THE RELEVANCE OF DEVELOPMENT OF FINANCIAL INSTITUTIONS IN THE CURRENT ECONOMIC DISPENSATION:

A CASE STUDY OF NEW NIGERIA DEVELOPMENT COMPANY (NNDC)

BY

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DEDICATION

This project is dedicated to my Late wife ZAINAB SHEHU GOMBE, Late Son, MUHAMMED NURUDDEN and my son ALIYU HAIDAR. May God in His infinite mercy grant you Aljanna Ameen. For ALIYU HAIDAR may God guide you throughout your life time, Ameen.

DECLARATION

I hereby declare that this project work has been carried out solely by me and that it is a record of my own research effort.

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NAME OF SUPERVISOR	SIGNATURE	DATE

CERTIFICATION

This project entitled **"THE RELEVANCE OF DEVELOPMENT FINANCIAL INSTITUTIONS IN THE CURRENT ECONOMIC DISPENSATION – A CASE STUDY OF NEW NIGERIAN DEVELOPMENT COMPANY (NNDC) KADUNA"** by **ABDULLAHI ALI GOME** meets the regulation governing the award for the degrees of Masters in Business Administration (MBA) of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

CHAIRMAN, SUPERVISORY COMMITTEE — DATE 29/7/02

HEAD OF DEPARTMENT — DATE 29/7/02

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ABSTRACT

The present economic circumstance prevailing in the country has made the role of development Financial Institutions to be relevant in the socio economic growth of this nation.

Regrettably government establishments/parastatals have not lived up to expectation towards achieving realistic economic growth and development that could enhance the living standard of the people. This is because government parastatals are more often than not badly managed and this leads to inefficiency and non-realization of their stated goals and objectives.

Consequently, government felt the need to integrate some of its parastatals into the organised private sector for the purpose of achieving realistic economic growth and development. Based on this, government decided to establish regional/states owned development Financial Institutions.

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LIST OF ABREVIATIONS AND SYMBOLS

1. DFI - DEVELOPMENT FINANCIAL INSTITUTION
2. NNDC - NEW NIGERIAN DEVELOPMENT COMPANY
3. SIC - STATE INVESTMENT COMPANIES
4. EGD - ECONOMIC GROWTH AND DEVELOPMENT
5. ANDFI - ASSOCIATION OF NIGERIAN DEVELOPMENT FINANCIAL INSTITUTION.

CHAPTER ONE

INTRODUCTION

It is generally accepted that business is essentially a human endeavour that is embarked upon most effectively by private initiative. The role of government should therefore be thus provider of basic infrastructural facilities, security and necessary conducive environment for business activities.

Certain circumstance can justify why government get involved into business:

(a) Capital intensive nature of the business, which private initiative cannot provide.

(b) The strategic nature of the industry, usually determines the level of government intervention. The industry may be so strategic that it cannot be left in the hands of private sector; and

(c) Nature of the business, either long or short term. Usually private initiators cannot afford to tie down capital over a long time.

In the 1960s the general economic activity in the country and particularly in the Northern part of the country was very low compared to what obtained today. The private sector initiative was to a large extent weak, not performing due to a number of reasons. The private sector was not in a position to provide any meaningful drive towards sustainable economic growth of the region. The Northern Regional government having understood the economic circumstance on ground, and sequel to the political and economic commitment of the leaders

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towards providing sustainable level of economic growth and development, it became paramount to intervene by establishing development financial institution and other related development institutions that subsequently gave birth to the formation of NNDC initially known as Northern Nigerian Development Corporation and presently New Nigerian Development Company.

Development Financial Institutions (DFI) are designed to address the much needed long term finance to industries, commerce and agriculture. DFI are expected to make available from their own resources facilities and services that will enhance and aid general economic activity, they should for instance, help in acquiring local finance and initiate and marry these with foreign technical and management know-how. They are also expected to engage in promotional activities, such as identifying and properly articulating investment proposals and institutions which will fill specific gaps in the financial system. "In most if indeed not all developing countries where these institutions are established. The non financial and non-banking services are either not generally available or can only be acquired at prohibitive costs. It is for these reasons among others, that DFIs are becoming a common feature of the economies of developing countries".[1]

1. Pitcher, M.A. (1969) Management Accounting for lending Banker. Thus Institute of Bankers London P.20

Northern Region as it was referred to in the 1960s, is today comprising of the 19 Northern States for the Federal Republic of Nigeria. Northern region in the 60s was regarded generally within the Nigerian context as one of the least developed regions in the country, despite its being blessed with abundant human and natural resources. It is on this basis therefore that the Northern Regional Government of Late SIR AHMADU BELLO made deliberate efforts to harness these resources to as to ensure that Northern Region "catches up" with the other regions in the Nigerian Development process.

In trying to do so, it became necessary to create specialised institutions within the region to take care of specific government policies. In realisation of this the Northern regional government created Northern Nigerian Development Corporate in 1964 with sufficient autonomy and authority to enable it make prompt investment decisions. Within a general operational guide line so that maximum efficiency in operation could be facilitated, and an optimal return on investment achieved.

It is the objective of this study therefore to take a look into the functions, objectives, role, strategies etc. of the NNDC vis-à-vis. The economic and industrial development programmes of the state and to see how far the NNDC had gone in justifying the purposes of it's creation.

By nature and definition, New Nigerian Development Company (NNDC) falls under the organised private sector. However, the degree to which industrial projects are publicly or privately owned and managed is a function of size. Huge programmes of most countries, particularly the developing countries, they are by nature capital intensive. Such projects may be financially viable and economically rewarding, but because of the associated constraints their objectives are rarely realised. The role of government therefore is to see that these constraints are reduced as much as possible by providing adequate finance, fiscal and tax incentives, utility services and inputs of infrastructural facilities and the control of prices etc. On many occasion the Development Financial Institutions depends on soft loans or annual grants from the governments especially where internally generated revenue is inadequate Government also guarantees foreign loans, The Development Financial Institution on the other hand are important tools in the development efforts of government because of the specialised role they play.

Development Financial Institution by their nature are created out of the realisation that, it takes time and a lot of organise experimentation to induce private institutions and private enterprises to allocate finance to what the government may regard as de-serving priority and as machinery for policy makers to execute government policies to realise quick results. DFIs generally are needed to finance specific projects especially those with long gestation period which private institutions by their very nature cannot easily be induced

to invest especially when they are largely experimental in nature and involve a large capital outlay.

However, despite their heavy dependence on government, safe guarding their independence is very crucial to their effectiveness. Example of DFIs in Nigeria include the Federal owned ones like NIDB; NACB, NBCI, the regional ones such as NNDC, (which is our case study) and Odu'a Investment and the State owned ones such as the Kano Investment, Jigawa Investment to mention but few.

1.1 **Statement of the Problem**

Despite the abundance to both human and natural resources, Northern states have continued to remain the least states in the country in terms of development. The creation and the establishment of NNDC is an indication of the states intention to pursue vigorously a rapid industrialisation policy.

However, the creation of NNDC and all the incentives given by various government in Northern states the pace of industrial development has indeed been very slow. Furthermore, no meaningful development has been archived in terms of private sectors participation in governmental development programmes. The NNDC itself has not been able to make its impact felt evenly around. The area of its operation, are concentrated in few of the Northern states. This study will therefore seek to explain this situation and recommend possible solutions.

1.2 Specific Objectives of the Study

1. To examine the relevance of NNDC and the current economic realities as they affect the owner States (Shareholders)
2. To identify its developmental contribution to the Northern region, and the nation at large.
3. To evaluate the prospects of NNDC as a development finance institution.
4. To identify specific problems of NNDC.

1.3 Scope and Limitation of the Study

The scope of this study is New Nigerian Development Company (NNDC) and its relevance in the 19 Northern States of the country. It is also within the scope of this study to determine or examine the real performance of NNDC, taken into consideration the current economic dispensation as its affect the performance of development financial institutions. The data employed for this study are from 1964 to 1997 for which the NNDC was established to present day. This is a period for which any investmen twould have started yielded adequate returns.

There are however certain limitations involved in carrying out such a study. First the issue of official secrecy, certain vital information is not allowed to be handled by non-employees of the organisation. Nevertheless personal

relationship was employed to give way for certain vital information to be released.

Secondly since the major method of collecting data for this study was through interviews, tracking down key officers of the organisation was very difficult, therefore where one was unable to meet a scheduled appointment a lower level employee was assigned to me, such lower level employee does not sometimes have a proper understanding of the issues involved.

Financial constraints were of course a major militating factor considering the poor economic situation in the country. Equally the time, for the submission of the project of this Nature needs considerable time frame, in order to produce food project work.

1.4 **Definition of Terms**

Development Financial Institution, usually referred to as DFIs are specifically established to assist towards attaining sustainable economic growth and development of states, regions and the nation at large.

Current Economic Dispensation: This referred to functional economic policies that the currently having impact on development financial institution (DFIs). However, the multiplier effect of this economic policies are very vital.

CHAPTER TWO

LITERATURE REVIEW

2.1 Development Financing: A Theoretical Framework

Three main theories have been advanced to explain the reasons for the establishment of Development Financial Institution (DFIs)".[2] The theories are:

(1) The gap theory

(2) The exigency theory

(3) The catalyst theory

The gap theory states that, the rationale behind the establishment of DFIs generally derives from the existence of gaps in the nations financial system and the adent need to plug such gaps. These gaps arise because the traditional functions of the major financial institution within the economy does not provide medium and long term capital for financing development. The commercial Banks generally service rather than Finance Industrial Development and Traditionally financial working capital and rarely if ever concern themselves directly with the provision of long term capital. The central banks on the other hand traditionally are expected to control and regulate the financial system of a country.

