for small and medium-scale enterprises. The major instruments used to raise funds in the market include equities, debentures, bonds and stocks.

The Primary Market - This is a market for new issues of securities. The mode of offer for the securities traded in this market includes offer for subscription, rights issues, offer for sale and private placement. In aggregate, a total of 21 issues involving 1.0379 billion shares worth N4.4242 billion were raised in the market in 1995 compared with 28 new issues involving 1.0379 billion shares worth N2.1616 billion in 1994.

The Secondary Market - This is a market for trading in existing securities. This consists of exchanges and over-the-counter markets where securities are bought and sold after thier issuance in the Primary market. Activities in the Secondary market have increased substantially over the years. There are six trading floors in Nigeria Lagos, Kaduna, Kano Ibadan, Port Harcourt and Onitsha. The number of stock brokers trading on the Exchange increased from 140 in 1994 to 162 in 1995. The market capitalisation rose from N65.5 billion in 1994 to N171.1 billion in 1995.

The Unit First Scheme - This is a mechanism for mobilising the financial resources of small and big savers and managing such funds to achieve maximum reforms with minimum risks through efficient portfolio diversification. Efficiently managed unit trust schemes offer the advantages of law costs, liquidity and high returns. The promulgation of the companies and Allied Matters Decree of 1990 provided the legal framework for the establishment of Units Trusts. The first unit trust was launched in December 1990. The number of unit trust Schemes stood at 12 in 1995.

CHAPTER THREE

RESEARCH METHODOLOGY AND HISTORICAL BACKGROUND

3.1 : INTRODUCTION:

I have personally attended several Kaduna and Lagos International Trade Fairs in Session as an observer and visitor. Over time I begin to wonder as to whether these International Trade Fairs do actually contribute to the economic development of our great Country.

3.2 : DATA COLLECTION: METHODS AND SOURCES

3.2.1 Observation:- My own personal observations on happenings at the Trade Fair grounds gives me a pool of data on what transpires at the trade fair sessions.

3.2.2 Discussions:- Also I was able to have personal discussions with some participants and visitors alike at the Trade fairs in Session.

3.3 : SECONDARY SOURCES:

Also information collected from Secondary sources were utilised. The main sources include:-

1. Reports on Kaduna International Trade Fairs collected by the Federal Ministry of Commerce and Tourism Kaduna.
2. Reports on Kaduna International Trade Fairs Collected by the Kaduna Chamber of Commerce, Industry and Agriculture.
3. Seminar papers presented at the pre-Trade Fair seminars.

4. Trade Journals - Publications by the Kaduna Chamber of Commerce, Industry and Agriculture
5. CBN BULLION - A quarterly publication of the CBN (Various Issues).
6. CBN BRIEFS - A monthly publication of the CBN (Various Issues)
7. Business Times Newspapers - Various Issues.

3.4 : HISTORICAL BACKGROUND

Trade Fairs started as far back as 1859 when Britain held the LONDON GREAT EXHIBITION during the reign of Charles I. The purpose of that fair was to exhibit industrial goods to the World in the wake of the Country's industrial revolution. The first international trade fair took place at HYDE PARK in LONDON in 1957 which attracted more than 14000 people and became a model for later exhibitions.

In Nigeria the history of trade fair dated as far back as 1953 when the 1^{st} Domestic Trade Fair was held in Lagos. The first International Trade Fair in Nigeria was held between 27^{th} October, 1960 to 18^{th} November, 1960 in Lagos as part of the independence celebration. The first Kaduna domestic trade fair started in 1976 when only about 20 companies participated with 35 stands erected. The last domestic trade fair was held in 1978 which attracted 125 participants from within the Country. In 1979 the fair was expanded to included International Businesses and became what is known today as KADUNA INTERNATIONAL TRADE FAIR. The fair has been holding at its temporary site at Murtala Mohammed Square, Kaduna until in 1994 when for the first time it was shifted and held at its permanent site along Kaduna-Zaria express way. For each year that the fair was held a theme is usually given to it which reflects the objective that the organisers of the fair i.e. Kaduna Chamber of Commerce Industry and Agriculture intended to achieve at the end of the event. Also a Pre-Trade Fair Seminar is usually held annually where intellectuals, business men and other interested members of the society meet together and exchange ideas on matters of common interest as well as deliberate on the State of the economy in general.

