EFFECTIVE STRATEGIES FOR PROMOTING INVESTMENT IN NIGERIA:

A CASE STUDY OF NIGERIAN INVESTMENT PROMOTION COMMISSION (NIPC)

BY

ABIOLA SAMUEL TUNDE

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A THESIS SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION, AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTERS IN BUSINESS ADMINISTRATION (MBA).

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DECLARATION

I, Hereby declare that this thesis titled: EFFECTIVE STRATEGIES FOR PROMOTING INVESTMENT IN NIGERIA: A CASE STUDY OF NIGERIAN INVESTMENT PROMOTION COMMISSION, for the award of Masters in Business Administration of Ahmadu Bello UNIVERSITY, Zaria is the product of my Research work. All reference made to Text, Journals and other Articles have been duly acknowledge in the Bibliography.

ABIOLA SAMUEL TAIWO		7TH AUGUST, 2000
NAME OF STUDENT	SIGNATURE	DATE

CERTIFICATION

This thesis report titled: **"EFFECTIVE STRATEGIES FOR PROMOTING INVESTMENT IN NIGERIA: A CASE STUDY OF NIGERIAN INVESTMENT PROMOTION COMMISSION"**, by Abiola Samuel Tunde meets the regulations governing the ward of Post-Graduate Degree of Masters in Business Administration (MBA) of Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.

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EXTERNAL EXAMINER	SIGNATURE	DATE

DEDICATION

This Thesis is dedicated to you:

EMMANUEL OLADELE ABIOLA

During the course of this programme

When the sea was too difficult

To nevigate

You were my greatest source of

COURAGE

BOLDNESS

UNDILUTED SUPPORT

UNCONDITIONAL LOVE

I am holding unto the PROMISE - ETERNALLY -

Dear Brother; keep resting with the Lord.

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And to my great Uncle and his wife - Mr. & Mrs. S.A . Ataiyero - I will say:

A touch of happiness to every life
A gift to their generation
A consistent support
My multipurpose pillar of support and love
And to my Mum - Mrs. Victoria Adebusola Abiola:
One of a kind in her generation
None like you
None can be you
None will ever be you
The best that will ever be

My heart goes out to you all my precious and invaluable gifts: Aunty Shola, 'Tayo, 'Busayo, 'Lekan, 'Toyin, 'Bola, 'Tosin, 'Banjo (Jnr), 'Wole, 'Ronke and 'Nice Adeoye. My love for all of you is ETERNAL.

And you too - Emmanuel Oladele Abiola: Ladele, you are never in a hurry to cross any bridge; but this time around you crossed too early, too soon, too sudden. You were my brother, my confidant, my best friend all rolled in one. Till we meet to part no more; THE SCAR REMAINS.

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ABSTRACT

The provision of a conducive regulatory environment constitutes a major attribute of investment policies that could influence location decision. The others comprise net incentives, the variety of incentives, the stability of incentives, the timing of incentives and investment promotion activities.

Over the last few years, the Nigeria Investment environment has witnessed substantial economic and structural changes.

In the period of boom as the country experienced in the mid-seventies, many business firms thrived in an era of abundance. During this period, employment, production and income were at their peak levels and government expenditures rose considerably. Nigerians then had so much money, but lacking in ideas the best investment we. could see was to buy out our foreign investors, instead of establishing our own business.

The business failure became the other of the day as a result of adverse macro economic conditions. Due to the economic recession, firms found themselves in extremely hard conditions to the extent that survival has become of paramount importance.

The restructuring of Nigerian economy since 1986 has increase the tempo of the need for competitiveness in the Nigerian investment environment.

The political instability which took its toll in the early 80's has greatly affected the growth and development of investment in Nigeria.

The inability of the government to develop an articulate policy for the purpose of promoting investment in the country also hampered the growth of investment in Nigeria. For instance the Structural Adjustment programme (SAP), that was introduced in 1986 greatly affected the major Nigeria economic sectors.

In 1988, as part of the Structural Adjustment Programme (SAP), government embarked on a policy of privatization and commercialization of the less strategic of its business enterprises. Another mini privatization was embarked upon in 1993-4 for the sale of banks' shares. A third phase of privatization is now under consideration, this time for the so-called most strategic industries.

Privatization is a major way of attracting foreign and domestic investment into the country to relieve government of a substantial burden, which it has borne on behalf of society. Unfortunately, privatization is both politics and economics and substantial investment needs to be made in educating the public as well as in repackaging the nation to make it attractive for investment, before such a programme can have a chance of success.

Since 1993, Nigeria has been pursuing a programme of reforms involving the deregulation and liberalization of its economy. Assistance from the World Bank, and IMF are now predicated on the scope and extent of these reforms, such reforms must include such as are likely to make Nigeria more attractive for local and foreign investment.

Nigeria must therefore, look beyond their present situation and develop a long term strategy to keep abreast and reap the investment opportunities within its reach and capability.

There is however, no one strategy for promoting the country's investment opportunities that is optimal, Nigeria must determine which investment strategy(ies) makes the most sense in the light of its economic socio-cultural, legal/political and technological position.

In the course of writing this thesis the researcher found out that Nigerian Investment Promotion Commission have some laid down plans on how to promote Nigeria Investment potential to investors. The researcher therefore, went further to suggest some effective strategies for the implementation of these plans.

Chapter one is the general introduction of the project work. Chapter two which is the literature review; covers every literature (books and journals) that was available at the researchers disposal. Chapter three which is the research methodology explains the methods, the approach used in gathering data as well as the tools of gathering such data. Chapter four contains the presentation and analysis of the relevant data obtain from the research proposal. Chapter Five which deal with the findings, summary, conclusion and recommendation give some recommendations and suggestions which in the researcher's opinion will ameliorate some of the problem which have been proffered.

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LIST OF ABBREVIATIONS

SCA's	-	Sustainable Competitive Advantages
SWOT	-	Strength, Weakness, Opportunities and Threats
BPEST	-	Business, Political, Economic, Social and Technological
R & D	-	Research and Development
OMO	-	Open Market Operation
GDP	-	Gross Domestic Product
DVP	-	Delivery Versus Payment
SAP	-	Structural Adjustment Programme
LDC's	-	Less Developed Countries
DC's	-	Developed Countries
NIPC	-	Nigerian Investment Promotion Commission

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The term strategy is derived from Greek word "Strategies" meaning general. In a military sense, it involves the planning and directing of battles or campaigns.

In business sense however, it refers to the action of management to offset actual or potential actions of competitors.

It is a pattern of decision (which represent) the unity, coherence and internal consistency of a company's decisions that position a company in its environment and give the firm its identity, its power to mobilize, its strength and its likelihood of success in the market place.

The viability, growth and development of any nation calls for a hierarchical system of basic objectives, policies as well as establishing the plans and allocating the resources in such a way that will move the nation forward.

In other word; a nations' efficiency and growth depends directly on its ability to put in place the necessary strategies that will bring about the flow of investment into the country, whether cause by Nigerians or by Aliens resident in Nigeria.

The goal of investment promotion is to make Nigeria the place of choice or the preferred place for the investors, by putting in place an effective investment strategies that will accelerate the flow of investment into the country.

The importance of promoting investment in Nigeria is now widely known and accepted. It is therefore imperative for the policy makers (Government) to analyze the available skills, resources standing, market size and growth and the investment environment which stands as a prerequisite for promoting investment in Nigeria.

Key steps or approach toward developing appropriate investment strategies are:-

1. First, start with a market overview of the industry or economic sectors that the nation is interested in key issues here are as follows:-

(a) Has the market growth or declined in volume in the past recent years?

(b) What is the nation's share of the business?

2. Identify the key economic sector and conduct a SWOT/BPEST analysis for each one/

This means that the country must:-

(a) Determine the major external influences and their impact one each economic sector.

(b) Establish the factors for success and competence.

(c) Assess the nation's possession of factors of production for success.

(d) Specify the assumptions on which the investment strategic plan is based.

(e) Finally, state the financial consequences of embarking on the strategic investment plan.

Four key issues shape the formulation and implementation of strategy for promoting or enhancing investment opportunity in any given country:-

a. Opportunities identified in the business environment.

b. Nation's competence and resources capabilities.

c. Identification of threats to investment opportunities.

d. Nation's culture and value system.

(1) <u>Opportunity Identified in the Investment Environment</u>:

In order to be able to establish feasible investment opportunities, a nation must first search its environment (internal and external) for investment opportunities that may be available for exploitation.

It must also scan the environment for resources that it will need to tap in exploiting the identified opportunities.

A forward looking country must have an efficient information system for diagnosing the commercial, industry, technological and social political environment.

(2) Nation's Competence and Resources Capabilities

Having scanned the environment for exploiting investment opportunities, a country can now proceed to assess its capabilities in exploiting the investment opportunities identified. It is no use putting in place strategies for exploiting investment opportunities without the necessary resources for pursuing it.

