INDUSTRIAL DEVELOPMENT IN NIGERIA:
A CASE STUDY OF:
INGERIAN INDUSTRIAL DEVELOPMENT BANK LTD (NIDB)

BY

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DECEMBER 2003.

DECLARATION

I hereby declare that this project is my original work and has never been presented for any other degree. All source of information are attached in the bibliography. I therefore accept responsibility for all error and omission therein.

_____

Signature

CERTIFICATION

This project report entitled “industrial Development Financing in Nigeria: A case study of Nigerian industrial Development Bank Limited (BIDB)” meets regulation governing the award of the degree of master of Business Administration of Ahmadu Bello University, Zaria and is approved for all contribution to acknowledge and literacy presentation.

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DEDICATION

This work is dedicated to my family.

ACKNOWLEDGEMENT

My sincere appreciation goes to my supervisor and family.

Thank you all, may God bless you.

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ABSTRACT

Industrial Development has been a major cornerstone of economic development of any nation. The success of such a programme can be attributed to the methods and modes of financing the policy. The study is therefore focused on industrial Development financing in Nigeria. Since NIODB is at the apex of industrial development financing, this study is essential concerned with the role Nigerian industrial Development Bank Limited (NIDB) in the industrialization of Nigeria

Apart from the government of the day which must take certain position as regards the economic path of the country, hardly are there institutions that dedicate the growth of industries in the country. It is because of this that the author is motivated to carryout this research on the role of Nigerian industrial Development Bank Limited (NIDB) in financing the industrialization of Nigeria.

CHAPTER ONE

1.1 INTRODUCTION

The major reason for the existence of public enterprises by various governments in this country is to serve as instrument of economic development of the country. However, this history of industrial development by this government of this country is as old as that of colonization.

Prior to the establishment of the Central Bank of Nigeria, the Nigeria financial system was characterized by the absence of interdependence currency and machinery for industrial management, domination of expatriate industries, the industries were predominantly owned and controlled by foreigners, and the lack of local investment outlets resulting in excess funds being repatriated for investment overseas.

The result of this phenomenon was the obeisance of any effective machinery for industrial development financing both for the government and the private sector. There were no capital markets, or any markets, no stock exchange, no development banking institution, and a conspicuous absence of development bank habit

To correct this in the Nigerian industrial system, the Central Bank of Nigeria (CBN) was established by the Federal Government in March, 1958 under the Central Bank Act of 1958 and given the sole authority to issue legal tender currency in Nigeria, to maintain external reserves, to safeguard the international value of the currency, to promote monetary

Stability and sound financial structure in Nigeria, to act as banker and financial adviser to the Federal Government and to act as lender of last resort to the Commercial Banks.

Moreover, after the establishment of the Central Bank of Nigeria (CBN), the idea of setting up development banks was borne when it became clear that there was an urgent need for financial institutions capable of providing medium and long term capital to fill a serious gap in the industrial financial system. This is due to the fact that local investment found it difficult to raise capital for the promotion of industrial activities.

To this end, various development banks were established to take charge of the various sectors of the economy. The Nigerian industrial Development Bank Limited (NIDB) was established to speed up the industrial development of this country. The Nigerian industrial Development Bank has stood the test of time as second financier of industrialization in this country, while the Nigerian Agricultural and cooperative bank Limited (NACB), was established to finance agricultural development. This could be seen as a conscious attempt to promote the development of agriculture and industry so as to raise the per-capital involved and the standard of living of the people.

In the light of the above considerations that this research into the government participation through the Nigeria Industrial Development Bank (NIDB), an industrial development financing institution to the

development process of Nigeria is conducted under the caption “industrial Development Financing in Nigeria”.

1.2 STATEMENT OF THE PROBLEM

One of the objectives of any country is industrial development. Since independence, successive government in Nigeria have pursued various industrialization programmes with vigor. One of the ways through which governments enhance industrial development of the countries is through industrial financing since investors find it difficult to carry on with industrial activities as a result of financing constraints.

Many government that were under developed were also to develop rapidly through government participation by establishing financial institutions. To that effect policies have been declared in which particular emphasis was placed on industrial development projects.

A look at plan documents annual budgets and government policy document confirms the priority position of industry in national development strategies. Inspite of all this, Nigeria cannot be said to have made any appreciable progress along the path of industrialization.

Despite some problems, Nigeria industrial Development Bank (NIDB) has tried to play it’s role as catalyst in the industrialization process. To the extent permitted by the economic environment within which it operates, it has provided basic ingredients including medium and long term finance as well as equity funding for industrial development projects.

entrepreneurial skill in the shape of the project initiation and promoting technical expertise in project development as well as the managerial acumen or ability for steering projects out of the woods and making them operate efficiently.

On the other hand, although, the financier institutions are autonomous, it may not be wrong to say that they solely depend on the Federal Government for funds generation and are invariably affected adversely by every change of fortune in public revenue.

Open market interest rates are so high that they find it quite uneconomical to mobilize funds from the local market. That aside, the fact that foreign loan have become increasingly expensive, there is a narrow limit to how much foreign finance Nigeria industrial Development Bank (NIDB) can mobilize with required Federal Government guarantee. The study of this and other issues will be the concern of this research project.

1.3 THE OBJECTIVES OF THE STUDY

The purpose of this study is to examine the extent to which the NIDB has contributed to the execution of viable and socially desirable industrial development projects in the country.

It is also aimed at identifying any obstacles of industrial progress despite the fact that the government has spent a lot in financing projects through the NIDB. It would also be understood whether this problem of industrial growth is as a result of a poor financial system of the government

or poor management of the NIDB or the fault of the beneficiaries and executors of the projects financed by the government through the Nigerian Industrial Development Bank (NIDB).

1.4 SIGNIFICANCE OF THE STUDY

The significance of this project is fourfold. The Government, the Bank, the Nigerian investors and the society in general.

To the government, the study will reveal the extent to which NIDB has contributed to the process of industrial development through the provision of the missing factors necessary for development i.e. Capital Management skills, etc.

To the Banker, the study will analyze its performance to date taking cognizance of what it has achieved as against what it should have achieved. It is hoped this will enable banks take necessary corrective measures that should enable the bank obtain its stated objective.

To the Nigerian investor, the study would grant them the opportunity of knowing how to make the best use of the facilities provided by the NIDB.

To the society in general, it has hoped that the study would contribute to knowledge, for it would serve as a result reference material for schools and researchers in the field of industrial development.

1.5 RESEARCH METHODOLOGY

In any research work, after the problem of the topic has been identified, the next thing for the researcher to do is to make a plan of how appropriately the study can be conducted. The plan usually incorporates problems, statements and objectives of the study. Focus for the study (individuals, groups or organizations) the population and sample collection senses and types of data required, drafting of questionnaire and its administration. Data analyzes and conclusion and finally limitation through combination of methods of data gathering. The information's gathered were from secondary data published literature, primary data and oral interview.

The bulk of the data were collected from published materials, which were mainly available from NIDB Annuals Reports. Due to the scanty nature of published materials, tremendous effort were made in search of primary data and bank officials were interviewed personally by the author. Some clients of NIDB were also interviewed and very useful information was gather in the course of the interviews.

1.6 SCOPE AND DELIMITATION OF THE STUDY

This research thesis focuses on the activities of the Nigerian industrial Development Bank (NIDB) and also the role it has played in industrializing the country.

Industrial financing involves the provision of funds for the development of the nation's sector of the economy. But the scope of this study is limited to discussing only industrial development financing with the Nigerian Industrial Development Bank (NIDB) as the reference organization. Thus, non-industrial development banks are excluded in this write-up. This is because, there exists significance differences between thesis two groups banks in the type of instruments financed, loan terms, and the kind of assets financed such that each type of bank is more profitably evaluate separately.

For the purpose of this study, the period 1990 to 2993. the sections and disbursements of this period 1990 – 1993 would be examined.

1.7 DEFINITION OF TERMS

There are certain words and term in this research work, which may not be clear to the reader. Thus, the terms needed to be given operational definitions are as follows:

Industry

Is simply a group of firms producing the same or similar products for the same market. This definition is self evident as in the case of footwear (shop industry) coal (coal industry), clothing (Textile industry), oil (oil industry), etc. and not self evident in the case of single plants. Multiple products or multiple plant – multiple products firms. In the latter case

individual firm may be producing a range of dissimilar products and participating in the activities of several industries.

Industries can be small scale or large scale if the classification is based on the kind technology and they can be labour intensive or capital intensive if the grouping criterion is the type of factor of production employed.

Development

This is a concept that has received a variety of definitions from scholars. It is observed that to know a country's development one should seek to know what has happened to poverty, unemployment and inequality. If all these three have declined from high levels, then beyond this has been a period of development for the country concerned.

While some scholar observed that development involves not merely economic changes, but also social ones and in many underdeveloped countries introduce new sets of values and new concepts of society and development. For the purpose of this work the researcher has the working definition of development as the equitable sharing of benefits of any national resources to all the securities of the economy.

Finance

Is that aspect of economics that deals with the determination of government activities and expenditures, with the way by which the funds to

carry on these activities are raised (revenue) and with the effect of expenditure and revenue measures on the economy. It can also be said to be the provision of money by a government or business body for a scheme and the management of such money, especially public money.

Sanction

It means right or permission given by an authority to do something here the authority refers to the one given by the Federal Government to NIDB.

Disbursement

This is the amount of money paid to the beneficiaries by the institution.

CHAPTER TWO

2,1 INTRODUCTION

In a recent conference of development bankers of which NIDB is included, the relation between the level of economic development bank promotion activities was analyzed. In the view of the bankers. "promotional activities tender in general to reflect the level of economic development in the country concerned. Those who were most reluctant to take the lead in promoting enterprise were from countries in which there were already a large and active entrepreneurial class. While those that stressed most vigorously the need for promotional activities came from countries where investment opportunities were conspicuously absent or were hard to convince of the merit of new proposals in new fields.

But it should be noted however that the bank could create only limited increment in the demand for industrial capital through promotional activities. This is because while it is true that the bank is designed to influence economic development of which industrial development is only a component course as a result of the convergence of many kinds of institutions and activities on tangible and intangible.

The development bank therefore is only an institutions and its success in performing the functions and achieving the goals for which it was established is constrained by the interaction of all development forces on the economy in which it operates. Thus, failure on the part of the bank to promote and finance viable industrial units may be attributed to the bank

itself i.e. to it's management, its policies or its organizations. But failure may also be due to the economic environment in which it functions.

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Development Banking, is suggested, is neither so narrow in scope as to be limited to institutions financing profit oriented Private Sector investment project only, nor so broad as to be a general channel through which funds are directed to any development oriented project or programme.

2.2 DEFINITION OF DEVELOPMENT BANK

Development Banks are institutions established for the purpose of providing long-term finance for development. Examples are the Nigerian industrial Development Bank (NIDB), Nigerian Agricultural Cooperative Bank (NACB), and the Nigerian Bank for Commerce and Industry (NBCI). They do not accept deposits from the pubic and are usually owned by the government.

A number of these banks or development financing institutions were established with the assistance of the World Bank and they enjoy a lot of financial support from the World Bank in term of the provision of loanable funds. Development Banks are also involved in innovation and creativity William Diamond asserted that the two essential function of financial institutions are the mobilization of savings and their allocation Development Banks, according to Joseph H. Kane, functions between these views(i.e. the narrow and broad views). Hence he suggested that a development bank be defined as "a financial intermediary applying medium and long-term funds to bankable economic development projects and providing related services. The main consideration in selecting projects for financing is that the bank is able to revolve its funds without any problems

In their book, Development Banking in Africa. H Harlander and D. Mezger pointed out that "nothing as been gained merely by stating that a development bank is a special type institution for promoting economic development. This is because, such institution vary in type as widely as interpretations of the concept of development". Although they did not give any definition of their own they indicated the choice many authors to offer a "functional" definition in line with World Bank routine description of a development bank as "an institution whose principal function is to provide medium and long-term capital to productive enterprises in developing economies".

