EXPORT - IMPORT FINANCING IN NIGERIA: A STUDY OP NIGERIAN EXPORT - IMPORT BANK (NEXIM).

BY

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DEPARTMENT: BUSINESS ADMINISTRATION

FACULTY: ADMINISTRATION

DATE: JUNE, 1994

DECLARATION

I hereby declare that all information used in this project were obtained from personal research, and extensive readings and all references are duly referred to.

All mistakes in thought or sequence or commissions are entirely mine.

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CERTIFICATION

This project entitled "EXPORT - IMPORT FINANCING IN NIGERIA. A STUDY OF NIGERIAN EXPORT - IMPORT BANK (NEXIM), meets the regulations governing the award of degree of master of Business administration (M.B.A.) of Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This project is dedicated to my parents, the entire members of my family and to my loving wife Hajia Mariam B. Kadir.

ACKNOWLEDGMENT

All praises and thanks be to Almighty Allah, the most graceful and the most merciful, who creates and disposes. With Allah's Guidance, protection and Love this project was completed despite the constraints.

With regard to this project, I wish to express my gratitude to the following people who in one way or the other contributed to the successful completion of this study.

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ABSTRACT

Export Financing is not new to Nigeria. Prior the establishment of the NEXIM Bank, the Nigeria Export promotion Council (NEPC), the disbanded marketing Boards handled the promotion of mainly Agricultural products. With the discovery of Oil, and its subsequent exportation, the nation's export posture shifted from the exportation of Agricultural products and other forms of minerals to oil alone.

Due to decline in the price of oil, the adverse effect it has on the economy became a sudden fall in foreign exchange base of the nation.

In order to redress this serious situation, the Federal military Government promulgated in 1986 the export incentive and miscel-laneors provision Decree which enumerated a number of incentives to be provided by the NEPC and other agencies of Government. The decree with its incentives serve as a spring board to which individuals and corporate entities could export to earn the needed foreign exchange for the nation.

The study attempts to look at the structure, functions and objectives and the problems facing the export sector and the solutions.

As sources of data collection, both primary and secondary methods were used. Publications seminar papers and texts books were mainly the source of secondary data while questionnaires, interview and verbal discussion were used as primary sources to obtain pertinent information.

in 1988, the enabling Decree - the Nigerian Export credit Guarantees Insurance Corporation Decree No 15 of 1988 was promulgated and its pioneer board inaugurated in November 1990. The organisation commenced operation in January 1991.

The Decree was repeated by the Government and provided for establishment of NEXIM Bank.

After series of operational and technical studies were conducted, NEXIM Bank emerged by Decree 38, 1991.

The services rendered by the NEXIM Bank towards export financing and promotion in Nigeria were stressed and all the necessary procedures and documents required by an exporter to go into the export business.

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CHAPTER ONE

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General Introduction:

The Nigerian economy has been experiencing a downward trend in its developmental patterns since the beginning of the 1980s. This is in sharp contrast with the impressive economic growth of the Country during the 1970s. Up to now, Nigerian has been a one product based economy in respect of exports. Our dependence on oil was so great that when economic crises come we had no fall back position. In addition, with recent development of alternative sources of energy, there is no guarantee that oil will occupy the pride of place in the next century.[1]

In view of the economic downturn over the past decade, we have now recognised the role non-oil exports can play in diversifying the foreign exchange and revenue base of the nation as well relieving pressures on the balance of payments. Thus, promotion of exports, particularly non-oil exports, has been one of the major objectives of Structural Adjustment Programme (SAP). Having realised the importance of export activity, the Federal Government of Nigeria has since independence played an active role in providing financial assistance for the export sector and more importantly for those producing export commodities.