(3) Identification of Threat to Investment Opportunities:

This has to do with the issue concerning the determination/identification of environment threat capable of impinging the realization of any given investment opportunities.

This could be internal or external sources. If these identified threats can be efficiently handled and controlled in such a way that they do not jeopardise the attainment of the investment opportunities; then, the country is in a good position to exploit the investment opportunities that have been identified.

(4) Nations' Culture and Value System

National Culture and Value System in this context is a pattern of basic assumptions - invented, discovered or developed by a given country as it learns to cope with its problems of external adaptation and internal integration.
National culture contributes to and influence the approach as well as the type of investment the country will pursue.

Finally, a strategy that is intended to promote investment in Nigeria, must first address the question of how Nigeria will mobilize investment both foreign and domestic, for development. In other words, what should we do as a nation to successfully promote investment in Nigeria.

1.2 STATEMENT OF THE PROBLEM

The knowledge of effective strategies for promoting investment is important for growth and development in any economy. As noted by E. v. Bowden; ....."to have growth, there must be saving, but just saving is not enough. In order to link savings to growth, there must be investment. Savings cannot be translated into growth without investment."

How do we mobilize investments, both foreign and domestic, for development, that is the big question. In other words, what should we now do as a nation to successfully promote private investment in Nigeria?

1.3 OBJECTIVES OF THE STUDY

The focus of this research work therefore;

(a) is to access the impact of various economic and structural changes on the Nigeria Investment environment;

(b) to provide evidence on whether or not it has any significant impact on the investor's (both foreign and domestic) decision to invest in Nigeria or not.

The aim of this work basically, is

(c) to provide effective strategies for promoting investment in Nigeria.

1.4 RESEARCH QUESTIONS

With regard to this research work, the relevant questions are:

(a) Why do some people invest while others do not?

(b) What motivates people to invest?

(c) Do investors need particular skills?

The answers to these questions should guide us all in formulating effective strategies for investment promotion in Nigeria.

1.5 STATEMENT OF HYPOTHESIS

A hypothesis is an untested statement of causal relationship between two or more variables. A hypothesis determine sets the ground for a research to be carried

out to determine the causal relationship between variables. The outcome of the study will either validate the hypothesis or make it invalid. The statement of hypothesis based on the information gather for the purpose of this study are as follows:

(a) That the volume of investment in Nigeria s not determine by the investment environment in the country but rather by the individual investors behavioural characteristics.

(b) That what is needed to promote investment in Nigeria is a conducive investment environment rather than devising effective strategies to attract, encourage, promote, monitor and co-ordinate investment in the Nigerian economy.

(c) That investment does not necessarily lead to growth and development but rather adequate and full utilization of the country's human and natural resources.

1.6 SIGNIFICANCE OF THE STUDY

The experience of the newly emergent economies such as South Korea, Malaysia and India, indicate that even though specific agencies were charged with investment promotion, there was , in each case, a national effort to make the nation attractive for investment by nationals and foreigners alike. Hence the concept of "Malayasia, Inc." for example. Even already developed nations like the U.S.A. and the U.K. still take pains to make themselves attractive for investment and also initiate special programmes to induce new or further investment.

This study is written to provide a through knowledge of some aspect of investment promotion to all students particularly those studying Business Administration, Accounting, Banking and Finance, Monetary Economics, Law Relating to Investment and other students who are interested in investment promotion in general.

With ever changing nature of the Nigeria economic policies and plans of the government, the work also intimate the investors of the need to have highly academically qualified, exposed and experienced people in the management of their investment portfolio.

Looking at the broader view of this work, one can make mention of the Federal Government to gain knowledge from it. This is because it called the attention of the Federal Government to its speedy policy formulation, implementation and changes as it affect the Nigerian Investment environment.

1.7 SCOPE OF THE STUDY

This research work focuses on promoting Nigeria investment potentials using various strategies and incentives. Has there been any major changes in the Nigeria Investment environment taken into consideration several significant macro-economics reforms and developments that have taken place as a result of policy changes with regards to Nigeria investment policies and environment.

The study covers the year 1995-1999. The Nigerian Investment Promotion Commission(NIPC) itself came into been by Decree No.16 of 1995.

This study is restricted to Nigeria, because of quicker availability of data. However, this does not mean that it is not relevant to policy formulation to improve the economy of any country (particular with respect to investment promotion policies) of the under-developed and developing nations. The study is also resisted to Nigerian Investment Promotion Commission (NIPC) which is the only investment agencies set up by the Federal Government to serve as a on stop part of call to a potential foreign investor in the country and a central project approval agency for both foreign and indigenous investors.

1.8 A BRIEF ON RESEARCH METHODOLOGY

The source of data for this study is principally through both primary and secondary data.

The primary sources include questionnaires drawn on some investment officers and top management staff at Nigerian Investment Promotion Commission (NIPC) and interview questions drawn on Private and Institutional investor in Nigeria.

The secondary method is the use of secondary data obtained through desk top reading, library research and use of text, journal, seminar paper and other related publication as acknowledged in the bibliography.

The explanatory method of research is also used in this work. The importance of explanatory research is to have a clear understanding of the problem under review.

1.9 LIMITATIONS OF THE STUDY

The first major limitation to this research is the difficulty in finding ample time to cover all areas of research especially with other vital academic obligations at hand. Not many books have been written on effective strategies for promoting investment, and even the very few ones written are not easily available. There is the general problem of data collection in the country. Many people claim not to have time for interview or complete questionnaire. This also give the researcher some problem. Some even hide under the camouflage of not wanting to divulge official secret to refuse interview or answering questionnaires. It is possible these people have vital information which would have be of importance in this work.

1.10 DEFINITION OF TERMS

CAPITAL MARKET:

It is the market which provides the mechanism for channelling current saving into investment in productive facilities.

ENVIRONMENT:

It consist of factors and forces internal or external to the firm that impinge on management's ability to develop and achieve its corporate goals.

GROSS DOMESTIC PRODUCT:

This is the total value of output actually produced in the whole economy over a given period; usually a year.

INDIGENOUS ENTERPRISES:

These are enterprises designed to accelerate the greater participation of Nigerians in the ownership and management of business enterprises in Nigeria.

INFORMATION SYSTEM:

This is a system that convert data from internal and external sources of information in an appropriate form.

INVESTMENT:

This is a resources channelled into maximum interest earning ventures over period of time. The resources is usually in form of money.

INVESTOR:

This is an individual or group of individuals who commit their money, time and energy in a given investment opportunity.

MONETARY POLICY:

The control of the money in circulation by the Central Bank of Nigeria.

POLICY:

Is the organization point of view and established manner of doing business and directing managerial action.

PORTFOLIO:

Package of two or more investment assets held for the benefit of an individual or institutional investor.

PORTFOLIO MANAGEMENT:

Is the task of combining or packaging two or more individual securities into a portfolio, which task entails a process of integrating separate though closely related elements intended to lead to the construction of an optimal portfolio for an

investor.

PROMOTING:

To encourage, to make to happen to lift up.

PRIVATE:

Domestic or foreign but not government.

SUSTAINABLE COMPETITIVE ADVANTAGE:

These are those skills that will permit the achievement of successful investment promotion strategies in Nigeria over a given period of time.

STRATEGY:

Is a unified, comprehensive and integrated plan relating to the strategic advantages of the firm to the challenges of the environment.

STRATAGEM:

This is a ruse or trick designed to put a rival company off the scene by designing the real intention of the company.

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CHAPTER TWO

REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter deals with the review of related literature in the area of the study. Starting with historical background of works that have been done in this field; it access, analyse and criticize these works. The chapter closes with literature review of how a country can gain sustainable competitive advantage in investment promotion.

KASHIM IBRAHIM LIBRARY

2.2 HISTORICAL BACKGROUND

Over the past few years the concern for investment promotion (both foreign and domestic) has taken a vintage position in our national polity. There is no gain saying the obvious that investment is an important determinant of growth and development in any economy (underdevelop, developing and developed).

On this note I tend to agree with Dennis O. Odife, in his paper, Promoting Private Investment in Nigeria, he sees investment promotion as "..... Everything a nation does to make itself attractive for investment, by its citizens and by foreigners ....."

He did not believe that the foreign investors are doing us a former by coming to invest in our country but we are doing them a favour by providing a conducive environment for investment. He also argued that the foreign investors does not owe us a living, but neither does he come here to develop us but to help himself. The development, which occurs, is usually a fortuitous accident, which we try to arrange through the sort of enabling environment that we create.

He also went further to say that the natives themselves particularly the non-resident Nigeria have an important role to play in promoting investment in Nigeria.

2.3 THEORETICAL ANALYSIS OF STRATEGY

Strategies are schemes, methods, manoeuvres which an organisation/nation hope to deploy in order to move the country or organisation forward.

It is the development of human, physical and material resources against the competitors in the pursuit of goals and objectives determined by the leaders of business enterprises and even a nation.

It is a pattern of decisions (which represent), the unity, coherence and internal consistency of company's decisions that position a company in its environment and give the firm its identity, its power to mobilise its strength and its likelihood of success in the market place.