This definition according to the Harlander and Mezger over emphasizes the financial aspect and forget the developmental and catalytically functions, which in many cases are even move important than the mere provision of=f funds. This is especially so in African where the critical shortage of both viable projects and entrepreneurial skills is the main bottleneck in the development of most countries. Thus most African development institution offer technical, financial and management consulting services at all stage of the project.

Thus, industrial development banks, as financial intermediaries are concerned with stimulating economic development through project financing by way of lending funds, occasional equity participation and offer counseling services. The development banks are therefore one of the sizable number of institutions involved in financing and/or development activities. Invest made by other institution like Commercial Banks savings institutions, insurance companies, etc. are only to have a supportive effect, directly on economic development. This is to be expected in the context of developing economies.

In his book, money and Banking I Africa, J.K. Onoh identified industrial Development Bank as one that provides long-term loans for the acquisition of productive industrial assets. He said an important function of a development bank is to advice different types of securities with different maturity periods. Acceptable first to borrowers or loanable funds for the purpose of purchasing securities and secondly, to the lenders of such funds.

A development bank, he said, is an "indispensable institution for a country whose government is bent on indigenizing its economic base" many African countries, according to Onoh, established development banks to finance industrial projects out of their desire to promote rapid economic development and to be self reliant in industrial output. "This desire was identified as sequel to the belief by African countries that industrialization and technological acquisition will enhance their political status in world affairs. This is because international experience since the 1960s firmly suggest that the degree of nations political and economic influence in world affairs is directly proportional to its industrial and technological concentration". Thus, African countries in order to narrow the industrial and technological gap between the developing and developed countries, adopted industrialization as a major priority and even overzealously pursued to the detriment of agriculture.

2.3 INDUSTRIAL DEVELOPMENT IN THE DEVELOPING ECONOMY

The area for industrial development many initially be small compared to other sectors in a total development program. However, it is bound to be important because, if it is sound a large and significant part of an expended argued that the base of economic development in general and industrial development in particular is heavy industry and that this base must be created first, even at great sacrifice. This notion is largely founded

on the idea that heavy industry is essential to support other industries.

The field of industrial development is too often though of as being a homogenous grap-bag from which a country can take one thing or another quite indiscriminately and get something worth living. Actually the opposite is true. Industrial development possibilities are beyond number, but the economic value of possible industrial project ranges from a high plus to a very low minus.

Generally, it is cheaper for them to import need product for heavy industry from his industrialized countries, which can make them economically to a wide market. The most logical way to find new areas for industrial development is to look for projects will process further and thereby increase the value of agricultural, mining and timber products already being produced for export.

2.4.1 ESTABLISHMENT OF THE NIDB

The Nigerian industrial Development Bank Limited (NIDB) was established with initial resources of N8.5 million on 22nd January, 1964 through the reconstruction of the investment Company of Nigeria Limited which was incorporated in1959 as an industrial Development Finance Company. As at 31st December, 1975, the Nigerian Investment development Bank Limited (NIDB) has resources that stood at about N90 million mainly funded by the Federal Military Government. And at the

Same year the bank had sanctioned more than 270 investments amounting to over N134 million some of which have been fully amortized and cancelled.

According to the original memorandum and Articles of Association, the objects of the Bank among others are:

a. To carry on the business of assisting enterprises engaged in industry, commerce, agriculture and the exploration of national natural resources.

b To assist in the creation, expansion and modernization of such enterprises

c. To assist in the creation, expansion and modernization of such enterprises.

d. To encourage, sponsors and facilitate acquisition or ownership of investments, shares and securities.

e. To encourage, sponsor and facilitate participation in capital internal as well as external in such enterprises.

f. To create, expand and stimulate investment shares and securities markets.

As at now Nigerian industrial Development Bank (NIDB) does not engage in agricultural cultivation but engaged in food production of agricultural equipment or feeds.

2.4.2 PROBLEMS BESIEGING THE INDUSTRIAL DEVELOPMENT

Developing countries as a whole have now realized more than ever before that they are behind developed countries not only in industries, but also in the material standard of living and thus reduce the number of the unemployed to a minimum

The government of most of the West African countries has knitted the establishment of industries into their developmental plans. All their development programmes attached great importance to industrialization as one of the goals of development.

Ceaseless efforts are being made for industrial promotion through direct public and private investments and by creating a favourable investment climate and tax incentives for foreign investors.

Advocates of the theory of comparative advantage have continued to emphasize that developing countries e.g. Nigeria should continued to be primary producers for it is in this area they have the highest comparative advantage. The futility of this argument is brought about by the declining trend in the prices of primary products, this has placed greatest obstacle in the way of obtaining the needed foreign exchange for economic development. Let us consider in a nutshell the chief obstacle in rapid industrial development.

1. **CAPITAL SHORTAGE:** The shortage of capital is one of the major constrains to industrial development in West African countries. The West African people are generally poor and the per-capital level in

Nigerian is low. The low income of the masses coupled with a social setup which encourages a high dependency burden through the extended family systems is certainly not conclusive to large personal and internal savings.

An average Nigerian in West Africa on an income level of N120 per month and also dependent on a market for the needs of his family (one wife, 4 kids, 3 relatives or 2 wives, 2 kids, 5 relatives) will virtually end up as disadvantaged. And as it is often emphasized by many development economist e.g. Horod Domar, savings and hence investments are necessary an important prerequisite for industrial and ditto, economic development.

2. **INFRASTRUCTURE CONSTRAINTS:** Inadequate and unreliable suppliers infrastructures create some major operational problems to industrial development for industrial to develop and require adequate services are not only in short supply in West African countries. They are poorly supplied if and when they are available. Lack of infrastructure has made it expensive to set up industries and this is affecting rapid industrial development.

3. **LIMITED MARKER:** The observation of uncle Adam Amith in his 1976 book on "an enquiry into the nature and causes of wealth of Nation" that the market constitute the limiting or to the division of

labour and hence large scale production holds true in any market exchange economy such as that of Nigeria. Since the level of investment depends on the market, it will be inhibitive to the development of large-scale industries. Market size is determined by a number of considerations such as

a. The population size of the country where the industry is located

b The level of per capital income together with income distribution and the taste of the population.

c The efficiency of the transport system

d Accessibility to export markets and

e Equality of production

2.4.3 THE PROMOTION OF INDUSTRIAL DEVELOPMENT

Incentives in the form of exemptions, subsidiaries and guarantees will go along way to create a climate which is attractive for private industrial development. But creating the right climate however good is not enough.

Investment industry in country, which has not had much industry whether by local or foreign investment, has to be attracted. Until the advantages of industrial investment in the region has been understood local investment will continue to put their money into farms, real estate

trading ventures, not industry and foreign investors will invest their money in projects elsewhere.

Promoting private industrial development has to be done largely by government and it constitutes one of the most effective way for getting a large amount of industries and very little expenditure of public funds. The promotion of private investments in industry should proceed along the fronts – the general and the specific. The purpose of general promotion is to publicize the attractiveness of the region for industrial investment so well that an image is created in the minds of every potential investors, local or foreign, that the country is profitable and safe for investment in industry.

2.4.4 CONTRIBUTIONS OF DEVELOPMENT BANKS TO THE ECONOMIC DEVELOPMENT OF NATION

Development Banks are institution established for the purpose of providing long term finance for development. Development Banks like international Finance Corporation (IFC), Nigerian Agricultural Development Bank (NACB), and Nigerian Industrial Development Bank (NIDB), etc has contributed a lot to the economy.

The basic purpose of IFC is to assist in the economic development of less developed member countries. IFC does this by promoting the growth of the private sector of their economies as a supplement to the activities of the World Bank.

IFC has also assisted in financing the establishment improvement and expansion of productive private enterprises, which can contribute to the development of its beneficiary. Development Banks seek to bring together investment opportunities, domestic and foreign private capital and experiences, management and also seeks to stimulate and create conditions conducive to the flow of private domestic and foreign capital into investment in productive enterprises in member countries.

Nigerian industrial Development Bank (NIDB) was initially formed to provide medium and long-term finance to private enterprises in Nigeria, but its scope has expanded to include the financing of projects sponsored and controlled by the government

The minimum capital that the Nigeria Industrial Development Bank (NIDB) can lend to any one project is N20,000.00. To perform its assignment as the nation's premier Nigeria industrial Development Bank (NIDB) offers various services which include project promotion and development investment supervision, consultancy and manpower development.

Development Banks are also involved innovation and creativity from the foregoing, it is evident that Development Banks have contributed a lot, ranging from attracting foreign and local funds for development to not only the allocation of available investable funds but to the promotion innovation and creative activities to ensure the success of any project and eventual development of the economies.

2.4.5 THE ROLE OF THE INDUSTRIAL SECTOR IN A DISTORTED ECONOMY

Industrialization is the key to economic progress at least for many countries, its importance arises as a result of experiences of developed countries. The industrial sector plays a vital role in an economy like ours where there are a lot of structure distortions hampering growth and development.

1. The industrial sector contributes to increase in productivity and contributes to increase in overall national product. Where a country is industrialized, new capital assets are used, new skills are employed, and economies of scale are realized in the industrial sector.

2. The industry sector generates industrial experience among workers and helps in developing and diffusing skills in the country;s labour force

3. The industry sector helps in increasing the level of productivity in the rest of the economy by developing new equipment and inputs which can be in the other sectors

4. The industrial sector creates alternative employment opportunities in many developing countries population is increasing at rapid rate and

the bulk is engaged in agriculture. More and more hands from agriculture into the industrial sector will reduce the under employment problem in the agricultural sector. Moreover through industrialization

5. The industrial sector helps in reducing the dependence of countries on imports and thus help in solving foreign exchange. The bulk of the imports of any developing countries are made up of manufactured goods. One way of reducing it, is the development of the industrial sector.

2.4.6 PROBLEM OF DEVELOPMENT BANKS

Must of the problems facing the development banks are extended to them in the sense that they arise from the economic environment in which they operate. Indeed the problems are mostly among the features of economic under-development. The inadequacy of infrastructural faculties in Nigeria constitutes a major problem to the development Banks. Power supply is not irregular but limited to a new urban area, roads and communication network is extremely limited in the less developed part of the country, developed land for industrial project is also inadequate.

Another major problem of development bank in Nigeria is that of mobilizing adequate funds for the achievement of their objectives. Like other developing countries, Nigeria is characterized by low income and saving and a rudimentary capital market.

The Federal Government has been a major source of funds for this bank through the annual budgetary allocation sin the form of loans considering the immense size of Nigeria and the volume and rapid rate of growth of demands for their services, the resources so made available are not adequate for the needs of the Banks. External loans are usually obtained to supplement local resources and meet foreign currency aspects of projects with recent unfavourable in the oil sector and hence in the Nigerian economy and the resulting drastic cut Government expenditure, the liquidity of the Nigerian development bank has been considerable reduced.

Manpower problems of development banks also deserve a special mention. The development aspects of development banking pre supposes that a development finance institution should be able to recruit fairly easily the professionals in requires to carryout its function.

2.4.7 PROJECT APPRAISAL BY NIGERIA INDUSTRIAL DEVELOPMENT BANK (NIDB)

The importance o the Nigeria industrial Development Bank (NIDB) project appraisal is to assure that, as a development bank the funds which

it lends or commit to any project contributes to maximize the economic development of Nigeria.

The essence of project appraisal rest on its being undertaken by specialist in engineering, law, economics, accounting and management such specialist are easily available in the Nigeria industrial Development Bank (NIDB). Basically, when the application has been screened and processed, the appraisal of projects is carried on by the team of two, namely; an engineer and an investment officer who obtains the opinions of other experts in the bank on some aspect of the project. When the appraisal has been conducted the investment officer then coordinates it for a final report indicating whether the investment is worthwhile or not. The report is represented to the board of directors for final appraisal of disapproval.