As earlier mentioned Kaduna Chamber of Commerce, Industry and Agriculture are the organisers of Kaduna International Trade Fair. The Chamber was established in 1976. Below are the list of past presidents and Director Generals of the Chamber:

PRESIDENTS

Alhaji M.B.G. Dogon Yaro	1978-1983
Alhaji Mohammed Hayatudeen	1983-1984
Malam Adidu Yazid	1984-1987
Mr. Isaiah Balat	1987-1991
Alhaji Mohammed Sani Aminu	1991-to Date

DIRECTOR GENERALS

Alhaji Bawa Garba	1979-1981
Alhaji Mu'azu Maiyaki	1981-1985
Alhaji Mu'azu Isah	1985-1987
Alhaji Lawal ATK	1987-1991
Alhaji Kabiru Umar	1991-1994
Alhaji Suleiman Isma'il	1994 to Date

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 : OFFICIAL THEMES OF KADUNA INTERNATIONAL TRADE FAIRS 1976 - 1996

The objective of each annual trade fair is usually stated by the organisers (i.e Kaduna Chamber of Commerce, Industry and Agriculture) via the theme of each annual trade fair should stresses the objectives that each fair is intended to achieve. Below are the official themes of each annual trade fair from 1985 to 1996.

Year	Theme
1976	Not applicable
1977	Not applicable
1978	Not applicable
1979	Not applicable
1980	Not applicable
1981	Not applicable
1982	Not applicable
1983	Not applicable
1984	Not applicable
1985	Impact of Trade Fairs on Economic Recovery.

1986 International co-operation through the development of trade, Industry and Agriculture.

1987 Sourcing of inputs for economic recovery.

1988 Marshalling global resources for rural and economic development.

1989 Co-ordinating Agriculture, Industry and Commerce for economic growth.

1990 Consolidating the gains of economic reforms.

1991 Synergy in Agriculture and Industry for rapid development.

1992 Production and export for National economic growth.

1993 Democracy in support of Commerce, Industry and Agriculture.

1994 Co-ordinating international and local efforts for financing and sustaining economic development.

1995 Creating investment opportunities for financiers in Commerce Industry and Agriculture.

1996 Promoting the enabling environment for furthering effective linkages between Agriculture and Industry for economic revatalization.

4.2 : *SOME NOTABLE ACHIEVEMENTS OF* KADUNA INTERNATIONAL TRADE FAIR

According to the Kaduna Chamber of Commerce Industry and Agriculture the organiser of Kaduna International Trade Fair over 30 companies have been established in Northern Nigeria as a result of contact made at the trade fair. Some of these companies include:

1. ABG Electronics Ltd., Kaduna
2. MG Colour Laboratories Ltd., Kaduna
3. Gaskiya Chemical Ltd., Kaduna
4. Al Ajim Communcations, Kaduna
5. Shema Industrial Ltd., Katsina
6. Green FingersLtd.,Kaduna
7. Jafco IndustriesLtd.
8. Arco SolarNigeria Ltd., Kaduna
9. SayePlastic Industry, Kano
10. Lamaco Nigeria Ltd., Kaduna
11. Abdullahi Industries Kaduna
12. Jofos Industries Ltd., Kaduna

The trade fair afforded the chief executive of ABG Electronics with the opportunity of meeting a German company dealing in electronics equipment of which he marketed their products in Nigeria. He represented the company for many years until he became a manufacturer of electronics, car radio, satellite dishes, video tapes etc. Today ABG is the chief example of Arewa Group Conglomerate consisting of ABG electronics Ltd.,ABG Magnetic Tapes Ltd., ABG Communications Ltd., and ABG Industries.