TWO COMPARATIVE SETS OF VIEWS OF STRATEGY

Minzberg(1991), sees strategy as 5ps - Plans, Plays, Pattern, Position and Perspective. he describes a plan as a sort of consciously intended course of action. Basically, this amount to deciding what you want to do and how you intend to achieve it. A ploy is a subset of a plan, and is a strategy in the sense of a stratagem (i.e. a ruse of trick designed to put a rival company off the scent by desiguing the real intention of the company).

A pattern according to Mitzberg is the consistent behaviour and processes which emerges from strategic thinking, whether as a result of intended or unintended actions.

Position refers to what the previous three (Plans, Ploys and Patterns) are all aiming at i.e. an acceptance location for the organisation in the environment. As Mitzberg put it "strategy becomes the mediating force between organisation and its environment. Perceptive is an approach to strategy that is both conceptual and cultural. Mitzberg describe it as looking inside the organisation. Indeed the head of the collective strategist .... its content consisting not just of a chosen position but of an ingrained way of perceiving the world.

Johnson and Scholes(1993), in their thoughtful text an exploring Corporate Strategy categories a number of different approaches to strategy as follows:

a. A natural selection view i.e. where organisation are under great environmental pressure and have to adapt constantly to changes in their environment.

b. A planning view i.e. where strategy comes about through highly systematized forms of planning.

c. A logical incremental view i.e. an evolutionary step by step approach to strategy; it is an adaptive approach but one which is more controlled than the natural selection.

d. A cultural view i.e. an approach to strategy based on the experiences, assumption and believes of management over time and which may eventually permeate the whole organisation.

e. A political view i.e. where strategy emerges after a variety of internal battles, in which managers, individuals and other groups bargain and trade their interest and information.

f. A visionary view i.e. where the strategy is dominated by one individual or sometime a small group, who have a particular vision of where the organisation can and should be; this is particularly an intuitive approach.

MANAGING THE STRATEGY FORMATION PROCESS

Strategic decision maker goes about the strategy making task differently. In small, owner managed companies, strategic plans tend to be developed informally. The largest firms, however, develop their plans via annual strategic planning cycle that include broad management participation.

Along with variations in the organisational process of formulating strategy come variations in the way the manager as a strategic planner personally participate in the actual work of strategic analysis and strategic choice. Four basic approaches

are:-

a. The master strategist approach: Here the chief Strategist (Manager) exercises strong influence over the kinds and amount of analysis conducted over the strategy alternatives to be explored, and over the details of strategy.

b. The delegate-it-to-others approach: Here, the manager incharge delegate virtually all of the strategic planning to others, perhaps a planning staff or task force.

c. The collaborative approach: This is a middle approach whereby the manager enlist the help of key subordinates in hammering out a consensus strategy which all "the key players" will support and do their best to implement successfully.

The greatest strength of this style of managing strategy formulation is that those who are charge with strategy formulation are also those who are charge with implementing the chosen strategy.

d. The champion approach: In this style of presiding over strategy formulation, the manager is interested neither in a big personal stake in the details of strategy nor in the time consuming medium of leading others through participative brainstorming or a collaborative group wisdom exercise.

2.4 THE PROMOTIONAL MIX AND IT DETERMINANTS

THE PROMOTION MIX

The promotion activities of companies are usually classified into four basic categories:-

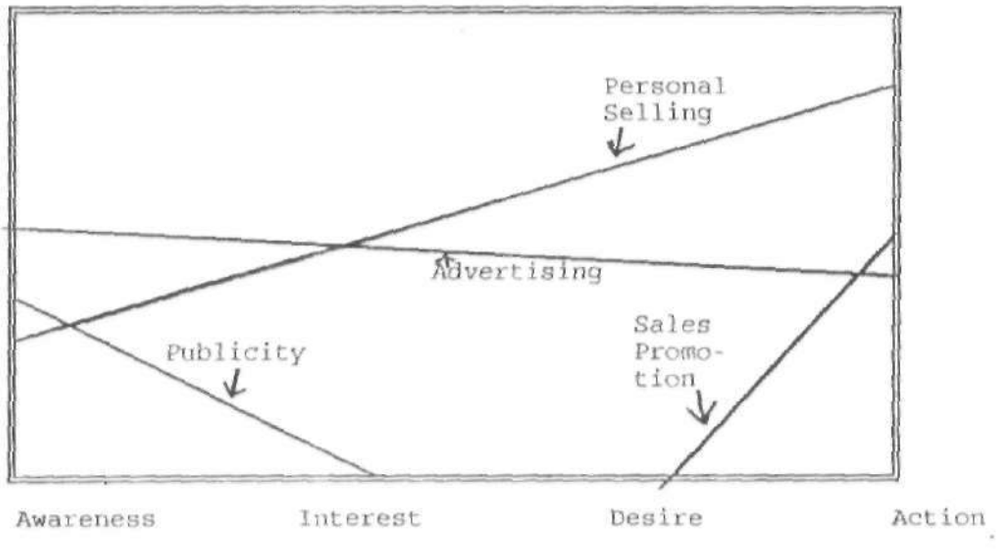
a. Advertising - Any paid form of non-personal presentation and promotion of ideals, goods or services by an identified sponsor.

b. Personal Selling - oral presentation in a conversation with one or more presentation in a conversation with one or more prospective purchasers for the purpose of making sales.

c. Sales Promotion - These marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and exhibitions, demonstrations and various non-recurrent efforts not in the ordinary routine.

d. Publicity - Non personal stimulation of demand for a product, service or business unit by planting commercially significant news about it in a published medium or obtaining favourable presentation of it upon radio, television or stage that is not paid for by the sponsor (Source: Roserberg P.406).

Fig.1 PROMOTION MIX DURING THE SELLING PROCESS



The diagram above represents the role of the four elements of the promotion mix in the selling process.

Publicity is generally effective in the awareness stage. Advertising becomes less and less effective over a period of time. Personal selling becomes more effective as consumer needs dictate a more personal relationship. Sales promotion can be effective in providing added incentives for buyer action.

FORCES DETERMINING THE PROMOTION MIX

Most companies go beyond the effectiveness and efficiency factors in determining which elements of the promotion mix to use. Other factors they use include:

a. Life Cycle Stage: We are all familiar with the five stages in the PLC - Introduction, Growth, Maturity, Saturation and Decline. The promotional emphasis changed with each stage.

During the introductory period, the marketer must stimulate primary demand-demand for the product itself rather than for a particular brand. Publicity is often useful at the introductory period as it work to dismantle resistance and negative attitude to be new ideal.

During the growth phase the marketer is all out for volume (higher volume) and a greater share of the market. The promotional mix at this point demand increase advertising.

In the maturity stage, a balanced promotion mix is used to maintain the sales level.

During the decline stage, new products overtake old ones, which are finally abandon. Unless sales can be revived by a change in the market or by repositioning the product, promotional expenditure are usually reduced substantially or eliminated during this stage (Shewe & Smith, P.478).

b. Type of Product - When a product has a high unit value; personal selling is desirable. Generally, consumer goods utilize mass advertising while industrial goods depend heavily on personal selling.

c. Size of Budget - Where the budget is small, the company resort to personal selling and publicity.

d. Push and Pull Strategies - The push strategy is generally used in the industrial marketing. The objective is to push the product through the market

(personal selling, sales promotion). In the pull strategy, mass communication is emphasized. here the marketer is trying to create end user demand.

e. Organization Philosophy - Some organization have as a policy preserving good relations with their customers, eventhough the cost of doing os affect return on sales.

f. Market Size and Segmentation

- Large markets
- Clearly define segments

The more clearly define a segment, the more accurate may be the targeting of the promotional mix

Other factors include:

g. Personal Service.

h. Competitor Promotional Mix.

2.5 INVESTMENT ISSUES, DETERMINANTS AND PERFORMANCE

One attribute that is central to the various derogatory "nicknames" of the Third world, underdeveloped countries, less developed countries (LDCs), developing countries, etc, is that these economies lack adequate capital resources to gainfully engage the available human and material resources of their countries.

It is thus, becoming increasingly difficult for them to witness reasonable investment growth. In order to break from vicious economic circle of poverty, the developing countries require substantial capital investment, which is possible through either earnings of foreign exchange from exports; borrowing in the international financial market; or allowing foreign business men to invest in their countries.

DETERMINANT OF INVESTMENT

In search of a realistic explanation for in-bound roaming investment, economic researchers as well as international lawyers seem to resemble "the

proverbial troop of blind people that are meeting an elephant."

While those of them that come from the LDCs and are craving for increasing inflow of alien capital resources to enhance their investment, describe it as one kind of animal, those from the developed countries (DCs), capital exporting nations frown at its Father Christmas outlook and thus review it as a different animal. The foreign investors themselves, who perceive the entire global economy as their constituency of operation seems located in an entirely animal house in a zoo.

However, attempt that will be made here is to present the commonest explanations that determine investment promotion.