Like any other development bank, Nigeria Industrial Development Bank (NIDB) appraises its projects from the following aspects:

1. **Economic Aspects:**

The economic aspect of Nigeria Industrial development bank (NIDB) project include such considerations as:

a. Evidence of the existence of demand for the firm intended product. The market potential is an estimate based on indigenous production and import and the basis for it.

b. an assessment of the likely competition in the future and the specific feature of the sponsor's of the product will give competitive strength, for example cheapness, high quality, etc.

c. The export possibilities and the character of foreign competition. This would require that prices of import be made available with a breakdown into f.o.b. cit and selling prices.

d. The degree to which the project will add value to the GNP, this will be based on the degree of which the enterpriceses uses domestic resources.

e. The appraisal will take into account of the likely impact of the project on the balance of payment i.e its foreign exchange savings of earnings capacity, hence the higher the enterprises potential contribution to the balance of payment improvement, the better its chance of financial existence

2. **Financial Aspects:**

This aspect of project appraisal ensures that funds should be sufficient for the implementation and operation of the project and that the finance of the enterprises conforms to the investments criteria of the lending institutions. For example, the Nigeria Industrial Development Bank (NIDB) finances only part of the total cost of project and financial prudence demands that in all cases, finances from other sources are available on reasonable terms to cover the remaining cost of the project.

Cash flow projections, profit and loss statement and project summary of balance sheets are the main components of projections facilitating the calculation of some important factors.

3. Technical Aspect

Naturally this aspect of project appraisal received much earlier consideration than other aspects, it is intended to determine whether the technical or engineering principles used in a project are sound and in line with the circumstances of the enterprises. The appraisal is normally focused on the proposed scale of operation, location, type of equipment layout design and availability, land, labour and capital and the realism of construction schedule.

The adequacy and quality of technical staff available to the enterprises is another aspect of technical investigation. Where deficiencies tend to show, Nigeria Industrial development Bank (NIDB) will insist that they be taken care of.

4. Commercial Aspect

The commercial aspect of project appraisal or evaluation focuses on arrangement about purchases and sale. The aspect has two dimensions namely: the purchase of equipment of the construction stage ensure that standard equipment is being installed and that it is being seared by

competitive quotations from different suppliers . in respect of the operating stage. The evaluation attempts to investigate the arrangement for the purchase of various input and for marketing the product of the enterprise. With regard to the purchase of the equipment and sales of production NIDB is critical about interlocking chain of ownership. This according to Diak may be controlling the entities, which supply the main raw materials, input and retail manufactured products. This situation may give room for profiteering, manipulation of figures, tax avoidance and effective exclusion of Nigerians from partaking in certain aspect of the economic activities of the country.

5. **managerial and Organizational Aspect**

The success or failure of any enterprise depends greatly on the quality management organization. The NIDB places much emphasis on this aspect of project appraisal and does not in any cases, commit funds in a project unless it is satisfied that the management and organizational facilities are adequate in quality for constructing and operating the proposed project. Where deficiencies exist NIDB examines the following aspects of management.

i. Whether management has a real stake in the fortunes of the enterprise.

ii Whether it delegate sufficient authority to avert bottlenecks in decision making without losing control of the policy of operation.

iii. Whether an existing management can cope with work on a large scale; and

iv. Whether a programme exist for training candidates for senior position.

Nigerian Industrial Development Bank (NIDB) usually requires some documents for projects to be appraisal purposes. Such project documents include:

(a) Formal application: This is a questionnaire to applicants for NIDB financial participation indicating the nature of the project and extent of assistance required.

(b) Memorandum and Articles of Association and Certificate of Incorporation: Application for NIDB assistance must be made by a corporate client and just an individual.

(c) Feasibility study report of detailed information indicating the economic desirability technical feasibility and commercial viability of the projects. This forms the basis of the proposal showing details of the project. Costs, product market, financial projects etc.

(d) Site plan and title deed of land (Certificate of Occupancy) as a proof of having obtained land on which it is to be sited.

(e) Quotation for materials and equipments to support costs estimate in the study and to evaluate competitive offers.

(f) Write-up on technical partners if any to ascertain their competence and ability to assist in the project.

(g) Audited account of the existing business for the past three years in the case of expansion, to enable the NIDB evaluate the applicant's previous performance. This may not be required in the new structure.

(h) All application for National Economic Reconstruction Funds (NUERFUND) and Small and Medium Enterprises (SME) scheme should in addition to the above requirements.

(i) Give information on raw material sourcing, and

(j) Give evidence of availability security.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION.

Western Europe reconstruction and development as a global responsibility following the destruction left behind at the end of the Second World War.

A Marshal plan for the reconstruction of the war torn areas of Europe gave rise to the concept of development in advance countries. This concept was later extended to their colonial territories and development plans were drawn to channel their development and reconstruction efforts.

This led to the establishment of special institutions for a particular purpose of development in the widest sense of the term. These institutions comes in a form of corporations, boards of special purposes banks to provide long and medium – term finance for direct investment or for providing assistance in form of technical or supporting services.

As a corollary to the ten-year development plan drawn for Nigeria by the colonial masters, the Nigerian development board was established in 1946. the board was unable to achieve much since it met its waterloo in 1949.

Following preparations for independence in 1960 and the negotiation between the Federal Government inaugurated the investment Company of Nigeria (CON) Limited in 1959. The company was vested with the responsibility of executing and managing major industrial schemes in the

private sector. It was to direct its effort towards private sector development by matching investment opportunities, capital and management together. It has a starting authorized shared capital of N10 million of which two million was issued and fully paid.

Three years after the operation of the ICON, machinery for the establishment of development bank was set in motion. The development bank was expected to compliment ICON especially in executing major projects. The recommendation of the machinery favoured the organization of ICON into a development bank rather than creating a new bank different form ICON.

Thus Nigerian Industrial Development Bank Limited (NIDB) was established on January 22, 1964 through the reconstruction of the investment company of Nigeria Limited. According to "NIDB'S GENERAL POLICIES BOOKLET" established then with initial share capital of N4.50 million. The share capital of NIDB has grown to N400 million out of which N396.9 million has been paid up. The present shareholders are the Federal Government of Nigeria through Federal Ministry of Finance incorporate bodies, 1% Central Bank of Nigeria (CBN) 40%: Private Nigerians and Corporate bodies, 1%. Arrangements are on for privatization of part of Federal Government holding the bank.

NIDB is a development finance company, which provides medium and long-term finance and sometimes makes equity investments. Financial assistance is available only to limited liability companies

registered in Nigeria. Furthermore, NIDB provides financial assistance to small, medium and large-scale enterprises, which by their output can make significance contribution to Nigeria's economic growth. The bank finance projects located in any part of the country and encourage disposal of industries away from the more industrialized center.

3.2 OBJECTIVE OF NIDB

According to the original memorandum and article of association, the objective of NIDB among others:

To carry on the business of assisting enterprises engaged in industry, commerce, and agriculture and by the exploration of natural resources in Nigeria in general.

i. Assisting in the creation, expansion and modernization of such enterprises
ii. Assist in the creation, expansion and modernization of services auxiliary to industry, agriculture or the exploration of natural resources.
iii. Encouraging, sponsoring and facilitating participation of capital internal as well as external in such enterprises.
iv. Creating, expanding and stimulating investment shares and security markets. As at now NIDB does not engage in agricultural cultivation but can engage in good production or production of agricultural equipment or feeds.

v. Providing managerial, technical and administrative advice and service to Nigeria industries, commerce and agriculture.

In view of the foregoing objectives of the investment Company of Nigeria Limited (ICON), it has operated for only a period of five (5) years, i.e between 1959 – 1964, when it was reconstructed into the present Nigerian Investment Development Bank Limited (NIDB)

During its five years of operation, the company approved seven major projects with a total share investment capital of about N10 million out of it N435,000,000 was invested on these project.

These projects include aluminum, thread, biscuits, tyres, stationary manufacture and sugar refining. On 30th June, 1962 the company formed two subsidiary organizations.

These are:

(a) **Investment Company of Nigeria (ICON) Securities:** To undertake new issues, stock-booking and jobbing operations.

(b) **Investment Company of Nigeria (ICON) Nominees:** To act as nominees company.

As mentioned earlier, the Investment Company of Nigeria (ICON) was reorganized on the 22nd January, 1964 to form what is today Nigerian Investment Development Bank Limited (NIDB).

The primary purpose of the reorganization had been the need for the institution to be full backed by the Federal Government without being controlled by the foreign investors. When the Nigerian Investment

Development Bank Limited (NIDB) became operational. It had started with an initial share of N4.5 million was issued and fully paid up as ordinary shares and N500.00 in nonvoting preference share and as at 31st December, 1983, the company further increase its shares capital to N200 million. And in 1988 to N400 million.

3.3 FUNCTION OF NIDB

The function of NIDB are inseparable. Thus the bank is expected to:

(a) Attract foreign and Nigerian investors; to invest in medium and long term privately owned enterprises in Nigeria

(b) Sponsoring and undertaking any issue or conversion of shares and securities

(c) Guaranteeing and counter guaranteeing loans and obligation

(d) Making funds available for investment causing the transfer of shares and securities and by resolving investment by rapidly as prudent.

(e) Develop projects brought to it by promoters.

(f) Furnishing managerial, technical and administrative services to Nigerian industry, commerce and agriculture.

(g) To lend or advance money or give credit upon the security of real or personal property of every description or upon personal security or without security and general subjects to such terms and conditions

as to interest repayment or other wise and company may think proper.

(h) To purchase, subscribe for absolute, or conditionally, underwrite, acquire, hold, sell, exchange, issue or turn to account, deal in and dispose of shares, stock, bonds, debentures, debenture stocks and other securities whether fully or partly paid or whether registered or inscribed, or payable to bearer of any company or authority (supreme, municipal, local otherwise) or any international organization or nay participation in syndicate or other interest whether situation.

From the above it seem as if the scope of NIDB's investment is unlimited. This is not true, because the service sector of the economy is precluded from benefiting from NIDB's loan except where there is a prospect for manufacturing in other area of structure, agriculture, transport and trade. Thus especially, NIDB is expected to concentrate its resources on:

