DEVELOPMENT FINANCING IN NIGERIA, AN EVALUATION OF THE PERFORMANCE OF KANO STATE INVESTMENT AND PROPERTIES LIMITED. (1980 - 1989)

BY

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PRESENTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY ZARIA, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (MBA)

DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF AIM INISTRATION
AHMADU BELLO UNIVERSITY
ZARIA

1991.

DEDICATION

This work is dedicated to:

LATE FATHER ALHAJI SHEHU DANZANKO

CERTIFICATION

This research work entitled: DEVELOPMENT FINANCING IN NIGERIA: AN EVALUATION OF THE PERFORMANCE OF KANO STATE INVESTMENT AND PROPERTIES LIMITED (1980 - 1989). BY SHEHU AHMED ADAM.

MEETS the regulations governing the award of the degree of MASTER OF BUSINESS ADMINISTRATION of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literacy presentation.

Dr. Sheikh Abdullahi The Supervisor	6/1/92 Date
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The Head of Department	Date
The Dean of Post-Graduate College A.B.U. Zaria	4/2/94 Date

ABSTRACT

This research work is concern with evaluation of the performance of Kano State Investment and Properties Limited as the Test Case. The most significant feature of the institutions is that the organisation claim to operate on purely Commercial principles and investing-only in projects which give promise of adequate financial returns. But political factors fully determine their locations and their investment choices are devoid only on political considerations, so as to go in Line with the State development plan objectives. Due to this factor investment appraisal techniques and other factors are not being given the emphasis they deserve in determining investments.

In addition, the company is not haven an efficient portfolio composition. And at the same time the Company is not observing the rules of diversification of invest-ment.

Funding is another factor that help in crippling most of this Development finance institutions of which Kano State Investment and Properties is also a victim.

TABLE OF CONTENTS

		Page
Dedication		I
Certification		II
Acknowledgement		III
Abstract		IV
Table of Contents		V
List of Tables		VI
List of Chart		VII
CHAPTER I : INTRODUCTORY		
1.1	General Introduction	1
1.2	Roles of Development Finance Institutions	5
1.3	Statement of the Problem	6-7
1.4	Aims of the Study	7
1.5	Significance of the Study	7
1.6	Scope and Limitations of the Study	8
1.7	Research Methodology	9
1.8	Definition of Terms	10
1.9	Plan of the Thesis	11
	REFERENCES	13
CHAPTER II : REVIEW OF THE LITERATURE:		
2.1	Review of Others Opinion	14
	REFERENCES	22
CHAPTER III: HISTORICAL BACKGROUND AND MANAGEMENT STRUCTURE OF KSIP LIMITED:		
3.1	Historical Background	23
3.2	Formation and Operation	24
3.3	Extent of Government Finance Commitment	27
3.4	Financial Results of Operations	28
3.5	Initial Problems at the Formative Stage	29

CHAPTER I

INTRODUCTION

1.0 GENERAL INTRODUCTION:

This project covers the roles of development finance institutions, statement of the problem, aims of the study, significant of the study, scope and limitations of the study, hypothesis, basic assumptions, research methodology, definition of terms, and plan of the project.

1.1 ROLES OF DEVELOPMENT FINANCE ADMINISTRATION:

The rapid growth of development banks, or other development finance institutions or corporations in less developed countries (LDCs) is a phenomenon of the period after the second world war, and their numbers have increased greatly with the attainment of independence by colonial territories. The demand and supply of these institutions have therefore acquired both economic and political dimensions.

Therefore, the term "development finance institutions" is applied to, a lot of institutions which have in common the objective of providing medium and long-term finances for productive investments and which usually also provide technical advice needed to formulate and carry out such investment.

and carry out such investment.[1]

Development finance institutions could also be defined as "those financial institutions primary concern with equity capital and with fostering and managing specific companies as well as providing financial support.[a]

According to I. Diaku in his book, he defined development banks as those banks that provides medium and long-term loans and guarantee loans from foreign sources; mobilise and channel domestic savings to profitable investment opportunities; participate in the provision of risk capital for local enterprises; promote the growth of a domestic capital by selling part of their own shares or portfolio to the public, and participating in underwriting and guaranteeing operation; depending on the particular environment, a development bank may also provide short-term advances in a situation where sources for such finance are non-existent; They may develop indigenous entrepreneurial skills through training facilities and provision of consultancy services; where circumstances warrant, the bank should enter into the field of identification of productive investment

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a. William Diamond - DEVELOPMENT BANKS (1957) P.1 Jonna Press.

opportunities in the country, and develop and promote projects on its own.[2]

Even though the above financing activities are by no means restricted to industrial development projects. But, this will not make us to belief that development banks have no any development activities. The development banks have some development activities which are considerably ramified, ranging from over coming the supposed critical shortage of viable projects and lack of management and technical skill to the fostering of capital markets.

However, since economic development thus, was hoped, has been impeded by several shortages like capital, effective instruments for channelling available savings into productive investment (such as capital market), management skills and even of viable projects. Therefore, the governments of an increasing number of developing and under-developed countries have created organisations of "development corporations" These institutions have taken forms so diverse that despite frequent similarity of formal title, they have often

like the New Nigerian Development Company NNDC), Eastern Nigeria Development Corporation (ENDC), Western Nigerian Development Corporation (WNDC). Today almost all states in the federation have their own investment institutions. These institutions are expected to protect the interest of the government and to promote private establishments. The support given by these institutions ensures that private sector growth is not allowed to become - situated under the pressure of resource shortage.

These institutions have made gaint strikes in the discharge of their duties. They have given out short-term and long-term finances to a large number of industrial projects in the country. Similarly, they have succeeded in some extent in the removal of technical and managerial bottlenecks to industrial development.

In the field of investment their activities include, investigation of new investment opportunities and getting businessmen to be interested in them; development of vaguely conceived projects brought to them by promoters; general assessment of economic viability of industrial projects from technical, financial and economic standpoints and the provision of professional assistance to projects.

Finally, the role played by development finance institutions in Nigeria can not be over-emphasized. They have assisted in all sectors of the economy e.g. manufacturing sub-sectors including textiles, food and beverages, wood products and local resources based projects which yeild a higher economic rate of Return.

1.3. STATEMENT OF THE PROBLEM

The establishment and existence of development finance institutions, as Limited Liability Companies or Parastatals wholly-owned by governements (in some developing countries and especially in Nigeria) has been encountering alot of problems. And alot have been written by some researchers but in this presentation I intend to examine and analyse some problems which those researchers fail to identify, such problems includes, Government control over those development finance institutions, but wholly-owned by the Government, lack of sustainable profits, insufficient funding by the Government, lack of proper investment in profitable ventures and present competitive environment which most of those parastatals find themselves in.

It is also the aim of this presentation to find out why some people consider the establishment of those development finance institutions as a wastefull exercise which does not bring the desired result by taking the above mentioned problems into consideration.

1.4 AIMS OF THE STUDY

The aim of this study is to examine and analyse the reasons for establishing wholly-owned government companies and the roles they played in the development of thier States.

Another aim of this project is to show that for such companies to contribute to state developments, their important contributions in our society have to be recognised. At the sametime, that mis-conception on wholly-owned government institutions that thy fail to perform up to expectations have to be prove.

In general terms, this study will attempt to:-

- determine government intervention and assess its effect on the operations of the company and therefore prescribe what is to be done to obtain the optimum balance between the governments intervention and the latitude given to achieve the maximum performanee possible for the company
- determine the contribution of KSIP Limited to the Socio-economic development of Kano State since its inception and;
- determine the factors that influence the activities of KSIP Limited.

1.5 SIGNIFICANCE OF THE STUDY

National development is the target to which all the resources of the country are geared, (viz, to reduce unemployment, inequality, poverty, disease and promote the living standard of the people).

This study will attempt to throw light on the following:-

- The most appropriate channel for checking the operations of government owned companies and the optimum level above which such checks or interference will hamper the business operations of such companies;

- Like any other research work, will provide a document for present and future use by anybody or organisation wishing to understand the effect of government intervention or interference in the affairs of its wholly-owned limited liability companies and its effects on performance;

- The role and objectives of KSIP Limited in its contribution towards the further stimulation and promotion of the industrial and commercial growth of Kano State;

- The role of government in assisting KSIP limited to fulfill its development objectives.

1.6 SCOPE AND LIMITATION OF THE STUDY:

This presentation is limited to the study of KSIP Limited, a company wholly-owned by Kano State Government.

The study will therefore concern itself with the relationship between government as a shareholder, and the company in respect of disbursement of funds, control of the operations of the company and the extent to which the

management is given the autonomy to handle the operations of the company.