The Central Bank of Nigeria Act of 1958 as amended in Decree No 32 of 1969 and Decree No. 3 of 1970 explicitly empowered CBN to purchase, sell, discount and rediscount bills of exchange and promissory notes for the purpose of financing seasonal agricultural operations as well as the marketing of crops both internally and externally. The Act also allowed it to grant advances for fixed periods not exceeding one year against

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1. The Nigerian Banker: Journal of the CBN. (1993) April-June

various acceptable. Securities which included warehouse warrants or their equivalents in respect of stable commodities or other goods duly insured. These functions were provided through the Nigerian Produce Marketing Boards and the various regional marketing Board, untill 1977 when the Federal Goveernment through Decree No 29of of 1977 established seven (7) commodity Boards in an attempt to streamline the activities of the various regional marketing Boards along the lines of development and marketing of the major export items. Articles 5, section 1 of the this Decree made explicit reference to the boards exclusive responsibility for any commodity (which included processed and semi-processed commodities) meant for export trade. Article 10 of the same Decree also empowered the CBN (to the exclusion of any other Bank) TO grant advances for the purchasing and marketing operations of the Boards.

Although the idea about establishment of the Nigerian Export Credit Guarantee and Insurance Cooporationwas first conceived under the first National Development Plan as an export credit Agency whose main activity was to undertake insurance of Nigeria's export crops, it not untill 1977, when the Federal Government designed the CBN as the lead Institution to establish the organisation based on its experience in establishing and managing a related scheme - the Agricultural Credit Guarantee scheme. Between 1979 - 1984, series of operational and technical studies were conducted from which the Federal Government decided on the establishment of an EXIM Bank rather than a pure risk management agency.

In line with its structural Adjustment Programme which emphasised a policy deregulation, the Federal Government of Nigeria

in 1986 promulgated the Export incentives and Miscellaneous Provisions Decree which enumerated a number of incentives to be provided by the Nigerian Export Promotion Council (NEPC) and other agencies of Government. The Decree mandated the CBN as one of the agencies of the government to provide a re-discounting facility on short-term bills for exporters as provided for in the Central Bank of Nigeria Act of 1967. The CBN was also required to establish the Nigeria Export Credit Guarantee and insurance corpor tion to provide Export Credit Guarantees and Insurance to protect exporters against risks inherent in export business. In 1988, the enabling Decree - The Nigerian Export Credit and Insurance Corp. Decree No. 15 of 1988 was promulgated and its pioneer board inaugurated in November 1990. The organisation commenced operation in January 1991. In 1991 the Government repeated the Nigerian Export Credit Guarantee and insurance corporation Decree 1988 and provided for the establishment of the Nigerian Export - Import Bank (hereinafter referred to as NEXIM) NEXIM was established by Decree No 38 of 1991. The initial Authorised share Capital was set at ₦500 million divided in five million shares of ₦1 each and it is held equally by the Government of the Federation and the Central Bank of Nigeria.[2] The Central Bank of Nigeria and the Federal Ministry of Finance have since subscribed to and paid in full the amount of their shares, i.e. ₦250 million each.

1.2 STATEMENT OF THE PROBLEM

The Nigerian Export - Import Bank (NEXIM) was established by the federal government as one of the measures to correct the balance of payment problem facing the Country and to diversify the country's export base.

The question is, to what extent have the Nigerian Export-Import Bank (NEXIM) try to pursue its aims and objectives as stated under Decree No 38 of 1991? And how has it address itself to the export incentive Decree (Decree 18, of 1986)? What are the obtacles faced by the Bank in pursuing her objectives?

Generally, it is a known fact that Exporting or Export marketing was never given a thought by almost all management in Nigerian companies. They only depend on importation of goods. The neglect of this area of marketing by virtually all companies in the non-oil sector of the economy was as a result of the abundant free flow of foreign exchange generated by oil. With the fall in our foreign exchange base and the realization that unless we diversify from our over dependence in oil and importation, our survival as a nation would be at threshhold of western economies. The present military Administration, realising this fact embarked on intensive and extensive drive to encourage Nigerian firms to Export and to prove its seriousness, the 1986 Export incentive Decree was promulgated.

