THE IMPACT OF FINANCE AND INVESTMENT COMPANIES ON THE ECONOMIC DEVELOPMENT OF NIGERIA: A CASE STUDY OF KADUNA INDUSTRIAL AND FINANCE COMPANY LIMITED

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DEDICATION

This work is dedicated to my beloved wives, Hauwa Babaji and Maimunat Babaji.

DECLARATION

I hereby declare that this project is a product of my own research findings and I am responsible for any errors committed or omission.

All references made have been duly acknowledged in the References.



....4/11/22.....

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CERTIFICATION

The following undersigned certify that they have read, and hereby recommend to the Faculty Board of Administration for acceptance this research project entitled "The Impact of Finance and Investment Companies on the Economic Development of Nigeria: A Case Study of Kaduna Industrial and Finance Company Limited" by Babaji Adamu Salihu in partial fullfilment of the requirements for the award of the Degree of Master of Business Administration (MBA).

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No research work is ever exclusively the product of the individual whose name appears on its title page. The research is influenced by other persons with whom he has come into contact as well as the environment in which he interacts.

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ABSTRACT

This research is on the impact of industrial and finance companies on economic development in Nigeria using the Kaduna Industrial and Finance Company, Limited as a case study.

The research examines the activities of the company since its inception in 1977 as a machinery for economic development. The financial resources and the criteria applied by the company in financing viable projects were considered, in order to determine the extent to which the KIFC has contributed in the establishment or expansion of business concerns.

The analysis and investigation (i.e. research findings) have revealed that the KIFC has performed well. However, the following recommendations were made with a view to improve the performance of KIFC:

1. The KIFC should embark on wide publicity about its activities and financial facilities
2. KIFC should have a continuous touch with the Stock Exchange (market).
3. The financial resources of the Company should be fully utilised or invested.
4. Improvement in management efficiency, more and proper staffing.
5. Diversification of securities held.

CHAPTER ONE

1.0 INTRODUCTION

The companies, popularly called Industrial and Finance Companies, were incorporated into the Financial and Capital market systems before independence in Nigeria by the colonialists in order to accelerate agricultural and industrial development.

Industrialisation is a symbol of economic development of any nation and it is expected to strengthen the balance of payment, by reducing economic dependence on imports and thereby giving rise to exports. And also to reduce level of unemployment, thus increasing the level of standard of living of the citizens.

The last two decades have seen the less developed countries (which Nigeria is one) swept by a determination to accelerate the pace of their economic development. This determination has been manifested by an increasing emphasis on industrialisation and by the hope that industrial expansion can be speedily achieved. This sudden awareness to develop through industrialisation or otherwise, seems to have gripped most, if not all, of the developing countries.

Consequent to the changes in economic system in the whole world, financial institutions are given the task of development in the widest sense of the term, since the provision and efficient management of this scarce resource is best facilitated by the existence and appropriate functioning of the financial institutions in the country, and as private savings which would be tapped for industrialisation seems to be scarce in developing countries, it follows that banks have vital role to play by making their best

financial resources available for financing and promoting industrial development.

So one would naturally expect that commercial banks would satisfy these needs. But unfortunately the ability of the commercial banks to advance loans for investment purposes, most of which are long-term, is subject to many constraints.

1. One of the main goals of the commercial banks is profit maximisation and since long-term loans take longer periods to mature than the short-term loan and also involves high risk, it is their interest to limit their lending business only to established business for fairly risk-less projects of short-term nature or to government to finance current account budget deficits.
2. Commercial banks deal with liabilities that are subject to withdrawal upon demand by customers.
3. Commercial banks lending policy is not a high interest rate based on social benefits.

With this in mind, both Federal and State's governments in Nigeria established Finance and Investment Companies independent from interference, with the hope that they would help in mobilisation of funds for productive investments, stimulating private sector investment in the economy through the provision of medium and long-term capital and thereby reducing the risks which usually prevent private investors from investing.

1.1 STATEMENT OF THE PROBLEM

Even though Financial and Investment Companies have been in existence in the country for over two decades, their impact in the economic development of Nigeria has not been adequately felt; this is as a result of their inability to channel domestic savings and foreign financial assistance into productive and viable investments. The consequence of this is the sinking of huge public funds into gigantic projects that have turned out to be a complete failure.

This sand and unwelcome development is what specifically prompted this study with particular reference to Kaduna Industrial and Finance Company Limited in understanding the activities of the Company in relation to economic development.

1.2 AIMS AND OBJECTIVES OF THE STUDY

The major aim or objective of this study is to analyze the role of Financial and Investment Companies in economic development and specifically:

1. Evaluate the impact of the Kaduna Industrial and Finance Company Limited on the economic development in Nigeria.
2. The study also intends to examine its role in the development of industry and commerce in the economy.
3. And finally examine and determine if the KIFC has in fact carried out that function for which it was initially formed, and possibly make recommendations at the concluding chapter of this research work.

RAHIM LIBRARY

1.3 SCOPE AND LIMITATION OF THE STUDY

The scope of the study is confined specifically to the activities of Kaduna Industrial and Finance Company Limited. The study will cover a period 1990 – 1995.

However, there is hardly any serious research work that can be pursued to its logical conclusion without the researcher experiencing some difficulties. This research project is therefore not an exception. Some of the problems encountered in the course of conducting this research include the following:

(a) **Limited Time** – The time frame within which the research work was conducted is too short and the researcher expected to finish up within the time frame.

(b) **Material and Resource Constraint:** The insufficiency of materials and money is also another constraint experienced during the study.

As a result of this, not all the relevant materials needed for the study were obtained. They were either not available or the researcher could not go far and wide to get them due to financial constraint. More industries could not also be undertaken because of the present economic hardship or the constraints stated above.

1.4 STATEMENT OF HYPOTHESES

The focus of this research work is "The Impact of Finance and Investment Companies on the Economic Development of Nigeria: A Case Study of KIFC Limited". In the light of this, some hypotheses are assumed to guide the researcher in the course of this research. These hypotheses will either be proved right or wrong in the later chapters. The hypotheses are:

H_o "That the Kaduna Investment and Finance Company Limited has made impact, i.e. contributed to Economic Development of Nigeria."

H_I "That the Kaduna Investment and Finance Company Limited has not made contributed to Economic Development of Nigeria."

1.5 SIGNIFICANCE OF THE STUDY

This research work intends to investigate the impact or contribution so far made by the KIFC Limited on the economic development of Nigeria.

The research will help us to examine and understand the impact or contributions on economic development in the areas of commerce and industry in the Nigerian economy.

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

To the society in general, it is hoped that the study would contribute to knowledge. For it will serve as a useful reference material for scholars and researchers in the field of industrial development.

1.6 RESEARCH METHODOLOGY

Data collection is significant in any research that may be undertaken at any level. This is because the procedures used in collecting that will show the level of reliability of the research work. Data used for this research work was from primary and secondary

data. Different methods were therefore used for the collection of these data depending on their sources.