Attention was also given to the performance of the company vis-a-vis its functions in respect of the development of projects. The level of the company's commitment on such projects to the socio-economic development of the State.

KSIP Limited historical background, structural set up, and the role it played from early stage of its establishment to the present date in developmental perspectives will also be reviewed in the process.

1.7 RESEARCH METHODOLOGY:

Infact, there are various techniques which a researcher can use in carrying out a research. Such techniques depend on the needs of the researcher and the tools available to him.

In my approach, I relied on Kano State Investment and Properties Limited (KSIP) documents, personal interviews, academic and seminar papers.

- Development:

  It is the re-organisation and re-orientation of the entire social and economic systems.[B]

- Economic Development:

  This term is used in the text to mean the reduction or elimination of poverty, inequality and unemployment within the context of a growing economy.[5]

1.9 PLAN OF THE THESIS:

This exercise is categorised into five Chapters. Chapter one deals with the general introduction such as the statement of the problem, aims of the study, significance of the study, scope and limitations, hypothesis, research methodology and definition of major terms.

Chapter Two covers the concept of literature review of the study. Essentially, it contains the analysis and opinion of writers on public corporations and an examination of their concensus opinion on the role and performance of public corporations in our national development.

Chapter Three traces the historical background of Kano State Investment Company Limited (KSIP) and the surrounding facts, circumstances that led to its reconstitutions into Kano State Investment and Properties Limited (KSIP).

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b. M.P. TODARO "ECONOMICS FOR DEVELOPING WORLD" Longman, London 1977, P. 96.

The other part includes highlights of the management structure and divisions and short brief on each of their activities.

Chapter Four contains the presentation and analysis of data. In this Chapter, the data collected is analysed in accordance with the objectives of the company so as a state-owned development finance company has achieved the objectives for which it was established.

Chapter Five, is the Concluding section which covers the Summary, Conclusion, Recommendations and future research guides.

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CHAPTER II

LITERATURE REVIEW

A lot has been written on the Nigerian Development Finance Institutions especially those wholly-owned by government. This is partly a result of their ownership structure, their rate and performances in the social, political and economic development of the country.

The general economic aspects of the demand for development banks arose from the ardent desire of LDCs to accelerate their rate of economic development after the world war (second) and especially after most dependent countries of Africa and Asia won political independence. This desire have manifested itself in the belief that development could be most easily and rapidly achieved through industrialisation and rapid expansion of industries.[1]

The opinion people have on Development Finance Institutions in the country can be viewed from the texts written by several people such as in the paper written by A.A. Hussain titled "Kano State Investment and Properties Limited as a State Development Finance Institutions, An Evaluation of its Roles, Strategies and Performance".

In this work he attempted to identify the contributions of KSIP as a development finance institution within different periods of its existence. He has observed that the institution could contribute enormously to the economic development of the state if it has efficient and effective management and its resources are judiciously utilised.[2]

Another author, P.N.C. Okigbo "in tracing the development and growth of development banking in Nigeria, we must have three different categories of institutions distinguished by the structure of their ownership. First, these are federal Government institutions, NIDB, NBCI. Secondly, there are institutions owned jointly by more than one state originally owned by a region which since 1967 became carved up into several states. NNDC, Central Investment Company (CIC), the Odua Development Corporation (ODC). Thirdly, there are institution established since the creation of states in 1967 and 1976, Kwara Investment Corporation; Kaduna Investment Company, Kano State Investment and Properties Limited.[a]

Further analysis indicates that we are operating in an under-developed economy and that the need for development finance institutions is inevitable.

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a. P.N.C. Okigbo - Nigeria's Financial System Structure and Growth: (Longman: Group 1981) Pg. 133.

Kolaede Oshisanı and Peter Dean in their book "Financial Management in the Nigerian Public Sector" feel that adequate methods must be evolved to fund and control public enterprises and fund, the social obligations which government imposes on them. They have observed that few public enterprises have the same financial objectives as private enterprises along with the aim to make money, they also have aims such as to act in the public interest, to provide services at minimum cost, to have due regards to safety and convenience of the public. In their analysis, they found that essentially, the financing of such institutions depends on their nature, objectives and the environment in which they operate and the task of government is to ensure that the financing method is appropriate to the characteristics of the public enterprises consistent with the objectives set by the government and in accordance with the economic and development needs of the country, if public enterprises are to discharge their aims and objectives fully and effectively.[3]

In his contribution (Muhammed Othman) when he was writing his thesis titled "The Evaluation of Public Enterprises, A Case Study of Northern Nigeria Development Company Limited"(NNDC), Mohammed Othman has demonstrated

that public enterprises can systematically be engaged in the development of rural economy as well as the urban centres. He pointed out that with an able and experienced leadership and a dynamic board of directors for a successful policy direction of the company's operation and with a team of honest and efficient management who have commitment for the success of the company, a public enterprise can disprove the generally held view that, in government-owned companies the most important ingredient of business management success is freedom of enterprise which gives room for initiative and discretion with lack of political interference in its operations by the owner-government. With this conclusive atmosphere created by the government, public enterprises are set to translate government policies into reality and therefore become pre-requisites for economic development.[4]

Micheal P. Barber, also contributed the following, in his book title Public Administration. He argued that political and economic significance of public corporations is to achieve basic socialist ideals as to the equitable distribution of wealth, the eradication of poverty and unearned private income and production for the use rather than profit. He believes that public interest in the ownership of some key industries is vital and the social desirability of supporting certain industries which

which could otherwise only run at a loss.

Finally, he stressed the importance of reaping the advantages of large-scale production, especially where investment is required.[5]

Another contributor was Timothy Sunday Ovungbani, in a titled "The role of parastatals in the Development of Kwara State of Nigeria 196? - 1982" has highlighted the primary motive for the establishment of parastatals which is to stimulate the rapid socio-economic development of the society. According to him, lack of honest and dedicated management is the major cause of the unsatisfactory performance of most parastatals with good management, parastatals are instruments for controlling the national economy; and the degree of control determines the extent to which an economy can be labelled socialist, capitalist or mixed. A total control of the entire economy will qualify for a socialist economy, little control especially of the major sectors, will qualify for a mixed economy. However, according to him, no economy is completely fee and concluded that given the required attention, parastatals are capable of sowing the seeds of modernisation and economic development in any society.[6]

In his contribution, Enoja Usoro in 'Introductory Economics for West Africa', emphasizes the advantages and impact of public enterprises in developing countries, especially where the larger part of the economic activity is undertaken by the government. Such economic activity is largely intended to produce goods and services for public use. He has looked at how some public enterprises were given monopoly status by the government for the purposeoof achieving the set objectives of providing necessary public service which may not be attractives to the private business organisations.

According to him, there are other services provided by public enterprise which no single individual or organisation is rich enough to provide, therefore, public enterprises are a necessary condition for any meaningful progress and development to take place in any society.[7]

A management Scientist, Professor Eyitayo Lambo, of the University of Ilorin in a Radio Kwara Current Affairs Personality Programme, identified six reasons why private firms in the country are much more buoyant and profitable than government enterprises. He observed that the objectives of business establishment in the private sector are usually geared towards 'Financial

profitability' whereas their counterparts in the public sector tend to aim at 'social profitability'.

Public firms are usually subject to political interference in their operations and as long as people have the right connections they would be appointed managers or members of board of directors whereas in private firms the right people rather than those with the right connection are appointed. According to him financial support for private business is self generated whereas for public firms government is like father-chrismas, as they get a part on the back with yearly-Subvention. He also noted that public offices are usually over-staffed which is the reason why private enterprises are providing better services.

He finally stressed that unless every government enterprise which should be commercially oriented is allowed to operate strictly along orthodox commercial lines, the tales of woe due to inefficiency and unprofitability in the public sector could continue unabated.[8]

Even though alot have been written on development finance institutions, but the review(that is Literature Review)[9] could not be complete without adding what "Darma A.A." said about Kano State Investment and Properties Limited KSIP Ltd. The author examined the

performance of the company in many directions, and belief that lack of adequate funding by the shareholders, that is Kano State Government was the major obstacle of the company. But he did not make in depth study particularly, the problems faced by the assisted companies.

However, this study is a good addition to the existing literature on development financing at state level.

The present study is the study of Kano State Investment and Properties Limited (KSIP Ltd). Here an attempt has been made to examine the various dimensions of the company. Apart from unpublished data, the information has been collected from promoters, senior officials of the company and hence, the conclusions arrived in the study could be more useful for the policy makers and promoters alike.