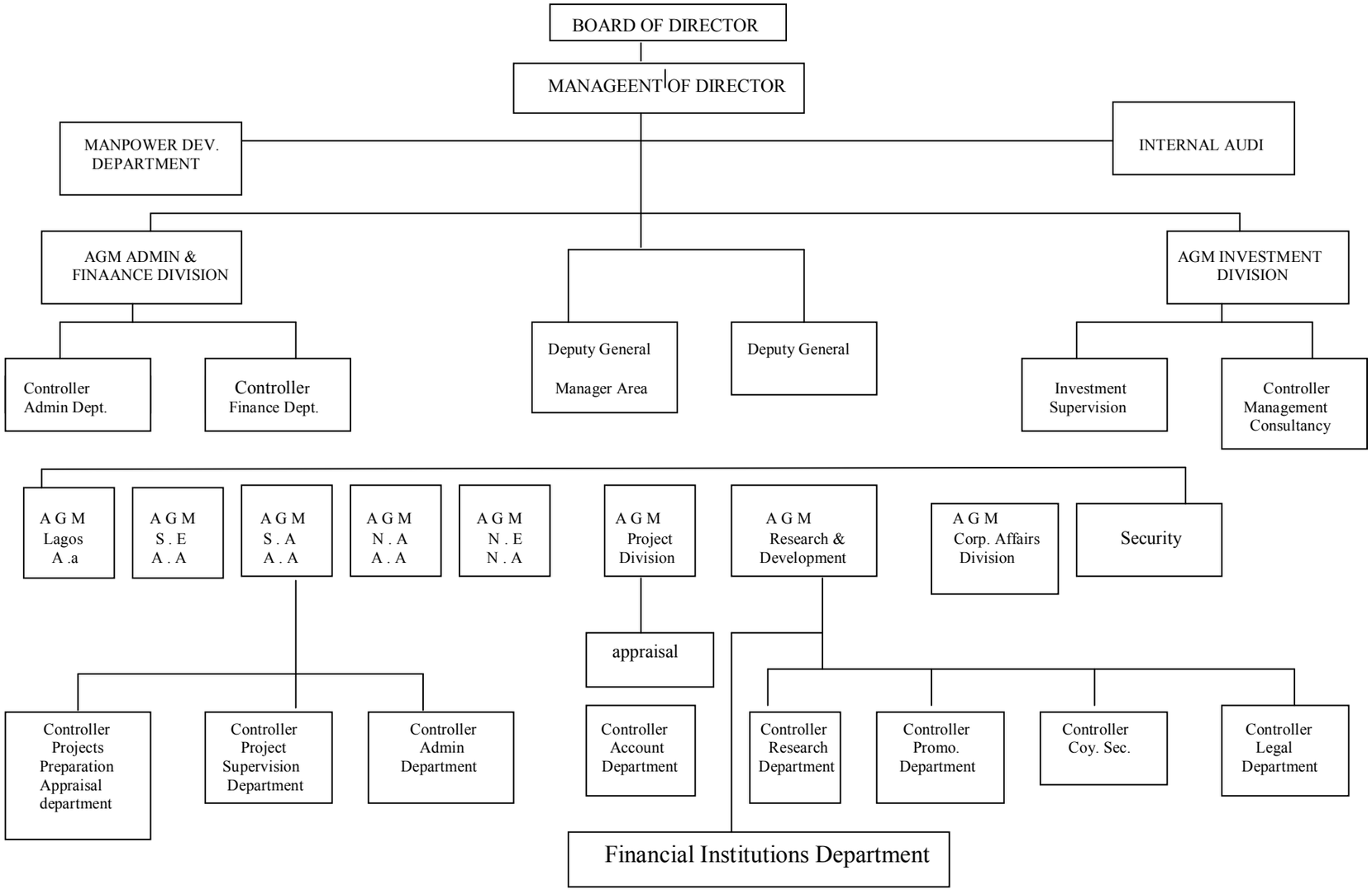
(i) Manufacturing

(ii) Non-Petroleum, mining and

(iii) Tourism

TABLE 1

AN ORGANIZATIONAL STRUCTURAL OF NIDB AS AT JULY, 1993



3.4 NIDB GENERAL POLICIES

Essential, policies are guides to action. They provide guide lines for any activity. The general policies of NIDB specifies the standard conditions of NIDB loan investment among which are the following:

(a) **The Size of Investment:** NIDB minimum loans investment in any project is N250,000.00 on the other hand NIDB's maximum exposure in loan and equity in any single enterprises will not be more than 75% of the total capital cost of 15% of NIDB's paid up share capital and free reserve which is lower.

(b) **Rate of Interest:** NIDB charges concessionaire interest rates depending on the sources of the funds. All interest charges repayable quarterly. In case of default NIDB charges a higher rate of interest on over due principle and interest.

(c) **Commitment Charges:** NIDB's loans attract commitment charges of 2% on the undisbursed part of the loan and the same shall be payable a month after the date of the acceptance of the offer, or from the data of signing the loan agreement, whichever is earlier.

(d) **Required Period:** In general a moratorium on payment of twelve months is granted beginning from the date commissioning of the project. The minimum amortization is fifteen years, which gives a

total of between five (5) and fifteen. However, NIDB accepts the sharing of first charge pari-passu with other long term and sometimes short-term creditors. Other collateral securities such as personal, parent company or reputable bank guarantee, government securities and stock quoted on the Nigerian Stock Exchange and personal real property can be asked for. The value of security offered (made up of present asset plus the assets to be created by NIDB loan), should be at least one and half (1.5) times the proposed NIDB loan investment. The coverage should not be less than 1.5 as the minimum cover with the additional collateral security.

(e) **Debt/Equity Ratio:** NIDB prefers a debt/equity ratio of about 2.1 in most cases.

(f) **Prepayment Option:** The client has the option to repay outstanding principle installments subject to a guaranteed prepayment premium.

(g) **Promoters Contribution to Project Costs:** The promoters contribution to any one project should not be less than 25% of the total cost of the project. In circumstances will assistance be given except NIDB is satisfied that the pointer has the means to contribute his counterpart funds. NIDB may ask that such contributions be

placed in a blocked interest yielding account with NIDB as a cosignatory prior to commencement of project appraisal.

(h) **Loan and Mortgage:** This contain the details but general condition of NIDB's investment. This agreement will normally be expected to be signed before a mortgage can be created the title deed to the property should have been deposited with NIDB. Where it is not available other temporary collateral security must be deposited before disbursement can be made. The client is liable for the legal and other professional fees that may be incurred by NIDB.

METHOD OF APPLICATION

Promoters or projects are required to contact NIDB either in writing or by personal visit to their head office or area offices. An initial contact with preliminary data is desirable at the conceptual stage to the project development when NIDB can offer useful advice on the viability or otherwise of the project. Such an early contact could save the funds and time that would have been devoted on studying project that are enviable.

After the initial contact has been made, the necessary files are opened and vital information and details on the projects are requested and gathered for appraisal purposes.

An enlightening promoter can apply by submitting his or her feasibility study, memorandum and article of association of the company

And technical details of such building layout, quotations for plants and equipment, etc.

THE APPRAISAL PROCESS

The appraisal processes of NIDB are very vigorous, for it makes a detailed analysis of all aspects of the project. In technical appraisal, physical examination of machinery and undertaken, project sites are visited and in some cases soil tests of laboratory test of local raw materials are undertaken. The plant layout plan is examined and all the necessary details are professionally checked out during the appraisal. The appraisal team comprises the financial analyst, an engineer, an economist and a counsel. A satisfactory proposal is recommended to the Board fo Director for approval a letter of offer is then sent to the promoter

TYPES OF LOANS DISBURSEMENT LENDING CRITERIA AND INTEREST RATES.

3.5 NIDB LOAN PROCEDURE

The investigation was also carried out through research to ascertain the adequacy of the procedures for processing NIDB loan application and for the length of time spent before application is disposed off. Table 2 shows the responses from the investors in this regard.

TABLE 2: **NIDB LOAN PROCEDURE**

COMMENT ON PROCEDURE	NO. OF RESPONDENTS	% OF RESPONDENTS
Satisfactory	11	25
Unsatisfactory	11	26
Very Difficult	18	43
No Comments	2	5
Total	42	100

Source: NIDB Annual Report, 1993

The table shows that 43% of the investors found the NIDB loan procedure very difficult while 26% found it unsatisfactory, and that only 26% found it unsatisfactory.

This response shows a majority opinion of 69% those NIDB procedures for processing loan applications is cumbersome. This is further compounded by the length of time it takes the bank to process an application. This situation in essence is not good in investment decisions making where cognizance must be taken of the value of money hence most of the applications are processed in periods over one year.

There is therefore the need for the bank to reexamine its loan processing procedure with view of finding ways of improving it.

TABLE 3 TIME TAKEN TO PROCESS LOAN APPLICATION

PERIOD	NO. OF RESPONDENTS	% OF RESPONDENTS
0 -6 MONTHS	-	-
7 – 12 MONTHS	14	33
OVER ONE YEAR	28	64
Total	42	100

Source: NIDB Annual Report, 1993

The general policies further specify this standard condition of NIDB loan investment, which include the following: the standard condition of NIDB loan investment, which include the following

1. **THE SIZE OF INVESTMENT**

NIDB minimum loan investments in any project is N50,000 while the minimum exposure in loans and equity in any single enterprise is not more than 75% of the projects total capital cost of 15% of the NIDB's paid up share capital and free reserves, whichever is lower, for equity investment NIDB's minimum and maximum and 19% and 25% respectively of the client company's paid up share capital.

2. RATE OF INTEREST

For now NIDB's interest rates are as follows:

Small and medium scale

ENTERPRISES (SMES)

NERFUN:	i.	Local currency	19.6%
	ii.	Foreign currency	19.5%
Long Term Loans	i.	Local currency	21%
	ii.	Foreign currency	14.5%
Working Capital	i.	Local currency	21%
	ii.	Foreign currency	18%

The interest are payable yearly and an extra 2% charge is made on overdue principal and interest.

3. COMMITMENTS CHARGES

NIDB charges a commitment fee of ¾ of 1% of the disbursed part of the loan and this is payable in six months after the date of the acceptance of the offer or from the date of the signing of the loan agreement , whichever is earlier.

4. DEBT/QUITY RATIO

NIDB prefers a debt equity ratio of about 2:1 in most cases

5 SECURITY OF LOAN

The security is usually a first legal charge on the fixed assets of the project and the second charge on the floating assets. Other collateral securities such as personal property or quoted stocks or reputable bank guarantee are sometimes accepted. But the value of the security offered should not be less than 1.5 times the proposed NIDB's loan investment in the project.

6 LOANS AND MORTGAGE AGREEMENT

This is normally signed before the disbursement of NIDB loan. Before a mortgage can be created , the title deed to the property should have been deposited with NIDB. The client is liable for this and other professional fees that may be incurred by NIDB which usually forms parts of NIDB's disbursements.

3.6 OPERATIONS OF NIDB

A total of 205 application for financial assistance (55 at the head office and 150 at the area administrations) were received by the bank in 1993. the majority of the projects were either found to be out side the scope of NIDB's operations or unsuitable in the prevailing environment.

Sanctions amounting to N666,376.6 million were made to 39 Projects in 1993 as against N1,294,333.6 million to 27 projects during the previous year (1992). Out of 39 sanctions. 18 were made for expansion.

Diversification or rehabilitation to projects while the remaining 21 were for start-up projects, which have good chances of success in the current environment. While the in on-going projects is less risky and quick yielding the NIDB still owes the country the development responsible of financing local resources based green field project (see table 3 for sub sectoral distribution of NIDB) sanctions from January to December, 1993)

The area administrations were responsible for 21 out of 39 project sanctioned as contained in the Harriman reports for the year 1993, and these were mostly NERFUN and SME projects. Their contribution to the total sanctions increase both in numbers and value from 28 sanctions totaling N145.9 million in 1992 to 21 sanctions amounting to N200.4 million in 1993

The sanction were spread over 20 states of the Federation and over 13 industrial sub-sectors (see Table 4 for the state Distribution of NIDB sanction from January to December, 1993). The bank will not relent in its development effort to spread its investments to the industrially disadvantaged states in the Federation according tot eh Harriman report

NIDB disbursed a total of N352.9 million in 121 projects ion 1993 compared with N220,8 million to 118 projects in 1992. representing an increase of about 3% in number and an increase of 60% value (see table 3 and 4 for sub-sectoral distribution of NIDB's disbursement and state distribution of NIDB's disbursement respectively from January to December, 1993. the disbursement in 1993 was spread over 19states

and 16 industrial sub-sectors. The table 5 show the total sanctions and disbursements from 1989 to 1993 (table 5, page 32)

as at the end of 1993 there were out of 123 projects, were in active commercial production, 70 under various stages of implementation, 7 under receivership/winding-up, 4 under rehabilitation and the remaining 2 stated for cancellation

The bank's rigorous effort at debt collection yielding N146.8 million in 1993, as against N124.3 million in 1992. According to the Harriman's end of the year report of 1993, NIDB will continue to accord priority to debt collection in its operation.