A. THEORETICAL EXPLANATIONS

From the micro-economic view point, the contention among various schools of thought with regards to the determinants of investment is unnecessary, why? Relevant textbook theories on maximization theory have a consensus agreement that investment should necessarily continue whether within the country or across border until the marginal returns from such investment equals the given average cost of capital invested.

A brief look at the following theoretical explanation will suffice:

i. International Trade Explanations: Using the theory of international trade, foreign investors move their capital resources in response to changes in rate of return.

Thus, capital is expected to move from a capital abundants countries to a capital scarce countries, in response to higher productivity of capital, until the rates of return are equalised.

ii. Theory of the Firm

With perfect market as a basic assumption, the theory opines that foreign investors, invest overseas when their investment at home has reached

an optimal level and further investment are likely to suffer diminishing return to scale.

iii. Technological Superiority Explanation

The technological superiority argument is a further explanation as a determinant of promoting investment is derive from Bo Soundersten equation -

$$Q = F(L,C,M) \text{ ----- } (I)$$

where Q denotes the output, L the labour, C the capital and M the managerial skill. Where A is the country of foreign investors and B is the prospective host economy.

$$\frac{dQ}{dm} \quad (A) < \frac{dQ}{dm} \quad (B) \text{ ..... } (2)$$

The marginal productivity of M is expected to be higher in country B than in country A.

B. Host Market Factors

Unfolding the scroll of investment promotion, one discovers that host economy's market size dictate to a reasonable extent the investment growth.

Among often, cited reasons are to service the market more effectively; to meet local demand and to maintain or increase market share. These basic reasons may be further assisted by home and host government's policies towards investment promotion.

C. COST FACTORS

Investment opportunities are enhance by the desire to maximise profit by minimizing cost. A major element in cost minimization is the search for cheap labour.

Other factors such as automation, strikes, indirect labour cost, social attitude and technical consideration must be weighted simultaneously with labour cost,

before exploiting any investment opportunities.

D. THE INVESTMENT CLIMATE

The host country's investment environment is frequently cited as a supporting motives for undertaking any given investment opportunities.

Clearly, the freedom to do business and to make profit is the key element in the evaluation of an investment climate.

Thus, political stability is usually the first point of evaluation. Situations as possibility of war, revolution, expropriation and nationalization do deter investments.

2.6 BASIC ANALYSIS AND FUNCTIONAL AREA STRATEGY

CUSTOMER ANALYSIS

In most strategic market planning situation customers are often the first to be analysed.

When customers are analysed it becomes possible for planners to identify the range of opportunities available and the job of segmentation is made possible. According to Aaker customer analysis consists of addressing the following three sets of strategic questions shown below:

Who are the biggest customers?

Who are the most profitable customers?

The most attractive potential customers?

COMPETITOR ANALYSIS

When competitors are analysed, the planner is able to see how the market is serve. Areas that are undeserved are discovered and attempt is made to exploit the opportunity.

Each major competitors should be analysed separately using the following:

- What is their current strategy, their level of commitment?
- How are they performing?

- What are they performing?
- What are their strengths and weaknesses?
- What action can be expected from them in the future?

MARKET ANALYSIS

One of the major objective of a market analysis is to determine the attractiveness of market to current and potential participants. Market attractiveness represents the market's profit potential as measured by the long-term return on investment achieved by its participants.

Market analysis also seeks to understand the dynamics of the market. Here key success factors, trends, threats and opportunities are identified.

ENVIRONMENTAL ANALYSIS

In environment analysis, the interest is in environmental trends and event with a potential to affect strategy either directly or indirectly. In addition to identifying trends and events, estimate should also be make of their likelihood and impact.

Aaker has divided environmental analysis into five areas:

a. Technology:

To what extent are existing technology maturing.

b. Government:

What changes in regulation are possible? What will their impact be? What tax or other incentives are being developed that might affect strategy? What are the political risk of operating a governmental jurisdiction?

c. Economics:

What are the economics prospects and inflation outlet for the country(ies) in which the firm operate? How will they affect strategy.

d. Culture:

What are the current or emerging trends in life styles, fashion and other

components of culture? What are their implication?

e. Demographics:

What demographic trends will affect the market size of the industry or its sub-markets? What demographic trend represent opportunities or threats?

INTERNAL ANALYSIS

In addition to the threats and opportunities of external analysis, strategy development must also be based on the objectives, strengths, and capabilities of a business.

The goal of self-analysis is understanding a business in depth. According to Aaker, a business self-analysis is similar to competitor analysis, but it has a greater emphasis on performance assessment are is much richer and deeper.

It is more detailed because of its relevant to strategy and because much more information is available. The analysis based on detailed current information on: sales, profit, costs, organisational structure, management style, etc.

FUNCTIONAL AREA STRATEGY

The functional area strategy are simply the popularly known 4Ps of marketing: Product, Price, Place(Distribution), Promotion. They are also an important factors to consider in formatting effective strategies for investments.

a. Product:

A product is anything that is seen as being able to satisfy a need or want. Infact an organisations product policy is fundamental to the whole operation of the business. Product policies are managerial guides regarding what product will be made or sold and what attributes these product will have. Such policies are end products of the organization's consistent customer and marketing orientation (Akpan).

b. Price:

Price is the value of product expressed in term of Naira and Kobo. The

notion of value here is flexible and objective and is basically determine by the customer.

c. Place of Physical Distribution:

This involves the actual movement and storage of goods after they are produced and before they are consume. Its goal is therefore, to get the right goods to the right places at the right time for the least cost.

d. Promotion:

Promotion is all about creating awareness, interest, desire and action. It is usually classified into four basic categories by most companies:

- Advertising - Paid personal presentation in form of messages.
- Personal Selling - Oral presentation in conversation form.
- Sales Promotion - Any other form of marketing activities different from the three (Advertising, Personal Selling, Publicity).
- Publicity - Non-personal stimulation of demand for a product, service or business unit.

2.7 OBTAINING A SUSTAINABLE COMPETITIVE ADVANTAGE

How can organization compete is not the only key to success. "At least three other factors are requisite for the creation of an SCA and thus a strategy that will be successful over time.

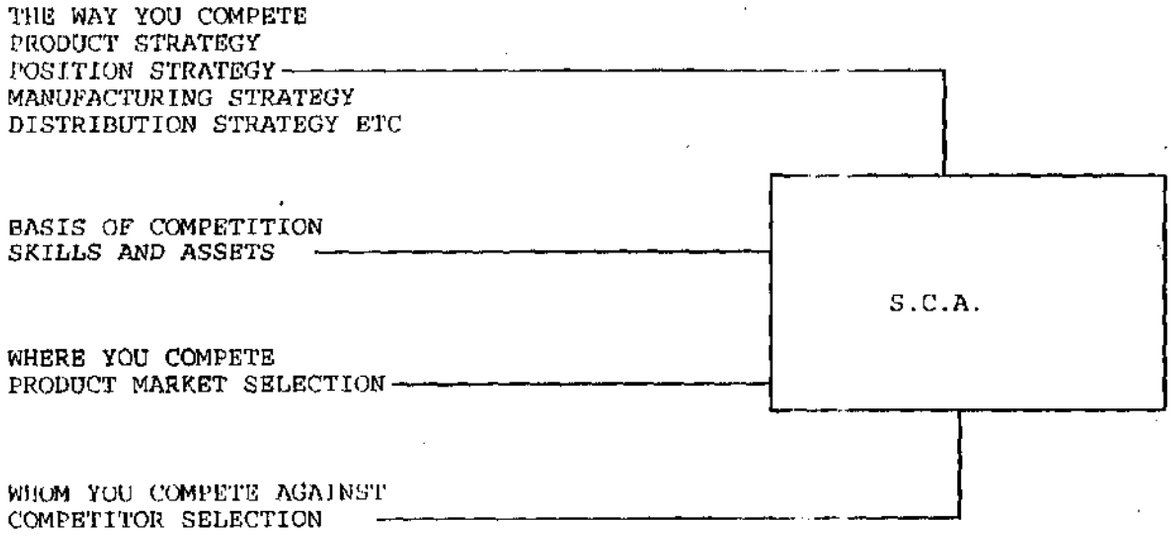
a. BASIS OF COMPETITION - SKILLS AND ASSETS: Aaker identifies the basis of competition as the first factor. According to him, the strategy needs to be based on a set of assets, skills and capabilities, without the support of skills and or assets it is unlikely that the SCA will be enduring. There is no point in pressuring a quality strategy without the design and manufacturing capability to deliver quality product.

b. WHERE YOU COMPETE - This is the choice of the target market. A strategy supported by assets are skills that is to work must fit into the

market place. This means that a strategy are its assets and skills should involve something valued by the market.

c. WHOM YOU COMPETE AGAINST - This is the third requirement for on SCA. It involves the identify of competitors.