O.OKIGBO, (1985). Essay in Public Philosophy of Development P. 5

The main functions include the issue of legal tender, (currency) acting as banker and financial adviser to the government and formulating and executing the nations monetary policy"[3]

The need therefore, another financial institution to take care of specific and specialised problems development finance institution created. Consequently development finance institution were created to fill in the void of providing medium and long term funds to industrial projects.

The exigency theory states that the global need and evolution of international business gave rise to the need of finance International Development on global basis. This lead to the establishment financial institutions, such as the International Bank for Reconstruction and Development, (IBRD) the International Monetary Fund (IMF) among other to bridge thus short fall of domestic financial institution in financing international Development. In a global contest operating on international arena, these institutions encourage the establishment of international counterpart through which they largely operate at the grassroots level, investigate and undertake projects which requires more local knowledge and patronage. National Developmental institutions, like NIDB, NBCI and NACB are off-short of thus development. This principals of the World Bank and it's affiliates of not lending directly to regional private enterprise gave rise to the establishment of Development finance institutions.

TERIBA and M.O. KAYODE, (1977). Industrial Development in Nigeria Patterns, Problems and Prospects Ibadan Uni. Press. P.7.

The catalyst theory sees DFIs as catalyst to economic Development which could be used to stimulate a fast rate of economic and industrial expansion. It is also seen as a solution to the inadequate access to finance, which constitute development.

"A Development finance company is designed to be a means of mobilising resources and skills of channeling them into approved fields under organized private sector rather than into the public sector"[4]. It is also a means of facilitating rapid economic growth where development does not appear to be proceeding at a desired speed. This will however not be a sufficient description of the range and depth of DFIs operations it also:

(1) Prepare feasibility study for special project.

(2) Invest in share capital and under writing securities so as to encourage other investors.

(3) Accepting and formulating new ideas and specific proposals for companies.

(4) Providing technical/managerial assistance to clients and assisting clients in obtaining foreign partners.

S.O. Olayide, (1975). Economic Survey of Nigeria P.28.

In promoting any investment the DFIs goes through the following stages; thus we refer to elements of promotion:

(a) Project Identification

(b) Project Formulation

(c) Project Initiation and

(d) Project Execution

Project identification is the conceptual stage of any project. It is an idea, this is the start off stage of any project. Where the idea has been properly conceived it is then put on a paper so as to establish its financial and technical liabilities. This is usually done through a feasibility study such a study must be unbiased and objective and must be very through in the economic, technical managerial, commercial organisational and financial analysis. It must also be independently prepared. This is the project formulation element. Project initiation involves the engagement of the technical know-how i.e partners, agents and distributors are found, a capital structure is determined and technical plans are drawn.

Functions are then divided among the partners to the project. Finally the project execution element is the stage which the project actualise. It involves ordering and installation of machines preparing the financial arrangement and the acquisition of personnel among others.

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Under the concept of promotional risk, "Financial Institution are most likely to have capital formation, especially in an economy where the level of business trust is satisfactory and the institutions risk aversion is low. Financial institution in developing countries today however, realise that almost every economic and behaviour represent a trade-on between risk and income and the institutional structure of the enterprise capitalism is designed to encourage economic units to assume risk by providing them with the opportunity to real financial gains commensurate with risk".[5]

The risk of an investment proposal is defined as the variability of its possible returns "every investment is associated with risk, while investment would be taken to mean postponement of present consumption in anticipation of satisfactory returns, risk is the chance of loss, injury or damage. Traditionally, the prime objective of an investor is to maximise returns and minimise risk. The prime aim of investor is a subject phenomenon. A satisfactory returns differs from one to another it all depends on the investor utility function of wealth."[6] Van Horne catagorises risks into:

V.HORNE, (1975). Analysis on Risk and Investment P. 37. And P.40

(a) Total risk

(b) Systematic risk

(c) Unsystematic risk

The total risk is measure by the variability of returns or standard deviation. "Systematic risk refers to the portion of total viability in returns cased by economic related factors which affect prices of all securities, such factors include tax policy, interest rates e.t.c. system are undiversifiable this can be removed from investment."[7]

Unsystematic risk is the portion of total variability in returns caused by factors unique to firm or industry e.g. industrial shrieks and shortages of raw material unsystematic risk can be diversifiable thus it can be removed unlike systematic risk.

All investors can be classified into three main categories of risk, risk avertors, risk lovers and risk neutrals. Most investor fall into the category of risk avertors but development financial institutions are tilted toward the risk lovers since most risk taken by these institutions are not from studies undertaken by them but from equity investment participation.

C.O. KALU, (1990). A Challenge to Industrialisation in Nigeria. A personal Insight P.10.

2.2 **Evolution of Development Financial Institutions in Nigeria**

"Nigeria experience in institutional development financing dated back to the colonial days in 1946 when the Nigerian Local Development Board (NLDB) was established."[8] The two basic functions of NLDB were stated as:

1. Making loans and grants available to government and government controlled bodies for the purpose of financing the establishment of infrastructure, public utilities, land settlement and land utilisation schemes.

2. Aiding and fostering private Nigerian's business activities by granting loans to co-operatives, partnership and companies registered in Nigeria.

The NLDB was in existence for three years only, before it was abolished in 1949. The abolition arose from the fact that, at the board operated from Lagos it could not serve effectively the vast country furthermore, by 1949 a new administrative structure under which Nigeria was to be split into four administrative units was already emerging.

Consequently the NLDB was replaced with three regional Development (loans) Board for Northern Eastern and Western regions and a Colony development Board to serve the Federal Territory.

C.O. KALU, (1990). A Challenge in Industrialisation in Nigeria. A Personal Insight P.10.

The function of these four new institutions were substantially the same as the NLDB, except for one significant difference - unlike their predecessor they could make loans to individual.

Three agricultural development institutions known as Regional Production Development Boards (RPDB) were also established in 1949. The (RPDB) derived their resources from their respective regional board and utilised these for agricultural production and economic development.

Following the recommendation of a World Bank mission to Nigeria in 1953 the Regional Development (loans) Board and this regional production board in the Eastern and Northern regions, the name and scope of operation changed. The new institution of western regional finance corporation was able by way of loans or equity participation to assist the regions private and public sector enterprise. By 1956 the federal loans board had been established to assume the responsibilities of the colonial development board in the federal territory the Nigerian Building Society a mortgage finance institution owned by the Common Wealth Development Corporation (CDC) was registered in Nigeria in 1956.

The RPDB for the western region replaced in 1959 with the Western Regional Development Corporation, which had wider operating powers in terms of the sectors, and activities. Also in 1959 the Investment Corporation in Nigeria a

private industrial Development Finance Institution set up by a group of foreign and Nigerian investors, the institution was later in 1964 reconstituted into NIDB recognised today as the foremost and premier Development Financial Institutions.

The region on reorganising the importance of DFI initiated more to establish Development Corporation in their respective regions even before independence. These were the Western Nigeria Development Corporation (WNDC) and the Northern Nigeria Development (NNDC). However these corporation were distinguished by common, that is fact they were largely involved in direct financing of their owned project, rather than an agent of lending and provision of funds to business establishment as was obtained before. With this role they did make tremendous contribution to the development of their respective. It became clear that if the development effort was to b carried further there was the need to create more commercial and professionally oriented institutions that will promote and extend long term finance to business especially small scale indigenous industries."[9]

Effort were made to implement this with the active support and participation of the Commonwealth Development Corporation CDC, then known as Development Corporation the institutions so established therefore were originally joint ventures between the various government and the CDC. Subsequently the Investment Company of Nigeria was established in Lagos the

Industrial and Agricultural Company was established in Enugu and Northern Nigeria Investment in Kaduna.

"Many of this institutions have had their identities and ownership structure change as a result of the Nigeria Civil War Indigenisation decree and the creation of new states. The Eastern Nigeria Development Corporation was disbanded and its assets distributed among the new states that form the former Eastern region the WNDC transformed by Ondo, Oyo and Ogun States. The Northern Nigeria Investment Corporation the New Nigeria Development Company but is retained its structure except that now jointly owned by the nineteen states that formed the former Northern Region" [10].

In the case of DFIs set up as joint ventures with the CDC the Development Finance Company Limited DFC was disbanded after the civil war, the investment Company of Nigeria ICON was restructured into the NIDB while the Northern Nigerian Investment NNIL became a full subsidiary of NNDC. The equities of the CDC in all these companies have since been indigenised.

Today in Nigeria we have three Federal Government Development Financial Institution namely: NACB, NBCI and NIDB and a variety of state and regional

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9. A.A. ABDUKADIR, (1987). NIDB and Small Scale Industrial Financing.

10. C.O. KALU, (1990). A Challenge on Industrialisation in Nigeria. A Personal Insight P.25.

development corporation/finance institutions. After the creation of new states, many established their DFI's practically all the nineteen (19) states of the Northern States have institutions playing the role of a Development Finance Institution.

2.3 **Functions of Development Financing in Nigeria**

"Broadly speaking three major functions can be identified with these institutions, they are Banking, Development and Investment supervision functions"[11].

2.3.1 **Banking Functions**

The Banking function consist of the provision of finance to industrial projects. This includes sanctioning or approval of prospective clients application for financial assistance and the disbursement of the sanctions facilities after the clients and conditions. These conditions however vary from one to DFI to another.

The feasibility study is generally the basis upon which most DFIs base their decisions.

"A satisfactory feasibility study should contain such details as:

(a) A market report establishing the demand for the proposed products and the competitive price.

(b) A description of the production process, the item of assets and details estimates of total cost including provision for working capital, interest during construction period and preliminary expenses.

(c) A detailed analysis of the annual cost of production and cash flow and balance sheet production for the first few years.