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CHAPTER III

HISTORICAL BACKGROUND AND MANAGEMENT STRUCTURE OF KSIP LIMITED

3.1 HISTORICAL BACKGROUND:

Active steps towards the setting up, of Kano State investment company limited (KSIP) were taken up in the early part of 1969. From this early stage, both the Secretary to the Military Government (SMG) and the Ministry of Finance were directly involved in the activities of establishing the company. Initially, a state Corporation was envisaged to be established and a Feasibility study committee comprising of Government Commissioners, Civil Servants and others was set up for this purpose by the Ministry of Finance in May, 1969.

The Committee was assigned the responsibility to study the possibility of setting up an investment company by the Kano State Government with the objective of promoting industrial, commercial and agricultural development by way of providing either equity and/or loan finance to facilitate promotion of new project. It was also to recommend a financing policy of the company as well as suggest a suitable name. The Committee, was in this regard requested to take into consideration, the strategic location of the state as

a commercial centre and its natural endowment with resources.

The Committee issued their report on 22nd July, 1969. The report included recommendation that a limited liability company, rather than a state corporation should be set up. The report was considered by the state executive council which approved the creation of such a company on the bases recommended by the committee.[1]

The manifestation of this aim was sanctioned by the Kano State Executive Council conclusion No. 13 (691)7 of 29th August, 1969.[2]

In the year 1970-74 Kano State Development Plan, (KSIC) Limited was allocated £1 million for the purpose of its take-off while the formalisation of the Policy Statement of the Development Plan was carried out between the office of the Secretary to the Military Government and the Ministry of Finance.[3]

3.2 Formation and Operation:

The KSIC Limited was incorporated as a private limited liability company on 20th October, 1971 under the companies Decree of 1968 with an initial capital

of £500,000.00. The company was initially envisaged to have outside non-government participation in the financing and operation as recommended by the feasibility study committee.[4]

In November, 1971, however, the Secretary to the Mi itary Government directed that the original plans for the company had been abandoned and that it would be funded by the government on the basis of share capital only and that the company was established to carry out commercial activities with a view to making additional funds available to government to supplement other sources of revenue for meeting the ever-increasing demands for capital development.

Engagement of General Manager and other key personnel was not an easy task, it appears at the beginning, but subsequently, necessary appointments were made by the government.

The company started on civil service salary structure and in a rented office within the central Bank's office Block along Lagos Street, Kano.

On 5th April, 1972, the State Government appointed the members of the board of directors of the company for a five year term and on 24th April, 1972 the company was granted a certificate to commence Business.

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3.4 Financial Results of Operations:

Although development finance institutions would not normally be expected to produce any substantial return on capital investment for the first few years of their operation, this should not have been the case with KSIC Limited which to a large extent purchased interests in established and supposedly profitable ventures.

This could be seen from the summary Table of the financial results of the Company which illustrate its return:6 below is the Summary Table.

TABLE I: SUMMARY OF FINANCIAL RESULT AT INITIAL STAGE:

Income:	31/3/72 ₦	31/3/73 ₦	31/3/74 ₦	31/3/75 ₦
Loan Interest	11,288	64,984	91,845	132,847
Dividendes	-	-	9,375	4,688
Other	-	-	-	40,345
	11,288	64,984	101,220	177,880
Expenses:				
Salaries & Wages	11,645	34,193	23,473	56,180
Other Expenses	4,981	23,191	17,616	49,122
Depreciation	1,320	3,167	2,507	4,462
Finance Charges	53	3,684	52,391	17,160
Total Expenses =	17,999	64,235	95,987	166,924
Profit (Loss) before tax	(6,711)	(749)	(5,233)	(10,959)
Average capital employed	1,303,789	1,751,895	3,214,063	4,616,456
Return on Capital employed	-	0.004%	0.002%	0.002%

3.5 Initial Problems at the Formative Stage:

It is evident that although it was the original intention of the state Government to establish the company on a sound basis with a properly defined role as evident by the setting of the feasibility study committee and acceptance of its recommendations, this intention was not transformed into practice.

KSIP's shortcoming basically were the absence of clear policy on the role, principles and procedures of operations to fulfil this objective.[1] As usual, the Memorandum and Articles of Association of the Company encompass wide powers within which it was necessary to define the specific role of the company. On the other hand, the articles provides regulations of the company's affairs under the company's Decree and in tune with the wishes of the shareholders but not designed as a guide to the company's operations.[7] The management of the company lacked the framework within which to present investment proposals to the Board of Directors to show them the implications, viability, cost and benefit of such proposals.

Government has been the sole shareholder of the company, presumably, therefore, there was nothing legally wrong in making all decisions of the board subject to

the approval of the government. But such arrangements deviate from the principles of delegation of responsibility for company operations from shareholders to the board of Directors and from the board to the management which is one of the fundamental requirements of the Decree. The shareholders, having defined the role to be played by the company and its principles of operations and establishing Memorandum and Articles of Association, would normally leave the board and management of the company to work within this framework and only concern themselves with monitoring of overall performance.

There was the essence of basis framework for the operation of the company and direct government involvement in the decision making process and often in advance of board of directors consideration on certain issues worked against the establishment of a regular system. Also, there was no properly controlled process of implementation and regular procedure for monitoring of the capital investment programmes of projects for reporting progress to the board of directors. Directors rights in number of cases are attached to the investments made by the company, but such rights were generally exercised by the government through appointment of boards of directors on behalf of the company.

There was lack of general policy of appointing officials of the company to hold directorship on behalf of the company in cases where there was a right to nominate only one director.[1]

The appointment of foreigners as General Managers at that formative stage was equally one of the most crucial factors of the company's poor performance. According to Al-Hakim Report, the Company's 1st General Manager, Mr. Farah was related to Mr. Fadoul (owner of Nigerian Electrical Fitting Limited) a foreigner "suspected to be of questionable character whose role in many ventures associated with KSIC Limited left much to be desired." The same report alleged that Mr. Farah, former General Manager of KSIC Limited, was a commission agent who was at liberty to influence decisions which might suit his personal interest because out of ₦1 million loan investment by KSIC Limited, only ₦90,000.00 was given to Nigerians of Kano State origin, while the remaining went to foreign-owned ventures mostly controlled by friends and his relatives.[4]

According to the 1970-1974 Development Plan, Kano State Government earmarked ₦104,000,000 million to the public sector expecting the private sector to invest ₦80 million in view of the viable potentials of the state industrially, commercially and agriculturally.

This could have been a golden opportunity to establish rural, small-scale industries where KSIC Limited could play a leading role but the reverse was the case as the money earmarked was wasted away.[3]

The high turnover of General Managers/Managing Directors militated against smooth and effective management. On the other hand, the in adequacies both qualitatively and quantitatively constituted an obstacle to the more efficient and profitable running of the organisation.[1]

3.6 Reconstitution of KSIC Limited and Al-Hakim Report:

In 1975, following the change of government, a probe was instituted into many aspects of the administrative machinery of the Kano State Government. One of such probes was the Al-Hakim Commissions (including KSIC Ltd) headed by Alhaji Ali Al-Hakim sworn on 30th September, 1975. The following were the commission's terms of reference:-

- to review the operations and methods of all the state statutory boards and business undertakings wholly-owned by the Kano State Government or its agencies, and determine suitability or otherwise of such operations and methods;

- to review the investments of the State Government or its Agencies in various companies, assess the propriety and viability of such investments and determine the desirability or otherwise of Government's continued participation.

- to make recommendations, in the light of 1 and 2 above, with particular reference to:-

  - the extent of State Government's financial commitment either by way of direct financing, shares, loans, letters of credit or guarantees, e.t.c.,

  - government funding and lending policies with a view to assessing whether funds have been provided and projects undertaken in accordance with normal or established procedures;

  - the adequacy or otherwise of the accounting and auditing system;

  - the organisational structure, staffing policies including quality of the staff, staff remunerations and conditions of service;

- and irregularities which may be uncovered during the investigations.

3.7 Recommendations:

The recommendation of the committee with regards to KSIC Limited include the following:-

- government should transfer all its existing commercial investments to the company. All future commercial investments should be undertaken by the company; and

- the board of the company should be given a free hand and to nominate its board representatives in those companies in which it has financial interests. The practice whereby these appointments are made by government rather than the company, should be stopped.[1]

In accepting the commission's recommendations the Kano Government reconstituted the board of directors of the company (KSIC) and appointed a new managing Director. The new board represented a diverse section of experts in the following sectors of the economy:- Industry, Insurance, Banking, Private business, experienced civil servant, commerce and finance and from ministries of Trade and Finance.[4]

Other major aspect of the re-organisation include the increase of the share capital of the company from ₦1 million to ₦10 million transfer of ventures inherited by the government and the management of the estate of Kundila Housing Estate.