- A giant combine investor by LemacoLtd. Was displayed at the fair. The machine could reap maize, millet, rice, soya-beans and all crops common to Nigerian farmer.
- Abdullahi Industries also displayed a wide range of food processing machines that could grind wheat, millet, rice, soya beans etc into different classes. The machine could either be manually operated or motor driven.
- Pioneer Agric seeds also displayed new and improved seedlings.
- Jofos Industries Ltd developed a solar energy water pump suitable for rural areas where electricity does not exist. The system taps energy from the sun and send it to an injector which then converts the solar energy to electricity. The electricity is used to power the pump in the system and could lift water from a depth of 120 metres. The equipment could serve a village of 2000 families providing up to 200 cubic metres of water per day for 11 hours.
- National Commission for Museums and Monuments constructed on Earth House which skilfully utilised traditionally building materials

like compressed mud and grass to erect a house that was cheap and beautiful.

4.3 : KADUNA INTERNATIONAL TRADE FAIR 1979 - 1996 REVENUE GENERATION

YEAR	NO OF PARTICIPANTS	TOTAL REVENUE GENERATED
1979	205	133,239.00
1980	157	230,945.10
1981	183	403,396.12
1982	549	553,530.00
1983	349	557,653.00
1984	273	344,559.00
1985	443	586,920.00
1986	501	963,810.00
1987	586	934,572.00
1988	723	918,689.51
1989	800	1,652,754.00
1990	902	2,146,020.00
1991	603	2,643,688.00
1992	450	5,066,316.00
1993	450	7,589,371.00
1994	400	9,961,465.00
1995	450	8,397,695.00
1996	247	15,184,173.00

AREAS OF REVENUE GENERATION

1. Space Rate
2. Gate Fees
3. Sales of Participants Cards

4. Advert in the Catalogue
5. Advert in the Programme of Activities
6. Electricity Consumption Rates
7. Water Consumption Rates
8. Telephone Consumption Rates
9. Temporary Staff Registration
10. Special Day
11. Gala Night - Sponsorship and Gate Fees
12. Donations - e.g. Seminar Sponsorship
13. Car Park Fee
14. Sale of Trade Fair Forms
15. Trade Fair wall Calendar
16. Advert in Trade Fair Guide
17. Advert in Trade Fair News
18. Miscellaneous

4.4 : DATA OF PARTICIPANTS AT THE KADUNA INTERNATIONAL TRADE FAIR FROM 1979 - 1996

FAIR	YEAR	PARTICIPANTS		TOTAL
		LOCAL	FOREIGN	
1ST K.I.T FAIR	1979	124	81	205
2ND K.I.T FAIR	1980	135	22	157
3RD K.I.T FAIR	1981	139	44	184
4TH K.I.T FAIR	1982	350	199	549
5TH K.I.T FAIR	1983	300	49	349
6TH K.I.T FAIR	1984	200	73	273
7TH K.I.T FAIR	1985	391	52	443
8TH K.I.T FAIR	1986	462	39	501
9TH K.I.T FAIR	1987	503	83	586
10TH K.I.T FAIR	1988	632	91	723
11TH K.I.T FAIR	1989	703	97	800
12TH K.I.T FAIR	1990	803	99	902
13TH K.I.T FAIR	1991	501	102	603
14TH K.I.T FAIR	1992	411	39	450
15TH K.I.T FAIR	1993	407	43	450
16TH K.I.T FAIR	1994	378	22	400
17TH K.I.T FAIR	1995	437	13	450
18TH K.I.T FAIR	1996	200	47	247

4.5 : NOTABLE FOREIGN COUNTRIES THAT PARTICIPATED AT THE FAIRS DURING THE PERIOD

- Austria
- Britain
- Canada
- Republic of Germany
- France
- Hungary
- India
- Pakistan
- Israel
- Iran
- Niger
- Bulgaria

- Japan
- Egypt
- Netherlands
- Argentina
- Senegal
- U.S.A.

SOME NOTABLE COMPANIES THAT PARTICIPATED AT THE KADUNA INTERNATIONAL TRADE FAIR

- Lever Brothers Nig. PLC.
- SCOA Nig. Plc.
- G.B.O Nig. Plc.
- P.Z Nig. Plc.
- Peugoet Automobile Nig. Ltd.
- ABG Electronics
- Bank of the North Ltd.
- Union Bank Nig. Plc
- Afribank Nig. Plc.
- First Bank Nig. Plc.
- Savannah Bank Plc.
- Green Fingers Nig. Ltd.
- LEMACO Nig. Ltd.
- STYER Nig.Plc.
- ANAMCO Nig. Ltd.
- Arewa Hotels Nig. Ltd.
- Sokoto Cement Company Ltd.
- Benue Cement Company Ltd.
- Ashaka Cement Company Ltd.
- Dangote Group of Companies Nig. Ltd.
- Kabo Air Nig. Ltd.
- Kaduna Textiles Nig. Ltd.
- Nigeria Bottling Company Ltd.
- Triple Gee Nig. Plc.
- Glaxo Welcome Nig. Plc.