(d) Brief notes on the history of the client company. The company's the composition of its board of directors and short biographies of the directors and senior management team, copies of certificate of incorporation and memorandum and articles of association".12

2.3.2 **Development Function**

The function reflects the ultimate objective of a DFI. It includes the investigation of new investment opportunities and encourage investors to participate in development of vaguely conceived projects brought to it by investors, general assessment of viability to industrial projects from both financial and economic perspectives and finally the provision of technical assistance such as engineering, accounting and managerial, etc. to clients.

2.3.3. **Investment Supervision Function**

The Supervision of industrial projects in which they are financially committed is a crucial function of DFIs in Nigeria. This function is necessary so as to minimise the risk of failure and to ensure the projects success.

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12. NNDC, (1997). Investment Climate in Nigeria. P.5

"The objectives of supervision includes:

(a) To ensure the project is economically implemented in good time.

(b) To ensure that the client company fulfil their repayment obligation as they fall due so as to minimise the risk of default.

(c) To get acquainted with project and to assess any changes in the project details that are likely to affect the economic viability of the project",[13].

2.4 Role of Development Financial Institution in the Current Economic Dispensation

Within the context of present economic dispensation, financial institution are expected to play critical and dynamic roles in the development process. They provide the medium for mobilisation of savings and the channeling of those savings to investment. The more backward the economy, the more critical the role of financial institution in this saving investment process unfortunately, these institutions are not well developed in developing countries leading to situation of the well known vicious – cycle. Because the government have found it necessary to establish such institutions themselves or encourage others to do so.

However, many of these financial institutions tend to be biased and selective in their investment policies to the neglect of other sectors of the economy and in

13. NNDC, Annual Bulleting 1996. P.16

the end to the detriment or the economy as a whole, this is because they usually exist to make profit and therefore only invest in these projects that have immediate potentials for making profits. This they tend to shy away from projects that have substantial developmental value but which do not rise to immediate profit. Such benefits which extend to other sectors and pave way for other sub-business to emerge and to operate profitably.

Because of short-term profit motivation, do not want to engaged in financing these development projects. Their sources of which are largely short-term in nature also contribute to their inability and unwillingness to plug into such long term financing. Where they consider short term facility, the demand for collaterals and other securities are usually beyond the ability of small scale promoters. Their activities also tend to be localised in the urban and industrial areas to the neglect of the rural areas where most of the population live.

Development Financial Institution exist therefore to fill the void created by other financial institution. They are set up to provide medium and long term finance needed for development purposes. It is because of this unique and indispensable role they play as catalyst, in the development process that the Federal and State government have found it necessary to establish a number of them.

2.5 GOVERNMENT POLICIES and INCENTIVE for PROMOTING DEVELOPMENT FINANCIAL INSTITUTION IN NIGERIA

There are several reasons advanced on why an investor should invest in Nigeria. Apart from the abundant natural and human resources supported by adequate infrastructural facilities, there are a number of incentives deliberately put in place by Federal, State and Local government to attract and retain investment into the country some of these incentives are provided below:

(1) Incentives provided by economic factors

(2) Incentives provided by the environmental factors

(3) Incentives put in place by government (fiscal incentives)

(4) Tariff based incentives

(5) Export incentives

(6) Regulatory incentives

(1) Incentives Provided by Economic Factors

Nigerian climate and soils conditions have made the country a potentially rich agricultural country. Such raw materials for agro-base industries as groundnut, cocoa, coffee, palm produce, cotton, corn, wheat, soya-beans, hides and skins etc. can be sources locally. The country is also richly endowed with mineral resources such as coal, tins, irons-ore, and ceremetic clays etc. Appendix 1 gives a comprehensive list of potential raw materials available in

Nigeria. The Appendix also gives the location in Nigeria where these raw materials are located.

Crude Oil and Gas

Nigeria is a major producer of crude oil, it has proven gas deposit estimated at over 100 trillion standard cubic feet, consequently, upstream and down-stream petrochemical industries and chemical industries can be developed in Nigeria. A gigantic gas development programme, for example Liquefied Natural Gas (LNG) at Eleme has been initiated to tap and re-inject gas as an energy and raw materials sources for industries.[12]

Human Resources

With an estimate labour force of well over 30 million (a significant percentage of which is educated the skilled) Nigeria human resource base, is enormous in comparison with that of nearly all African countries and indeed most developing nations. Labour skilled and unskilled in Nigeria is among the cheapest in the world.

Specialised Institutions

Nigeria has established several specialised institution designed to stimulate industrial development. Below is one of the institution.

Support Institutions

One of such supporting institutions is the industrial development co-ordinating committee (IDCC). The purpose of establishing the IDCC is to eliminate bureaucratic bottlenecks, lack of co-ordination and duplication of roles by several government ministries which were some of the problems encountered by organisations and individuals seeking to establish new business ventures.

2.6 Funding of Development Financial Institution in Nigeria

Since one of the purpose of DFI's is to provide long term finance for project development, their funding must be so structured that they will be able to fulfil this role effectively. A development financial institution DFI cannot operate effectively if its source of funds are short in nature.

The following are the sources of funds to DFI's

(a) Share capital

(b) Loans and subvention from government

(c) Loans from banks

(d) External funds (Financing)

(e) Internally generated funds

2.6.1 **Share Capital**

This is determined by the amount of initial and additional paid-up capital. Since the shareholders are mainly Federal, State Governments, and local government the ability to commit enough capital depends on their own financial strength. Except in the case of the Federal government owned DFI such as NBCI and NACB only a few of them are adequately capitalised to enable them perform their functions effectively through this source of funding.

2.6.2 **Loans and Subventions from Government**

This used to be the major sources of funding for the DFIs especially the Federal Government owned ones. However, with the declining revenue of all government, they have become increasingly incapable of funding the DFIs adequately and timely.

2.6.3 **Loans from the Banks**

Banks in general, given the nature of their liabilities which is short in nature are not well placed to play a major role in funding DFIs whose need for finance are long term in nature, the reasons basically is to avoid mismatch. However number of proposal have been advanced in respect of DFIs role under the Current Economic Dispensation. These are:

(1) Commercial Banks lending to small scale enterprises as required by CBN

(2) Credit guidelines should be channeled through DFIs. "The minimum required for 1987 is 16% of a Banks total loans and advances which,

given the aggregate loans and advances of commercial and merchant banks of N10.5 billion in 1984 will translate into N1.68 billion".[14].

(3) The lending by Banks should be made at concessionary rates for it to achieve the desired impact, but banks can be made to recoup the loss by offering them income tax concessions on interests received on such lending.

(4) Following representations made by some DFIs to the Federal Government, the 1990 credit guidelines created a special sub-category in the preferred sectors for DFIs and requested that % of aggregate lending should be directed to them this was reduced to 1% in 1991 and was completely removed as a separate sub-section in 1995. It is being suggested that Banks should bee made to lend at least 5% of their loans directly to DFIs at rate not greater than the minimum lending rates.

2.6.4 **External Funds**

These are major sources of funding for DFIs and they do come in the form of foreign lines of credit machinery credit, join ventures etc. The main sources are the World Bank and the International Finance Corporation. Such funds

14. T.S. DAVID, (ABU 1989). Development Financing in Niger State, P.30

gets to the DFIs through the intermediation of the bigger DFIs like NIDB and NBCI and are guaranteed by the Federal Government. Some State Government also guarantee foreign credit directly to their DFIs. However, with the increasing external debt burden of this country, this source of finance is becoming difficult to come by.

Three of these on lending credits through DFIs and other institutions need special mention:

(1) **NIDB on-Lending Facility**

NIDB acts as the Management agent to funds provided by the World Bank (IBRD) and the European Investment Bank (EIB) for on-lending to regional and states DFIs. A new unit called the apex financing and management unit (AFMU) was established within the bank to monitor and follow-up this activity. As at the end of 1990 seven (7) state DFIs had benefited from this facility and total disbursement stood at about thirty three million Naira only (N33m) at that date.

(2) **NBCI – World Bank Facility**

The World Bank in 1990 provided an $11 million line of credit to BNCI for Development of medium scale enterprises. The scheme is to be implemented initially in five states or the federation namely, Plateau, Imo, Niger, Ondo and Cross River State. It is expected that after the first (pilot) phase of the

programme subsequent phases will cover the rest of the Federation projects to be financed under this scheme must be 100% Nigerian owned with total assets Base (excluding cost of land) not exceeding N1 million. Also the business must be a limited liability company and the owner must be able to contribute at least 20% of the total project cost. Finally, the project must have at least 35% local value added and must meet a minimum economic rate of return of 10% disbursement to project under the scheme began in 1990.

2.7 **Problems of DFIs**

From the fore-going one can identify the major problem facing most of the DFIs to be lack of adequate funding. Many of them have to depend on government subventions which are drying up in the face of harsh economic realities. There is also an absence of institutional and legal frame work to guide their operations and to enable them to gain access to funds from the capital market. Furthermore, the interest rate structure in the open market is considered too high for the type of Development Project financing which the DFIs are primarily engaged in, and which need to be subsidised.

Another problem of DFIs is managerial lacking in funding. They are usually unable to attract and retain qualified and experienced staff. This in returns weakens their ability to perform effectively in the areas of project identification and promotion, credit evaluation and assessment monitoring and supervision, and disbursement of funds.

Lack of a stable investment climate necessary for the inducement of confidence in both local and foreign investors is another factor detrimental to the smooth operation of DFIs in the country. Development projects are characterised by long gestation period and frequent policy changes can be hostile to such projects and possibly complicate investment planning. The packages of fiscal monetary and import policy measures enacted in this regard were timely and inevitable. The implementation of some of them have caused severe difficulties to some client companies.