DIAGRAM SHOWING THE VARIOUS COMPOSITION OF SUSTAINABLE COMPETITIVE ADVANTAGE



2.8 SUMMARY OF CHAPTER

Based on different books, journals, and papers used for this literature review; the researcher will like to summarize that; promotion of investment in Nigeria lies in the hands of the government and investors. The government need to provide conducive and enabling environment for investment. The investors (both foreign and domestic investors), particularly non-resident Nigerian have a greater role to play by coming home to invest in other to attract foreigners.

And the foreigners coming should also know that they don't owe us a living but they are simply helping themselves.

A theoretical analysis of strategy and process of managing strategy was also explain in the chapter.

The various forms of promotional mix and their determinants were also analysed extensively in the chapter.

Investment issues and its determinant and performance were also discussed in the chapter.

Basic analysis (like customer analysis, environment analysis etc) were also discussed as they relate to investment promotion generally and particularly in Nigeria.

Functional area strategy and sustainable competitive advantage were also analysed extensively in the review of literature.

2.9 REFERENCES

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Research is the process of arriving at depended solution to problem through planned systematic collection, analysis and interpretation of data.

Methodology on the other hand is the process of scientific inquiring used in research work. It is a method used to search for solution to a problem.

This chapter therefore deals with the methods and procedure used to obtain the necessary data for this research work. A study of such is this type entails adopting different method of data collection. It also calls for information search from diverse sources.

The respondents in this research are top level management staff of Nigerian Investment Promotion Commission and a cross section of Nigerian institutional and private investors who are different in their level of exposure, literacy, understanding, objective of life and importance of research work.

Furthermore, the constraints in time, willingness of respondents to answer some questions put to them by the researcher, added to the felt need to use multifarious means of collecting data. The data collected include both primary and secondary data.

The method used in collecting primary data includes personal interview and questionnaire. The secondary data are mainly through desk research in the libraries.

The explanatory method of research is also used in this work. The importance of explanation research is to have a clear understanding of the problem under review. To achieve this, the survey method had been employed.

The techniques adopted were selected on the merit of each one and so combine bearing in mind that no one method can best satisfy the desire of the researcher.

3.2 RESEARCH DESIGN

The source of data for this study is principally through both primary and secondary data as earlier stated.

The primary source includes questionnaires drawn on some investment officers and top management staff at Nigerian Investment Promotion Commission (NIPC) and Private and Institutional Investors in Nigeria.

The second method is the use of secondary data. Some of the secondary data used include:-

Nigerian Investment Promotion Commission (NIPC) Publication (various issues). some of these NIPC's Publication includes the NIPC seminar papers, NIPC brothers and presentation. A number of textbooks, newspapers, newsletters and some professional journals were used as sources of secondary data.

3.3 CHARACTERISTIC(S) OF THE STUDY POPULATION

The researcher's study population in this work can be divided into two: The investors (both foreign and domestic) and the Nigerian Investment Promotion Commission (NIPC) a Commission set up by Decree No.16 of 1995 to encourage, promote, monitor and coordinate investment in the Nigerian economy.

The investor is rational; that is his investment decision is not based on emotion or perception about a particular investment environment but by basic investment criteria and analysis of the investment opportunity(ies). The investor also have a choice to decide whether or not to invest. Generally, an investor's decision is based on every single economy and structural changes in the investment environment.

Nigerian Investment Promotion Commission (NIPC) was set up by Decree No.16 of 1995 to encourage, promote, monitor and coordinate investment in Nigeria. It has its function, structure and procedures of operation which it must operate within. These basically form its mode of operation vis-a-vis characteristics.

3.4 PROBLEMS AND WEAKNESS

To every research work there will definitely be one or two impediment to it.

One of the weakness to this research work is in the area of questionnaire. Some of the questions contained in the questionnaire were returned unanswered. The main reason for this reaction is that such information are highly confidential and cannot be made public. The information provided therefore may not be free from bias base on the fact that there are some instances where the researcher have to conclude based on little or no information pertaining to a particular issue.

Taking into consideration the scope and diversity of the subject matter as well as the population of this research, a restriction or limit has been imposed. The sample for the study is NIGERIA - Investment Promotion in Nigeria. and the sample unit is NIGERIA INVESTMENT PROMOTION COMMISSION (NIPC).

3.5 SUMMARY OF CHAPTER

This chapter has looked at the method used in collecting data for the research and the weakness of these data and limitation to the method of collection.

A study of this nature would have been carried out using survey or documentary investigation, however, the case study method is used for a number of reason.

The case study method or approach tends to received the truth about a particular firm or organisation. Also, the choice of the case study approach or method is justifiable, because it is hope that the generalisation made will be applicable not only to Nigeria but also to other developing countries and even the developed countries.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter answer the research question asked and the information provided also went a long way to rectify or nullify the hypothesis. All the data presented and analysed in this chapter are based on the respondent and other related, important and related information from Nigerian Investment Promotion Commission.

At the end of this chapter therefore, the research questions were answered, hypotheses were rectified or nullified and effective strategies for promoting investment in Nigeria were suggested.

4.2 HISTORICAL BACKGROUND OF NIGERIAN INVESTMENT PROMOTION COMMISSION (NIPC)

The industrialization policy of Nigeria is anchored on government disengagement from all activities which are strictly private sector oriented. Government concentrated on provision of incentives, enabling policies and infrastructure to assist the private sector play the role of engine of growth. In this regard, it gave the industrial sector an annual target to be attained. The importance of the inflow of foreign investment (direct and portfolio) for overall economic growth was also underlined. Foreign Direct Investment (FDI) provides developing countries with veritable source of financing for economic growth. it also accentuates inflow of new technologies, management techniques and capital goods. its attraction depends on host of factors, such as good policy framework, democratic polity, infrastructures, etc.

As part of effort to create investment friendly environment for accelerated inflow of foreign investment into the national economy; the Federal Government

introduced the Nigerian Investment Promotion Commission Decree No.16 of July, 1995 which liberalized the economy.

The Decree permit non-Nigerians to invest and participate in the operation of any enterprise in Nigerian except those that relate to production of military and paramilitary wears and accoutrement. Investors are guarantee unconditional transferability of funds and their enterprises shall not be nationalized or expatriated by any government of the federation. In addition to generally applicable incentives, specific incentives packages are obtainable.

The Decree also established the NIPC as a one-stop agency for efficient assistance to investors, non-bureautic grant of investment approval and provision of up-to-date information to assist investors. Without useful information investors will find it difficult to know about the abundant available investment opportunities.

4.3 FUNCTIONS, STRUCTURE AND PROCEDURES OF NIGERIAN INVESTMENT PROMOTION COMMISSION (NIPC)

The Decree which established the commission charged it to encourage, promote, monitor and co-ordinate investment in the Nigeria economy. it also specifically directed it to:-

i. initiate and support measures which shall enhance the investment climate in Nigeria;

ii. promote investment in and outside Nigeria through effective promotional means;

iii Collect, collate, analyse and disseminate information about investment opportunities and sources of investment capital, and advise on request, the availability, choice or suitability of partners in joint-venture projects;

iv. register specific projects and invite interested investors for participation in those project;

In furtherance of the above, the commission activities include:

a. grant of business permit and expatriate quota to foreigner wishing to invest in Nigeria.

b. grant of approval for pioneer status certificate and technical/management consultancy agreement fees.

STRUCTURE AND PROCEDURES OF THE NIPC

To enable NIPC perform its statutory functions effectively, it has its own independent existence and offices with a distinct organisation chart with permanent staff. It is also self-accounting just like any parastatal. The commission has a governing council headed by a Chairman. The Secretary/Chief Executive of the Commission however runs the day-to-day activities of the organisation. Under the Secretary/Chief Executive arefour directors each of which co-ordinate the work of the four departments the commission is structure into. They are:-

i. Promotion and investors' services department;

ii. Registration and Monitoring Department;

iii Planning and Information Technology Department;

iv. Finance and Administration Department.

KASHIM IBRAHIM LIBRARY

In order to be effective in its global promotion of investment outside Nigeria, the commission has concluded arrangement to established 6 overseas offices in Japan, South Africa, London,the United States of America, Brazil and Malaysia. within Nigeria, it planned to have six(6) regional offices in Kano, Maiduguri, Jos, Lagos, Enugu and Portharcourt.

Essentially, interested investors are require to complete two forms, namely NIPC form 1 for Business permit and expatriate quota, and NIPC form 2 for pioneer certificate and other fiscal incentives. These forms are available for now at the Head Office of the Commission, in Abuja, Nigeria. After completion, copies of the forms are forwarded to the NIPC for necessary processing. The stipulated

target established for processing applications is fourteen working days, reckoned from the first day of submission of application. NIPC is also involve in publication of series of promotional documents distributed to investors.

4.4 PRIORITY AREAS OF INDUSTRIAL INVESTMENT AND TAX REGIME AND INCENTIVE AVAILABLE TO COMPANIES

The government of Nigeria has identified four industrial sectors considered as priority areas for development. These priority areas of industrial investment are favoured in the administration of government industrial incentives, These are:

(a) Metallurgical/Engineering Sector

This is ranked the most important priority areas.