- NASCO Group Nig. Ltd.
- Smithklen and Bechem Nig. Plc.
- Julius Berger Nig. Plc.
- All States of the Federation
- Federal Government Parastatals like Nigerian Maritime Authority,

Nigeria Ports Authority, Nigerian Airways, Federal Capital Development Authority, Centre for Automotive Development and Design, etc.

4.6 : KADUNA INTERNATIONAL TRADE FAIR DATA OF SALES REVENUE RECORDED 1979 - 1996

YEAR	AMOUNT =N=
1979	18 Million
1980	192 Million
1981	268 Million
1982	283 Million
1983	148 Million
1984	52 Million
1985	23 Million
1986	32 Million
1987	36 Million
1988	28 Million
1989	46 Million
1990	57 Million
1991	76 Million
1992	42 Million
1993	31 Million
1994	29 Million
1995	27 Million
1996	33 Million

4.7 : DATA ANALYSIS:

The basis of the data analysis shall be based on the following criteria's.

1. Number of Exhibitors
2. Quality of Exhibitors
3. Variety and relevance of exhibits to the theme of the Fair.

4. Number, calibre and purpose of the visitors

5. Amount and/or Number of business contacts recorded

6. Latest innovation or technological break through displayed.

7. Sales volume recorded.

1. ***Number of Exhibitors***:

The average number of participants at the Kaduna International Trade Fair between 1979 to 1996 is as follows:-

Local Companies	-	400 *approximately*
Foreign Companies	-	70 *approximately*

For a country of over 100 million people to have an average annual attendance of just about 4000 Local Companies is not good enough. Equally the average number of yearly Foreign participants at 70 Companies is also not good enough.

2. ***Quality of Exhibitors***

Some of the exhibitors are indeed big names in the Local scene with Foreign affiliations.

3. **Variety and Relevance of Exhibits to the Theme of the Trade Fair**:

Most of the exhibitors in fact display same items over the years more often in total disregard of the theme of the Fair in session. Thus the objective of the trade fair in session is often relegated to the background.

4. *Number, Calibre and Purpose of the Visitors*:

Most of the visitors are not serious entrepreneurs seeking to make serious business contacts but only to make purchases on consumer goods. Like household items, cosmetics, clothes, cars etc.

5. *Number of Business Contacts Recorded*:

According to the Kaduna Chamber of Commerce, Industry and Agriculture they do not have the complete number of business contacts made at the fairs. But even going by the type of companies that were recorded to have been established as a result of contacts made at the trade fairs, they do not fall into the real sectors of industrial goods like manufacturing of motor vehicles, machinery tools and spare parts. In fact there is no much visible transfer of technology in the urgently needed sectors necessary for industrial mobilisation.

Even if some business contacts were made at the trade fairs the pertinent questions are how many of these new industrial enterprises are still in existence today, how many are still producing today and at what capacity utilisation, how many are still profitable, how many are still servicing their loans, how many have diversified and how many are still growing today ???----

6. *Latest Innovation or Technological Break Through Displayed*:

Most of the products normally exhibited at the trade fairs are either completely made and imported from outside the country or at best just assembled in the country. Thus there is little if any, transfer of technology without which any sustainable economic development could be achieved.

7. ***Sales Volume Recorded***:

Although the sales figures have significance especially when broken down into different product groups (which unfortunately could not be obtained from KCCIA) the Fluctuations are at least an indication of the downward trend that the Nigerian economy has been experiencing since 1982.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 : SUMMARY

The evolution of Trade Fairs can be seen as a concept that is modern. Trade fairs are being organised by industrialised nations in order to display and advertise their modern and sophisticated technological discoveries while the industrialising Nations stage Trade Fairs to show off their potentials and display their own studies and attempts at technological break through.