Appendix 2 gives a comprehensive list of members of Association of Nigerian Development Finance Institution, (ANDFI).

CHAPTER THREE

Research Methodology

3.1 Introduction

The study is to determine the relevance of Development Financial Institution in the current economic dispensation especially the role of New Nigerian Development Company, (NNDC) Kaduna.

In undertaken this study, questionnaires were distributed within NNDC and its subsidiaries, associate companies and some selected state owned investment companies. Those state owned companies considered are as follows:

(1) Kano State Investment and Property Company

(2) Borno Investment

(3) Plateau Investment

(4) Bauchi State Investment

(5) Northern Nigerian Investment Company (NNIL) (Subsidiary) of NNDC

(6) Niger State Investment

(7) Sokoto State Investment

The reasons for selecting these state owned companies, subsidiaries, and associate companies is to obtain the views of those client and executives that belong to the same industry.

Hence the data for this study was obtain mainly from questionnaire. The item included in the questionnaire were randomly arranged but are presented below according to four general categories or classification.

(1) General

(2) Development financial institution

(3) Current economic dispensation

(4) Perception

Respondents to questionnaire were provided with the following instruction: "Check marks may be used to answer the following questions about your perception on the relevance of development financial institution in the current economic dispensation. Feel free to make additional comments on your answers to any or all questions"[16].

3.2 **Sources of Data**

This study aims to draw its data from both primary and secondary sources.

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16. The questionnaire used in the survey was adopted from a format used by porter to measure the perceived deficiencies in the need, fulfillment of managers. See Lyman W. Porter. "A study of perceived need satisfaction in Bottom and middle management Jobs" Journal of Applied Psychology Vol. 45 1961, PP1 – 10.

3.2.1 **Primary Data**

Primary Data were collected from chief executive of NNDC, and its subsidiaries/associate companies, state investment companies and personnel of these investment outfits.

3.2.2 **Secondary Data**

The secondary data were collected from NNDC library and state investment libraries. Others include, Textbook, Journal, the Business Times. The financial guardian newspapers, The Economist, ANDFI Annual Report.

3.3 **Method of Data Collection**

The methods adopted in collecting data for this research are as follows:

3.3.1 **Personal Interviews**

Personal interviews were held with chief executives and other key staff of DFI's based on the questionnaire in Appendix 3. The interviews were largely structured in a result oriented format.

3.3.2 **questionnaire**

The data for this study were obtained by means of questionnaire. The items included in the questionnaire were randomly arranged to cover the local point of the research work that is:

(1) The Development financial institution and its positive contribution to economic growth and development.

(2) The present economic dispensation (set-up) as its affect the development of financial institution.

(3) General perception of chief executive and personnel within the same industries in relation to role and development of financial institution within the context of present economic dispensation (Economic Policies).

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CHAPTER FOUR

Data Presentation and Analysis

4.1 Introduction

In this chapter, we shall discuss the analysis relevance of Development Financial Institution within the context of present economic dispensation and with special consideration to NNDC. Its important to note, this is to be done through the interpretation of result through the questionnaire distributed to chief executive of NNDC and its subsidiaries, associates companies and some selected state investment companies. With this, we shall be in a position to say how much impact this important and interesting field of study has made so far to the socio-economic growth and development of owner States and the Nation at large.

In order to determine the relevance of DFIs within the present economic dispensation----, a random of selected state investment companies, NNDC and its subsidiaries, associated companies were selected. In order to obtain the views of those within the industry under consideration. Questionnaires were sent to each of this state investment companies, of the selected companies is total of 10 usable responses were received for a response rate of 35%.

4.2 **Historical Data of NNDC**

The New Nigerian Development Company (NNDC) started as a statutory corporation in 1964 with the name Northern Regional Development Board (NRDB). The purpose of its formation was to promote industrial and economic development of the Defunct Northern Region. In 1956, with the achievement of self government by the Regions, (NRPDB) was reconstituted into the Northern Regional Development Corporation (NRDC). In 1960, the organisation name was changed to Northern Nigerian Development Corporation (NNDC) reflecting the new nationalism achieved at independence.

The establishment of a new political order in 1967 which gave birth to the creation of states resulted in the dissolution of the Northern Nigerian Development Corporation (NNDC) and in its place a limite4d liability company was incorporated in 1968 by the name "New Nigerian Development Company" (NNDC Limited); thus preserving the corporate identity created by letter of "NNDC"[2].

Today NNDC is a development finance institution, wholly owned (in varying proportion) by the government of nineteen Northern States of Nigeria. The owners states and their share-holding are provided below:

No.	OWNER STATES	% SHARE	No.	OWNER STATES	% SHARE
1.	BAUCHI STATE	8.43	11.	NIGER STATE	6.94
2.	BENUE STATE	5.10	12.	PLATEAU STATE	8.62
3.	BORNO STATE	5.10	13.	SOKOTO STATE	7.41
4.	ADAMAWA STATE	4.56	14.	YOBE STATE	4.18
5.	GOMBE STATE	4.21	15.	ZAMFARA STATE	3.21
6.	KADUNA STATE	6.58	16.	KEBBI STATE	4.94
7.	KANO STATE	10.26	17.	JIGAWA STATE	8.74
8.	KATSINA STATE	7.42	18.	NASARAWA STATE	4.31
9.	KWARA STATE	3.46	19.	TARABA STATE	3.73
10.	KOGI STATE	4.53			

4.3 **NNDC as a Development Financial Institution (DFI)**

"There are about 22 Development Financial institutions in the country today, most of which are owned by the Federal Government, the major ones includes, The Nigerian Industrial Development Bank (NIDB); Nigerian Agricultural and Co-operative Bank (NACB); Federal Mortgage Bank of Nigeria (FMBN); Nigerian Bank of Commerce and Industry (NBCI); New Nigerian Development Company (NNDC), Odua Investment, Northern Nigeria Investment Limited (NNIL) and the various State owned investment Companies spread all over the country.

While mortgage Bank specialises in financing building constructions, the NBCI, NIDB, NNDC and Odua are geared towards financing industrial development. Indeed they are designed as real catalyst to the private sector industrialisation.

4.3.1 **NNDC Nature of Activities**

NNDC the biggest conglomerate in sub-sahara Africa is a holding company whose principal activity includes the provision of loans and equity financing

and the operation of selected viable businesses. The company has equity and loan investments, in about 110 companies located throughout Nigeria. Sectorally, NNDC is involved in more sectors of the Nigerian economy than any other organisation of its kind in the country. Some of the more prominent sectors in which NNDC has invested include:

(1) Agriculture and Agro-Allied

(2) Banking and Finance

(3) Building and Construction

(4) Commerce

(5) Hotels

(6) Insurance

(7) Manufacturing

(8) Medical/Pharmaceutical

In addition to investment promotion and supervision, NNDC also manages several enterprises particularly in the hospitality industry. A good example of that is the AREWA HOTELS (Development Limited) a wholly-owned subsidiary of NNDC, remain the leading Company in Hotel Management Industry in Nigeria. The Company presently manages a total of 16 hotel units spread all over the Federation.

In the current business thrust and strategic focus of the NNDC certain key industries and sectoral riches have been identified as being potentially viable and in-line with national economic priorities. These sectors are:

(1) Petroleum and Petro-Chemicals including gas

(2) Mining and mineral processing

(3) Steel and metal fabrication (foundry)

(4) Industrial chemicals

Consequently, NNDC have committed significant resources towards the investigation and determination of the viability of investing in these sectors and it is expected that any proposals that will concretise such investment are according top priority.

4.3.2 **NNDC's investment Criteria**

Though profitability is a major NNDC Investment criterion, other non financial benefits like generation of employment, transfer of technology and the impact of the project in promoting industrial and economic development of Nigeria are equally important in its investment decision. With this direct link to the socio-economic development interm of employment generation, transfer of technology and real investment that assist in the production of goods and services. One is left with no option then to accept the fact that NNDC is making its contribution within the context of present economic dispensation there by providing real

economic multiplier effect for economic growth and development of the owner States and the Nation at large.

All projects seeking NNDC financial assistance are assessed in the light of the following set of criteria:

Equity Investment

(i) Viability – NNDC invests only in viable project. A project is considered viable if:

(a) Its return on investment (ROI) is at least above the minimum realisation rate (MRR) of the Central Bank of Nigeria (currency at 13.75%).

(b) If dividends are payable within three years of post commissioning.

(ii) NNDC gives preference to projects, where inputs can be sources locally and where the final product(s) can be exported.

(iii) Management – NNDC normally assesses the quality of management of a new existing project, where foreign partners are involved NNDC must established and be satisfied with the level of competence of such partners.

(iv) Credibility of sponsors. NNDC would only invest in projects sponsored by individuals and organisation whose integrity and reputation is not in doubt.

(v) Nature of industry. Inspite of its contribution to the national economy as a development financial institution. NNDC policy discourages

investment in certain industries (e.g. tobacco and brewery) on moral grounds. In general priority is given to industries with competitive advantage.

(vi) Equally in an effort to fulfil its fundamental role as DFIs, NNDC makes loans available to enterprises under the following conditions:

(a) That the loan are appropriately secured

(b) That the loan are repaid over a maximum period of seven years including two years moratorium.

(c) NNDC charges a commitment free of 1% per-annum on undisbursed portions of the loans.

(d) That a 2% negotiation and administration fee is chargeable in cases of loans denominated in currencies other than the Naira.

(e) That NNDC be given a seat on the Board of Directors of the company until the loan is fully paid.

NNDC Management and Board

NNDC's source of strength and its impressive achievement over the past three decades has been attributed to the competent Management and Board of Directors which the company had over the years.