The transfer of the management of the Kundila Housing Estate to the company led to the creation of a new estate department in the company culminating in the board's approval of the change of name of the company to "KANO STATE INVESTMENT AND PROPERTIES LIMITED (KSIP).

3.8 MANAGEMENT STRUCTURE OF KSIP LIMITED:

To function adequately, every business organisation needs a Structure which has the characteristics of unity, continuity, flexibility and predictability required to efficiently interact with its environment. The problem of planning and monitoring which management must overcome to be successful is to ensure that the objectives of each part of the organisation are securely welded together (unity); using both short and long term forecasting (continuity); being able to adapt the plan in the light of changing circumstances (flexibility); and attampting to accurately predict courses of action (prediction).[8]

Kano State Investment and Properties Limited has maintained a high standard of staff development, motivation and result-oriented management practices. The Company's operations and procedure are under continuous review and improvement to meet the increasing challenges of its responsibilities and expectations of its performance.

The organisational structure of KSIP Limited consists of the BBoard of Directors, the Chief executive, the Management Staff and other Supporting Staff. The organisational structure could be seen in Appendix I.

The Company is composed of four divisions viz:-

- Investment Division;
- Finance and Accounts Division;
- Administration Division and
- Legal Affairs Division.

3.9 Investment Division:

The investment Division which is a line Management Division is the centre piece of the company's operational activities with the other divisions playing supporting roles.

Since the inception of the company, the investment Division has been operating on a single functional line until March, 1980 when its was re-organised to comprise two functional Departments under the general supervision

and control of the investment manager.

These are:-

- Project Promotion and Placement Department
- Investment Supervision Department.

(a) Project Promotion and Placement Department:

This Department carries out the responsibility of identifying, appraising and recommendation of viable projects up to their implementation stage. The Department assists, directly, other entrepreneurs with feasibility studies, market research as well as the provision of necessary invest-guidance required.

The Department prepares proposals for the management on a given project which requires KSIP's equity/loan participation or otherwise and this is ultimately sent to the board of Directors for approval.

(b) Investment Supervision Department:

This Department is responsible for overseeing and monitoring the progress and performance of companies where KSIT Limited has financial interest. This could be either a subsidiary or an associate company.

The Department makes submission to the management on the performance of the companies portfolio as well as make recommendations on the maintenance of such portfolio.

The re-organisation of the investment Division to these two departments was done with the view to facilitate separation of responsibility and ensure performance of the two departments relative to the operational functions of the division. All projects are assigned between the two departments depending on the stages of the projects and each Investment Executive is alloted a number of projects for which he will be responsible.

The cut-off point in the functions of the two departments is the stage of the Board sanction for investment in a project.

All activities leading up to the presentation of a board paper in respect of a new project or expansion plan on an existing one is undertaken by the promotion and placement Department. As soon as the board sanctions the project, it is taken over by the Supervision Department which is responsible for implementation, Co-ordination and monitoring.

Project Development Committee (PDC):

To ensure the articulation and adequate critical appraisal of any project proposal, a Project Development Committee (PDC) was established within the same period with the following membership:-

- Managing Director - Chairman
- Investment Manager - Member
- Financial Controller - "
- Company Secretary - "
- Officer incharge of Project - In attendance
- Administrative Executive - Secretary.

The Committee is broadly responsible for "the processing of a project from conception to commissioning in all its various raminifications" i.e. it reviews all basic features of a project ranging from the technical and financial feasibility to the legal and management aspects.[9]

The Investment Manager shoulders the responsibility of ensuring that all inter-disciplinary requirements of a project are met before being presented to the Project Development Committee. In the process, other areas of information beyond the executive capacity of the

Investment Division are solicited for from professionals in the other divisions of the company.[9]

3.2.0 Finance and Accounts Division:

The Finance and Accounts Division consists of two departments viz:-

- Finance Department
- Accounts department

These departments are headed by the Financial Controller. The Accounts department undertakes the normal accounting routine such as the maintenance of accounts books and records and the preparation of company annual accounts.

The Finance department on the other hand deals exclusively with management information such as the preparation and submission of the Quarterly Management Accounts, Budgetary Control and the appraisal of subsidiary and associate company accounts.[10]

3.2.1 Administration Division:

The administration division is headed by the Company Secretary. The primary responsibility of the division involves personnel and general

administration (e.g. Welfare, e.t.c.). In addition the company secretary serves as the Secretary to the Board of Directors.

The basic objectives of the Administration Division is to bring together and develop into an active organisation men and women who make up the company and having regard to the well-being of the individual and of working groups, to enable them to contribute to the overall success of the organisation.[10]

The duties performed by the Administration Division in the discharge of its function include the followings:-

- Man-power planning, recruitment, selection, placement, discipline, training and appraisal;
- Working conditions and services;
- Meetings and procedures;
- Application of policies;
- Wages and salary administration; e.t.c.[11]

Property Department:

This department was created in 1978 as a Division. It became a division in consideration of the ownership by KSIP Limited of additional housing

estates apart from the Kundila Housing Estate Phase I which was bought by KSIP Limited in 1974 from the former Metropolitan Development Board at the cost of ₦1 million. KSIP Limited became involved in the Estate venture in the second half of 1978 as a result of the decision taken by the Kano State Executive Council to merge all estate in addition to the already existing Estate at Kundila Phase I. Hence the change in corporate name to Kano State Investment and Properties in 1978 to recognise the real estate venture.

The division became the largest, employing over hundred staff managing the affairs of the Five Estates and other landed properties such as the companies industrial plots and petrol stations plots sub-leased to companies and interested individuals. Out of 1,178 houses which was build by Kano State Government 747 was under KSIP's control, while, the remaining 431 was under Ministry of Home Affairs. The breakdown could be seen in Appendix II.

With creation of Kano State Housing Corporation in 1981 by the Kano State Executive Council, the Estate entrusted to KSIP Limited with the exception of the Kundila Housing Estate Phase I directly purchased by KSIP Limited were transfered to the new Corporation along with majority of the staff employed in the property Division.[12]

Presently the division is absorbed into the Administration Division as a Department in recognition of the lesser functions it performs in relation to the other major divisions. Plans are however now underway to re-establish the property Division especially with the recent take over by KSIP Limited of the proposed Multi-million Naira city centre complex for which a holding company 'Kano City Centre Development Limited (KCCD)', has already been incorporated as a subsidiary of KSIP Limited.

3.2.2 Group Legal Affairs Division:

The Division came into being in 1984 as a result of spliting the functions of the company secretary, hitherto combined. The division is headed by the Group Legal Adviser. Legal Affairs Division is the companies centre piece in all legal matters that affect KSIP and its subsidiaries.

The basic functions of legal Affairs Division is to advice KSIP Limited and its subsidiaries in any undertaking which has some element of legal implications such as entering into agreement with other organisations or individuals. Such agreements may be inform of Sun-lease loan, contract or any other agreement.

Here Legal Affairs Division use to show, to KSIP any implication and accordingly indicate any better term.

Other duties performed by Legal Affairs Division in discharge of its function include the following:-

- Representing KSIP Limited in any legal case;
- Coordinating any legal action/advice with regards to participating in any business venture or agreement;
- Drafting preparation and entering into any legal mortgage agreement;
- Preparation of Memorandum and Articles of Association for new companies especially subsidiary companies;
- Incorporation and register of companies with the Company Registrar as subsidiary of KSIP Limited.

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CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 EVALUATION OF THE OBJECTIVES OF KANO STATE INVESTMENT AND PROPERTIES LIMITED (KSIP LTD):

The Kano State Investment and Properties Limited is wholly-owned by Kano State Government. The company was established in 1971 with the following underlisted objectives. These objectives were set-up in order to stimulate and promote industrial and commercial growth of Kano State in particular and the country in general by way of direct equity investment, provision of loans for suitable projects and provision of Technical assistance to indigenous local enterpreneurs. In all years of its operations and also during its subsequent re-organisation, these objectives have basically remained unchanged. And the company's activities has continuously been steered toward the attainment of these objectives.

- Carry on the business of assisting enterprises engaged in industry, commerce, agriculture and the exploitation of natural resources in the State.