1.6.1 PRIMARY DATA

The following methods below were used for the collection of primary data used in this research work:

Personal Interview:

An interview generally is an idea of obtaining information about a particular subject. It is a method that enables the researcher to get first hand information from those concerned (interviewed). A number of questions are usually prepared by the researcher (interviewer) and he/she asks such questions to the people concerned (interviewee) face-to-face. It can also be conducted by telephone. Interview method of data collection therefore requires that the interviewee must be contacted to concede his willingness to the interviewer.

The researcher carried out various personal interviews with the management staff of the KIFC Limited Kaduna with the aim of finding out or collecting data relevant for this work.

In this research work the interview method of data collection has been selected because of its suitability, as regards meeting the management staff (interviewee) personally to interview them. The first reason for using or selecting the interview method of data collection is accuracy. That is to say that the information collected is accurate. Doubt can be cleared and cross-examination of the information can be done where the interviewer (researcher) feels that the right type of information is not being given.

Secondly, the common views expressed on any question by the majority of the interviewees are taken as the general opinion on the issue.

Thirdly, there is a better response, in that people respond more with the physical presence of the interviewer and finally the method can be very flexible since the interviewer can change his language and tactics of interview on the basis of types of person he/she interviews.

Questionnaires:

The second method for collecting primary data for this work is the questionnaire method. Questionnaires are structural series of questions in written form meant to be answered by potential respondents. This method is aimed at collecting data about a particular subject using question forms which are to be either ticked or completed by those concerned.

The researcher administered one set of questionnaire on 100 respondents (staff) of the KIFC Limited and the purpose of this questionnaire was to collect primary data used in this work. The adoption of the questionnaire method has the following advantages:

(a) It helps those respondents that are not good in expressing themselves to tick from the answers given.
(b) It is easy for the researcher to analyze since he/she framed the questions and answers him/herself.
(c) A lot of information can be obtained from a large number of respondents at particular time.

1.6.2 SECONDARY DATA

The major source of secondary data collected for this research work was through documentary source. This is a method based on obtaining information from existing records like books, relevant journals, official records, etc. The advantages derived from using this source are:

1. It is a fast method of collecting data.
2. It affords the researcher to obtain essential and acceptable information needed from past works or studies.

1.7 METHOD OF DATA ANALYSIS

As stated in 1.6.1, one set of questionnaire was administered to about 100 randomly selected staff of KIFC. And the method used for the interpretation of the data involved the use of simple percentages. This can be seen in Chapter Four of this research under Data Presentation and Analysis.

1.8 DEFINITION OF TERMS

Although many words or terms were used in this research work, however in the context of the research the following terms have their meanings as used in this research works as follows:

KIFC - Kaduna Industrial and Finance Company Limited

Finance - Given capital assistance to a business when required either at the initial stage or during the operation.

Investment Is a process of exchanging income during one period of time for an asset that is expected to produce earning in the future periods.

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

BOD Board of Directors

White Paper Decisions of government on an issue of controversy.

DFI Development Finance Institutions

NERFUND National Economic Reconstruction Fund

Authorised Capital This refers to the maximum number of all classes of securites that can be issued by a company

Risk Is the uncertainty of either a loss or gain

Equity Finance This is the selling of capital stock or the buying of such capital stock by a company

Quoted Stock These are shares that are traded in those companies quoted in the Stock Exchange

Unquoted Stock Shares bought and sold in companies not quoted in the Stock Exchange

Financing Institution Is where industries obtain finance.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INVESTMENT AND FINANCE COMPANIES DEFINED

Any government, be it Federal, State or Local, owes its people the responsibility of their areas economic and industrial development. Hence, the establishment of investment and financial companies to help in this direction.

Investment and finance companies according to Teriba (1985) are organisations dealing with money capital. "Finance companies serve as intermediaries between borrowers and lenders, or undertake investment intermediaries own account. Most financial intermediaries are established for special purposes one of which may be to fill the gap in the provision of credit by the ordinary banking system, say, for medium, long-term and specialised investment. The more investment and financial companies a country has, the easier the task of mobilising and channeling resources into investment."[1]

John and Bear (1978) see investment as "Current resources that are allocated for future use. The future use may be consumption or investment which allows consumption to take place in the future. To them, investment is a means of altering the time path of consumption; larger investment enables higher future but smaller present consumption, small and negative investment allows higher present consumption at the expense of smaller future consumption."[2]

The definition above sees investment as a form of sacrifice which one makes today for an expected satisfaction in terms of greater

yield in the future. The perceived investment in terms of the consumption made by an individual in the future (be it high or low) at the expense of the present.

In a micro-view, "it is the purchase by an individual or institution of a financial assets that produce a yield that is proportional to the risk assumed over some future investment period." In a macro-view, "it is the purchase of any asset that offers the expectation of income and capital gains.[3]

Hanson (1977) sees investment as the purchase of stock exchange securities or government securities issued through the post office, or other financial institutions, with the aim of either securing an income or the refund of a greater sum at some determinate future date."[4]

The New Encyclopaedia Britannica (1974) defines investment as "a process of exchanging income during a particular period of time for an asset that is expected to produce earnings in a future period.[5] Thus, consumption in current period is foregone in order to obtain a greater return in the future. For an economy as a whole to invest, total production must exceed total consumption. Before the 1930s, investment was thought to be strongly affected by the going rate of interest, with the rate of investment likely to rise as the rate of interest falls. Since then, empirical investigation has shown that business investment is less responsive to interest rates and more so depends on the businessmen's expectations about future demand and profit, technical changes in production methods, and the expected relative cost of labour and capital.

As the economy's capacity to produce more goods and services increases, investment increases as well, which indicates that there is a commercial economic growth. For growth to be effective, it is necessary that savers intend to save the same amount that investors wish to invest during that period of time. If intended savings exceed intended investment, unemployment may result, and if investment exceeds savings, inflation may occur.[6]

The Encyclopaedia Britannica (1974) also sees investment companies as "financial organisations that pool the funds of its shareholders and invest them in a diversified portfolio of securities so that each share of the company's stock represents a fractional interest in the portfolio. An investment company offers the small investor the advantages of diversification and the consequent spread risk, as well as professionalism in selection and management of securities. In most modern investment companies, management has complete discretion over the portfolio, subject to the general charter provision."[7]

2.2 ECONOMIC DEVELOPMENT

The objectives of economic development is to enhance economic growth and reduce poverty. It is interesting to note that along side of these effects, there emerged an increasing volume of literature on economic development and factors necessary for it. This sought to provide an explanation as to why some countries had developed rapidly while others continued to live in poverty. Perhaps one point which practising and academic economists unanimously agreed with throughout the 1950s and 1960s was the economic growth and industrial development were attractive goals.