The related sub-systems are:-

(i) Steel plants;

(ii) Foundries and forges

(iii) Metal fabrication

(iv) Machine tools; and

(v) automotive sector

(b) Chemical/Petrol-Chemical Sector

The country currently depends on information of chemical and petrochemicals to satisfy national needs. The priority attention which investment in this sector now receives is aimed at the attainment of self-sufficiency in the sector. The related sub-system are:-

(i) Fertilizer

(ii) Pharmaceutical; and

(iii) Rubber and Plastics

(c) Forest-based and Agro-Allied Sector:

The country is endowed with abundant forest resources, and good climatic conditions for agricultural production all the year round. This account for the priority attention accorded this sector and the related sub-systems which are:

(i) Leather and leather products;

(ii) Textiles and weaving apparels;

(iii) Pulp and paper;

(iv) Sugar, Sugar confectionery and beverages;

(v) Cereals and grains;

(vi) Vegetable oil, oil seeds, roots, tubers, and

(vii) Livestock are allied product.

(d) Construction Sector

Nigeria is a growing economy and this construction is one of the fastest growing sectors. It is presently dependent on importation for its inputs.

The related sub-systems are:-

(i) Cement;

(ii) Non-metallic building materials such as

(a) Ceramics (dinner were, chemical and electrical, forcesing and sanitary wares);

(b) Brick and titles;

(c) Glass products of all types;

(d) porcelain enamel; and

(e) refractories.

The government of Nigeria would welcome investors to participate in any of the above priority sub-system by investing in:

(a) mini sugar production plants;

(b) multi-mineral bonification plant for cesium, talc, kaolin, marble/dolomite barytes and bentonites;

(c) cement production

(d) refractory bricks

(e) long fibre craft/pulp paper production

(f) fabrication of spare parts and

(g) exploitation of coal and bitumen.

Apart from investment in priority areas as indicated above foreign investments are requested for:-

(a) developing alternative industrial raw materials locally as substitutes for import ones;

(b) local fabrication of simple industrial and agricultural equipment and tools;

(c) adapting existing production facilities to process and utilize local raw materials;

(d) funding industrial research and development with a view to developing manufacturing input and spare parts for industries; and

(e) provision of industrial know-how technology transfer and managerial skills.

TAX REGIME AND INCENTIVES APPLICABLE TO COMPANIES

Categories of Taxes

There are four categories of Federal Taxes in Nigeria.

- Corporate Income Tax;
- Capital Gains Tax;
- Value Added Tax (VAT);
- Withholding Tax.

Whereas, Personal Income Tax is collected by the State Governments. In addition, state and local governments may impose certain taxes reacted to the registration of motor vehicles, sewage etc. There is however an approved list of taxes and level is to be collected by every tier of government in order to curb multiple taxation.

Current Tax Regime:

(i) Corporate Tax: The Rate is currently 30%.

(ii) Capital Gain Tax: The rate is currently 10%.

(iii) Value Added Tax (VAT): The rate is currently 5%

(iv) Withholding Tax: dividends, royalties and interests on foreign loans are subject to a tax of 5% before repatriation.

Current Incentives:

Areas for the incentives for various investors includes:

(i) Provision for losses;

(ii) Accelerated Capital Allowance;

(iii) Infrastructure Investment

(iv) Exemption from real estate tax

(v) Repatriation of income

(vi) Exemption from import duties and VAT

(vii) Tax Relief on Export oriented enterprises

(viii) Pioneer Status

(ix) Capital Gain Tax.

4.5 OVERVIEW OF INVESTMENT TREND IN NIGERIA AND INVESTMENT GUARANTEES

Nigeria present a unique profile, Historically, the business and organizational structures of major Nigeria enterprises were handed down from our colonial past. Pre-independence Nigeria what dominated by foreign companies such as U.A.C,; Unilever; John Holt, etc. Most of which were out post of their European parent companies.

The early post-independent Nigeria saw the establishment of a number of government owned enterprises and indigenous institutions competing with those handed down by the Europeans; a number of which became locally incorporated.

Generally, post independent Nigeria encouraged the development of indigenous enterprises. This policy culminated in the indigenisation Decree of 1972 which virtually transformed the ownership are structures of major private sector enterprises to accommodate the thinking are policies of the government of the early 70s.

The upheavals of the 1980's and early 1990's marked the forth ware sector enterprises quit different from the three earlier episodes - before independence. Immediately after independence and early 1970s.

The oil boom of the 1970s' created enormous opportunities for expansion and growth for Nigeria Industrial Enterprises. By the early 1980s; a number of the market leader enterprises had diversified for growth while others pursued mergers and acquisitions.

However, following the subsequent economic recession of late 1980s' and 1990s', there was general decline in virtually all productive sector of the Nigerian economy due to factors such as lack of foreign exchange, difficulty in sourcing materials. Poor management of returns and political instability.

The companies reacted spontaneously as they employed a number of techniques to refocus their activities by reducing diversification and the degree of vertical integration.

In a similar move, government reduced its control and investment in the operations of a number of its enterprises through privatization and commercialization.

The result of those turbulances is that a number of Nigeria enterprises have become cautions having waded through more than three decades, not necessarily in their original business line.

The most successful of these enterprises are those that have survived by their share ability to build on their business portfolios, their products and perhaps

technology. They recognize that change is a prerequisite and it is inevitable in maintaining continuity.

Investment Guarantees

Based on the Decree establishing the commission, some of the basic investment guarantee offer to investors can be found in Section 24 and 25 of the Decree. This include transferability of funds, guarantees against expropriation to mention a few.

Investors are hereby advised to take time out and have a good look at the Decree to enhance broader knowledge of its provision as regards all these incentives.

4.6 KEY FACTORS IMPINGING INVESTMENT GROWTH AND DEVELOPMENT IN NIGERIA

The focus of this section is to highlight some of the factors that are exerting considerable impact on the growth of investment in Nigeria. These factors include:-

(a) The social, political economic and technological environment is not supportive, thereby creating an environment that cannot effectively shape the growth, development are utilization of investment opportunities in Nigeria.

(b) Lack of sustained and exposure to leadership challenges and the consequent show sensitivity of the Nigeria strategic policy maker.

(c) The over reliance on oil sector, coupled with weak import-development industrial base as well as low productivity in agricultural sector, rendered the economy extremely vulnerable to fiscal and microeconomic imbalances, which discourage investment growth in Nigeria.

(d) Persistent crumbling of economic, physical and social infrastructures is affecting the level of growth of investment in Nigeria.

(e) Poor access of the indigenous investors to the facilities of the banking system; has been and remains a perennial Nigeria problem.

(6) and of late, though abolished this year, the application of the dual exchange rate continues to cause distortions in the Nigeria economy and this discourages the flow of investment into the country.

4.7 POLICIES THAT ARE CRUCIAL TO THE PROMOTION OF INVESTMENT IN NIGERIA

Policies in this context refers to latitudes, guides, philosophies of government with regards to how it intends to exploit investment opportunities in Nigeria. Major policies to be addressed are as follows:

(a) Banking Policies

The banking policies permitted the establishment of commercial merchant and other banks. Since investment must be funded, banking policies must be facilitated. Such funding for either local or foreign investors on terms, which do not threaten the financial system's effectiveness.

(b) Monetary Policies

Monetary policies are important determinant of economic activities. It anticipates the volume of economic activities and the demand for credit as well as the liquidity needs of the public as dictated by the payment system.

The adequacy of monetary policies for investment growth and promotion must therefore be designed in such a way that will encourage or increase the inflow of investment into Nigeria.

Open Market Operation (OMO) is used as the major instrument for achieving monetary policy objectives as well as supporting the attainment of macro-economic stability including Gross domestic Product (GDP), growth and sustenance of balance of payment viability.

(c) Capital Market Policies

The promotion and development of investment required a capital market as a source of long-term funds. The "Dennis Odife" report on capital market reform,

proposed the following:-

- Establishment of a depository sufficiently capitalized and equipped to command the respect of foreign investors who will invest only on the basis of D.V.P (Delivery Versus Payment).

(d) Fiscal Policies

This is the use of taxation and government spending to stabilize the economy. Fiscal policy attempts to influence the total demand for goods and services.

(e) Privatization and Commercialization

Privatization as a policy issue can be describe as the action of government in selling part or all of its share-holding in commercial enterprises to private individuals or organisations in the economy. This will reduce the burden on government or its business concern and bring about surplus fund for reinvestment.

Commercialization on the other hand, refers to the action of government in restructuring its enterprises that are deemed sensitive to political/economic base of the economy for efficient management.

(f) Indigenization and Nationalization

Indigenization is a policy designed to accelerate the greater participation of Nigeria in the ownership and management of business enterprises in Nigeria.

Nationalization on the other hand, is the act of bringing an industry or part of it under exclusive state ownership and control.