- Investigate and advice or procure advice upon, and to aid in the formulation and carrying into effect of all manner of proposition and schemes connected with finance, industry, commerce, agriculture, and the exploitation of natural resources;

- Undertake, assist or participate in the management or control of any partnership, company, syndicate, business or undertaking or any groups or associations and to become a member or be represented on any board committee, council or body exercising or participating or assisting in any such management or control;

- Carry on a general financial business and general financial operations of all kinds and undertake or aid in any enterprise;

- Invest and deal with moneys of the company not immediately required, upon such securities, and in such manner as may be determined by the shareholders;

- Support or subscribe to or otherwise aid patriotic, charitable, national or other institutions or objects of public character.

Since the establishment of the company in 1971 and with subsequent re-organisation in 1975, its activities, as depicted in its participatory role in new and on-going industrial and commercial ventures, have continuously indicated its commitment to meeting its primary objectives. By its corporate status, KSIP Limited, is oriented to maintain commercial viability. Its activities are in reality geared towards providing the necessary impetus requirements to pave way for the promotion of industrial and commercial growth of Kano State and improving the living standard of the people through the provision of employment opportunities and welfare of the people.

4.2 INVESTMENT EVALUATION:

The company has a portfolio holding of about 50 subsidiary and associated companies and the method of participation is either by equity participation, direct participation or the provision of loans.

Equity participation involves the subscription of the common stock of other companies which generate income to the company by way of dividends.

It also establish subsidiary companies which are either wholly owned by the company or it controls more than half of the shares of these type of projects.

The investment criteria of KSIP Limited are varied, First, a project must have the desirous social effect, associated with employment opportunity and welfare, contribute to infrastructural development, save foreign exchange by way of local sourcing of raw materials and also have economic return by way of profitability. Financial return and social benefits between investment, can be looked at from the timing point of view, in that, some projects have long gestation period while others mature quickly. It is therefore routine for KSIP Limited to ensure that its choice of investment reflects the achievement of both its primary and secondary objectives.

As an investment arms of the government wholly responsible for encouraging development of industries in the state, the issue of financial returns of projects is not considered in isolation from socio-economic aspects of the project. This means that there may be some projects which though with a marginal commercial viability but significant positive socio-economic effect and will consequently be desirable.[1]

Presently the company has four types of companies, the Ownership of which is as follows:-

KSIP LIMITED SUBSIDIARY COMPANIES

SUBSIDIARY		PARTICIPATION
- Nigerian meat and associated products Ltd.	-	100%
- Kano Textile Printers Ltd.	-	100%
- Kano Cotton Ginnery Ltd.	-	100%
- Kano Urban Diary	-	100%
- Kano State oil and allied products Ltd.	-	71%

The Nigerian Meat and Associated Products Limited idea for the establishment, was conceived in 1968 in view of the need to replace the existing abbattior which is fitting, Congested and already in dilapidation and at the same, to expose our butchers to modern abattoir and meat processing technology.

But the company could not commenced operations until 9th June, 1988. From the date of its commencement, the company is embodied with alot of problems.

These problems contributed alot towards the poor performance of the company. The problems includes:

- Skeletal operations due to the failure of the company to evolve a consistent dynamic and well articulated slaughter services on behalf of the company.

- And strategy for soliciting of contract slaughter services on behalf of the company.

- Critical shortage of the right calibre of technical/ Engineering staff to man some key and vital sections of the factory such as the caloric plant and electrical sections. This was attributable to the lack of the required staff complement since commencement of operation.

- Despite the millions of Naira spent for technical, management and staff training, the management of the company had not benefited from this agreement because of its failure to understand, interprete and implement the provision of the agreement and provide the needed supervision and follow-up on all activities being handled by Hungarian personnel.

- Probable insolvency by the end of the year due to escalating overhead and some variable costs items despite the extremely low capacity utilisation.

- Lack of the necessary and needed tools to increase capacity utilization and product disposal such as refrigerated truck, and vehicles and standard meat shops.[2]

An up to date record for the return of the company could not be available.

Kano Textile printers, another whooly owned subsidiary, of the Kano State investment and properties limited, was acquired by the Kano State Government from the alien businessmen in 1974 during the Nigerian Enterprise promotion Exercise. It was formally transferred to KSIP in April, 1976.

Kano Textile Printers is principally engaged in weaving, dyeing and printing of textile materials (African dress and imitation of Java prints) from imported and or locally purchased cotton yern. However, this company too has not been performing well as a result of the serious management and technical problems it has been facing. This was why it has not

been making any profits. The parent company is making all efforts to improve the situation.

The Kano cotton Ginnery was incorporated in 1977 as a limited liability company. It is involved in cotton seed giving operations, and also carries out bailing, classing and storing of lint, seed and mote products on behalf of the defunct Nigerian Cotton Board.

The performance of this company has not been very satisfactory due largely to poor and inefficient management, poor cotton narves, and the stiff competition it faces from the sixteen ginneried operating in the country. For example the company recorded a loss of over ₦71,000 in 1980, ₦117,800 in 1982 and ₦34,000 1985; However, a remarkable improvement was made in 1987 when the company recorded a profit of about ₦400,000 and ₦1.3 million in 1989.

This improvement could be attributed to the cotton purchase exercise during the 1988 cotton season. The main essence of the exercise was to purchase raw cotton for ginning and, onward sale to interested buyers at a profit. Another factor was improvement in management performance and backward integration programme embarked upon by Kano State investment and properties limited.

Kano Ubran Diary was established in 1969 as a pilot project aimed at the production and supply of hygenic milk products as well as setting the pace in modern and hygenic methods of milk processing for private sector to follow.

It has a capacity of producing 3000 litres of pastorised milk per day and has facilities for the production of Butter, Cheese and Ice-cream.

The company was formally functioning under the aegis of Kano State Ministry of Agriculture and Natural Resources until in March, 1987 when it was transferred to KSIP Limited in order to operate as a commercial concern organization.

It has been observed that the company performance is not encouraging, up to 1989 the company is operating at loss. A loss of ₦36,496 as at March, 1989.[2]

A number of problems are responsible for the dairy's poor performance, which includes; lack of Raw materials, transportation, working capital and non function of the plant and equipment.

Kano State Oil and Allied products limited which is the largest oil mill in West Africa, started operation in 1972. It is jointly owned by KSIP controlling

71% interest and a privately owned company. Dantata holdings limited which owns the remaining shares.[2]

KASOAP is involved in the acquisition of local raw materials for crushing and refining palm Kernnel oil, groundnuts, cotton seeds, and sunflower seeds. It has a crushing capacity of 500 tonnes per day, or about 182,000 tonnes per annum. However, the maximum capacity utilisation ever achieved by the mill was 30% due mainly to the acute shortage of raw materials and management inefficiencies which led to the mounting liabilities of the company. The accumulated liabilities of this company, which stood at about ₦10 million in 1984, are now being repaid as a result of the improvement in general performance. This is due to the reorganisation of the company and the acquisition and effective utilisation of import licences for sunflower seeds and groundnuts in 1985. To further improve the performance of KASOAP, KSIP have embarked on sunflower demonstration and seed multiplication scheme, a backward integration project, as an alternative to importing raw materials.

From this brief analysis of the KSIP's subsidiaries it is clear that the performance of these companies lives much to be desired. These are the companies in which KSIP holds 70 - 100% where therefore

most part of its revenues are expected to be coming from. Unfortunately the reverse is the case i.e. instead of the company earning from the subsidiaries, it is the subsidiaries that are consuming what the company earns from its other investments. This situation exactly reflects financing cash dogs with cash cows. However, the parent comapny can make these subsidiaries perform better if it continues.with its present plans. Reorganisation, local sourcing, procurement and installation of modern machines which the company embarked on is the most appropriate method of improving their efficiency and better performance.

Kano State Investment and Properties Limited as said earlier, invest in both quoted and unquoted companies to earn returns inform of dividends and interest. In 1980 the company received a total dividends of ₦868,711 made up of ₦659,773 from quoted investments and ₦208,938 from unquoted investment. This increase to a total of ₦1,137,506 (₦1,055,532 quoted and ₦81,974 unquoted) in 1985. However, the 1985 figure represented a decrease over the 1984 figure of ₦1,382,609. The dividends continue to reduce; In 1989, the total dividenus was ₦319,419.

This may be due to the fact that operations of the company are directed and controlled by the government, and as such all its investment activities must be in line with the government development plan objectives. Moreover, almost all the shares held by the company are those inherited from the Government when the company was established. This will be seen later in the Chapter.