According to Brennee (1966) the basic view of Smith, Maltus, Ricardo and Mill do not differ from those of other writers on the subject of economic development. Development, he felt, depended on the supply of labour and capital, and upon scientific progress and its application. Smith in his contribution shows that per capital output was increasing and also often improved through the dimension of labour and its continental investment. Thus, through industrial development while Mill's theory of development states that the movement of annual output depends upon the growth of capital and the state of industrial growth.[8]

List (1966) advocated another approach to the theory of economic growth by classifying it into primary state (agriculture) – secondary state (manufacturing) and tertiary (agriculture, manufacturing and commerce), where commerce stands for all the services like transportation, banking and insurance. According to him, a shift from one stage to the next is of course the subject matter of the study of economic growth which can lead to economic development too.[9]

Karl Marx (1906) viewed economic development as something that came as a result of the enterpreneur's desire to increase investment. This desire of capitalists to save and accumulate capital would be propelling force behind economic growth and development.[10]

Simon Kuznet (1954) study is an attempt to compare the present situation in undeveloped countries with the earlier situation, and with that of more developed countries. And thereby giving special reference to the factors that seem to be critical in respect of potentialities of development. The symptoms of underdevelopment

in Kuznet's definition are failure to utilize the existing potentials of the economy within a given technical possibilities because of social institutional obstacles, backwardness of the level and character of economic performance in comparison with other countries, the failure to provide a reasonable standard of living for a large population. In other words, all the above factors contribute to slow rate in economic development.[11]

Rostem Roden (1943) and Nurake (1953) took a slightly different approach to study the investment and industrialisation as a means of economic development by looking at the balanced investment in industries that are mutually dependent. This way of investment, they argued, would provide or enable each of the industries to provide a market for one another. They reported the policy of immediate change which they argued reduce the development pace and even lead to stagnation.[12]

Tyagunentko V.L. (1973) says that records of history have demonstrated that to eliminate a country's techno-economic backwardness, it is necessary first of all to diversify the pattern of the economy in equipping it with the latest machinery and utilisation of modern technologies and techniques of production. All these he said required adequate financing and provision of capital. He went further to indicate that it will be incorrect to reduce the concept of industrialisation merely to the development of some sectors of the national economy. To him, the essence of economic development consists in the extensive introduction of latest scientific and technological achievement in production, in the comprehensive technical requirement of the national economy.[13]

Funtade (1964) in his model regarded capital accumulation and demand as the main factors promoting economic growth and development.[14]

2.3 DETERMINANTS OF INVESTMENTS

The volume of investment in a country is determined by a number of factors, namely, the rate of interest, rate of return, marginal efficiency of capital, attitude towards risks, general economic trends and government policy. There are two types of investments, namely private and public investment. Public investment is undertaken by the government and its agencies, while private investment is undertaken by individuals, households and firms. The type or nature of investment may have its different determinants. But generally, the following factors determine the level of investment in a given economy.

1. **The Rate of Interest**

   This is one of the most important determinants of investment. The rate of interest is the percentage that one must pay for the use of government funds. A bank or finance corporation is often willing to lend money to the business for a certain rate of interest. Clearly, businessmen will want to borrow money for investment purposes if the rate of return that is expected to be achieved on their investment is greater than the rate of interest that must be paid to the bank. E.g. if the expected rate of return on an investment is 18%, and the rate of interest payable to the bank is $8^1/_2$%, the entrepreneur will realise a net profit of $9^1/_2$% on this particular investment. This will be a good investment. While on the other hand, if the rate of return on investment is 5% and the rate of interest payable to the bank

is 8%, this will bring about a loss, indicating a bad investment which ought not to have been undertaken.

2. The Rate of Return

What really helps investors or entrepreneurs to decide on which project to invest in is the rate of return on investment the project will yield to the investors. The rate of return is the annual earnings (or yield) that accrue to the investor. For instance, if an entrepreneur spends N5,000 on a project (for example, buying and running a taxi cab) which yields N500 per annum after all operating expenses have been accounted for, the annual rate of return is 10% (N500 on an N5,000 investment), whether this will be a good investment or not will depend on the alternative investment opportunities that are open to the entrepreneur. If for example, or second investment can yield 20% with the same degree of certainty, then the entrepreneur will choose the second project.

3. The Marginal Efficiency of Capital

If we rank all investment alternatives according to their expected rate of return, we obtain a curve that slopes downward to the right. The curve so obtained is the marginal efficiency of capital schedule. There are some projects that are lucrative and yield a higher rate of return while there are others which yield a lower but still respectable rate of return. The marginal efficiency of capital is the expected yield relative to the cost of borrowing. If the marginal efficiency of capital is greater than the rate of interest, (that is, the cost of borrowing), the entrepreneur will invest on the project.

4. Attitude Towards Risk

Risk plays an important role when investment decisions are made. Some investors are prepared to take risks than others. The attitudes of entrepreneurs to risk taking are mixed. Some are prepared to take enormous risk in the expectation of a higher pay-off if the gamble materialises, while others will not..

5. **General Economic Trends**

If there is an economic boom, many businessmen will invest; they will be prepared to take more risks. Even if the rate of interest is high, investors will still borrow money to invest. Therefore, economic boom brings about increased investment in an economy. But during an economic recession, that, is when economic activities are not at the lower ebb, entrepreneurs will not want to invest, even if the rate of interest is reduced to a minimum level.

5. Government Policy

Government policy may influence the levels of investment in many ways. Government may give directives to commercial banks or financial corporations to provide funds for investment in certain sectors of the economy. This may be done through generous depreciation allowances, reduced compelling tax so as to stimulate further investment as well as give companies tax-holidays ranging from two to five years tax-free operation. In a developing country like Nigeria, political instability may affect the rate of investment. A constant change of government discourages foreign firms from investing because of fear of loss of their capital.

The determinants of investment, in conclusion, are very unstable. Innovations in technology, interest rates changes in response to availability of funds and changes in consumer demand may all occur at a pace that is difficult to predict. However, the government through the Central Bank can influence the rates of interest and the extent to which this influence can materialise depends on the general business outlook of the country.

2.4 GOVERNMENT POLICY IN ECONOMIC DEVELOPMENT

Governments world over have focused efforts towards accelerating and increasing industrial activities in their countries for the achievement of an improved living standard. Similarly, Nigeria in her commitment to an accelerated industrialisation has been making substantial amount available for industrial development, during her industrial development plan periods. Financing our industrial venture is now an easy task to go by. Due to the Nigerian Government's easy means of financing programme was through utilization of taxes and royalties. But now the Government could no longer rely on this method of financing various development projects. Other machineries have to be employed for the mobilisation of necessary funds to finance development.

In this line, both Federal and State governments are embarking on setting up industrial development companies and banks.

According to Professor Edozien (1983), it is generally acknowledged that the availability of financial capital is a prerequisite for the rapid development and transformation of any nation's economy. To him, since the provision and efficient management of this scarce resource (capital) is best facilitated by the existence of an

appropriate functioning of financial institutions in the economy, it follows that banks have a vital role to play by making their vast financial resources available for financing and promoting industrial development.

Werner Bear (1965) in analysing the Brazil Industrial Development said that for a country to complement its political independence, it has to acquire its economic independence. And the later could be achieved by fostering new industries whose output could supplement a large number of imports. This could be done by increasing financial assistance from the government to new industries. He concluded that the rate of real growth experienced by the Brazilian economy in the post-war period and especially in the fifties can in a large part be contributed to industrialisation policy. Therefore, industrialisation and adequate financing is an important cornerstone of economic development.

According to Prof. Sulam (1986), "the slow rate in technological progress and industrial development in the third world are the direct result of ignoring the effects of economic policies on these factors. In other words, to him as a climate affects plants, no matter how fertile the land and how much fertilizer is used, so also technological progress is impossible under an unfortunate economic conditions. The eighteenth century industrial revolution in England was a (result) fruit to proper economic policies enacted in the sixteenth and seventeenth centuries.