(g) Mergers and Acquisition

A merger is a combination of two or more companies in which all but one of the combining company ceases to exist. It is the fusing together two or more companies, the fusion of which could be voluntary or enforced.

A business acquisition occur when one firm is completely absorbed or integrated into the operation of another larger organisation.

Mergers and acquisition therefore serves as a means of stimulating competition among domestic industry.

4.8 MARKETING NIGERIA INVESTMENT ENVIRONMENT TO ALIEN ENTREPRENEURS

The need ha been proved for an aggressive promotional measures of the Nigerian economy to foreign investors; if the economy is to align itself with the current globalization and reap from the accompanying benefits.

A market strategy is therefore being suggested here. Marketing an investment environment entails three main elements: the product, the price and the promotion. The product refers to the economy as a candidate for an overseas investment site. The price however is seen as the relative cost (such as financial structure and policies used as incentives) to the investor if he decide to commit his investment in a particular environment.

In the case of promotional aspect, it entails activities of the prospectives economy at disseminating relevant information about the country to foreign investors.

Various marketing techniques are recognised in the literature of marketing strategies which could be applied to promotion of an investment environment.

First, a rhetorical model, occurs when the prospective host economy's promotional agencies persuade foreign investors through the use of its national reputation by displaying proof of the claim.

Second is the propagandistic model, where the promotion agency engaged in wooing foreign investors through justification approach; for example using the new international Economic order to argue for capital inflow reversal to LDCs.

The last model is the negotiation model, in which the host country(economy's) promotion agency directly negotiate with overseas investors seeking to win the best term.

4.9 SUGGESTED EFFECTIVE STRATEGIES FOR PROMOTING INVESTMENT IN NIGERIA

a. Diversification of the productive base of the economy through enhanced capacity utilization in industry; increase agricultural productivity and accelerated development of the gas and solid minerals sectors.

b. Promotion of sustainable economic growth through achievement of macro-economic, exchange rate and fiscal stability as well as prudent monetary policies.

c. Raising income levels are reduction of the level of unemployment through enhanced economic growth and vigorous implementation of poverty alleviation programmes.

d. Facilitating private sector led growth through the creation of appropriate enabling environment, institutions, policies as well as legal and regulatory framework necessary for economic growth and diversification.

e. Developing and rehabilitating physical infrastructure to facilitate investment and economic activities.

f. Curtailment of fiscal deficit and restrictive monetary stance for the purpose of macro-economic stability and positive real interest rate (this encourages borrowing).

g. Pursuance of managed deregulation of the exchange rate with a unified free floating exchange rate system that will eliminate the dual exchange regime which has hitherto caused distortions in the economy and offers considerable incentives for round tripping in our foreign exchange operations.

h. Encouraging and stimulating the growth of small and medium scale industries through soft loans and other incentives.

i. The expatriate quotas of investors should be increased and there should be a guarantee on repatriation of profit on investment by foreign investors.

j. Workshops and seminars should be organised for the nation's key security operatives at the seaports, airports and other entry point into the country, on how to accord courteous reception to foreign investors coming into Nigeria.

k. New investment portfolios should be created in the upstream oil sectors of the economy to facilitate joint ventures with indigenous investors.

l. More funds and the necessary personnel should be provided for the Nigeria Investment Promotion commission (NIPC) which was created by Decree No.16 of 1995; to enable it participate in foreign international trade fairs, with a view to marketing investment opportunities in Nigeria to foreign investors. Beside, the commission should endeavour to open offices in the major industrialised countries to create awareness.

m. Finally, it is an indisputable fact that polities can be divorced from economy. In other words, a stable political environment breeds a healthy economic environment which in turn attract foreign investors. In a nutshell, there is the need for a steady, stable and democratic government in Nigeria; if all the above suggested strategies for investment promotion in Nigeria are to yield the envisaged result.

So far, the policies of the present political dispensation have been to encouraging in courting foreign investors into Nigeria. The researcher wish the policy initiators more grease to their elbows.

4.10 SUMMARY OF CHAPTER

Strategies for competitive advantage are guides to nation's investment growth and development throughout the universe and will remain so into the 21st century.

Even national competitiveness, a subject which has lately assumed utmost importance, revolves around the formation and implementation of strategies designed to promote and sustain investment opportunities.

It is also used to help secure the desired competitive edge where non exists as is the case with Nigeria today.

For effective growth and development of investment opportunities in Nigeria, the old method of strategic planning must be abandoned for more flexible approach, which will enhance investment growth in Nigeria.

It is therefore, imperative that, the way to go about enhancing investment opportunities in Nigeria would be determined by the pursuit of proactive investment strategies for the purpose of increasing the inflow of investment in Nigeria in the face of competition ushered in by liberalization of world economies, globalization and information technology.

Strategies developed for promoting investment opportunities in any given country should specify what the strategy is to achieve or accomplish, where it is to be accomplished, (which industry or economic sector to focus on), and how (the resources and activities will be allocated to market environment opportunities and competitive advantages.

Consequently, a well developed strategy focusing on promoting investment opportunities must address five key strategic issues:

i. The scope on the desired breath of the investment domain.
ii. Goals and objectives of the desire investment.
iii. Resources deployment
iv. Identification of a sources of sustainable competitive advantage (SCA'S) with regards to the investment opportunities identified.
v. Specification of potential sources of energy among the various investment opportunities.

There is however, no one best strategy for promoting investment in Nigeria, the important thing is for the country to determine which investment strategy make the most sense in the light of its economic, social political, technological are other

business environment.

What is obvious is that in promoting investment in Nigeria, we have to face challenges of change in the new order which has virtually put every concept, techniques and method of entrepreneurship to question.

To promote investment opportunities in Nigeria, government must learn to effectively combine the priority of maximizing core competence and constantly re-investing themselves through a combination of new technologies and people.

This will entail delivery a consistent message on the need for change, a consistent focus on market opportunities, consistent bench-making and encourage and rewarding the creation/formation of new investment opportunities that will carry the nation forward.

For effective growth and development of investment opportunity in Nigeria, the old method of strategic planning must be abandoned for more flexible approach which will enhance investment growth in Nigeria.

It is therefore, imperative that the scheme of enhancing investment in Nigeria will be determined by the pursuit of a proactive investment strategies in the face of global competition, ushered in by liberalization of world economies, globalization and information technology.

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CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter summarize all the research findings as discussed in the previous chapter. Answers to the research questions were also put in an abridge form in this chapter and research hypothesis were ratified clearly for better understanding.

A general conclusion was also drawn in this chapter as regard the role of government in promotion of investment and the duties of Nigerian Investment Promotion Council in investment promotion and provision of enabling environment conducive for the investors to operate.

Recommendations were also made on ways to improving investment promotion in Nigeria.

5.2 SUMMARY OF FINDINGS

In summarising the research findings I will like to use the view of Dennis O. Odife in his paper "Promoting Private Investment in Nigeria."

"First, I am not one of those who believe that the problem is our stars and that, therefore, we cannot develop or that someone has to come to develop us. In this regards, I say again with all due respect to the foreign investors, that he does not own us a living, but neither does he come here to develop us but to help himself. The development, which occurs, is usually a fortuitous accident, which we try to arrange through the sort of enabling environment that we create. In so doing we need to bear in mind that the foreign investor has a choice, he can go elsewhere! He can always exercise this choice for or against our nation.

We should not expect the situation to be different from the domestic investor. he also has a choice, though a more limited one. He is to try to help himself by investing; it is for us to arrange our environment to enable as many of our own citizen to invest in one activity or the other, primarily for their own benefit. Neither

the domestic nor the foreign investor is likely to carry away the structures, which are the products of their investment.

We should note also that more foreign investors are likely to come into the country to invest where the natives themselves are active in discovering opportunities, including Joint Venture opportunities for exploitation. Non-resident Nigerians, as in India, have a major role to play in promoting investment in Nigeria. But like the rest of us, charity is also likely to begin for them, nearer home, the homes which they know and can relate to. Their foreign neighbours and colleagues are more likely to be interested in joining them in Nigeria Joint ventures than in just going off to invest in a strange land. Non-resident Nigerian on their own are more likely to respond to message of progress from home than to exhortation to INVEST AT HOME by bureaucrats on flying visits.

Investment leads to growth, which leads to development. Both lead to more employment and to higher standard of living and better quality of life. Investment has to be funded. Investment requires the mobilization of savings and their proper harnessing or management.

On a final note, please recall that when the colonial government floated the first capital market instrument for Nigeria in 1946, it was partly because prominent Nigerians preferred to invest in London than in Nigeria. It is a matter for deep regret that over 50 years later, Nigerians still prefer to invest abroad than at home. The breakdown of the educational system at home gave further impetus to this development. Capital flight has therefore been a major Nigerian problem, capital flight by Nigerians and capital flight by aliens in Nigeria. I don't preferred to know which encourages the other, but it is difficult to see how foreign investment can flow into and stay in a country whose nationals are busy moving out their own wealth, ill or well-gotten to safer havens."