Most of the quoted securities held by Kano State Investment and Properties Limited are common stocks of different companies. In 1980, the company had investment worth over ₦7 million in quoted securities. This increased to ₦7.9 million in 1983, and then declined to the figure of ₦3,557,372 in 1987 and started to increase in 1988 and 1989 respectively (₦3,607,946 in 1988, ₦3,974,678 in 1989). This increase is nothing, because of the falls in Naira Value. It may also consider the decrease due to the fall in the general level of the economic activities due to the global depression caused by oil glut. The other factor, which is closely related to the second one, is the shifting emphasis, by the government to development projects which will ensure the realisation of its development objectives. These three reasons are viewed as the main reasons for the decrease in the quoted investments held by the company.

This is also proved by the increase in unquoted investment from ₦8,983,192 in 1980 to over ₦17 million in 1989. Loans to subsidiaries also increased from ₦980,798 in 1980 to ₦14,088,198 in 1989. This could be seen from the summary Table of the investments of the company from 1980 - 1989 in Table II at the next page. It could be observed that total investments have increased from ₦17,463,958 in 1980 to over ₦36 million in 1989. Loan to subsidiaries also received a large share of these total investments.

However, the most important thing to note here is that the company invests in projects irrespective of their viability so long as they are in government's priority areas. For example, there are projects that are not promising like the National Truck Manufacturers, but because government views them as important to economic development, it insists that the company invests and maintain its share in the projects. Therefore despite the fact that the company knows well that it is not gaining anything from these types of projects, yet they invest to meet government's investment objectives. This is a minus in the company's effort to have an efficient portfolio composition.

TABLE II

SUMMARY OF INVESTMENT OF THE COMPANY
1980 — 1989

INVESTMENT	1980 ₦	1981 ₦	1982 ₦	1983 ₦	1984 ₦	1985 ₦	1986 ₦	1987 ₦	1988 ₦	1989 ₦
QUOTED	7,499,968	7,542,517	7868,557	7,936,518	7,716,251	3,557,372	3,557,372	3,557,372	~~3,607,242~~ 3,607,246	3,974,678
UNQUOTED	8,983,192	1,382304	9,551,804	14,235,804	14,208,579	13,629,404	14,429,404	14,333,404	17,233,143	17,705,051
LOAN TO SUBSIDIRIES	9,80 798	11,034,456	1,127,250	1,969,975	1,969,975	1,765,421	2,015,421	4,215,421	10,805,125	14,085,198
VIEW PROJECTS	NA	NA	163,723	349,543	1,266,157	2,484,058	535,735	84[illegible]452	1,855,536	874,769
TOTAL	17,443,958	15.924,821	18,711,334	24,491,840	25,160,992	21,436,255	20,537,932	22,921,648	33,501,050	36,642,696

NA = NOT AVAILABLE

SOURCE: ANNUAL REPORTS AND ACCOUNT OF THE COMPANY.

Moreover, as said earlier, the company's investments in most of its subsidiary and associated companies have not been changing. Similarly, there is not much difference in the dividends earned by Kano State Investment and properties Limited from some of its quoted investments. This could be seen from the folowing tables of the quoted and unquoted investments and divideds earned by KSIP 1980 to 1989, in the next page.

From the tables of the quoted investments and the dividends earned for 1980 and 1989 it could be seen that some of the securities are performing well. For example, the company earned ₦3,325 from its investment in Dunlop in 1980, which increased to about ₦15,000 in 1989 representing over 300% increase. Similarly the dividends earned from Northern Nigeria Flour Mills rose from ₦135,504 in 1980 to ₦677,520 in 1989. Increase were also recorded in the returns from Total, UAC and Mobile. This remarkable performance shows some elements of good portfolio management.

However, the performance of some of this quoted investments is not very encouraging. For example while KSIP earned ₦21,888 as dividends from SCOA in 1980, it only earned ₦21,888 from the some company in 1989 even though the number of shares held is the same.

TABLE III[A]:

LIST OF QUOTED INVESTMENTS, COSTS AND DIVIDENDS EARNED 1980

PORT FOLIO	NO. OF SHARES	COST (₦)	DIVIDENDS EARNED (₦)
BATA NIG. LTD.	24,000	12,800	1,200
BEWAC NIG. LTD	750,000	139,500	11,250
C.F.A.O. NIG. LTD.	102,708	30,073	8,545
DUNLOP NIG. LTD.	66,499	19,000	3,325
JOHN HOLT NIG. LTD.	156,682	60,436	3,917
N.C.R. NIG. LTD.	200,000	104,000	17,000
NN.F. MILLS LTD.	3,387,600	827,850	135,504
A.G. LEVENTIS LTD.	887,062	194,156	N.A.
LEVENTIS MOTORS LTD.	1,800,000	470,000	36,000
R.T. BRISCOE NIG. LTD.	156,000	45,288	23,166
S.C.O.A. NIG. LTD.	192,000	54,000	21,888
TOTAL NIG. LTD.	337,500	54,000	86,400
U.N.T. LTD.	431,258	375,000	18,328
U.A.C. NIG. LTD.	7,140,997	1,030,333	574,136
U.T.C. NIG. LTD.	375,000	123,750	35,137
FIRST BANK NIG. LTD.	291	557	51
MOBILE OIL NIG. LTD.	625	452	56
N.B.C. LTD.	1,868	1,527	280
NIG. HOECHST LTD.	14,500	6,460	1,450
SAVANNAH BANK NIG. LTD.	9,100	8,190	N.A

N.A. = NOT AVAILABLE

Source: Dividende and Revenue Earneds File.

TABLE IIIB:

LIST OF QUOTED INVESTMENTS, COSTS AND DIVIDENDS EARNED 1989

PORT FOLIO	NO. OF SHARES	COST (₦)	DIVIDENDS EARNED (₦)
BATA NIG. LTD.	24,000	12,800	2,400
BEWAC NIG. LTD.	750,000	139,500	N.A
C.F.A.O. NIG. LTD.	102,708	30,073	10,271
DUNLOP NIG. LTD.	99,748	19,000	14,962
JOHN HOLT NIG. LTD.	156,682	60,436	18,802
N.R.C. NIG. LTD.	200,000	104,000	136,000
N.N.F. MILLS LTD.	3,387,600	827,850	677,520
A.G. LEVENTIS LTD.	887,052	194,156	35,482
LEVENTIS MOTORS LTD.	2,250,000	470,000	67,500
R.T. BRISCOE NIG. LTD.	156,000	45,288	N.A
S.C.O.A. NIG. LTD.	192,000	54,000	13,440
TOTAL NIG. LTD.	337,500	54,000	121,500
U.N. TESTILE LTD.	646,875	375,000	129,375
U.A.C. NIG. LTD.	7,140,997	1,030,333	612,698
U.T.C. NIG. LTD.	375,000	123,750	22,875
FIRST BANK NIG. LTD.	291	557	79
MOBILE OIL NIG. LTD.	833	452	138
N.B.C. LTD.	2,490	1,527	249
NIG. HOECHST LTD.	14,250	5,460	1,425
SAVANNAH BANK LTD.	11,375	8,190	910
NIG. STOCK EXCHANGE	5	100	N.A

N.A. = NOT AVAILABLE.

Source: Dividends and Revenue Earneds File.

TABLE IVA:

LIST OF UNQUOTED INVESTMENTS 1980

PORT FOLIO	NO. OF SHARES	COST (₦)
SUBSIDIARY COMPANIES:		
TEXTILE COMMODITIES LTD.	145,000	1,125,000
KANO COTTON GINNERY	300,000	300,000
K.A.S.O.A.P.	1,659,000	3,300,000
KANO TEXTILE PRINTERS	3,000,000	3,000,000
KANO FOOD PROCESSORS LTD.	60,000	60,000
ASSOCIATED COMPANIES:		
CINEMA DISTRIBUTION CIRCUIT	180,000	5,100
KAPITAL INSURANCE CO. LTD.	280,000	140,000
NIG. VICTORY ASSURANCE CO.LTD.	53,400	80,000
N.S. & FURNITURE LTD.	321,600	194,910
FAWAZ STEELWOOD & CHEMICAL	96,000	216,000
ALUMINIUM PRODS. NIG. LTD.	24,500	49,000
EUEREADY NIG. LTD.	480,000	960,000
NIG. LEATHER WORKS LTD.	250,000	250,000
KANO CITIZEN TRADING CO. LTD.	75,000	225,000
GARMENT MANUFACTURERS LTD.	60,000	60,000
CONTINENTAL LINES (AFRICA) LTD.	100,000	300,000
OTHER COMPANIES:		
NATIONAL TRUCK MANUFACTURERS	1,500,000	1,500,000
GIWARITE NIG. LTD.	214,500	214,000
CRUSADER ASSURANCE	8,238	8,238
UNITED NIG. INSURANCE CO.	177,900	83,618
PHOENIX MOTORS	68,340	82,008