However, Ralph Gevald Taylor in his study stated that in order to promote economic development in Sierra Leone, the government has established two separate schemes in an effort to attract additional investment. The first scheme, the development of

industrial board created in 1949 to serve the credit needs of wholly owned African enterprises. The Board made independent investigation of potential commercial and industrial undertaking and attempts to encourage investment in these areas. More also, in order to foster rapid growth and more diversified firms, the Kenyan government established Industrial Development Corporation (IDC) in 1954 to facilitate the industrial and economic development of the colony, by assisting or expansion of industrial, commercial or enterprises in the colony. But in 1960/61 report found that it has not played a significant role in fostering industrial development.

Over the past years, government industrial policy is that state has been two-fold. First is the direct establishment of industries by government and second is the creation of favourable investment climate to attract investors into the State

Regarding direct establishment, for example, in Kaduna State, the government aims at spreading industries to all parts of the State rather than concentrating them in a few areas. Thus, the defunct civilian administration embarked on an industrialisation programme in 1980 by setting aside a total sum of N28 million with a view to establishing at least one manufacturing firm in each of the Local Government Areas of the State. These firms include ginger processing (Kachia), pharmaceutical (Zaria) while in the former Kaduna State, these firms include burnt brick (Funtua), tannery (Daura), flour mill (Mani), dairy product (Katsina), and starch and derivatives (Malumfashi). Although most of these firms are yet to take off, they however indicate government policy as regards industries.

The other aspect of government industrial policy is that of creating good investment climate. In general, virtually every investment activity can take root and grow in facilities like good roads, enough water supply, banking and other financial institutions services, provide an excellent infrastructural context for investment particularly in industry. Already a total of more than 265 companies in industry, finance and commerce and agriculture (as registered by the State Chamber of Commerce and Industry).

Other distributive features of government industrial policy in the State include:

(i) Establishment of industrial area. This is done by the Industry Division of the State Ministry of Commerce and Industry. The industrial sites are embarked in different Local Government Areas. The Ministry acquires these sites after paying compensation to the owners and develop them with infrastructural facilities together with a layout for each area prepared by the Ministry of Lands and Survey. Genuine investors can apply for these plots to establish their industries within these layouts. The State Ministry of Commerce and Industry also liaised with the Federal Ministry of Commerce with a view to help local business in respect of registration of business firms.

(ii) The State Ministry of Commerce and Industry also liaised with the Land and Survey Division on matters relating to allocation of plots for industrial purposes. Projects are appraised by the Ministry to ensure that only right people are given plots in industrial and commercial areas and that the plots are used strictly for the purposes they are meant for.

(iii) Mention should also be made of Federal Government incentives for industrial development. These incentives apply to the whole country. These incentives include pioneer status by which industries that meet certain conditions enjoy tax holidays for first three to five years of their existence.

Another incentive is the approved users scheme. This scheme allows exemption of duty or granting a concessionary low rates of import duty on raw materials brought into Nigeria for use in the manufacturing or processing of goods or in the provision of services, provided certain conditions are fulfilled. Approved status is yet another incentive which allows for free transfer of profits and dividends arising from investment made in the country provided exchange control regulations are adhered to. One could therefore see that there are quite a lot of incentives to investors both by the Federal as well as the State governments. All this is aimed at an even industrial development in the country.

2.5 ROLE OF INDUSTRIAL AND FINANCE COMPANIES IN ECONOMIC DEVELOPMENT

Industrial and Finance Companies in Nigeria help in financing industries and promoting them, with emphasis on the primary need of the people.

The major functions of any industrial and finance company as an agency for rapid economic development (as stated in the 1990 Manual of Finance and Investment Corporation of Nigeria "ANDI" News 1990 1st Edition) are as follows:

1. They help in promoting industries by offering assistance that are necessary. Such assistance include finance, technical, feasibility studies, consultancy service, research and training.
2. Assist in the facilitation of industries, that is, small, medium and large scale in their areas of operation. They do this by keeping in touch with the willing investor, other companies and financial institutions as well as joint venture which enhance economic growth.
3. They also assist in the industrial initiation by sponsoring urgently needed ventures and provides advice at all levels or stages of development of the projects from planning to incorporation of the venture.

2.6 PROMOTIONAL ACTIVITIES OF INDUSTRIAL AND FINANCE COMPANIES

The promotional activities of industrial and finance companies cover a wide range of activities ranging from studies of industrial structure to financing packaging, from project formulation to project actualisation, influencing the adoption of new policies by the government and new practices by the business. It involves the formulation, development of proposal, the mobilisation and organisation of the various elements needed for the achievement of the project, and finally the execution of the project.

Industrial and Finance Companies are also involved in the mobilization of savings and the allocation of such savings to the area of the economy where they are required. This implies an aggressive search for additional business, the invention of new instruments and inducement to encourage and attract savings.

Most industrial and finance companies primarily evaluate projects to find out whether the project will generate satisfactory socio-economic returns to the nation as a whole as well as be financially self sustaining, i.e. the project should be technically feasible, financially viable and socially desirable. This is normally done to minimise costs, ensure project implementation with minimum delay, minimise operational costs and conversely aims at high production efficiency and ensuring that the products can be sold at fair market prices.

Industrial and finance companies are also involved in the evaluation of projects. The evaluation is usually carried out by a team made up of an engineer, a financial analyst and an economist. The practical evaluation critically examines the market situation, technical aspects, management and organisation, the socio-economic dimension and the profitability and financial aspects.

Industrial and finance companies are also involved in follow-up activities. In their follow-up activities they aim to safeguard their investments and to build confidence in their clients by showing that they are partners in development.

2.7 SCOPE OF INDUSTRIAL AND FINANCE COMPANIES

Industrial and finance companies vary in scope and activities or functions. These usually depend on the environment and particular needs of the country, State or region they are serving. Most of them however provide equity and loans depending on the form of investment and structure of ownership.

Apart from that, most of the institutions provide their clients with various kinds of technical assistance, e.g. engineering, accounting, or management advice on projects they finance, other advice on a project even if they do not finance it. Other institutions offer technical assistance even to clients beyond that incident to ensure effective administration of their investment.

Some industrial and finance companies also engage in both project development and promotion as well as seeking out capable and willing investors who are given assistance to realise the project. Some of them help the government in the realisation of their development objectives.

According to William Diamond, industrial and finance companies modify the environment in which they work as well as project finance. This process is considered as "promotion". The general charters of industrial and finance companies express the intention to encourage, stimulate or promote development in one sector or another. Critics observe that industrial and finance companies promotional activities are either inadequate or too specialised and therefore extortionate demand for industrial and finance companies to pursue their activities more vigorously.