TABLE 4

SUB – SECTORAL DISTRIBUTION OF NIDB SANCTIONS (JANUARY – DECEMBER, 1993) VALUE IN ₦ '000

NO	SUB-sector	No. of projects	Total project cost	Equity	Loan	Total	% of total	% of project	Employment generated
1	Food	5	496,856.0	0.0	147,207.0	147.207.0	12.8	29.5	775
2	Beverages	1	19,891.0	0.0	9,403.0	9,403.0	0.5	0.0	91
3	Textile	2	399,470.0	0.0	82,403.0	82,367.0	7.2	20.6	831
4	Footwear & Leather Prdts	2	50,308.0	0.0	51,034.0	51,760.0	4.4	0.0	303
5	Wood Prdt	1	99,308.0	0.0	27,760.0	27,760.0	2.4	0.0	148
6	Paper & Paper Prdts	2	132,486.0	0.0	83,381.0	83,381.0	7.3	62.9	237
7	Chemical & Petroleum prots	11	773.619.0	0.0	429,279.0	429,279.0	37.4	55.5	967
8	Rubber Product	0	0.0	0.0	0.0	0.0	0.0	0.0	0
9	Cement	0	0.0	0.0	0.0	0.0	0.0	0.0	0
10	Glass, Clay & stn	5	300,121.0	0.0	98,381.0	98,381.0	8.6	0.0	568
11	Iron & Steel	0	0.0	0.0	0.0	0.0	0.0	0.0	0
12	Metal Fabrication	0	0.0	0.0	0.0	0.0	0.0	0.0	0
13	Electronic & Electr. Appl.	3	303,972.0	0.0	53,931.0	53,931.0	4.7	0.0	538
14	Transport & Equipment	1	43,472.0	0.0	26,263.0	26,263.0	2.3	0.0	225
15	Mining & Tourism	2	87,589.0	0.0	57,597.0	57,597.0	5.0	65.8	83
16	Hotels & Quarrying	1	5,291.0	0.0	3.000.0	3,000.0	0.3	0.0	26
17	Miscellaneous	3	118,287.0	0.0	77,546.0	77,546.0	6.8	0.0	128
	Total	39	2.832.745.0	0.0	1.147,149.0	1.147,149.0	100.0	40.0	4.940.0

TABLE 5

STATE DISTRIBUTION OF DISBURSEMENTS
(January – December, 1993) VALUE IN ₦ '000
NIDB PARTICIPATION

NO.	State	No. Of Project	Total project Cost	Equity	Loan	Total	% of Total	Employment Generation
1	Abia	2	46,259.0	0.0	27,259.0	27,259.0	2.4	73
2	Adamawa	1	16,725.0	0.0	10,166.0	10,166.0	0.9	79
3	Akwa-Ibom	1	24,550.0	0.0	8,015.0	8,015.0	0.7	83
4	Anambra	1	44,491.0	0.0	16,545.0	16,545.0	1.4	59
5	Bauchi	3	99,203.0	0.0	47,290.0	47,290.0	4.1	269
6	Benue	0	0.0	0.0	0.0	0.0	0.0	0
7	Borno	0	0.0	0.0	0.0	0.0	0.0	0
8	Cross River	2	18,312.0	0.0	8,506.0	8,506.0	0.7	137
9	Delta	1	18,092.0	0.0	9,799.0	9,799.0	0.9	29
10	Edo	0	0.0	0.0	0.0	0.0	0.0	0
11	Enugu	0	0.0	0.0	0.0	0.0	0.0	0
12	Imo	1	43,473.0	0.0	26,263.0	26,263.0	2.3	225
13	Jigawa	0	0.0	0.0	0.0	0.0	0.0	0
14	Kaduna	1	23,267.0	0.0	12,057.0	12,057.0	1.0	68
15	Kano	4	506,051.0	0.0	158,225.0	158,225.0	13.6	659
16	Katsina	0	0.0	0.0	0.0	0.0	0.0	0
17	Kebbi	0	0.0	0.0	0.0	0.0	0.0	0
18	Kogi	1	158,243.0	0.0	34,412.0	34,412.0	3.0	180
19	Kwara	4	378,521.0	0.0	238,438.0	238,438.0	20.8	355
20	Lagos	9	903,631.0	0.0	239,065.0	239,065.0	20.8	1,947
21	Niger	1	2,701.0	0.0	1,441.0	1,441.0	0.1	26
22	Ogun	2	336,505.0	0.0	186,067.0	186,067.0	16.2	269
23	Ondo	1	43,700.0	0.0	30,882.0	30,882.0	2.7	15
24	Osun	0	0.0	0.0	0.0	0.0	0.0	0
25	Oyo	2	92,402.0	0.0	57,164.0	57,164.0	5.0	328
26	Plateau	0	0.0	0.0	0.0	0.0	0.0	0
27	Rivers	0	0.0	0.0	0.0	0.0	0.0	0
28	Sokoto	1	44,876.0	0.0	26,176.0	26,176.0	2.3	117
29	Taraba	0	0.0	0.0	0.0	0.0	0.0	0
30	Yobe	0	0.0	0.0	0.0	0.0	0.0	0
31	F.C.T. Abuja	1	19,743.0	0.0	11,314.0	11,314.0	1.0	22
	TOTAL	**39**	**2.832.745.0**	**0.0**	**1.147.149.0**	**1.147.149.0**	**100.0**	**4.940**

TABLE 6

SUB – SECTORAL DISTRIBUTION OF NIDB DISBURSEMENTS
(JANUARY – DECEMBER, 1993)
VALUE IN N '000

No.	Sub-sector	No. of Project	Equity	Loan	Total	% Total
1	Food	21	0.0	94,398.4	94,398.4	14.2
2	Beverages	6	0.0	7,764.8	7,764.8	1.2
3	Textile	13	2,917.0	242,338.3	242,338.3	36.8
4	Footwear & Leather Prdts	3	0.0	184.5	184.5	0.0
5	Wood Prdts/Funiture	3	0.0	9,256.3	9,256.3	1.4
6	Paper Products	8	0.0	28,910.3	28,910.3	4.3
7	Chemical/Petrol Chem.	34	0.0	179,092.3	179,092.3	26.9
8	Rubber	2	0.0	2,530.9	2,530.9	0.4
9	Cement	0	0.0	0.0	0.0	0.0
10	Glass Clay/Stone Prdts	4	0.0	492.4	492.4	0.1
11	Iron/Steel	0	0.0	0.0	0.0	0.0
12	Metal Fabrication	7	0.0	2,292.4	2,292.4	0.3
13	Electronic/Electrical	3	0.0	2,333.5	2,333.5	0.4
14	Transport Equipment	3	0.0	29,818.8	29,818.8	4.5
15	Mining/Quarrying	3	1,980.0	24,127.7	24,127.7	3.9
16	Hotel/Tourism	3	0.0	151.4	151.4	0.0
17	Miscellaneous	10	0.0	37,787.6	37,787.6	5.7
	Total	123	4.897.0	661,479.6	661,479.6	100.0

SOURCE: NIDB ANNUAL REPORT, 1993

TABLE 7

TOTAL SANCTIONS AND DISBURSEMENTS
(1989 – 1993)
VALUE IN N '000

	Year 1989		1990		1991		1992		1993	
	Equity	Loan and Debentures	equity	loan and Debentures	equity	loan and Debenture	Equity	Loan and Debentures	Equity	Loan and Debentures
Gross Sanction for the year	3,385.00	91,363.00	7,576.0	635,507.00	4,000.00	569,727.00	20,522.00	1,100,142.00	2,917.00	1,147,149.00
Cumulative sanction	82,179.00	1,265,368.00	898,755.00	1,900.885.00	93,755.00	2,470,612.00	114,277.00	3.573,754.00	117,194.00	4.720,903.00
Lapsed Cancelled & Full Liquidated	0.00	26,763.00	0.00	78,568.00	2,268.00	95,470.00	900.00	186,601.00	730.00	116,270.00
Cumulative Lapses										
Cancellations and Fully Liquidated	7,251.00	255,134.00	7,251.00	333,702.00	9,519.00	429,172.00	10,419.00	615,773.00	11,149.00	732,044.00
Net Sanction for the year	3.385.00	64,600.00	7,576.00	556,949.00	1.732.00	474,257.00	19,622.00	916,541.00	2,187.00	1.030,878.00
Cumulative Net Sanctions	74,928.00	1,010,234.00	82,504.00	1.567,183.00	84,236.00	2.041,440.00	103,858.00	2.957,981.00	106,045.00	3.988,859.00
Gross Disbursement for the Year	19,816.00	26,616.00	1,740.00	61,007.00	1,558.00	72,675.00	907.00	90,178.00	520.00	169,735.00
Cumulative Repayments, Sold etc.	1.823.00	204,026.00	3,563.00	265,053.00	5,121.00	337,728.00	6,028.00	427,906.00	6,548.00	597,641.00
Net Disbursement/Repayments for the year	18,846.00	187,711.00	4,260.00	152,993.00	2,814.00	297,130.00	17,698.00	1.265,398.00	4,377.00	491,745.00
cumulative Net Disbursement/Repayments	83,713.00	661,873.00	87,973.00	814,866.00	90,787.00	1.111,996.00	108,485.00	2.377,394.00	112,862.00	2.869,139.00

SOURCE: NIDB Annual Report 1993

The year 1993 was the firs full year of operation of the Project Resuscitation Department (PRD). The department was able to retrieve investment in eight projects by collecting the N7.7 million due in course of the year. However, as a result of more transfer of problem project from banking division and area administrators, it ended 1993 with 34 projects in both its rehabilitation and receivership portions.

On lending activities with state Development Finance Institute (DFIs declined considerably in 1993 due to the failure of the state government to provide guarantee to the foreign currency loans approval for their DFIS forms. NIDB foreign links of credit. State government guarantee, in lieu of collateral security, was designed to minimized default, as was the case in the past.

Consequently, only one on-lending facility of N11.6 million was approved in 1992 compared with N145.9 million for 10 DFIS in 1992. however no disbursement was made in 1993 to DFIS

Under commercial activities, the operation of the bank's subsidiary companies as well as those of its in-house treasury and commercial units are reported upon as below

(A) LEASING COMPANY OF NIGERIA LTD (LECON)

During the year under review, LECON received 105 lease application approved 32 leases amount to N153 million and disbursed ₦127 million to 26 projects. The unaudited accounts of LECON shows that

it earned a total income of N24.1 million, and made an after-tax profit of N6.2 million in 1993 compared with after tax of N4.3 million in 1992.

(B) NIDB TRUSTEES LIMITED (NTL)

The operational activities of NTL was expanded to include register services for stocks and shares, pension funds management. LPO financing, warehouse financing and investment in commercial papers in addition to secretarial services. As a result of product diversification, NTL was able to improve its after-tax profit form N59.141.00 in 1992 to N969,934.00 in 1993.

(C) NIDB CONSULTING LIMITED (NIDB CONSULT)

The activities of NIDB CONSULT in 1993 focused on training seminars and business center services. Plan are underway to make the company operates as a finance house. Such diversification is necessary if the company is to justify the purpose for which it has been established

(D) TREASURY AND IN-HOUSE ACTIVITIES

NIDB generated a total of N53 million from its in-house commercial and treasury activities in 1993 compared with N6.5 million in 1992. The commercial activities include foreign exchange dealing issuance letters of credit, insurance brokerage and under-writing. The commercial income also includes capital gains amounting to N4.8 million from disposal of

equity investment. The bank incorporated a new subsidiary company in 1993 – (IDIB) which has started business in 1992 in the on the ongoing policy of diversification into more commercial activities in order to increase its return of shareholder's fund.

Under finance and corporate matters, NIDB's total resources grew from around N1.425.9 million at the end of 1992 to N1.795.4 million by the end of 1993 as a result of increase in both long-term loans increase by N324.8 million which, arose principally from draw-down on the ADB and EIB III loans. Total reserves increased by N9.2 million from N426.6 million to N445.8 million. The resources of the bank as at the end of 1993 consisted of N396.6 million in borrowed funds and N238.1 million in other liabilities. In respect of financial performance, the company's income from all sources, which totaled N153.2 million in 1992. grew by 28% to N209.0 million in 1003. dividends received during 1993 totaled N10.5 million compare with N9.4 in 1997, an increase of 11.7%. interest earned on loan investment amounted to N138.9 as against N99.3 million in 1991, an increase of 39.8%

The pre-tax profit of the bank increased from N35.4 Million in 1991 to N38.6 in 1993. tax provision for the year 1993 account is N2.5 million leaving an after-tax profit of N36.1 million , out of which a further provision of N11.9 million for dividends payment's was made while N15.1 million was transfer to General Reserves and N9.0 million to supplementary reserves.