(1980 Cont'd)

PORT FOLIO	NO.OF SHARES	COST (₦)
AREWA METAL CONTAINERS	100,000	100,000
NIGERIA HOTELS	180,000	180,000
N.M.P.P.	120,600	120,600
GREAT NORTHERN TANNINGS	150,600	75,330
STERLING CIVIL ENG.	150,000	300,000
CERAMIC MANUFACTURERS LTD.	1450,000	450,000
C.C.N.N.	1,720,000	860,000
BANK OF THE NORTH	12% loan stock 9	250,000

Source: Dividends and Revenue Earned File

TABLE IVB

LIST OF UNQUOTED INVESTMENTS 1989

PORTFOLIO	NO. OF SHARES	COST (₦)
SUBSIDIARIES COMPANIES		
TEXTILES COMMODITIES LTD.	135,000	1,125,000
KANO COTTON GINNERY	300,000	300,000
K.A.S.O.A.P.	1,650,000	3,300,000
KANO TEXTILE PRINTERS	3,000,000	3,000,000
KANO FOOD PROCESSORS LTD.	-	-
ASSOCIATED COMPANIES:		
CINEMA DISTRIBUTION CIRCUIT	180,000	1,125,000
KAPITAL INSURANCE CO. LTD.	280,000	140,000
NIG. VICTORY ASSURANCE	106,800	80,000
N.S. & FURNITURE LTD.	321,600	194,910
FAWAZ STEELWOOD & CHEMICAL	96,000	216,000
ALUMINIUM PRODS. NIG. LTD.	24,500	49,000
EVEREADY NIG. LTD.	432,000	864,000
NIG. LEATHER WORKS LTD.	250,000	250,000
KANO CITIZEN TRAD. CO. LTD.	75,000	225,000
GARMENT MANUFACTURERS LTD.	60,000	60,000
CONTINENTAL LINES (AFRICA)LTD.	100,000	300,000

(1989 Cont'd) OTHER COMPANIES:

PORTFOLIO	NO. OF SHARES	COST (₦)
NATIONAL TRUCK MANF.	1,500,000	1,500,000
GIWARATE NIG. LTD.	286,000	214,500
CRUSADER ASSURANCE	8,238	8,238
UNITED NIG. INSURANCE CO.	177,900	83,618
PHOENIX MOTORS	68,340	82,008
AREWA METAL CONTAINERS	100,000	100,000
NIGERIA HOTELS	180,000	180,000
N.M.P.P.	120,600	120,600
GREAT NORTHERN TANNING	150,660	75,330
STERLING CIVIL ENG.	150,000	300,000
CERAMIC MANUFACTURERS LTD.	450,000	450,000
C.C.N.N.	1,720,000	860,000
BANK OF THE NORTH	12% Loan Stock	250,000

Source: Dividendes and Revenue Earneds File.

Earnings from UTC, NBC, and Nigeria Hoechst also fell. Even the earning from Bata, Leventis Motors and National Cash Register increase at a decreasing rate. Although this poor performance of these companies could be attributed to the fall in the general level of business activities, KSIP would not have suffered much if it had been evaluating the performance of these quoted investments. A constant evaluation would have enabled the company to see the securities that are performing well and those that are not. It could have therefore divest from these type of securities, or at least reduce its percentage holding, and use the money in either increasing its holding in better performing ones of financing more viable projects. One very glaring fact that KSIP has not be evaluating its investments, thereby divesting from the non-performing ones, is that almost all the quoted investments in the company is holding in 1989 are the very investments it has been holding since 1980. This could clearly be seen from the tables of the quoted and unquoted investments of the company. Its funds are therefore tied up in unprofitable investments instead of utilising them in better alternative.

Considering the behaviour of the Nigerian Economy, which affects in one way or the other, the behaviour of the consumers, one can hardly say that all these companies are performing well. It is believed that an organisation does not operate in a vaccum, it affects and is affected by the environment in which it operates. Its performance is therefore dependent on the direction of the general business activities. When the business activities are high, organisations will record high turnover which will positively affect the returns to investors. On the other hand when there is a fall in business activities less and less goods and services will be purchases which will affect the revenues of most organisations.

The different economic policy measures introduced in the Nigerian Economy, from the 1986 Economic Stabilisation Programme, to the present Structural Adjustment Programme which are aimed at correcting the imbalances in the Economy, have no doubt changed the attitudes of the Nigerian consumers. Most people have now shifted from the demand for luxurious products to necessities, the basic needs of life. This has had a very serious effect on performances of most manufacturing industries.

The above table of the KSIP unquoted investments for 1980 and 1989 also support the fact that the company has not been evaluating its investments. The investments held by the company in 1980 are exactly the ones it is still holding. Both cost and the number of shares held did not change since 1980 which clearly shows that there has no increase in those that perform, neither was there any decrease in those that have not been performing well.

However, as the dividends earned by KSIP from these unquoted investments are not available. It is the researchers feeling that some of these investments have not been making any profits. The performance of most of these organisations is not encouraging.

New project under implementation includes:-

- Gwarzo particles Board Ltd.
- Land and infrastructure company Ltd.
- KSIP Head Office Building Project
- Gaya Mechanised Farm Project Ltd.
- Dutse Bretonstone Tilex Ltd.
- Class Sheet Project
- Kano Food Processors Ltd.
- Kano Fruits and Vegetables processing Ltd.
- Proposed industrial Estate Development in Kano State

- Animal Feeds Projects.

The problems of these new projects under implementation are many, and KSIP Limited, some private organisation in some cases, even the local Governments have spend alot of their funds in it, but now both the organisation have no funds to continue the projects.

Even, though the projects are viable but the KSIP Limited could not raise the fund to continue the projects and the government on power could not give them the money to continue, due to the present economic problems.

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CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

5:1 SUMMARY:

The Kano State Investment and Properties Limited is owned by the Kano State Government and its primary objective is to contribute directly or indirectly to the industrial and commercial development of Kano State.

The company has a portfolio holding of about 50 subsidiary and associated companies in which it participates by equity or the provision of loans.

As the company is owned and controlled by the state government, its participation in way project is determined by the Government. It therefore follows that all the investments of the company must be in line with the states development plan objectives.

It has also been found that the organisation has not been changing its investments as almost all the companies portfolio holdings are the very ones it has been holding since inception. This means that it does not divest from a given project whether or not it is profitable especially if it is in the priority areas of the government.

Most of the quoted securities held by the company are in form of common stock which are of few industries, and have not been constantly reviewed.

Investment Appraisal Techniques, which help greatly in determining the worthiness of an investment are not used by the company. This hinders the selection of the best set of investments, and it is obvious that one cannot manage what is not properly selected.

The company does not also invest across different industries which would have minimised the possible deviation of returns.

Most importantly therefore the company does not analyse securities, either using past data or forecasted securities performance, before selection, and at the same time does not evaluate the performance of its investments. A proper performance evaluation of the investments would have enabled it to divest from those that are no longer profitable, and invest more on those that are profitable.

CONCLUSION:

As an industrial promotion Agency of the Kano State Government, KSIP Limited operates as an open system organisation which inter-relates and with other organisations to achieve its desired goal by way of matual interdependency in areas of common interest. What is to be answered here is, "can it be said that KSIP Limited is able to develop the feed-back mechanism of obtaining adequate information about the changes in environmental forces with a view to achieving its stated objectives". If not, what are its constraints?".

This question may be complex in the light of the present economic situation, but in the context of this study, the first thing that comes to mind is the fact that, despite obvious problems in the course of operation, the dwindling economic climate, the persistent lack of funds from the government to fulfill obligations on specific projects which are in fulfilment of government development plans, continued tidious and stringent bureaucratic channel of communication leading to delay in taking some urgent decisions, political interference especially in the appointment of board members, and continued

political instability. These factors seriously affect KSIP due to the fact that all KSIP Projects under implementation and investigation are those geared towards manufacturing concern, which entails importing one kind of machine or the other. This state of affairs resulted to a very large extent in the depressing development of the economy and particularly, projects under implementation.

Another important thing, that suppose to be consider is the poor performances of the companies manage by KSIP Limited, this could be attributed to management inefficiencies, technical problems, modern development and stiff competition from imported products. For example, the introduction of video films in most households had seriously affected the performance of the Cinema Industry. Also competition from superior foreign goods affects the turnover and hence the profitability of most companies.