CHAPTER THREE

3.0 HISTORICAL BACKGROUND AND ORGANISATIONAL STRUCTURE OF THE KADUNA INDUSTRIAL AND FINANCE COMPANY LIMITED

3.1 BRIEF HISTORY OF KADUNA INDUSTRIAL AND FINANCE COMPANY LIMITED (KIFC)

Owing to the desire for rapid industrialisation of the State (North Central State), the then Military Governor, Brigadier-General Abba Kyari (Retired), deemed it necessary to establish a State owned financial development company. The Governor while addressing a gathering of private entrepreneurs in the State was quoted as saying:

"The industrial objective of any government is to raise the level of industrial and commercial in the State in order to provide employment opportunities, increase income and raise standard of living of the people.....substantial investment will be made in agro-allied industries. Major projects in the industrial development programme include cane-sugar manufacture, jute/kenaf carpets manufacturing, manufacture of sand/lime bricks, manufacture of starch, tannery and derivatives. Feasibility studies will be conducted into manufacturing of electrical equipment, wheat flour, milling and manufacturing of drugs.

A State investment agency will be set up during the plan period as an industrial, development and finance company to take over and expand investment activities....." This was the beginning of the life history of the Kaduna Investment Company (KICL) Limited.

The Kaduna Industrial and Finance Company (KIFC) Limited was incorporated on the 13th February, 1989 with an authorised share capital of N10 million made up of 10,000,000 ordinary shares of N1.00 each. It formally started operation on the 1st of April, 1989, having inherited Kaduna State Government's interest in the dissolved Kaduna Investment Company Limited (KICL), whose dissolution was as a result of the creation of Katsina State out of the former Kaduna State in keeping with the Federal Government White Paper on assets sharing between the two States.

But, what was interesting was the situation which government investment activities were being carried out by two bodies. These were: the State Ministry of Finance and State Ministry for Commerce, Trade and Industry. The focal point here was that, none of these bodies was a proper vehicle for this type of operation. It was then realized that a proper orientation is needed to take up a government investment, and ensure the attraction and professional supervision that investment normally required. Investment proposals made to government needed to be thoroughly appraised to determine profitability and the enterprises that needed to be encouraged and appraised so as to identify projects and other development benefit entrenched in them, after being committed, supervision and continuous potentialities or an established enterprise is needed.

The recommendation to incorporate the company into a limited liability company stems from the condition that in order to encourage and lay a proper foundation for a serious approach to industrial promotion, the company must be commercially oriented and it is to operate at par with private enterprises.

Total assets inherited by KIFC were N12.2 million made up of fixed assets totalling N4.4 million, investment in quoted and unquoted companies totalling about N7.06 million, and current assets totalling N0.74 million.

3.2 STRUCTURE/ORGANISATION OF KIFC LIMITED

Generally, the Kaduna Industrial and Finance Company (KIFC) Limited has a vertical line authority structure. Structure defines the superior/subordinate relationships from the top to the lowest level.

Government is at the top of the structure. It is owner of the business. Next is the Board of Directors, which is conferred with the management of the company's business. This is followed by the Managing Director who is the Chief Executive and responsible to the Board and central management of company's resources.

THE BOARD OF DIRECTORS

The number of members of the Board of Directors for the company shall not be less than two nor more than fifteen. The number of Board members and the names of the Directors shall be appointed in writing by the subscribers to the Memorandum and Articles of Association or a majority of them. It is equally important to note that a Director may from time to time appoint any person to be a Director either to fill a casual vacancy or by way of delegation to the Board, but so that the maximum number fixed as above shall not be exceeded.

FUNCTIONS OF THE BOARD

The functions of the Board of Directors of KIFC are as follows:

a. The Board may borrow or raise funds from time to time for the purpose of the company or secure the payment of such sums as they think fit, and may secure the repayment or payment of any such sums by mortgage.

b. Determination of share allotment, transfers, and dispositions. The Board determines whether the allotted shares are to be fully paid up. It directs payments of allotted shares and of the name of the allottees in the Members Register.

c. Issuance of certificates: The Board issues certificates of title to shareholders under the seal of the company.

d. The Board keeps register of transfers. The transfer which is to be approved by the Board.

MANAGING DIRECTOR

Below the Board of Directors is a Managing Director who is also a Board member and Chief Executive of the KIFC Limited.

The functions of the Managing Director include the following:

a. Overseeing top policy matters relating to all divisions of the company.

b. Responsible to the Board of Directors for the operation of the company.

c. Conferring with all divisional heads on subjects as concern such divisions

d. Approval of appointment, promotion and discipline of staff.

e. Approval of leave of senior staff.

f. Liaison with the Cabinet Office Executive Council as it affects the company.

DIVISIONS

Below the Managing Director are the different functional areas. These are the Investment Division and Administrative Division.

a. **Investment Division.** This Division is headed by the Chief Investment Executive. Under him, we have the Principal Investment Executive, Senior Investment Executive. The Principal Investment Executive is responsible to the Chief Investment Executive. His duties could be seen from three different areas.

In view of existing projects he should have up to date Investment Executives. He is to be associated with the day to day working of specific projects to safeguard the company's investments in a particular project.

On the other hand he is to liaise with various financial institutions, issue houses, so that necessary funds could be arranged without much delay for the projects. He is also to ensure proper maintenance of relevant records for portfolio investments and have proper records for market rates.

The Investment Executive performs the functions of scrutinizing feasibility reports submitted by the consultants to the company. He maintains proper records for receipts of dividend, bonus, right shares and maintain it up to date.

This Division, in short, performs the functions of ensuring of projects program, preparation of annual reports and accounts of the project and analysis of the projects.

b. **Administrative Division.** This Division is concerned with administration, legal and security functions. This Division is under the direction and control of the Company Secretary. The Division is responsible for the employment, personnel relations, incentive schemes, fringe benefits and the general administration of the company including the Accounts Department.

3.3 ROLE OF THE KADUNA INDUSTRIAL AND FINANCE COMPANY (KIFC) LIMITED

Kaduna Investment and Finance Company Limited is a Development Finance Institution wholly owned by Kaduna State Government with the primary objective of assisting to accelerate the pace of industrial development of the State. Other functions include:

1. Supervising State Government investments in major sectors of the economy.
2. Investing in economically viable and socially desirable projects on behalf of the State Government.
3. Promote and develop commercially viable industrial projects on behalf of the State Government.
4. Provide free advice to indigenous entrepreneurs with a view to modern business approach particularly in the establishment of industries.
5. Research into matters of industrial development, monetary and economic policies

The Kaduna Industrial and Finance Company Limited invests in projects located within the State and encourages dispersal of industries away from more industrialised centres.

The scope of investment is presently limited to manufacturing and agro-allied sectors of the economy. Service industries are generally excluded. Project proposals could be for establishment of new industries or the expansion of existing projects. Projects should be economically desirable, showing promise of raising living standards, promoting employment or conserving foreign exchange. It should also be technically feasible under existing conditions of availability of raw materials, modern machinery and equipment, essential services, technical and managerial personnel and labour. The project must also be commercially viable, capable of making satisfactory profit, service debts obligations, build up reserves and pay reasonable dividends.

3.4 INVESTMENT POLICIES AND STRATEGIES OF KADUNA INDUSTRIAL AND FINANCE COMPANY LIMITED

The Kaduna Industrial and Finance Company Limited participation in any project is determined by individual merit of the project.