Shareholder's funds which stood at N542.7 million in 1993. This increase of N9.2 million consist of profit and loss appropriates to reserve of N24.1 million a d a write back of N14.9 million exchange difference total investment increased from N825.2 million in 1992 to N852.5 million in 1993 while total asset grew from N1.435.9 million to N1.795.4 million representing growth rate of 15% and 25% respectively. (see table 7 and 8 i.e Balance Sheet and Profit and loss Account for the year ended 31st December, 1993 pages 37 and 38)

3.7 PRINCIPAL ACCOUNTING POLICIES OF NIDB

The following are the significant accounting policies adopted by the Bank in the preparation of U.S. financial statement.

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention.

TABLE 8

BALANCE SHEET AS AT 31ST December, 1993

Source: NIDB Annual Report, 1993

TABLE 9

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

31ST DECEMBER, 1993.

Source: NIDB Annual Report, 1993.

CONSOLIDATION

The consolidated financial statement comprises of the financial statement of the bank and its wholly – crowned subsidiaries, ICON stockbrokers Limited, NIDB Trustees Ltd, NIDB Consultancy Ltd, and Leasing Company of Nigeria Ltd. The board at a meeting held on 18th September 1993 approved the acquisition of 18% out of 29% warehouse shares of ICON Ltd (Merchant Bankers). However, this was not affects until early 1994 and therefore the accounts of ICON (Merchant Bankers) have not been consolidated.

INCOME

This comprises income from investment, bank deposits and property.

FIXED ASSETS

Fixed assets are stated at cost less depreciation

DEPRECIATION

i. **Lease Land and Building:** By equal annual installments over the unexpired period of the lease

ii **Other Fixed Assets:** When off evenly over the estimated economic lives of the assets, at the following rates:

> Motor Vehicles 41%

> Furniture, Fittings and Equipment 27%

INVESTMENTS

Shares

- Unquoted Shares are stated at cost less provision for diminution in value.
- **Quoted** share are stated at cost

Loans and Unquoted Debentures

Loans and unquoted debentures are stated as cost less provision for doubtful recovery.

LOANS, DEBENTURE INTEREST AND OTHER DEBTORS

Provision is made in respect of loan and debenture interest and other debts considered doubtful on irrecoverable.

DEALING SECURITIES

Dealing securities are stated at the lower at cost and the Nigerian Stock Exchange Valuation at the Balance Sheet date.

SUPPLEMENTARY RESERVES

In accordance with Article 118(1) of the Article of the Association, 25% of the company profit after taxation is transferred to the supplementary reserved.

EXCHANGE RATES

Certain foreign loans are converted to Naira at special settlement rates. The difference in exchange is transferred to exchange difference on loan reserve account, which will be released to income when the relevant loan is settled. Other balance in foreign currencies are converted to Naira at the rate of exchange ruling on the balance sheet data and the difference in exchange is taken to the profit and loss account.

DEFERRED TAXATION

The bank does not provide for deferred taxation.

3.7.1 STANDARD CONDITION OF OBTAINING INVESTMENTS

(a) SIZE OF INVESTMENT LOAN FROM NIDB

Minimum loan investment is N50,000.00 and the maximum which could not exceed N5 million depends on a number of criteria including total project cost and debt/equity ratio. Whenever the Nigeria Bank for Industrial Development makes an equity investment, it does not normally take more than 20% of the paid up share capital.

(b) **RATE OF INTEREST**

The rate of interest changes from time to time depending in NIDB cost of borrowing. But for mean time is 7% per annual; and it is payable half yearly on the 1st January and 1st July and computed on the balance on the client's account.

(c) COMMITMENT CHARGES

A charge of ½ on the undisbursed part of the loan shall be payable six months from the date of acceptance of the offer.

(d) TEAM OF LOAN

A moratorium and capital repayment of about two years is normally considered from the estimated date of completing the project. The minimum amortization term is five years and the maximum is fifteen years which gives a total term range between seven and seventeen years.

(e) SECURITY TERMS

This is normally a first legal mortgage on the fixed assets of the project and a second change on the floating assets, in order to obtain overdraft from commercial banks for working capital, NIDB allows a second charge on fixed assets to be created by them. Other collateral securities such as personal parent company on reputable bank guarantee: government securities and stock quoted on the stock exchange and personal property can be accepted. The value of security offered should be at least, one and half (1½) times the proposed NIDB loan investment.

(f) DEBT/EQUITY RATIO

NIDB prefers a low ratio of about 1:5 in the case of new company and a little higher in the case of expansion proposals.

(g) PRE-PAYMENT OPTION

The client has option to pre-pay outstanding principal installment subject to the graduated prepayment premium.

(h) LOAN AND MORTGAGE AGREEMENT

This contains the detailed but general conditions of NIDB investment. This agreement would normally be expected to be created, the title deed to the property should have been deposited with NIDB. Where it is not available, other temporary collateral security must be made. The client is liable for the legal and other professional fees that may be insecure by NIDB.

3.7.2 EMPLOYMENT GENERATED AND OWNERSHIP STRUCTURE OF NIDB ASSISTED PROJECT

TABLE 10

YEAR	NO. OF SANCTION	VALUE OF SANCTION	WHOLLY OWNED BY NIGERIANS	NIGERIANS CONTROLLED	FOREIGN CONTROL	EMPLOYMENT GENERATED
1989	47	66826.0	39	4	4	3.317
1990	30	58275.8	26	2	2	3.963
1992	53	39777.3	33	17	3	11.758
1993	21	171334.6	N.A	N.A	N.A	6.618
	16	126600.6	N.A	N.A	N.A	838.0
TOTAL	167	985292.4	98	23	9	28.494

N.A = Not Applicable

Source: NIDB Project Report Book of 1993, page 35

The above table shows the ownership of NIDB assisted project for 1989 – 1993. although data for five years is not available due to either inability to collect, record or preserve it for the available years, the trend indicated that NIDB favoured projects that wholly Nigerian owned.

This may be as a result of the indigenization decree. Another aspect is that, it could be for the fact that many Nigerians are now entering into the turbulent industrial scene.

NIDB – assisted companies generated employment for 28,494 persons, from the 167 projects sanctioned for the five years. Since its

inception in 1964, NIDB assisted projects has generated employment for over 170 persons, though it is not wholly effected in the above table.

The bank has performed fairly well in employment generation, however, this has not made much impact in absolute terms, considering the scale of unemployment in the country.

In the area of foreign exchange savings, the bank has relatively achieved much. Although, there is no data on year to year breakdown of foreign exchange savings, the bank has been saving over N2.0 million in foreign exchange annually.

Furthermore, NIDB has contributed to the growth and development of capital market, in Nigeria it sells and underwrites security issues through ICON (merchant Bankers) Limited. This assistance is given usually to companies that have developed to a particular stage and needs money for expansion.

NIDB CROUP OR HOLDINGS

Nigerian Industrial Development Bank Limited (NIDB) is registered under the companies acts of Nigeria is empowered to acquire interests and share sin companies in furtherance of its (NIDB's) object clause.

In line with this standpoint and the need to diversify, its activities into more financially reward areas, NIDB has substantial interest in, or wholly owns the following companies:

i. ICON LIMITED (MERCHANR BANKERS): In which NIDB effectively has 71% shares, is one of Nigeria's leading merchant bankers.

ii. ICON STOCK BROKERS LTD: In which it has 90% shares, offers stock-brokering services.

iii. NIDB TRUSTEES LTD: Is wholly – owned subsidiary of NIDB whose services includes loans syndication and trusteeship company, secretarial services, pension and provident fund and trustees services.

iv. LEASING COMPANY OF NIGERIA LTD: Is another wholly owned subsidiary of NIDB which offers equipment leasing services.

v. NIDB CONSULTANCY LTD (NIDB CONSULT): Is also a wholly owned subsidiary of NIDB which provide management consultancy services.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

In this chapter an attempt is made to present the information gathered from interviews by the write: the first contains the finding from NIDB, while the second part contains information obtained from some NIDB sponsored projects or client will not be disclosed.

4.1 NIDB'S RATIONALE FOR REFERRING LARGE COMPANIES TO SMALL COMPANIES

NIDB's preference for large project is quite obvious from the fact that administrative cost and risk are less for large loans to big companies than to small companies. Other reasons advanced by NIDB are that large companies are in position to contribute more for industrialization and enhance economic development than small-scale industries. They are of the opinion that there is a positive correlation between the size of an enterprise, its efficiency and its competitive ability. In addition NIDB prefers given assistance in loans and in equity. This ensures steady interest receipts compared to uncertain dividends on equity.

4.2 PROBLEMS FACING NIDB

As a financial institution created with the vowed objectives of enhancing the industrialization of the country, NIDB was bound to be confronted with one kind of obstacle or the other. In this respect, the

following are the major problems confronting NIDB in its enormous move towards industrializing the nation.

(a) The project appraisal criteria on NIDB are in the most cases conflicting with the choice of technology on range of products of some industries. This is because foreign consultants or companies in view of the advance technology designed projects.

(b) Another major problems that gives NIDB nightmares is the attitude of beneficiaries or client. The attitude of clients manifest in various dimensions namely: attitude towards interest repayment and loan servicing: lack of mutual confidence, and the tendency for clients to distance themselves from NIDB once the projects are in place. The clients have nonchalant attitude towards loan and interest rate repayment. This is the view of NIDB, is due to the low interest rate prevailing in the capital market. According to one time managing Director of the bank, "One major problem that NIDB encounters with Nigerian investors over the years is the ingrained desire to own and run industrial projects all alone. This desire is further complicated by the lack of mutual confidence, which facilitate the pooling of resources. Consequently, the meager resources of many proprietors are not enough for the establishment of minimum economic plant size has not posed much problem, the proprietary attitude of the promoters has often been found to be detrimental to

NIDB's effort at getting their projects managed efficiently. In some cases such projects have collapsed with the death of the promoters. Another dimension of the client attitude is the tendency to distance themselves from NIDB once their projects are in place. Board meetings never called for, dividends are not declared and when declared they are rarely paid for in good time.

(C) The death of entrepreneurial skill in the public and private sector has hampered the identification and design of viable projects. In new projects, the managerial competence of the promoter is hard to ascertain. The management of an enterprise that may be promising at the time the loan is being sanctioned may eventually become incompetent. Bad management coupled with lack of raw materials and technical – know-how greatly explains the high causality rate of NIDB – assisted project.

(d) There is also the problem of geographical concentration of projects. Projects are concentrated in a geographical areas with infrastructural facilities, technical and financial assistance. These facilities are not evenly distributed across the country, such concentration has often been given rise to the social problem or over-crowding in cities – with its attendant social costs.

(e) Bureaucratic redtapism is another problem that affects NIDB. Projects cost – run higher than what – they should have been, as a result of delay in the issuance of certificate of occupancy form the government in most cases, the delayance are due to political reasons.

4.3 PROBLEMS FACED BY NIDB CLIENTS

The investigation carried out indicates that the following are the major problems faced by NIDB's clients.

(a) There is the general complains about the time it takes before loan applications are processed and approved. Clients complaint that the time lag is so long that by the time is approved, the cost of projects would have gone up due to inflation. In addition, clients are of the opinion that the processing procedures are cumbersome.

(b) The second problem is that disbursements are extended over a long period of which consequently lead to high project cost as a result of inflation.

(c) The NIDB's policy of giving part of the loan in form of machineries and tools were bitterly complained about. This was because must machinery's and tolls supplied by the bank were not the latest.

models which they would have purchased had they been given the money.

(d) Another general problem complained about is the present economic environment, which has made them default in interest – payment and loan serving. Also complained about the constant breakdown of machinery and equipment, frequent power failure or cut by NEPA. Another issue they detest is the frequent visit by NIDB officials whom they alleged spy their activities for the government under the guise of supervising their investments.