Nigerian Investment Promotion Commission is yet to have its regional offices fully established. and the establishment of the overseas offices is still in the pipeline. This is not a good development on the part of the commission after four years of existence.

Some people don't invest mostly because they don't have a vast knowledge of the importance of investing today to reap tomorrow. And most people are motivated into investing depending on the returns on their investment. The higher the returns the more motivated they become and the lower the returns the less motivated and of course the risk involved.

An investor needs to study the investment environment in which he or she want to invest. The investor have to study the political environment, social, cultural, legal, economic and of course the country stock market are its financial environment. Other skills on investor need to have we also depend on the country and the area his going to invest in.

5.3 CONCLUSION

The promotion of investment is a major national assignment. It was misguided for government to ever have thought it could do it alone. It is not excusable that abundant resources from oil must have proved overwhelming, especially in a capital deficit nation like ours, with a weak indigenous private sector eager for government patronage as the fastest means of creating capital. Less endowed nations have played similar circumstances into a huge success in investment promotion.

The researcher will like to wish the NIPC every success, but as we have seen most of the sectors that make up the enabling environment are not ever likely to be under their control. Nigerian Investment Promotion Commission (NIPC) is therefore to continue to do its best and hope that we shall have put the enabling environment right. In doing its job, the NIPC must use both orthodox and

unorthodox methods. The orthodox approach is when the foreign investor comes to the NIPC with a ready made feasibility study and financing plan and seeking only official approval and grant of expatriate quota. This is the aspect of the job which Vision 2010 frowned against and want refocused.

Promoting investment in Nigeria requires a re-definition of the roles of governments along the lives indicated. It is a job for us all.

5.4 RECOMMENDATIONS

a. Nigerian Investment Promotion Commission (NIPC) should now refocus its activities to enable it also to actually seek out industries which, based on its research, Nigeria ought to have and which can add substantial value locally. NIPC will then negotiate with such potential investors, the terms and conditions under which they would be willing to invest in Nigeria, and assist them with identification of possible local partner should they desire such assistance. This way, we may also have a choice as to the type of foreign investor and foreign investment we attract into the country.

b. Under the unorthodox approach, NIPC's Small Scale Projects division should arrange for the acquisition and local transfer of special skills to our people through industrial development centres or clusters in various part of the country. I have in mind here such skill and project areas which could add substantial value to small scale industrial production in the rural areas in Nigeria, for example, silk growing, rice growing, glass making, food preservation, store polishing, etc. Using relevant technology but for which the foreign experts may not have the wherewithal or the inclination to come to Nigeria to invest.

c. all other tiers of government should become genuinely involved in domestic investment promotion and extension services leaving the NIPC and our Foreign Affair Ministry concentrate on the foreign investor. This should be

done at the state level and also at the local government level and even at the zonal level. At these levels, it would be easier to attract non-resident Nigerians to invest nearer their home bases before they become sufficiently re-assured and confident enough to invest anywhere in the country.

d. Government should pay attention to the maintenance of sound money and capital markets to ensure fair and competitive pricing of capital asset and resources allocation.

e. Special provision should be made in the proposed privatization of state enterprises for a portion of the shares to be held by portfolio investors who are more likely to make market in the shares than the core investors.

f. Government should amend Nigeria's Investment Laws to provide for the holding of shares in electronic form to facilitate the establishment of depositories and to speed up the settlement and delivery system in the capital market to international standards.

g. Capital trade-points should be established to provide long-term capital for small rural based projects. These mini stock exchanges are to be set up by zones of the country in competition with one another and with the assistance of their non-resident children abroad.

h. Relevant governments are to provide the enabling environment for the industries being promoted to thrive, including the provision for special matching grants which reward investment promotion at the state and local government level. In this context, small communal water schemes, and transport scheme easily come to mind, set up on their own as commercial venture rather than from the proceeds of dehumanizing and absence "launchings" by moneybags. Community Saving Schemes such as "Esusu" or "Adashe" are to be given recognition and encouragement to operate as investment clubs. This is a such way of fighting rising unemployment and

idleness among the youths.

i. Local and State Government should study the opportunities available in their domain are to organize their people to enhance their entrepreneurship skills, instead of harassing them to pay taxes.

j. All government should invest in the improvement of infrastructure in collaboration with the private sector. The high cost of infrastructure which rural projects have to absorb reduces their chances of profit and increases their gestation period. Yet their limited investment make far more impact in the lives of the people than heavier sums spent on one high rise building or industry in the city.

k. Government should now create the appropriate Enabling Environment following a re-examination of the various policies cited above. The roles of key institutions like the Central Bank and the Ministry of Finance in the coordination of policies to promote investment cannot be over-emphasized.

l. Prevalence of the rule of law is vital. Without it, no investor will ever feel safe enough to invest.

m. Government should monetise the large proportion of compensation given in the form of fringe benefits to the workers. Such a gesture will put more money in the hands of the workers who may in turn invest same in acquiring own properties.

n. Nigerians abroad should be encouraged to go into Joint-Venture project with foreign nationals with the Government providing appropriate fiscal incentives.

o. In many countries of the world, permanent residence permits are granted to genuine investors with evidence of minimum level of investment capabilities. NIPC should study this practice and make appropriate recommendations to Government.

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QUESTIONNAIRE.

DRAWN ON NIGERIAN INVESTMENT PROMOTION COMMISSION.

EFFECTIVE STRATEGIES FOR PROMOTING INVESTMENT IN NIGERIA.

1. What is the primary objective of the Commission?
2. Does the commission have an investment promotion or marketing committee group or department that are involve in the process of marketing or promoting Nigerian investment potential to investors?
3. If answer to the above question 2 is Yes, what is the composition of the Committee, group or department responsible?
4. What is the commission doing to see that their regional offices are in full operation.
5. What is the criteria or factor(s) considered for the choice of countries where overseas offices are to be established?
6. How many of your overseas offices are presently operational?
7. Does the commission have any strategy(ies) in place for investment promotion in Nigeria?
8. Briefly explain some of these strategies.
9. What is the commission doing about enlightening the public of its activities?
10. Is there any avenue where the commission meet with the investors?
11. Does the investment environment have any effect on the decision of an investor to invest in Nigeria.
12. What is the commission doing to encourage domestic investors?

13 Is there any particular provision or incentive(ies) that motivate investor most?

14. Do investors need particular skill(s) in order to invest in Nigeria?
15. With the present political dispensation (Democratic Governance) has the volume of investment inflow into the country increase?
16. If your answer to question above is Yes, how has it influence investors decision to invest or not to invest in Nigeria?

*Note that investors here refers to both domestic and foreign investors, institutional and private investors.

INTERVIEW QUESTIONS FOR INVESTORS

1. What determine your decision to invest in a particular country?
2. What is your personal analysis of the investment environment in Nigeria.
3. What are the three major factors that determine your decision to invest in Nigeria.
4. Can you please give a brief analysis of the Nigerian investment environment during the military regime compare with the present democratic dispensation?
5. How has your analysis to question 4 influence your decision to invest in Nigeria or otherwise?
6. Do you think the Nigerian Government provide adequate incentives to encourage investment in the country?
   (a) As a domestic investor
   (b) As a foreign investor
7. If the incentives are not adequate, how did you think they can be adequately provided?
8. If the incentives are adequate, suggest ways for improvement?
9. What is your view of the Nigerian Investment Promotion Commission?
10. Has the Commission (NIPC) in one way or the other influence your decision to invest in Nigeria?
    (a) As a domestic Investor
    (b) As a foreign investor
11. Did you think the commission is living upto expectation?
12. Have you experience any difficulties in your dealing with the Commission?
    (a) As a domestic investor
    (b) Aa foreign investor

13. Do you think the Nigerian Investment Promotion Commission is doing a good job in its effort to execute the investment policies a s provided in the decree establishing it.
14. How do you think the promotion of investment potential of Nigeria can be improved?
15. What is your recommendation(s) to NIPC?
16. What is your recommendation(s) to policy markers in Nigeria with regard to policies on investment?

*Note that investors here refers to both domestic and foreign investors, institutional and private investors.

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Date: 2nd Sept. 1999

TO WHOM IT MAY CONCERN

LETTER OF INTRODUCTION

Mal/Mrs/Miss/Mr. ABIOLA, SAMUEL TUNDE has completed the course work leading to the award of the Degree of Master of Business Administration (MBA) in this University. He/She is currently undertaking a research study entitled

EFFECTIVE STRATEGIES FOR PROMOTING INVESTMENT IN NIGERIA: A CASE STUDY OF NIGERIAN INVESTMENT PROMOTION COMMISSION (NIPC)

For this purpose, we urge you to assist him with the necessary data and information he requires . The department has given instruction to the students that data and information so obtained should be kept in strict confidence and should be used only for the purposes of research.

We would be very pleased if permission is granted and the above named student given as much assistance as possible.

MAL. SANI A. ABDULLAHI,
Co-ordinator, MBA Programme
For: Head, Department of
Business Administration