1. **Legal Status of Projects.** KIFC would invest only in limited liability companies.
2. **Investment Limits.** KIFC equity investment in any project is usually not less than 10% and maximum of 25% of client company's paid up share capital. In some cases, however, KIFC may make some exceptions to the general rule. Normally promoters' contribution to any project should not be less than 25% of the total capital cost of the project. In no circumstances will assistance be given except KIFC is

satisfied that the promoter has the means to contribute his counterpart funds.

3. **Location of Project.** Priority is given to projects located in Kaduna State but the company could consider other parts of the country to foster inter-State relations.

4. **Project Supervision.** To ensure effective supervision of investment portfolios, the following are required:

a. Periodic reports on operations/performance of projects must be sent to the company.

b. KIFC usually reserves the right to have a minimum of one seat on the Board of Directors as a means of fostering the efficient management of the client company.

c. KIFC staff will visit the projects periodically to discuss their problems and prospects.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

For the purpose of collecting data for analysis in this study, three methods were used:

i. Questionnaire

ii. Personal Interview

iii. Documentary Method

One set of questionnaire was designed and randomly administered to investors or clients of KIFC. About one hundred (100) questionnaires were administered and out of which eighty (80) were filled or completed and returned. This shows that 80% responded. Therefore the analysis and the research findings were based on those eighty (80) returned questionnaires. For the interpretation of the questionnaires, percentages were used.

Personal interviews were also conducted in order to collect data for analysis in this project. Interviews were conducted to the top management staff of the KIFC. The analysis of the interviews is presented below in (4.1).

4.1 PRESENTATION AND ANALYSIS OF INTERVIEW DATA

The analysed interview data is as follows:

During the interview the first/second questions asked were "when was KIFC established? And what is the reason behind the establishment of KIFC?"

From the responses, the Kaduna Industrial and Finance Company Limited (KIFC) was incorporated on 13th February, 1989 with an

authorised share capital of N10 million of 10,000,000 ordinary shares of N1.00 each and the company formally started operation on 1st April, 1989 having inherited Kaduna State Government's interest in the dissolved Kaduna Investment Company Limited (KICL). The KICL dissolution was a result of the creation of Katsina State out of the former Kaduna State. The reason behind the establishment of the Investment Company was due to the situation in which government investment activities were being carried out by two bodies. These were the State Ministry of Finance and Ministry of Trade and Industry. The focal point here was that, none of these bodies was a proper vehicle for this type of operation. It was realized that a proper orientation is needed to take up a government investment, and ensure the attraction and professional supervision that investment normally required. Investment proposals made to government needed to be thoroughly appraised to determine profitability and enterprises to be encouraged in the State needed also to be appraised so as to identify prospects and other development benefits entrenched in them.

The recommendation to incorporate the institution into a limited liability company stems from the condition that in order to encourage and lay a proper foundation for a serious approach to industrial promotion, the institution must be commercially oriented and this is to operate at par with private enterprises.

Another question was "What is (are) the main functions of KIFC?" From the responses by the interviewees: the Kaduna Industrial and Finance Company Limited (KIFC) is active in equity participation as well as establishment of new or expansion of the existing industrial and commercial enterprises. In other words, the

company subscribes, acquires, purchases, holds, sells, exchanges, issues or other securities of new or existing business ventures. The level of equity participation normally depends on the nature of the project and its requirement. Promoters are expected to contribute a substantial part of equity capital of the project for which assistance is sought. KIFC invests both in quoted and unquoted companies.

Among the quoted companies are Bata (Nig.) Limited, Vitafoam, SCOA Ltd., Bewac Ltd., Leventis Group of Companies including Arewa Textiles Ltd., Peugeot Automobile and Seroowood Industries Limited. Unquoted companies include WAPDECOP and Gobarau Bakery.

Table 1

RELATIONSHIP BETWEEN QUOTED AND UNQUOTED INVESTMENTS

	Quoted At Cost		Unquoted At Cost		
Year	Amount (N'000)	% of Total	Amount (N'000)	% of Total	Total
1989	2,716	38	4,412	62	7,133
1990	2,767	39	4,301	61	7,068
1991	2,799	29	6,675	70	9,474
1992	2,799	27	7,404	73	10,203
1993	2,799	21	10,343	79	13,142
1994	2,799	21	10,343	79	13,142

Source: Annual Report of the Company.

It can be observed from Table 1 above that while investments in quoted companies have continued to decline from 39% in 1990 to 21% in 1993, it is not so with unquoted companies. Investment in this group has risen from 61% in 1990 to 79% in 1994. The

increase in investment participation in favour of unquoted companies could be explained by the difficulty often faced by most companies in getting listed on the Nigeria Stock Exchange.

A further question was "What criteria is used in making investment decisions?" From the responses of the respondents it was revealed that on the issue of criteria used in making investment decisions, there is one specific criterion applied by the company. This is because most of the investments being held at present were those purchased by the Kaduna State Government in 1977, to facilitate the smooth take off of the Nigeria Enterprises Promotion Decree. The government had to buy some shares and these were later entrusted to the KIFC for efficient and effective management.

The company is however in continuous touch with the securities market so as to determine those securities that are not moving with a view to moving fast. In the process of doing this the company maintains its policies especially regarding the preferred sectors of the economy.

Another question was "Briefly analyse the pattern/behaviour of investments in KIFC" From the responses of the respondents it was revealed that: to fulfil its primary obligation of contributing to the country's economic development, KIFC supports projects of national, State or local scope as long as they are of significant interest to the company and the economy as a whole. KIFC resources may be allocated to any of the following:

i. Its subsidiary companies

ii. Nigerian enterprises, for projects falling within its plans and priorities

iii. Alien bodies corporate whose majority voting capital belongs to shareholders dominated in Nigeria.

iv. Other financial institutions on terms mutually acceptable to both parties.

This shows that the company's resources are well diversified in the various sectors of the economy. KIFC has investment in trading, manufacturing, transport as well as construction sectors of the Nigerian economy.

Table 2

NAME OF COMPANY/SECTOR	INVESTMENT (N'000)		PERCENTAGE TO TOTAL
TRADING			
1. U.A.C. CO. LTD.	798		
2. UTC. CO. LTD.	124		
3. C.F.A.O.	3		
4. Leventis (Stores) Ltd.	310		
5. John Holt Ltd.	49		
6. Leventis (Technical) Ltd.	19	1303	72.4%
MANUFACTURING			
1. UNTL	101		
2. Vita Foam (Nig.) Ltd.	100		
3. Deltson Technics Ltd.	71		
4. Metal Box (Nig.) Ltd.	22		
5. Bata (Nig.) Ltd.	13		
6. Vono (Nig.) Ltd.	9		
7. Dunlop (Nig.) Ltd.	7	323	18.0%
TRANSPORT			
1. SCOA	54		
2. Briscoe (RT)	40		
3. Leventis (Motors) Ltd.	27		
4. Bewac	20	141	7.8%
CONSTRUCTION			
1. Taylor Woodrow		32	1.8%
TOTAL	**1799**		**100%**

Source: The Company's Annual Reports.

The table (2) above shows that investment in the trading sector of 1303 (72.4% forms the major KIFC's total investment in quoted companies. The manufacturing sector comes next to trading with 15.0%, while construction comes last with 1.8%.

It is also important to note that there was virtually no change in the investment portfolio held between 1980 and 1983. This is because most of these companies or investments were originally purchased under the Indigenization Decree and are now being held in trust by the KIFC.