The company is managed by a team of seasoned and experienced personnel headed by the Group Managing Director (GMD) who is the chief executive. He is assisted by the (3) three General Managers who head the Operations, Planning and Investment and Management Services Directorates respectively.

The tree General managers are assisted by Assistant General Manager. The Company has a distinguished Board of Directors comprising the Chairman, the Group Managing Director and the 19 Secretaries of the Northern States. Appendix 4 presents the organisation structure of NNDC.

To justify the role of NNDC as a development financed institution one can conclude with NNDC mission which state "Our mission is to be diversified holding Development financial institution which derives its financial strength from steadily increasing profitability and funding resources base on our distinctive competence in managing equity investment and operating selected business within industries having superior economic and growth potential. Our leadership image is built on high professional management, progressive human relations and ethical values, rooted in a deep commitment to Nigeria's economic growth"[17].

NNDC as a conglomerate has contribute immensely towards the socio-economic development of the country. NNDC with its wide spread investment holding which includes:

17. NNDC, (1990). General Introduction and Operating Policies. P.1

(1) Investment in Conglomerate

(2) Investment in Food and Beverages

(3) Investment in Industrial/Domestic Production

(4) Investment in Insurance

(5) Investment in Textile

(6) Investment in Securities

(7) Investment in Construction and Allied Services

(8) Investment in Building Materials

(9) Investment in Metal Product

(10) Investment in Packaging

(11) Investment in Transport

(12) Investment in Furniture

(13) Investment in Publishing

(14) Investment in Stationeries

(15) Investment in Food, Drugs and Beverages

Appendix 5 provide the current schedule of NNDC investment in quoted and non quoted companies including the name of the company, % holding in the company.

Therefore are cannot but accept the fact that will this kind of spread of investment holding, NNDC as a development financial institution has contributed in the no small measure towards the socio-economic development of Nigeria. To that effect capital intensive project which is difficult to invest in,

NNDC as a development financial institution was able to invest. Thereby stimulating the private sector to equally act same.

We can conclude this chapter with the saying that the contribution of development financial institution especially NNDC to the socio-economic growth and development of Nigeria is a fact to be noted as far as growth and development process is concerned.

4.3.1 **Financial Analysis of NNDC, Ownership and Structure**

As a public limited liability company of the nineteen Northern States. It is expected of NNDC Management to present to the Board of Directors yearly performance from its various investment outfits. This could only be done through presentation of Balance Sheet in order to evaluate the performance. Appendix 7 provide the last Balance Sheet.

4.3.2. **Last Balance Sheet of NNDC**

As a public limited liability company of the nineteen Northern States. It is expected of NNDC Management to present to the Board of Directors yearly performance from its various investment outfits. This could only be done through presentation of Balance Sheet in order to evaluate the performance. Appendix 7 provide the Last Balance Sheet.

It's important to understand that NNDC's financial strength is really strong. Mainly arising from it's pool of highly competent and professional human resource personnel, which placed it at an advantageous position in terms of appraisal and management of projects, preparation of feasibility studies as well as project promotion and development. NNDC objectives and financial policies remained relatively stable over the years, while the operating strategies have continued to change to reflect the changes within the organisation and the national economy. This lead to the question of financial focus on NNDC. One must accept that NNDC is strategically structured to tap the investment opportunities and potential of largely scale strategic projects that are technically and commercially viable in consonance with the redefined business focus of the organisation.

4.3.2. **Current Economic Dispensation**

The term current economic dispensation sound complex and could be subjected to so many interpretation of the questionnaires. From the data available and research conducted, we were able to come with a definite and realistic understanding of the subject matter. "CURRENT ECONOMIC DISPENSATION".

More than 50% of the respondents were with the opinion that "Current Economic Dispensation" refers to the continues and existing economic policies that constitute a basis for day today policy decision of government as its affect

the socio-economic growth and development of our nation. Such views were equally maintained by most chief executive of DFIs interviewed.

Nevertheless about 32.8% are of the opinion that the term "Current Economic Dispensation" could be relative depending on the economic policy formulators. A good example of that is under a situation of long term government plans or economic rolling plan usually covering a period of 3, 5, and even 10 years. Therefore, they are of the believe that any economic policy covering a period of a rolling plan irrespective of the time frame could be classified as Current Economic Dispensation.

The other 18.2% consider "Current Economic Dispensation" as those economic policies that are only applicable within the context of present Day Nigeria. In other words, any of the policies applicable in the past and those policies that can only be applied in the future do not constitute or cannot be term under the context of current economic dispensation.

From the questionnaires responds, we are left with the conclusion that the term "Current Economic Dispensation" refers to those economic policies as its affect only the relevant economic institution at any period of time under consideration. I.e. in the case of rolling plan.

4.3.3 **Other Investigation**

Investigation have indicated that development financial institution play the role of training personnel in the field of Business Development and Business Supervision as a result of experience acquired while working with Development Financial Institutions.

Equally another investigation have reveal that political interference affect negatively the performance of development financial institution. This political interference is usually from owner States. Who decide on the appointment of Group Managing Director and Chairman Board of Directors in the case of NNDC.

The above investigation was carried out to ascertain the polities of development financial institution especially that of NNDC, Kaduna.

Findings of the Study

From the research conducted we were able to come up with a financial finding as its related to development financial institution. Especially that of NNDC which is our main case of study.

NNDC as a regional development financial institution. We were able to discovered that it provided good opportunity for a number of young Northerners to be trained in the field of Business Development. Thereby becoming force to reckon with in the affairs of the nation.

From the set goals, and objectives of establishing NNDC, Economic Development and growth was the main issue at stake as at then. We were able to identify the degree of contribution NNDC made in that respect at least by establishing some companies in the owner state of the region that gave a good chance for employment and provide economic activities that generate series of multiplier effect. Thereby affecting the people's live positively.

Finally from the study, we were able to ascertain the nature of contribution development financial investment cold have provided towards the socio-economic development of Nigeria. Equally, one is left with no option then to accept the great fore-side of the founding fathers of this great institution namely the late Sir Ahmadu Bello (Sardauna of Sokoto), Alh. Ahmed Tablib to mention but few. In conclusion, one will believe that, NNDC have touch the live directly or indirectly in the Northern region economically, politically and socially. Therefore we concluded by believing that more then 30 years after formation (NNDC) is a success. Not only to the owner States but the Nation and sub – Saharan African at large.

Variance Analysis

Little variance was realised from the initial assumption of what development financial institution is. Actually the great variance discovered was the high level of politics involved in DFIs of both regional and state owned. Equally the initial assumption that Development Financial Institution is to served as a

catalyst for the socio-economic development of Nigeria through long term financing and investment in high-tech still holds.

Conclusion

Development financial institution have played a very important role and will continue to play an important role in the socio-economic development of Nigeria. Statistics have indicated that. Development financial institution falls under the organised private sector, and NNDC constitutes the single biggest institutional investors in both quoted and non-quoted companies. This no doubt is great achievement after 30 year of operation. Investigation has attributed this achievement to the caliber of Management NNDC had. One can appreciate the nature and form of record keeping which assists in no small measure towards this project.

Finally all the data received were interpreted to the best form in order to assist in arriving at a meaningful project work. Nevertheless, some data received were not of any relevance.

CHAPTER FIVE

Summary, Conclusion and Recommendations

5.1 Summary

This study has been to highlight the relevance of Development Financial Institutions in the current economic dispensation. The diversified models, theories advances for the attainment of socio-economic development call for every approach to be subject of concern. Development financial institution as mentioned previously serves as one of the models or theories towards attaining a meaningful socio-economic development. Therefore, within the present dispensation the issue of development financial institution contribution should not be treated with levity.

5.2. Conclusion

In concluding this study we reflect on the NNDC's mission statement which is a regional development financial statement, and our main case study. "Our mission is to be a diversified holding company which derives its financial strength from steadily increasing profitability and funding resources based on our distinctive competence in managing equity investments and operating selected businesses within industries having superior economic and growth potentials our leadership image is build on high professional management, progressive human relations and ethical values rooted in a deep commitment to Nigeria's economic growth".

From the mission statement of the case study, (NNDC), it is clear that development financial institution is very much relevant in the current economic dispensation. This can be deduced from the simple fact that, all economic policies in the present dispensation are targeted towards achieving positive socio-economic development, just like the main goals and objectives set out by development financial institution.

Equally studies have indicated that there exists inter-relationship between the role of development financial institutions and Government Economic Policies in achieving positive economic growth and development. Chief executive interviewed indicate that, "through effective and positive performance of development financial institution the country can attain a realistic level of industrialisation, which subsequently have positive multiplier effect on socio-economic development of Nigeria".

Finally, the researcher is of the opinion that meaningful socio-economic development can be achieved through effective investment by development financial institution. Especially through investment in the productive sectors of the economy. Therefore within the current economic dispensation DFIs are relevant. In other words DFI's can be perceived as agents of Real socio-economic Development and growth.

Recommendation

1. **Increase in Share Capital of DFT'S**

In view of the present economic circumstance, there is the need to increase the capital base of development financial institution so that it will be in consonance with the present economic reality

2. **Off-Shore Investment: Development Finance**

Institution should expand their frontier by embarking upon off-shore investment. As this can enhance their revenue generation in hard currency which will was subsequently equip them financially to embark on capital intensive projects.

3. **Maintaining Mutual Financial Relation**

Development financial institution should intensify their mutual relationship with Financial International Agencies i.e. World Bank, EIB, ADB and African shelter. These are international financial agencies specifically established to enhance development programmes in development nations mostly through DFI's.

4. **Enhance Training of Manpower and Development**

Development Financial Institution should liase with national planning commission with the aim of securing slots for foreign training of their staff.

While local training should equally be organised for the development of the staff and the institution at large.