4.4 ASSESSMENT

There has been statistical presentation for analyzing the operations of NIDB. The overall operations of the bank suggested that it has done well. However, an attempt will be made to examine the role qualitatively.

The first basic question is what are the criteria to be used for judging the performance of a development bank like NIDB? The first criteria is "how well" the corporation is run as a financial institution on a development bank. The technical competent it brings into various functions such as project appraisal and follow-up need to be examined. It is also necessary to evaluate it's performance in carrying out its development role. This involves the assessment of the principle of fund allocation among industries and the determination of the proprieties. Are efforts made to

Formulate projects that could be set up in industrially backward states or areas in order to attract investments in such places.

A further question that arises is whether as development bank NIDB has taken on itself the responsibility to set up projects in certain sections or areas were adequate projects are not available. As premier industrial finance institution, to what extent has it made positive efforts to encourage entrepreneurship development if the bank cannot engage in direct ownership of project? How prepared or effective is the bank in managing directly or engaged in proper planning or efficient management for some problems industrial units, which they have invested.

"A key to the success performance of any institution and maintenance of healthy portfolio according to V.V. Chari in his article – performance and problem of state financial corporation (commerce annual number 1974) is the existence of an efficient and adequate organizational set-up. It cannot be said that NID has no adequate organizational machinery to do he real justice to the role it was set up to perform. Therefore, effective assessment cannot be done without touching problems such as low growth of business, delays in sanctioning assistance, deficiencies in appraisal of loans, inadequate follow up and supervision which may stem from organizational inadequacies. Apart from looking at the statistics of sanction, disbursement, sectoral distribution, employment generated and foreign exchange savings and the appraisal of

NIDB's performance cannot be complete without looking at the issues and questions already stated above.

For this exercises it would be helpful to glance through the statistics on tables complied from NIDB report or purposeful comments on NIDB's performance. Originally, the volume of sanctioned financial assistance requite substantial so also the amount so far disbursed. From the resources point of view, it appears that NIDB is carrying large at most time and can carry more now that it has no difficulties in raising funds from domestic capital market. With this kind of situation, it will be difficult to say that NIDB has fulfilled its role and objectives. A look at loan and equity investment sanctioned by NIDB during the period reveals that there is high concentration of the assistance in loan and debentures. This excessive concentration tends to point at the fact that NIDB seems to be pursuing a deliberate policy of making profit and avoiding risky ventures. Loans and debentures earn fixed returns and NIDB prefers that no equity particular in the case of new firms that are not likely make profit in the immediate future.

Furthermore, loans give the bank a greater security of the investment for the assets. In certain circumstances personal guarantee and the mortgage of personal assets have demanded problem or entrepreneurs. These are very serious steps to avert risk.

The structure and working of NIDB indicates that as a business concern. NIDB is run on second lines; whether it has satisfied the

developmental and social obligations expected of it is a different matter. To lend to those who can repay is a second business practice and a second lending principles. Based on this, it will be fruitless criticizing NIDB. If this objectives of NIDB are scrupulously analyzed. NIDB would face barrage or criticism that it has not attained an appreciable level of performance.

Criticisms on NIDB's lending to more controlled enterprises does not strongly hold now. More indigenous enterprises are benefiting from NIDB assistance, although the level of the projects and assistance appears to be a tip of the ice being if compared with the level assistance attracted by foreign backed projects it is important to mention that in most cases, the foreign backed are better conceived and they enjoy more patronage in terms of disbursement.

Although NIDB is accused of not doing enough work in terms of project, promotion and development, their power to stimulate suitable project is not effectively backed with adequate authority. This authority could be made useful if NIDB is empowered not only to develop suitable and viable projects but also invest directly and wait for interested shareholders that can be fished out locally or at the stock exchange. The Nigerian entrepreneur is empowered to take the initial risk of bringing the waiting time or gesticulation period of factory and the time dividends are expected by providing the vital take off capital for project, lacking capable entrepreneurs.

The public expects so much from NIDB. This can be seen from the remarks of enterprises panel. "When viewed in the context of the requirement of the country's economy and in the light of what similar institution have achieved elsewhere, NIDB has thus not measured up to expectations in terms of overall impact in the opinion of the industrial enterprises panel. They argued that it would be necessary for NIDB to play completely new role. The desired new role should be that if dynamic institution on taking the initiative to effectively promote and finance new enterprises in strategic areas of the economy.

However, such as the new role of NIDB is desirable and indeed mandatory, the panel was of the view that giving existing organizational structure, management's lack of aggression in the past, it's limited vision of what development banking is all about and the low level of performance and impact on the economy, the NIDB in it's existing form cannot successfully undertake the new role expected of if without a complete re- organization.

Professor Nwankwo further observed that the above criticism severe as it appears, the panel seemed to have ignored the influence of the original ownership structure on policies, and operations of NIDB and the traditions the have evolved there in or the operating procedure of the bank. He pointed out the memorandum was formulated by the foreign dominated institution and they imposed very strict limitation on the range and mode of operation of the bank. In the word of the professor: "it is

evident that the criticism of the NIDB's operations made by the industrial enterprises panel where misplaced. The root cause of the bank's mal operation was it ownership structure and origin.

In effect the NIDB transplanted UNCRITICAL, LOCK, STOCK, AND BARREL into the Nigerian environment the operational practice and procedures of world bank. This asserted, explain why NIDB is reluctant to assist enterprises in which government interest were substantial, Federal strong intervention between 1970 and 1976 reduce foreign interests in ownership and consequently brought some influence on it's policies and operations. That withstanding, the old adage that the chameleon can change its colours and not its habit holds. The management has not been dynamic and concerned as the government, consequently, as policies changed; the attitude, beliefs and behaviors of the main executors did not change in the same dimension. The enlargement of the Board of Directors and the settling up of the management consultancy unit have not brought any significant change in NIDB's management modes, styles and attitudes.

The above observations indicate that there is a missing link between the status of NIDB as a catalytic and dynamic institution expected to have the initiative of effectively promote and finance few enterprises in strategic areas of the economy and the actual practice and performance of NIDB. The concept held about NIDB and accepted as cultural facts by individuals and groups of individuals underline both the urge and motive to borrow and the attitudes and values associated with borrowing as translated into

various kinds of behaviours which are culturally accepted by the various societies. Such behaviour with respect to borrowing and lending can be expressed physically, verbally, socially and in terms of learning and it enable an individual or group or an organization to produce the appropriate desired result.

It is significant to note that the differences in the responses of peoples of different nation elites to this, is precisely what would be expected. That is to say that people of different cultures respond physically and otherwise in different ways to the same exposure depending upon its cultural significance of the various individuals or groups.

For example the attitude to borrowing and lending varies from tribe to tribe as well as from religion to religion. Inculcation of industrial culture among Nigerian is therefore a challenge and NIDB is well equipped to impact this culture.

It is also worthy of mention that the development banker is no less than an industrial and a member of the society. As a leader, he play special role and may hold specific status within his society and his role and status are determined by the consensus of the society. As to what would be proper behaviour for development, bankers may form a special class or professional discussion. Their role may be ascribed or achieved and their status may be high or low or combination of both. In nearly every case however, the banker behaves socially, certain well defined ways because they re professional and their behaviour is sloped both by the expectation and stereotype of the bankers role seen by the society at large.

Does NIDB management consider these multiplicity of ethnic groups cultural behaviour and other problems in lending out funds? An Hausa person's respect and regard for financial assistance in terms of loans varies from that of an Ibo or Yoruba person. A thorough understanding of the concept of borrowing and lending in relation to the cultures, values and framework of a people is very important. Since the management of NIDB is solely Nigeria, it is high time effort made to reconcile NIDB's lending policies and operation methods. The objectives of its existence and how they fit into society which it is set-up to serve and the phenomenon of life accepted to the people as well as how the organizers of the means of production are holding the realms of industrialization and financing industrialization

Generally, the issue of NIDB's performance can now be reverted to the basic questions stated above. In the author's opinion, satisfactory answers have not been received on the questions. The commonest view is that NIDB has not done enough to make its impact felt effectively. NIDB seems to be virtually on the foreign bedrock. It is very obvious that a number of improvements are required to make NIDB's impact to be effectively felt in the Nigeria Industrial Development Financing. This will also justify the government's participation in financing industries in the country.

4.5 PROSPECTS OF NIDB IN NIGERIA

Based on the emphasis placed on industrialization by the government the private sector, various institutions, groups and individuals in Nigeria Industrial Development with great optimism. This is even moreso when one takes cognizance of the fact that the government has come out with a comprehensive and well articulated industrial policy which can only cater for all facets of our industry but also involves all tiers of government, their institution and the private sector.

Obviously, financial institution have been more involved now than even before in the development of Nigerian industrial sector. This is because their corporation in financing industrial investments will go a long way in determining the future of this vital sector. NIDB by virtue of its status as the foremost industrial institution in the country, particularly view the futures of Nigerian industry as a great challenge which it must live up to, indeed, General Yakubu Gowon (Rtd) then Nigerian Head of state and presently the Chairman, National Oil was not in any exaggeration when he said, at the launching of NIDB that he considered. "The Nigerian Industrial Development Bank NIDB as a cornerstone of our future industrial development policy.

This is still true as it was about twenty six years ago. This is because NIDB has always been the most effective organ available to the government in challenging industrial credit to Nigerian investors. It bears repetition to say that one of the major functions of the bank is to give

support to the Federal Government's economic development programmes. The bank complement other government programmes especially in the areas of industry.

Beside this, all indications point to the fact that the bank will continue to maintain it is stronghold on the Nigerian industrial credit delivery.

In the first place, the bank now has a good capital based which has empowered it enough to mobilize funds from external sources for internal development. To this end the bank negotiated for loan packages with other lending institutions such as the European Investment Bank/European Development Fund (EIB/EDF). Africa Development Bank (ADB). Nigerian Agricultural and Cooperative Bank (NACB) Ltd. Commonwealth Development, Corporation and ECOWAS Fund. Negotiation with these institutions have paid up immensely.

Also in no distance time, the bank will expand it intervention in rural areas. In doing this, it will actively involve the state government.

NIDB has also mapped out plans to further diversify its operation so that areas that are not directly industrial in nature; but of great support to industry would be covered. Al indications also point to the fact that for sometime to come, INDB in conjunctions with the Nigeria Agricultural and Cooperative Bank Limited (NACB) and the Nigerian for Commerce and Industrial (NBC) re contributing 20% of their separate funds of N2 million which will be kept in reserve to meet indemnity of occasional catastrophic industrial and agricultural losses resulting from natural haggard. It is also

worthy of note to state that NIDB will continue to enjoy confidence of international Finance Institutions such as the World Bank or International Bank for Reconstruction and Development (BRD) in the area of channeling industrial credit to the past relations with this institution.

From the foregoing there is no doubt that NIDB's prospects in the Nigerian journey to industrial development is bright. It is also certain that the bank will continue to maintain its leadership hold in the area of industrial credit delivery. It is also going to further register its indelible mark in financing more development projects in reaching more investors and cause in promoting more noble projects.

CHAPTER FIVE

5.1 SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter summarize the importance of features of the project as presented in the previous chapters. This is strictly on industrial Development Financing in Nigeria with specific reference to Nigeria industrial Development Bank Limited (NIDB).

Chapter one of this work (study) presented the introduction of the topics. The establishment of Central Bank of Nigeria (CBN) by the Federal Government and the problems that led to the creation of development banks were highlighted. The necessities for these industrial financing systems arouse from scarcity of funds for investment suffered by investors, lack of managerial skills in investors. The fundamental objectives for setting up these banks was to fill the 'gap' created in the financial system, where there are only commercial banks and central bank.