Generally, investment in asset is aimed at deriving profitable reward or return. Thus investors tend to invest in a set of assets that would yield maximum returns at a preferred level of risk or minimise risk at a given level of return. The prices of shares and debentures are constantly varying. Stock prices fluctuate widely over a relatively short period of time. Long term trend securities as a whole may be up or downwards. Often, there is tendency for all securities to be moving in the same direction although individual sectors or securities may be affected by specific factors. Typically an individual price reaction to a company's performance is frequently very much influenced by the general trend in the economy. The price behaviour of quoted investment held by KIFC is shown below:

Table 3 Price Behaviour of Quoted Investment (N'000)

YEAR	COST	MARKET VALUE	CHANGE	% INCREASE
1989	2,716	5,466	2,750	101.25
1990	2,767	7,400	4,633	167.44
1991	2,799	8,344	5,545	198.11
1992	2,799	9,473	6,674	238.44
1993	2,799	8,866	6,067	216.76
1994	2,799	7,354	4,555	162.74

Source: Annual Report of KIFC.

From the above table, we could see that the portfolio shares held by KIFC witnessed tremendous increase especially between 1989 and 1993, at a cost of N2.71 million in 1989, market value was N5.5 million; by 1992 when cost of shares rose to N2.299 million, market value has also risen to N5.5 million to N6.67 million in 1993. In 1993 and 1994, market value declined to N6.06 million and N4.55 million respectively.

This fall in stock values could be explained by general economic situation in the country which resulted in a slowing down of business activities, problems of getting raw materials, spare parts and other equipment have all contributed to this depression in economic activities. However, the initial increase in stock value or better performance could be attributed to efficient management of the portfolio as well as favourable government policies and conducive business atmosphere in the country.

Another question was "What classes and types of loans do KIFC offer?" From the responses of the respondents it was revealed that: KIFC grants both medium and long-term loans to local entrepreneurs, although this has been suspended for sometime now (since 1992). Like equity investment, KIFC grants these loans to project proposals that are considered viable. Thus applications for loans are submitted in writing and then the company analyses, evaluates and appraises them to determine their viability. Usually, the proposal is made by sponsors of the project but it is usually KIFC that determines the amount to be granted. Conditions regarding grace or moratorium period, interest rates, duration of the loan and so on, can also be stated by the company and agreements are attached and signed by the two parties involved. Like any other form of investment participation, the project

proposers are normally expected to submit a detailed feasibility studies on the proposals as well as the requirement of the company before disbursement of funds commences where agreements have been reached. The table below shows loans and advances granted to companies by KIFC.

Table 4 – Loans and Advances granted to Companies by KIFC

YEAR	LOANS/ ADVANCES (N'000)	OTHER INVESTMENTS (N'000)	TOTAL LOANS/ ADVANCES (N'000)	% OF TOTAL INVESTMENT
1989	209	6,133	6,342	3.3%
1990	386	6,579	6,965	5.5%
1991	820	8,474	9,294	8.8%
1992	1,249	9,203	10,452	11.9%
1993	855	12,143	12,997	6.6%
1994	655	12,142	12,797	5.1%

Source: Annual Report of KIFC.

From the table above, we could see that loans and advances granted by KIFC rose from N386,000 or 5.5% in 1990 to about N1,249,000 or 11.9% in 1992. However, the trend changed in 1993, when loans and advances fell to N855,000 or 6.6% and further down to N655,000 or 5.1% in 1994. The fall could be explained by the company's decision to stop or rather suspend the provision of loans to industries. This was due to problems often faced in the recollection of loans at the time of their maturity. Furthermore, some industries tend to divert some of the loans granted to them for purposes other than those for which they were originally granted.

Another question was "Who guarantees the loans to investors or industries?" From the responses of the respondents, it was revealed that: KIFC acts as guarantor to loans, advances,

overdrafts or credit to industries or investors. In other words, it guarantees or becomes liable for any contract or obligation of a third party or for payment of money whether in respect of principal, interest, dividends or otherwise upon any bonds, debentures, share of any person, organisation, corporation, or company whether incorporated or not. It is important to note that the company guarantees only after careful analysis and appraisal of the industry or the projects concerned. As at 1994 KIFC has guaranteed a total of N2.327 million in form of bank loans and overdrafts to customers.

Another question was "What other services do KIFC offer investors?" From the responses of the respondents it was revealed that:

i. KIFC sometimes sponsors and underwrites the equity shares of local investors. This is an important function of the company. Companies normally issue shares for public consumption. KIFC source those issues for investors from issuing agents and houses at an underwriter's cost. By this process, the company secures relatively cheap shares for investors through the underwriting facility.

ii. KIFC assists indigenous investors in understanding and adopting modern approaches to investment especially in the establishment of industrial ventures. Promoters of viable projects are also assisted in various ways such as securing industrial plots, expatriate quota, approved user certificates, etc. Investment consultancy services regarding project identification, promotion and implementation are as well provided to the local investors. Suitable financial and

technical partners are also identified for industries where such are lacking.

4.2 PRESENTATION/ANALYSIS OF QUESTIONNAIRE DATA

About 100 questionnaires were administered randomly on investors of KIFC, out of which 80 (80%) responded, i.e. filled and returned their questionnaire. The 80 received questionnaires were analysed as shown below:

The first four questions (1 – 4) of the questionnaire were meant to find out personal information about investors involved in business of KIFC.

Information About KIFC. In order to find out how long the investors know or learnt about KIFC's existence. The table below shows their responses.

Table 5

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
a. 20 years	75	
b. 5 years	5	
c. 4 – 0 years	-	
TOTAL	80	100%

Source: Administered Questionnaire.

The table above shows that about 75 (%) of the respondents indicated that they learnt of KIFC's existence about 20 years ago, while 5 (%) know about it more than 5 years as shown on the table.

Use of KIFC's Services

Table 6

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
Yes	80	100
No	-	-
Don't know	-	-
TOTAL	80	100%

Source: Administered Questionnaire.

From the table above it shows that 80 (100% of the respondents use or benefit from KIFC services and non responded negatively. From the analysis above it therefore shows that most investors use or benefit from KIFC services.

Effectiveness of KIFC Services

In order to find out the effectiveness of KIFC services from investors, the table below shows their responses:

Table 7

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
Yes	78	100
No	2	-
Don't know	-	-
TOTAL	80	100%

Source: Administered Questionnaire.

From the table above it shows that 78 (%) of the respondents stated that KIFC services are effective, while only 2 (%) of the respondents stated that the services of the KIFC is not effective. However, from the analysis above we can state that the services of KIFC is effective.

Availability of KIFC's Services

In order to find out the availability of KIFC services when required, the table below shows the responses of the respondents.

Table 8

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
Yes	74	100
No	6	-
Don't know	-	-
TOTAL	80	100%

Source: Administered Questionnaire.

From the table above it shows that 74 (%) of the respondents stated that they get KIFC services when required, while only 6 (%) stated negatively. Therefore the analysis of the responses on the table above shows that investors have access or the KIFC services are always available to investors when required.

Performance of KIFC.

In order to find out the performance of KIFC the table below shows the responses of the respondents.