6. **Government should have Minimal Interference with Activities of DFI.S**

Both national, regional and state owned investment of DFL's should be devoid of government involvement. This will minimise the bureaucratic tendencies associated with DFL's thereby enhancing their investment potentials. To that effect, Board of Directors of DFL's should be base on nomination of credible individual with merit rather than the present situation of having secretaries of state government as Board Members in the case of NNDC, Kaduna.

6. **Improving Condition of Services**

Most DFL's staff received condition of services that is not in consonance with the present economic reality. Therefore enhancing condition of services will serve as motivation for better performance.

7. Certain Precise Goals and Objective

Most DFL's especially state owned do not have definite set of goals and objective thereby leading most of them to be operating off-track. Within the present circumstance, main goals and objectives of DFL's should be that of revenue generation to their various state government. Unfortunately, you find some state investment instead received grants from government.

8. NNDC should invest only in projects that are commercially viable with sufficient high financial returns to cover its cost of capital. As a result NNDC should divert all sick projects and liquidate the hopeless sick ones as a matter of priority.

Conclusively, one would say this is an auspicious period for DFL's. The orientation of the present administration is in line with the roles and objectives of DFL's namely rural development, promotion of small scale industries, local raw materials utilisation to increase value added in industry and employment generation. Recent government economic measures have been directed towards achieving the objectives of DFI's as instruments for implementing their Developmental objectives.

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APPENDIX 1

QUESTIONNAIRE

Check marks may be used to answer the following questions about your perception of Development Financial Institutions. It is recognized that this means provides simple answer to complex questions. Feel free to make additional comments on your answers to any or all the questions.

1. Have you heard of Development Financial Institution?

   Yes ( ) No ( )

2. Development Financial Institution:

a. Is a catalyst for socio Economic development

b. Is not relevant in this current Economic Dispensation.

c. Is not yet understood by many people.

d. Is very important and relevant in the current Economic Dispensation.

3. Do you have a Development financial institution in your state. (state investment company).

   YES ( ) NO ( )

4. Do not think development financial activities aids to appreciate what Socio Economic development is all about.

   YES ( ) NO ( )

5. As client executive, of development financial Institution, are you involved in this major decision B making processes of this organisation?

6. Do you think certain Economic policies are necessary as a guide towards archiving this goals and objective of development financial institution.

   YES ( ) NO ( )

7. Are there clearly selected objectives of Development financial Institution (state investment) in your state.

   YES ( ) NO ( ).

8. If the answer to the above is Yes, are the objective quantifiable?

   YES ( ) NO ( )

9. Who are involved in selecting these objectives in your organisation? ( )

   (a) Top Cadre Workers ( )

   (b) Middle Cadre Workers ( )

   (c) Lower Cadre Workers ( )

   (d) All the above ( )

10. How do you view the planning, business development and business supervision on functions of your state investment.

   (a) Very seriously ( )

   (b) Not so seriously ( )

   (c) Nothing to worry about ( )

11. Do you feel National Development Financial Institution, regional and state owned are playing multiple role in the current economic dispensation.

YES ( ) NO ( )

12. Is there need to review the set objective of development financial institution to reflect local and international challenges

YES ( ) NO ( )

13. Do you feel the impact of development financial institution directly or indirectly:

YES ( ) NO ( )

14. Is the organisational set up of development financial institution satisfactorily to meet the present challenges?

YES ( ) NO ( )

15. Does the actual performance of development financial institution conform with original plans?

(a) At times ( )

(b) Always ( )

(c) Not at all ( )

16. Do you agree the present economic/political policies affect development financial institution (DFIs)?

YES ( ) NO ( )

17. Government interference with development financial institution is affecting them negatively

YES ( ) NO ( )

18. It is said that NNDC is the biggest conglomerate in sub-sahara Africa?

YES ( ) NO ( )

19. As a regional development financial institution (NNDC) it's economic/political contribution is not national rather regional?

YES ( ) NO ( )

20. From the period of establishment in 1949 to date (1998). Do you thing performance of NNDC have break-even.

YES ( ) NO ( )

21. Given the authorised share capital of N250,000.000,000. In consideration to the current economic dispensation do you think that is enough?

YES ( ) NO ( )

22. The year 2000 new millenium is just by the corner. Will you suggest change in goals and objectives of NNDC?

23. Inspite of the fact that NNDC is a limited liability. Its activities seems that of public welfare services?

YES ( ) NO ( )

24. Do you know the existence in Nigeria of any recognised financial institution?

YES ( ) NO ( )

25. If YES, Name them:

(a) ----------

(b) ----------

(c) ----------

(d) ----------

APPENDIX 2

SOME AVAILABLE MAJOR RAW MATERIALS IN NIGERIA, THEIR LOCATION AND THE PRODUCT WHICH THEY CAN BE PROCESSED:

S/NO	RAW MATERIALS	LOCATION(STATE	PROCESSED PRODUCTS
1.	Cattle, goats and Sheep	Borno, Bauchi, Kano, Kaduna, Sokoto	Hides leather godds fresh and forsen meat bones, blood, skins and wool, Milk and products.
2.	Domestic fowls Chiken, ducks Turkeys	Most Park of Nigeria	Eggs broilers, spent layers, Meat
3.	Tomatoes,Oranges Pineapples, mangoes, Etc.	Widely grown in most of Nigeria	National Concentrated source, jam, animal feed sugar syrup
4.	Onions tubbers, beans carrots, potatoes and other vegetables	Most part of Nigeria	Dehydrated vegetable and other Products
5.	Fish	Mangroves swamps, lake Chads, main rivers in Nigeria: Niger, Benue,Ogun,forcadoes, Cross River and Kaduna River and Nigeria Territorial waters	Fish meal, fish oils fresh and frozen fish glue lubrication vernishes soap and industrial uses.
6.	Cotton seeds, Groundnuts, soya beans	Katsina, Gombe, Kaduna, Borno, Yobe	Edible oil, soap and detergent cake
7.	Maize, guinea corn (sorghum) millet	Ogun, Ondo, Edo, Adamawa, Bauchi, kaduna, Sokoto, Kano, Borno, Oyo, Anambra, Imo, Cross-Rivers and Kwara	Cornflakes (cereal flaking process) cakes, floor animal feed starch and other food products.
8.	Rice	Adamawa, Ogun, Edo Borno, Anambra, Imo, Niger, Kwara Benue, Plateau	Whole rice broken river bran.
9.	Palm Kernel Palm Oil	Anambra, Cross River, Imo, Edo, Rivers, Ondo	Vegetable oil margarine, lubrication varnishes, soap industrial uses, etc.

10.	Cocoa	Ogun, Oyo, Ondo and Edo	Cocoa, butter, chocolates, sweets, soap and cosmetics wine beverages and other confectionary and bakery
11.	Yam, Cassava, Maize	Oyo, Imo Kaduna, Anambra, Plateau, Kwara, Ondo, Edo and Rivers.	Glucose, food starch for textile and paper industrial and laundries
12	Cotton	Kano, Kaduna, Adamawa, Oyo, Kwara	Textiles Medical gauze Sanitary pad
13	Wood	Anambra Imo, Oyo, Ondo, Ogun	Wood products construction building industries
14	Coal	Anambra and Benue	Fuel, manufacturing of tar, gases and oil.
15	Lignite	Edo	Industrial use similar to coal and for production of nirate fertilizer
16	Crude Petroleum	Edo, Imo, Cross River and Rivers	Used in the refineries to produce petroleum products, oils gases, exhylene, proplylene and olegins products insecticides.
17.	Natural Gas	Edo, Cross River, Imo	Production of Ammania/ Urea for nitrogenous fertilizer.
18.	Clay (Kaolin)	Kaduna, Ogun, Plateau, Anambra, Benue, Bauchi and Kwara.	Cerematic wares production of sanitary wares tiles pottery bricks
19	Columbite	Kano and Plateau	Nuclear engineering and alloys for gas turbine and space missings
20	Diatomite	Borno	For preparing insect control power
21	Glass sand	Anambra, Edo Imo, Kano, Lagos Niger, Ogun, Plateau and Rivers	Jewellery and Ornaments
22	Gypsum	Sokoto, Benue, Bauchi	For manufacture of cement
23	Iron Ore	Kwara, Anambra, Oyo, Ondo and Kogi	Steel manufacturing and engineering works
24	Kaymmite	Mainly in Kaduna	Used in manufacturing of refractory morters, cement and mixes.