This further led to the establishment of the NIDB Ltd. Which the government uses in promoting industrialization. But for more than 27 years after establishment, the Nigerian economy is still referred to as agrarian. It is the continued reference to it as agrarian that promoted the research so as to ascertain whether the Nigerian economy has experienced any appreciable industrial growth since the establishment of the NIDB in 1964 and to also identify any log in the wheel of industrial progress of the nation so as to proffer possible solutions.

A look at the establishment of the NIDB and its project appraisal technique were discussed. The technique used by NIDB in appraising projects includes technical, financial, economic, managerial and social appraisal.

Chapter three dealt with a critical analysis of NIDB, its history objectives and functions were discussed. The main objectives include: assisting in the creation and expansion of enterprises, encouraging and facilitating ownership of investments and enhancing the development of capital market, etc. the functions it is to perform are: the provision of long and medium term capital for investment, guaranteeing loans, etc. The general policies of NIDB were presented in the chapter. This policy ranges from the size of investment, rate of interest repayment period, security of loan and mortgage, etc. Method of application and appraisal process were highlighted. The appraisal of NIDB are very exhaustive.

Also a structural analysis of the bank was done. The administrative set up indicates that the managing Director is in charge of the day to day administration of the bank. To make its impact felt the grass root level the bank zone the country into administrative areas, as follows: Lagos Kano, Port Harcourt and Abuja with the headquarters now here in Lagos but very soon it will move to the Federal Capital Territory, Abuja.

Chapter four comprises mainly of data presentation and analysis investigations from the study reveal that NIDB has reason for preferring

large investment to small ones. Also through the use of questionnaire and other findings we got the following:

1. It makes a long time process NIDB loan
2. That the investment policy of the bank is unrealistic because of its risk aversion.
3. That the bank operates a rigid loan condition

The last aspect of this chapter are the prospects of NIDB in Nigeria. This chapter five presents the summary of the study so far. Later conclusion will be drawn and recommendation will be preferred.

5.2 CONCLUSION

NIDB has contributed tremendously in promoting industrialization in Nigeria. However, the desired level of industrial development for the country is far from being achieved. It is an indisputable fact that NIDB has made some giants in its efforts to achieve its objectives. Its operation rights from the year of incorporation 1964 – 1990 attest to this fact.

A whooping sum of over N2 billion was approved for investment between 1964 – 1990 throughout the country, while a total of N1.2 billion was disbursed for the same period. It has really played the role of acting as a catalyst to private industry in Nigeria.

In addition to providing long and medium term finance for investors in a form of loan and equity, it has also acted as a pipeline for channeling

domestic saving to profitable ventures. By virtue of its operations it has been able to inculcate discipline and proper management into the operation of the client's enterprises.

The impressive responses by way of application for loans from enterprises, institutions and government that the bank is intended to help indicates that the bank has lived up to expectation. This assertion can be verified by the fact that over N2.0 billion sanction so far, represent only a minute fraction of the total value loan application.

In terms of employment NIDB has performed modestly. Between 1964 and 1990 NIDB has made investments that generated employment over 170,000 persons. It is worthwhile to stress that Nigerian employment problem cannot be solved through the activities of only a single financial institution.

The clients of NIDB have recorded significance achievement in their effort as a result of the NIDB's assistance, it has generated industrial expansion by financing mainly new industries. It is an impressive scene to see new product flowing out of production of clients companies. These products ultimately go into the market to increase the variety of essential and luxury goods, thereby improving the living standard of the people.

NIDB has made industrial contribution to the growth and development of capital market in the country. The Lagos Stock Exchange that was established in 1961 was up to 1972 housed by NIDB free of charge.

NIDB clients face a number of difficulties, these problem ranges from long processing period for application, cumbersome procedures; to frequent visit by NIDB officials.

Finally, NIDB's performance is encumbered with a myriad of problems. These problems range from inappropriate appraisal, techniques in some cases, attitude of investors to default in repayment.

NIDB's restriction of its investment to large companies is economically indefensible in the present Nigeria conditions. NIDB is primarily concerned with immediate profitability of projects. This is short sighted because cash flow projections alone cannot be used as a guide to latent economic benefits of projects.

5.3 **RECOMMENDATION**

In the light of all our findings and the need for NIDB to breast up to the present needs of the country in industrial development financing as well as for the need to compare favourably with development banks in other development countries that have made conspicuous progress in industrial development financing.

Therefore Nigerian investors and the NIDB, Federal Government being partners in progress and complimentary in their very important services of national economic development, the major problems facing them have to be eliminated or reduced to the bearest minimum for them to achieve absolute success in their onerous task. To achieve that these,

following recommendations are pertinent for consideration and possible implementation.

1. Financing assistance should broadly be distributed to correspond to the pattern of geographical spread i.e State – wise and even local government wise to further enhance the grassroots development policy of the government

2. The Nigerian Industrial Development Bank Limited (NIDB) should launched a campaign aimed at dissuading Nigerian entrepreneurs from patronizing foreign consultant. Using Nigerian consultants are more relevant to the realization of an ambition of even national industrialization. This is because Nigerian consultant understand the environment better and their services to investors will be more in harmony with the overall national objectives or even economic development unlike the so-called foreign experts whose criteria are often in conflicts with our local needs.

3. The NIDB as bank with strong business relationship with the entrepreneurs should advise them to hire competent persons to assist foreign partners so that they are not placed at disadvantage positions.

4. To ensure industrial development in the rural areas and ensure dispersal of industrial as well as even development, NIDB should pursue and encourage the flow of its assistance to entrepreneurs in rural areas by offering or operating a scheme which offers confessional interest rates, liberating financial terms, such as lower promoters, contributions or higher debt/equity ratio. This has been successfully practiced in India as it was stated that the share of industrial assistance by development banks in India to backward areas is 0% of the total assistance given by the development banks.

5. In order to make this workable NIDB should note that the development of rural areas although complex, is very essential. It can be realized by engaging a considerable preparatory and promotional work to instill the relevant industrial culture in the people. The promotional efforts should include idea identification of feasibility studies managerial and technical assistance, continuous follow-up and monitoring all activities geared toward the main objectives of setting viable projects in rural areas. This calls for the reorganization and expansion of the promotion and the development of NIDB in term of staff, duties and resources allocation.

6. The NIDB should process the applications for worthy projects within the shortest time possible to minimize the effects of inflation through unnecessary procrastination as is done at present. The policy of disbursing bits should be discounted and disbursement in large sum (unless there is genuine reasons to suspect that the loans will be misused) should be adapted.

7. In view of the importance of management, NIDB should emphasis on the viability of adequate management to avoid circumstances in which projects otherwise viable fall because of lack of efficient management. The management consultancy should be involved in identifying and selecting the essential staff for major projects. This study has had a hard look at the effort and problems of industrial development financing in Nigeria with a particular emphasis on Nigerian Industrial Development Bank Ltd. The problems and prospects of industrial financing has been analyzed within socio-economic and geopolitical environment. The widest scope and the need for realistic approach has directed most writers to focus on some selected elements within the economic environment, emphasizing the absence of the right-type of economical milieu as the major obstacles to rapid industrial development in Nigeria, skilled manpower bottlenecks, inadequate, infrastructure narrow markets and limited demand for products and problem of security, basic and auxiliary capital equipment and strangulation and raw

material supply are among the factors in the economic environment poor management and bad organizational political factor rising from lack of any solid ideological based policy and other impediments have prevented domestic business enterprises from generating the rate of growth hoped for. Lack of entrepreneurial capacity, economic environment is impinging upon the industrialization of Nigeria. Other problems are inadequate spare parts shortage of capital which is grossly exaggerated, land problems and the absence of intelligent economic management information have been considered in arriving at the conclusion and recommendations in this study.

8. It is generally opined that where long-term view is necessary and a certain amount of risk has to be taken, banks tend to be conservative and are not very helpful. As a development bank NIDB should be prepared to inevitable risks which may in the end pay off.

9. NIDB can also sponsor management training programmes for the local promoters with the objective of providing training in modern management techniques in specific functional areas in financing or accounting marketing, personnel, material management or inventory management and office management.

10. Finally, along with its financial assistance, the NIDB has to be prepared to provide management and technical assistance as well as mount serious campaigns targeted at the governments and business men of less industrialized states to provide some necessary infrastructural facilities to attract industries to their areas.

This has a big challenge and reasonable impact to make in the rural areas in conformity with the present regime emphasis on rural development.

On the other hand, the Federal Government should not interfere with the policies of the political reasons; medium and long term finance and equity investments to small, medium and large scale enterprises which by their sizes can make significant contributions to the industrial development of Nigeria.

The research was able to prove that because the country is made up of so many political divisions and geo-political units, the formulation and implementation of industrial development programmes has always been from political considerations. In addition to this the research has proved that, though the industrial development programmes of this country have simply contents and can simply be implemented, the problem of poor infrastructural facilities to support industrial programmes are lacking.

This factor with the political factor will involve the country in making industrial development programmes implementation complex and unimplemented.

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APPENDIX – 1

NIDB (LTD) NORTH – WEST AREA ADMINISTRATION, KADUNA SUMMARY OF PROJECT PORTFOLIO AS AT END OF QUARTER 30TH DECEMBER, 1993

S/No	COMPANY	PRODUCTS	LOCATION	NIDB's Investment N 000 Loan
1	Adams Agro. Ind. Ltd	Animal feeds	Hadeija, Kano State	596 65
2	Alh. Alkasim Ahmed Ind, Ltd	Perfumes & Pomades	Kano, Kano State	1275.0
3	Amani Paper Ind. Ltd	Toilet Paper	Sokoto, Sokoto St.	2527.0
4	Aycon Ind. Ltd	Candle	Kano, Kano State	3300.85
5	Anco Investment Com. Ltd.	Germents	Kano, Kano State	617.0
6	Fajinta Int. Ltd.	Buttons	Zaria, Kaduna State	470.0
7	Limanci Kona Plastic Ind Ltd.	Plastics Product	Zaria, Kaduna State	4688.0
8	Muradi Motel Ltd.	Motel	Katsina, Katsina State	3405.0
9	Sani Mai Mai Petroleum Ltd	Pomades & Ointment	Zaria, Kaduna State	1863.0
10	Talata Bakeries Ltd.	Bakeries	Talata-Mafara, Sokoto State	723.24
11	Tomi Zazi Nig. Ent. Ltd	Buckles & Roofing Nails	Niger state	5426.24
12	Yati Leathers Nig. Ltd	Shoes	Kano, Kano State	3886.20
13	Garmat Ind. Invest. Dev. Ltd	Shoe, Polish	Zaria, Kaduna State	3451.70
14	Manstruct Nig. Ltd	Foams	Minna, Niger State	2719.0
15	Water Research Nig. Ltd.	Gas Cylinder, Regulator and Water Pump	Minna, Niger State	3543.0
16	Gesti Traiding & Co. Ltd	Bread	Kano, Kano State	603.0
17	Ladan Usman Company Ltd.	Stone Aggregates	Zaria, Kaduna State	550.0
18	Comnice Nig. Ltd	Laundry Soap	Minna, Niger State	605.0
19	A .A Holdings Ltd	Cotton Wool Sanitary Pads	Kaduna	3787.0
20	Zuma Food Industries Ltd	Soya Milk	Suleja, Niger State	2389.0

APPENDIX II

Department of Business Administration,
Institute of administration,
Ahmadu Bello University, Zaria.

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Dear Sir/Madam,

RESPONSE TO QUESTIONNAIRE

I am a post-graduate student of this department of Business Administration, Ahmadu Bello university, Zaria, currently carryout a study on "INDUSTRIAL DEVELOPMENT FINANCING IN NIGERIA: A CASE STUDY OF THE Nigerian INDUSTRIAL DEVELOPMENT BANK LIMITED".

The study is purely an academic exercise, is in partial fulfillment of the requirements for the award of the degree of Master of Business Administration (MBA) in the above mentioned institution.

In this regard, I wish to request you to give response to the attracted questionnaire. Your response will be treated anonymously and in strict confidence.

Thanks in participation.

Yours faithfully,

Abdulkadir Yahaya.