The Kaduna International Trade Fairs has been held over a period of 18 years. Between 1979 and 1983 the fair has attracted more Foreign participants with the highest attendance of about 200 Foreign Companies in 1982. This could easily be explained perhaps due to the democratic government in place at that time. When the Military took over power in 1984 the number of Foreign participants begin to dwindle until it reach an all low figure of 13 Foreign participants in 1995. This particularly affected the success of the Kaduna international Trade Fair in bringing about a meaningful impact in the economic development of the Country because it could not provide the appropriate avenue for local entrepreneurs to exchange business ideas and make contacts with their Foreign counterparts. The hostilities of the Western Countries towards the country due to the political instability of the country ultimately made many countries to shy away from participating in our Trade Fairs and thereby denying the country the Foreign capital investment necessary for any sustainable economic development.

5.2 : CONCLUSION

International Trade Fairs in Nigeria cannot by any stretch of imagination be regarded as instruments for industrial and economic development. Although the Kaduna international trade fair has been annually held since its inception from 1976 to date it has become more like trading outpost for all manner of people to just display their wares at the end of which a huge profit is declared and that all. The original idea of encouraging the exchange of business ideas as well as an avenue for channelling information on new business opportunities and material resources to productive sectors for economic development become lost in a barrage of mediocrity with passage of time.

From a casual observation of what transpires of our trade fair grounds, it is clear that most of the sales made relate to common consumer goods which are usually sold with some marginal reduction in prices. The public are thus attracted to purchase luxury goods which our industries may not be able to produce nor our economy sustain. Also most of the products normally exhibited at the trade fairs are either completely made outside the country or at best, just assembled in the country, involving little, if any, transfer of technology without which real industrialisation and economic development could be achieved.

The Federal Ministry of Commerce and Tourism noted in its report at the 14th International Trade Fair.

> "----- A part from simple consumer items like snacks, baby lotions and local textiles fabrics virtually every worthy exhibit at the trade fair was imported either in knocked down form or even fully built".

The Ministry further noted that most of our local industrialist tended to turn trade fairs into a market of buying and selling perishable goods and services. In effect therefore our own trade fairs simply promote the industrial growth of other countries who participate at the fairs.

5.3 : RECOMMENDATION:

Trade fairs can indeed bring enormous advantages to a country and thereby accelerate its economic development. But virtually all our industries depend on Foreign importation of their machinaries and spare parts as well as their raw material inputs. A sitution where even the more established manufacturing companies are operating far below their installed capacity, the country cannot seriously expect new industries to be established.

In light of the above I would like to make the following recommendations:-

1. Government should ensure that all factors of production that are necessary for reactivating existing dormant industries and establishing new ones in various sectors are put in place.

2. Government should set standards for participating in our trade fairs so that participants are chosen more carefully in order to avoid

collaborations or even investments in unproductive or premature sectors of the economy. This will also ensure that trade fairs mobilises our own industrialisation and not that of other countries by creating demands for non productive and luxury products.

3. The chambers of commerce responsible for organising trade fairs in the country should publish the details of business transactions in various fields and the enquiries made during the trade fairs. This will serve as feed back to the government for either strengthening the policies already adopted or modifying them to suit the trends exhibited at the trade fair. This will also form a data base for researchers to observe and analyse and access the impact of the trade fairs on the country's economic development.

4. Local manufacturing companies in the country should establish Research and Development (R & D) units in their organisation in order to explore opportunities for technological break through.

5. Local companies engaged in manufacturing for expert should put in place effective policy and plans for quality assurance in their production process so as to ensure effective competitiveness in the export market .

6. Nigerian Banks should also establish branches in other African Countries so as to facilitate easy access of funds and advisory

services to Nigerian exporters in such countries. This is also in line with the African Economic integration.

7. Government should evolve an appropriate industrial policy and ensure proper implementation by the various chambers of commerce which are running the International Trade Fairs. It is recommended that the Federal Ministry of Trade and Tourism should act as a central body and ensures that the collaboration agreements and possible plans for starting an industry in a vital sector initiated at the trade fairs are vetted and given proper follow up.

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