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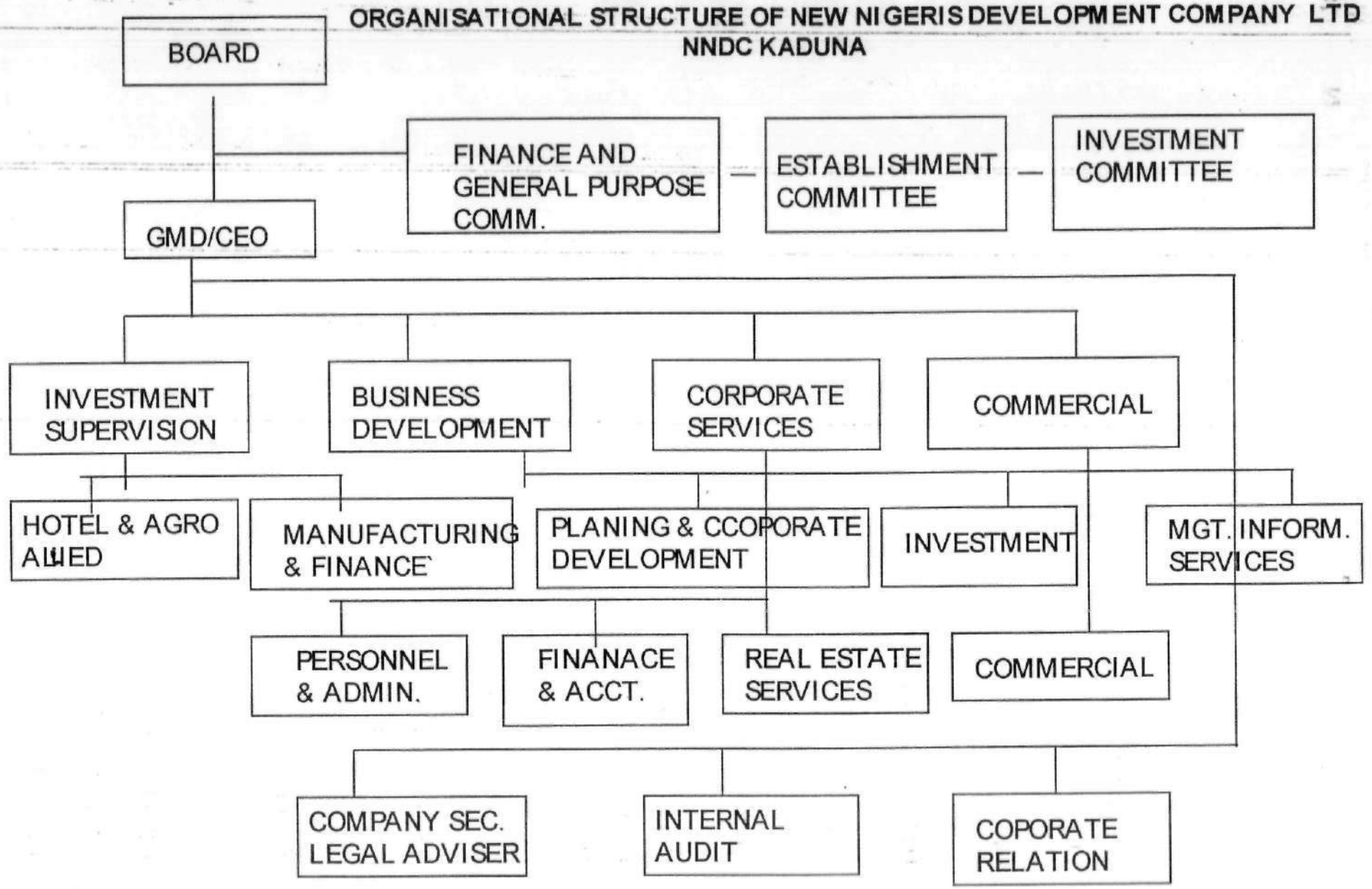
25	Limestone	Anambra, Niger, Borno, Bauchi, Benue, Sokoto.	Cement manufacturing of refractory morters, cement and mixes
26	Salt	Anambra, Cross River, Bauchi, Kwara, Plateau and Benue	Food stuff uses in agriculture and industrial chemical textile industrial soap and explosive.
27	Tale	Kwara, Oyo and Niger	Used in point cement toiletries and furnaces
28	Wolframite	Bauchi, Benue, Kano and Plateau	Used mainly in manufacturing tungsten Steel and electronic bulb filam
29	Zircon	Plateau	Used in nuclear reactors chemical plant
30	Tantalum	Oyo, Ondo, Kwara Kaduna and Plateau	Used in the manufacturing of dental surgical and military instruments and equipment
31	Marable	Edo, Kwara, Oyo and Niger	Used for metallurgical processes chemical cement production road and building construction
32	Phosphate	Ogun and Sokoto	For phosphate fertilizers

APPENDIX 3

MEMBERS OF ASSOCIATION OF NIGERIAN DEVELOPMENT FINANCE INSTITUTION LIST.

1. New Nigerian Development Company (NNDC)
2. Nigerian Industrial Development Bank (NIDB)
3. Northern Nigerian Investment Limited (NNIL)
4. Odua Investment Company Limited
5. Nigerian Agricultural and Co-operative Bank Limited
6. Kaduna State Investment and Project Development Company
7. Bauchi State Investment Company
8. Kano State Investment and Property Development Company
9. Sokoto State Investment Corporation
10. Plateau Investment Corporation
11. Kwara Investment Corporation
12. Central Investment Company Limited
13. Investment Trust Company Limited
14. Development Finance Company Limited
15. Ondo State Investment and Credit Corporation
16. Niger State Development Company
17. PABOD Finance and Investment
18. Investment and Credit Corporation of Oyo State
19. Ogun State Industrial and Finance Corporation
20. Benue Investment Corporation
21. Nigerian Bank for Commerce and Industry
22. Federal Mortgage Bank Limited.

ORGANISATIONAL STRUCTURE OF NEW NIGERIS DEVELOPMENT COMPANY LTD NNDC KADUNA



APENDIX FOUR.

APPENDIX FIVE

SCHEDULE OF NNDC INVESTMENT IN QUOTED AND NON-QUOTED COMPANIES

QUOTED INVESTMENTS

	Name of Company	% of Holding
	CONGLOMERATE	
1.	CFAO Plc	.00278
2.	John Holt Plc	1.13
3.	Lever Brothers	0.98
4.	P. Z. Industry Plc	0.98
5.	UAC Nigerian Plc	0.77
6.	UTC Nigeria Plc	0.53
	FOOD AND BEVERAGES	
7.	Nestle Foods	2.17
8.	Nigeria Bottling Co.	0.75
	INDUSTRIAL/DOMESTIC PRODUCTION	
9.	Vitafoam Nigeria	1.50
	INSURANCE	
10.	Allco Plc	1.44
11.	Law Union	1.95
12.	Niger Ins. Co.	1.70
13.	UNIC Plc 0	1.50
14.	Guinea Insurance Co.	19.00

	TEXTILE	
15.	Nichemtex	0.96
	PACKAGING	
16.	CMB Packaging	1.75
	PETROLEUM	
17.	AP Nigerian Plc	1.74
18.	National Oil	0.20
19.	Unipetrol Plc	0.26
	BUILDING MATERIALS	
20.	Ashaka Cement	0.08
21.	BCC Plc	1.89
22.	CCNN Plc	10.00
23.	Ceramic Manufacturers	2.33
	CHEMICALS	
24.	Sterling Production	0.021
25.	CAPL	2.38
	BANKING SERVICES	
26.	Trade Bank Plc	2.13
27.	Lion Bank Plc	4.24

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28.	NAL Merchant Bank	10.31
29.	Afribank Plc	0.25
30.	First Bank Plc	1.43
31.	UBN Plc	0.56
32.	UBA Plc	0.56

NON B QUOTED INVESTMENT

	Name of Company	% of Holding
	HOTELS	
1.	Arewa Hotel Development Limited, Kaduna	100
2.	Kaduna Hotel Hamdala	100
3.	Nigeria Hotels Limited, Lagos	28.30
4.	Lake Chad Hotels Limited, Maiduguri	47.00
5.	Sokoto Hotels Limited, Sokoto	67.00
6.	Bauchi Hotels, Zaranda	12.50
7.	Yola International Hotel Limited	16.00
8.	Shiroro Hotel, Minna	20
9.	Kongo Conference Hotel, Zaria	20
10.	Hill Station Hotel Limited, Jos	31.50
11.	Kano State Hotels	Management
12.	Gusau Hotels, Gusau	Management
13.	Shukura Hotels Limited, Sokoto	Management
14.	Giginya Hotels Limited, Sokoto	Management
15.	Kwara Hotels Limited, Ilorin	Management
16.	Festac '97 Hotels, Lagos	Management
17.	Grand Fishing Hotel, Argungu	Management
18.	NTI Conference Centre, Kaduna	Management
	BANKS	
19.	New African Merchant Bank, Kaduna.	30.00
20.	Bank of the North Limited, Kano (NNIL)	4.58

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	INSURANCE	
21.	Nigeria Life and Pension Consult, Lagos	13.26
22.	Hogg Robinson Nigeria Limited, Lagos	22.50

23.	Kapital Insurance Co. Limited, Kano	22.05
	SECURITIES	
24.	Nigerian Stock Exchange, Lagos	1.40
25.	New Deuco Finance Limited, Lagos	49.00
26.	Northern Nigerian Investment Limited (NNIL)	
	100.00	
CONSTRUCTION AND ALLIED SERVICES		
27.	Home Development Limted, Kaduna	60.00
28.	Cubitts Nigeria Limited	25.00
29.	New Nigeria Construction Co. Ltd., Kaduna	41.00
30.	Drake and Scull Limited, Kaduna.	65.00
31.	Dorman Long Amalgamated Limited, Kaduna	3.58
32.	Nigeria Dynamics Limited (Edok-Enter. Mandilas	7.30
33.	Crittal-Hope Limited, Lagos	12.50
	BUILDING MATERIALS	
34.	Borno Clay Product Limited, Maiduguri	15.60
35.	Jakura Marble Industrial Limited, Lokoja	4.20
36.	Eslon Nigerian Limited, Kaduna (NNIL)	30.00
37.	Turners Building Product Limited, Kaduna	17.00
38.	Roofco (Nigeria) Limited, Kaduna	25.00
39.	Nigeria Asbestos Industries, Bauchi	5.00