Another most important finding of this research is that methods of investment appraisals like the Net present value, ARR, profitability index e.t.c. are to this company considered theoretical, as such are not applied in appraising projects.

Upon all the above mentioned problems KSIP Limited is still sustaining itself from within, when compare with other development finance institutions in the country. This is due to recruitment of experienced and qualified personnel.

It is in line with mentioned problems that the following recommendations are give:

RECOMMENDATIONS:-

The continuous government intervention in the day to day affairs of the company is one of the most important factors militating against the efficiency and effectiveness of the company. The day to day management of the company should be left as free as possible to management so as to carry out the policies required by them. There should be clear demarcation of responsibilities both between government departments and between ministries and boards. The measure of management should not be purely commercial success or social achievements, but should be efficiency with which the enterprise carries out the Joint commercial or special duties given to it.

The board of Directors who determine major policies should comprise of men and women who are committed, qualified and of exemplary character, not those who are only interested in allowances e.t.c. Members should comprise of professionals especially in the field of investment as professional decisions makers, like investment decisions should be taken by professionals in the organisation. Decisions taken by unqualified people will nto be effective. Moreover as the Board of Directors approve major policies as they affect the operations of the company, professional workers in the company, especially those in the investment division should be allowed to make suggestions and recommendations which the board should accept.

The financial resources of the company should be augmented so that it can diversify its activities. Government should provide more funds and give the company a free hand to choose and participate in efficient investments. The company should also take into consideration the risk and the returns of each investment opportunity. It should use all the available techniques of evaluating projects. Financial analysis, present value, ARR, profitability index, I.R.R techniques, stock market reports should all be used to determine the best set of investments.

It should also diversify its investment holdings into different industries with different economic backgrounds. i.e. industries that are perfectly negatively correlated.

The company should also undertake business education of the entrepreneurs and the general investing public, through seminars, conferences and courses on ways and means of establishing viable projects. Moreover the viable projects should be handed over to the indigenous entrepreneurs, and the use of local raw materials should be encouraged to reduce cost.

The Kano State Investment and Properties Limited should be autonomous and well funded. As government bureacracy causes delay in project implementation, the company should be allowed a free hand to carry out its activities. Funds should be sourced from government, banks and non profitable ventures should be divested. The company should also employ all the modern investment appraisal techniques so as to determine the most profitable projects.

Experts and well qualified civil servants from the Ministries of Finance and Trade could be used, to make feasibility studies on investment opportunities, and publish their findings for entrepreneurs identification, promotion and development.

The financial performance of companies should be measured and comparison made with a given standard. This will enable the company see which company is in sound financial position. Ratios of different companies should be calculated, and for a given company rations of two or more years operations should be determined to see how each company is performing. These ratios will enable the company see the liquidity, profitability and leverage position of the company in question. This will serve as a good guide for taking a sound investment decision.

The need for portfolio revision for any sound portfolio management cannot be over emphasised. It is to determine when more money is to be put or withdrawn from an investment. This cannot be possible without first determining how best the investment is performing in relation to the prevailing market condition. Portfolio revision may also be necessary for taking alternative decisions on whether or not to invest in other securities. This is to say that any investor, individual or institutional, should device a means of measuring the performance of his portfolio. An effective yardstick may be used such as the realised rate of return, the historical data on returns and the forecasted performance

due to expected changes in government policies and other factors.

Two very important schools of thought were developed on securities evaluation. These are the Technical or Chartist Approach and the Fundamental or Intrinsic Value Approach. To the Technical Analysts, Securities Value could be determined by the use of historical date. They believe, that history repeats itself as such the past performance of a security determines its future performance.

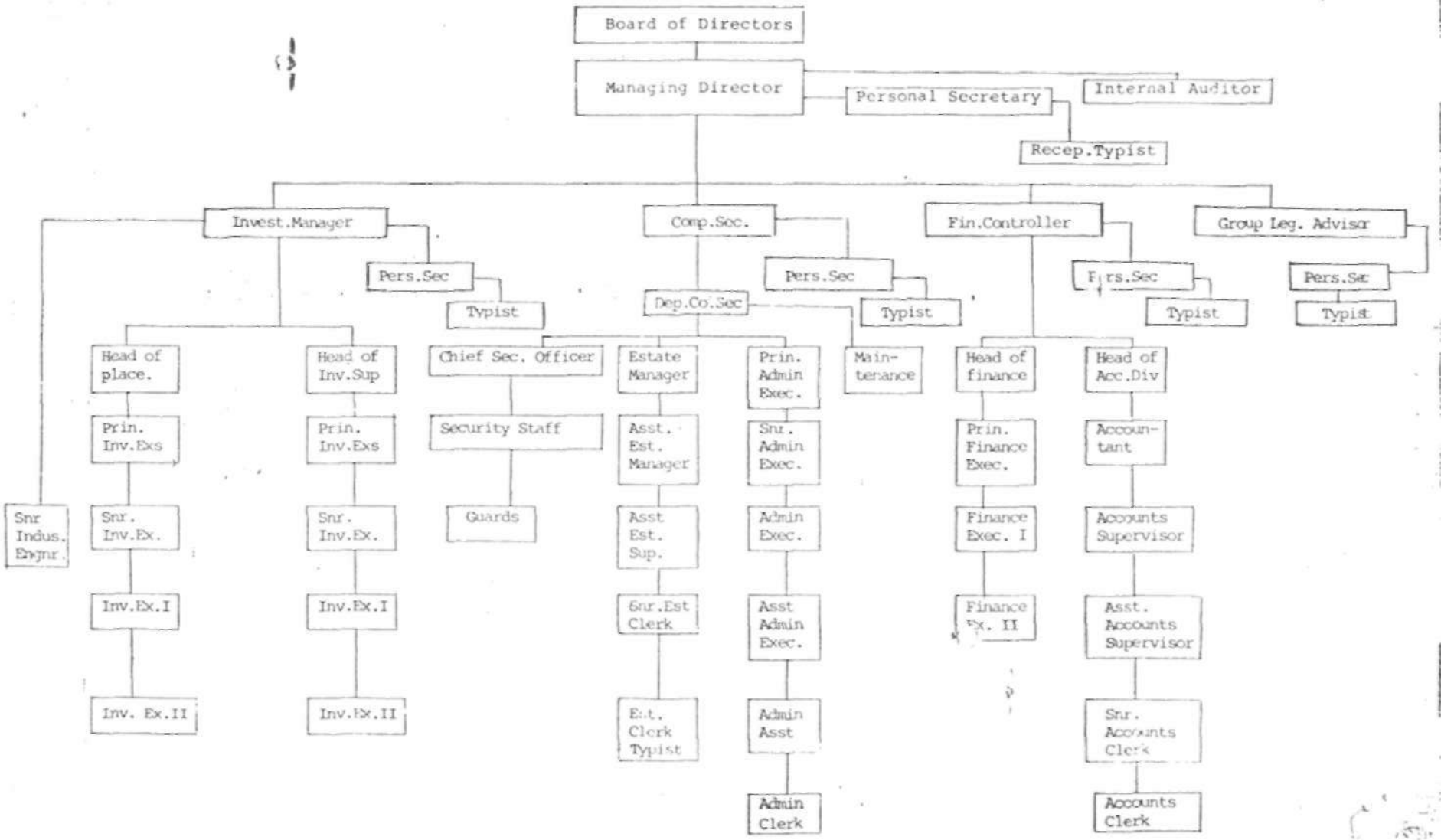
The fundamentalists on the other hand believe that the value of a given security is determined by some set of economic variables, like dividends, total earnings and the capital structure of an organisation.

Each of these positions is useful as far as portfolio revision is concerned. It all depends on how accurate the information to be used is.

These suggestions if strictly followed, KSIF will no doubt make itself the best investment organisation. Its investment objectives will be achieved which will also lead to the realisation of the governments overall objective of setting up and funding the company.

APPENDIX II

ORGANISATION CHART OF KSIP LTD.:-



APPENDIX II

SUMMARY OF THE HOUSES UNDER KSIP AND MINISTRY OF HOME AFFAIRS:-

NAME OF HOUSING ESTATES	NO. OF HOUSES UNDER KSIP	NO. OF HOUSES UNDER MIN. OF HOME AFFAIRS	TOTAL
(a) Kundila Estate Phase I	216	-	-
(b) Kundila Estate Phase II	81	169	-
(c) Ja'oji Housing Estate	112	-	-
(d) Gwammaja Housing Estate	126	224	-
(f) Federal Housing Estate Zoo Road	212	38	-
Total =	747	431	1,178

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