Table 9

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE
Satisfactory	70	100
Fair	10	-
Don't know	-	-
TOTAL	80	100%

Source: Administered Questionnaire.

From the table above it shows that 70 (%) of the respondents stated that the performance or services of KIFC are satisfactory, while 10 (%) stated that the performance is fair and non responded that the performance or services of KIFC was very poor. Therefore it reveals that the KIFC has or is performing well in the area of economic development in Nigeria.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

This work or study dwelt on the Impact of Industrial and Finance Companies on the Economic Development of Nigeria: A Case Study of the Kaduna Industrial and Finance Company Limited (KIFC).

The research was divided into five chapters.

In Chapter 1 we started by highlighting the statement of the problem. The chapter further discussed the objectives of the study, significance of the study, scope and limitation of the study, research methodology and operational definitions of terms or concepts.

In Chapter 2 we reviewed related literature. However, because of the massive literature available in this field, the literature review was restricted on the following:

1. What is Investment and Finance Companies
2. Determinants of Investment
3. The Role of Industrial and Finance Companies in Economic Development.

The third chapter dealt with the historical development, organisational structure and management of KIFC.

The fourth chapter dealt with presentation and analysis of data. Here we discussed or presented the data collected through personal interview (4.1) and also collected data through questionnaires in (4.2). The research findings identified: the relationship between quoted and unquoted investments; KIFC's

total investment in quoted companies is in the trading sector; KIFC portfolio shares witnessed tremendous increased between 1989 and 1993; many have benefited from KIFC services, and also the research shows that KIFC's services are effective and finally KIFC's performance or services is satisfactory.

5.2 CONCLUSION

The KIFC is a financial institution or company which provides medium and long-term finance and sometimes makes equity investments, and also financial assistance is available too. KIFC also provides funds to wholly owned projects by Nigerians or with substantial equity investments by Nigerians.

Furthermore, KIFC provides financial assistance to small, medium and large-scale industries which by their size can make significant contribution to economic development in Nigeria. The financial assistance could be in form of equity or loan to manufacturing and non-petroleum mining sectors. Services industries are generally excluded except where there is the prospect of manufacturing in the short-term. Also attempt has so far been made to analyse the various activities of KIFC. Maximization of net-sum is the main objective of any investment decision. In Nigeria, it is believed that investment decisions are based on rule of thumb rather than on detailed scientific, technical and professional analysis.

The importance of financial institutions as regard to financing projects for economic development of the country (Nigeria) was examined. The specific responsibility of a financial company like KIFC in economic development is to provide the basic ingredients for rapid economic development. Such ingredients include medium and long-term finance and equity funding for industrial

projects, entrepreneurial skill for the initiation and promotion of projects, technical expertise in project development, appraisal and implementation as well as the management personnel for steering projects to success.

Despite the problems which affected the national economy in the past, the manufacturing sector has made considerable progress. It grows at a constant rate, by an average yearly rate of about 13.0% during the past decade compared with 4.0% in agriculture and 8.5% for GDP as a whole. However, despite the foregoing achievements Nigeria's manufacturing sector still remains basically under developed and the problem based in the country is currently no less serious than in the last decade.

Notwithstanding the existing problems, the prospects of economic development in Nigeria is very bright. Nigeria has about all the ingredients necessary for industrial (economic development) take off. Nigeria also has a high economic development resource potentials ranging from agricultural, forestry resources to mineral resources including iron ore and petroleum. There has as yet seem to be no comprehensive economic development resources inventory survey. But available evidence indicates that the country's known resources are even more than enough to launch her on an economic development (industrial) take off.

Having analysed the policy package, achievement in terms of loan disbursement, and constraints in terms of the socio-political and economic environment which the KIFC is facing, one may conclude that the KIFC has performed well in economic development in Nigeria.

5.3 RECOMMENDATIONS

In the light of the research findings and conclusion made, the following recommendations are hereby presented with a view to improve the performance of the KIFC in economic development of Nigeria.

1. The KIFC should endeavour to embark on wide publicity about its activities and financial facilities. This can be done using major local languages and by embarking on promotional tours too.
2. Any organisation that lacks enough funds can not function effectively. Inadequate funding of the KIFC has adversely affected its performance. The government should as a matter of fact release adequate and timely needed funds to the company as this will go a long way in improving the company's performance.
3. Since the KIFC has investments in quoted firms, it is recommended that it have a continuous touch (relationship) with the Stock Market. This will enable the KIFC to be aware of what is going on in the market and make a thorough review of its portfolio to decide if any stock or share should be disposed off in favour of other prospects elsewhere.
4. In view of the importance of management, KIFC should put much more emphasis on the availability of adequate and qualified management to avoid cases whereby viable projects failed due to lack of efficient management. Essential staff for major projects should be identified and selected.
5. The financial resources of the company should be fully utilized or invested in such a way that will be most beneficial for economic development. For instance there is little justification in investing in well established companies such

as Leventis (Nig.) Ltd, CFAO Ltd., SCOA Ltd, UTC Ltd. Rather, financial resources should be used in establishing and nursing new projects as this will generate more employment and enhance economic development.

6. Industrial ventures cannot successfully take off without necessary infrastructure such as light, water, good roads, etc. It is recommended that the government on its own part should endeavour to provide these facilities. This will greatly assist both KIFC and the industrialists when taking decisions on the projects to be promoted and developed and on the location of such projects.

7. Finally, to ensure a fair and even economic development, KIFC should pursue and encourage the flow of its assistance to entrepreneurs in the rural areas. This could be done by operating or offering schemes which offer concessional interest rates, liberal financing terms (such as high debt/equity ratios, long moratorium and amortisation periods).

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APPENDIX 1

INTERVIEW CONTENTS

1. When was KIFC established?
2. What is the reason behind the establishment of KIFC?
3. What are its territorial area of operation?
4. Do the KIFC participate in investment? If 'Yes', what criteria are used in making investment decisions?
5. Briefly analyse the pattern behaviour investments of KIFC

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6. What classes and types of loans do KIFC offer?
7. Who guarantee the loans by investors?
8. What other services do KIFC offer investors
9. Are you satisfied with the response of investors to your activities?
10. What are your achievements in terms of rapid industrialisation?
11. What are your major problems?
12. What suggestions would you proffer?

APPENDIX 2

1. What is the name of your organisation?
2. How long have you been working with this organisation?
3. What is your present rank in the organisation?
4. What is the main business of your organisation?
5. How long have you learnt of KIFC's existence?
   a) 20 years b) 5 years c) about 4 – 0 years
6. Does your organisation use KIFC services
7. If your answer above is 'Yes', how often does your organisation use KIFC services?
8. Is KIFC service effective in meeting your demand?
   a) Yes b) No c) Don't know
9. How does your organisation usually obtain the services of KIFC?
   a) KIFC usually approach my organisation
   b) My organisation usually approach KIFC
   c) Through an intermediary
10. Are the services of KIFC always available when you require them?
11. If your answer to 10 above is 'No', what other alternative mode of financing do you use?
12. How do you feel about KIFC service's?
13. What are the constraints in your opinion of KIFC?
14. In what ways do you think KIFC could improve its services to other organisations?