	METAL PRODUCTS	
40.	Tower Galvanised Products Limited, Kaduna	15.00
41.	Northern Cable Processing Co. Limited, (NNIL)	15.00
42.	Makeri Smelting Co. Limited, Jos	16.70
43.	Aisha Invita Co. Ltd., Kaduna (NNIL)	10.00
44.	Nigeria Aluminum Extrusion Ltd., Lagos	10.00
	PACKAGING	
45.	Benro Packaging Co. Ltd., Gboko	10.00
46.	Northern Nigeria Fibre Product, Ltd., Jos	27.70
47.	Rigidpak Containers Ltd., Zaria (NNIL)	20.00
48.	Ballapur Glass (Nig) Ltd, Kaduna (NNIL)	10.00
	TRANSPORT	
49	National Truck Manufacturing Co. Ltd., Kaduna (NNIL)	1.25
50.	Yamaha Manufacturing (Nig) Ltd., Kaduna (NNIL)	10.00
51.	Nigerian Autoparts Limited, Kaduna (NNIL)	24.00
	FURNITURE	
52.	International Metal Product Limited, Kano (NNIL)	20.00
	PUBLISHING	
53.	International Corporate Limited, Kano (NNIL)	25.00

54.	Gaskiya Corporation Limited, Zaria	20.00
55.	Northern Nigeria Publishing Company, Zaria	6.00
	STATIONERY	
56.	Thomas Wyatt (Nig) Limited, Lagos (NNIL)	2.89
	TEXTILES	
57.	Cotton and Agricultural Processors Limited, Zaria	20.00
58.	Arewa Textiles Limited, Kaduna (NNIL)	23.36
59.	Terytex (Nig) Limited, Kaduna (NNIL)	30.53
60.	Chellco Industries Limited, Kaduna (NNIL)	25.00
61.	Funtua Textiles Limited, Funtua (NNIL)	10.00
62.	Kaduna Textiles Plc, Kaduna	11.52
63.	Nortex Nigeria Plc, Kaduna	34.50
64.	Northern Textiles Manufacturing Limited, (NNIL)	24.19
65.	United Nigeria Textiles Plc (NNIL)	7.19
66.	Zamfara Textiles Industries (NNIL)	22.88
67.	Kainji Textiles Limited, New Bussa (NNIL)	.50
	FOOD DRUGS AND BEVERAGES	
68.	Nigeria Sugar Co. Limited, Bacita (NNIL)	30.79
69.	Northern Nigeria Floor mills (NNIL)	10.00
70.	Maiduguri Floor Mills, Maiduguri (NNIL)	10.00
71.	Rogo Processing Limited, Lafia	30.00

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72.	Jimeta Mechanised Farms Limited, Kaduna	10.00
73.	Benue Bottling Co. Ltd., Makurdi	15.00
74.	Badaggi Rica Processing Co. Ltd., Nig.	10.00
75.	Nigeria Medical and Pharma Product Ltd., Kano	32.00
76.	Nigeria Beverages Product Co. Ltd., Yola	32.50
77.	Taro Bottling Co., Yola	7.50

APPENDIX 6

THIS SHOW THE PERCENTAGE OF SHARE HOLDING OF THE 19 NORTHERN STATES IN NNDC

	STATES	SHARE HOLDING
1.	ADAMAWA STATE GOVERNMENT	4.56
2.	BAUCHI STATE GOVERNMENT	8.43
3.	BENUE STATE GOVERNMENT	5.10
4.	BORNO STATE GOVERNMENT	5.10
5.	JIGAWA STATE GOVERNMENT	8.74
6.	KADUNA STATE GOVERNMENT	6.58
7.	KANO STATE GOVERNMENT	10.26
8.	KATSINA STATE GOVERNMENT	7.42
9.	KEBBI STATE GOVERNMENT	4.94
10.	KOGI STATE GOVERNMENT	4.53
11.	KWARA STATE GOVERNMENT	3.46
12.	NIGER STATE GOVERNMENT	6.94
13.	PLATEAU STATE GOVERNMENT	8.62
14.	SOKOTO STATE GOVERNMENT	7.41
15.	TARABA STATE GOVERNMENT	3.73
16.	YOBE STATE GOVERNMENT	4.18
17.	NASARAWA STATE GOVERNMENT	4.31
18.	ZAMFARA STATE GOVERNMENT	3.2
19.	GOMBE STATE GOVERNMENT	4.21

NEW NIGERIA DEVELOPMENT COMPANY BALANCE SHEET AS AT 31ST MARCH, 1995

BALANCE SHEET AS AT 31ST MARCH 1995

	NOTES	1995 (N000')	(N000')
Fixed Assets	3A	48,533	34,935
Capital Work-in-Progress	3B	32,097	18,418
Long term Investments	4	405,556	484,012
		486,786	537,365
CURRENT ASSETS			
Stocks	5	2,410	1,897
Debtors	6	30,118	20,926
Cash and Bank Balance		115,830	50,985
		148,358	73,808
Accrued Investment	7	49,481	73,808
Income Less Amount falling Due within one year	8	241,361	75,374
		(43,522)	(36,482)
TOTAL ASSETS LESS CURRENT LIABILITIES		433,264	573,847
Creditors: Amount falling due After one year	9	(134,523)	(231,711)
PROVISION FOR LIABILITIES AND CHARGES	10	(680)	(850)
Call up share capital	11	110,000	110,000
Deposit for Shares		76,362	74,986
Reserves	12	121,699	96,300
		308,061	**281,286**

APPENDIX 6

SOME SOURCES OF INDUSTRIAL INFORMATION

1. National Planning Commission
2. Federal Ministry of Commerce and Tourism, Abuja
3. Manufacturers Associated of Nigeria, Lagos
4. Nigerian Industrial Development Bank
5. Nigerian Bank of Commerce and Industry, Lagos
6. New Nigeria Development Company (NNDC) Limited, Kaduna
7. Northern Nigerian Investments Limited (NNIL), Kaduna
8. Association of Nigerian Development Finance Institute (ANDFI), Lagos
9. States Chambers of Commerce and Industry
10. Federal Office of Statistics, Lagos
11. Industrial Investment information and Promotion Center, Abuja
12. Federal Ministry of Industries, Abuja
13. National Economic Reconstruction Fund (NERFUND), Lagos
14. Nigeria Export – Import Bank (NEXIM), Lagos
15. States Investment Companies
16. Federal Ministry of Solid Mineral Development
17. Nigerian Export Promotion Council, Lagos
18. Nigerian Agricultural and Co-operation Bank Limited
19. Bureau of Public Enterprises

APPENDIX 7

COMPENDIUM OF SOME LAWS AND REGULATION RELEVANT TO INVESTMENT IN NIGERIA

1. Customs Duties (dumped and subsidised goods) Act No. 9 of 1958.
2. Customs (Draw back) regulation (legal notice No. 70 of 1959)
3. Income tax management Act 1961 No. 18
4. Factories Act cap 66
5. Workmen's compensation Act, cap 222
6. Merchandise marks Act cap 117
7. Immigration Act 1961 No. 16
8. Trade marks Acts 1965 No. 29
9. The electricity/private license regulation 1965
10. Patents and designs Act 1970 No. 60.
11. Industrial inspectorate Act 1970 No. 53
12. Industrial Development (income tax) Act 1971
13. Nigerian Standard organisation Act 1971 No. 47
14. Industrial Training Fund Act 1971 No. 47
15. Wages Boards and Industrial Councils Act 1973 No. 1
16. Nigerian Bank of Commerce and Industry Act 1973
17. Trade Union Act 1973 No. 31
18. Labour Act 1974 No. 21
19. Trade Dispute (Amendment) Decree)
20. Trade Dispute Essential Services Act 1876 No. 23

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21. Nigerian Export Promotion Council Act 1976 No. 26
22. Productivity, Price Income Board Act 1977
23. Land Use Act of 1978
24. Companies Income Tax CHP 60 LFN 1990
25. Industrial Promotion Act CHP 181 LFN 1990
26. Securities and exchange commission Act 1979 No. 71
27. Bankruptcy Act 1987 No. 16
28. Factories Decree No. 16 1978
29. Customs and excise management Act (Cap 84 FLN 1990)
30. Customs, Excise Act (consolidate) Decree No. 1 of 1988
31. Debt Conversion Decree 1988
32. National Economic Reconstruction Fund Decree 1980
33. Companies and Allied Matters Decree 1992
34. National office of industrial property (change of name) Decree 1992
35. Money laudering Decree of 1993
36. Nigerian export procession zones Decrees of 1993
37. Advance Fee Fraud Decree of 1993
38. Nigerian Investment Promotion Commission Decree No. 16 of 1995
39. Venture Capital Decree of 1995
40. Export (Incentives and miscellaneous) Decree 1996

NOTE:

It should be noted that laws and regulation enumerated above change from time to time while some are amended, others are repealed from time to time.

APPENDIX 8

SCHEDULE OF ENTERPRISES

1. Advertising and public relations Business
2. All aspects of pool betting business and lotteries
3. Assemblies of radio, radiograms record changers, television sets tape recorders and other electrical domestic appliances not combined with manufacture of components
4. Blending and bottling of alcohol drinks
5. Block and ordinary tile manufacturing for building and construction works
6. Bread and cake making
7. Candle manufacturing
8. Casino and gaming centres
9. Cinemas and other places of entertainment
10. Commercial transportation (wet and dry cargo and fuel)
11. Commission agents
12. Departments stores and supermarkets having an annual turnover of less than N2,000,000.00
13. Distribution agencies excluding motor vehicles, machines and equipment and spare parts
14. Electrical repairs other than repair shops associated with distribution of electrical goods
15. Estate Agency

16. Film distribution (including cinema films)
17. Hairdressing
18. Lee-cream making when not associated with the manufacture of othe diary products
19. Indenting and conforming
20. Laundering and dry-cleaning
21. Manufactures representative
22. Manufactures of suite-cases, brief cases, hand bags, purse wallets portfolios and shopping bags

NOTE:

Above are enterprises that have been classified as schedule busines exclusively reserved for 100% Nigerian ownership under the Nigeria enterprises promotion Act.

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