This Decree paved the way for Nigerian firms of companies to think about exporting for survival and to utilize the incentive as contained in the decree for their benefit. This incentive led to a rush into the unknown field of exporting, misconcepting the general notion about what exporting is as opposed to what it should be. While some companies see exporting as a means of increasing their foreign exchange base required for purchasing their needed raw materials and spare parts, others see it as following what other firms are doing in order to be seen as complying with the call by the federal government.. Most of these companies never for once sat and thought about this specialised area of marketing before embarking on it.

Unfortunately, the small and medium manufacturers including individual producers who should benefit from the activities of these institutions (Like the Nigerian Export Promotion Council established by Decree 18. of 1986, the Nigerian Export Processing Zone Authority established by Decree 19 and the NEXIM established by Decree 38 of 1991) to finance their export trade are often not beneficiaries of these policies as they are often expected to meet very stringent conditions before enjoying the services of these specialized institutions.

This, therefore, means that the problem of Institutional Financing of export is not with the policies designed but rather with the implementation of these policies by institutions concerned. It is with such problems that this project attempt to find solutions to by establishing the effectiveness of these institutions in financing Export and Import.

1.3 PURPOSE OF THE STUDY

Broadly, the purpose of this study is to examine the financing activities of Nigerian Export - Import Bank towards the Promotion of exports, particularly non-oil exports in diversifying the foreign exchange and revenue base of the nation. Specifically, however, the study intends to achieve the following purpose

1. To examine carefully the role of (NEXIM) Nigerian Export-Import Bank and determine the compliance or otherwise of the Bank with the goals as spelt out by the Decree establishing it. The strategies adopted by the Bank in financing Export-Import trade in Nigeria.

2. Describing very clearly what export financing is all about, at the same time highlighting the various types of export and import financing available in this institution. The various categories of exporters and importers, their mode of operations receiv ing payments and associated risks would also be clearly defined.
3. To bring into focus the various methods of project appraisal for financing.
4. To highlight some of the problems be seting the NEXIM.
5. To give any suggestions and/or recommendations where necessary towards improving the operations of the bank.

1.4 SIGNIFICANCE OF THE STUDY

This research work is useful not only to prospective Exporters -Importers, but also, the government, the bank itself and students. Export promotion since the promulgation of 1986 Export incentive Decree has been the subject matter in virtually all business and academic circles including the media.

The business circle are attempting to see the extent to which their various products could be exported in order to earn the much neeeded foreign exchange for their use and the nation at large.

The academic circles have embarked on ways of ensuring that sufficient input is provided to the business environment. This input have been in the form of academic teaching - provision of manpower with the required knowledge about exporting or development of products that could be exported.

Unfortunately, this two important elements in the crusade for development of our non-oil export, have been operating on a different continuum: The business organisations have been operating without the inputs from the academicians and vice-versa.

Most books or literature on export promotion or exporting are rather too theoretical while most exporting organisation have embarked on exporting on trial and error basis, without first understanding necessary research work required for successful entry and capitalisation in a foreign market.

This research is an attempt to bridge the gab that exist between both the academicians and the business organisations, by providing that link that would ensure successful export activities. The study would attempt to provide business organisations (management) some of the pre-requisite for successful exporting operations.

Finally, this study would serve as a basis for further study in many industries and companies, thereby providing yet another contribution to the general upliftment in the way Nigerian companies have approached exporting and importing following the Nigerian Export credit and insurance corporation Decree No 15 of 1988.

1.5 THE SCOPE OF THE STUDY

In the literature review, the study focuses mainly on the rr trends of Export and Import trade Internationally. The direct investment abroad, the activities of multinational Companies and foreign trade and the implications of foreign trade for Banking. The Institutional set up and tools used in financing foreign trade. The main focus of the study is on the role of the Nigerian Export Import Bank in Project financing. Only a brief mention is made on other institutions set up by the government to promote export trade. The study covers the operation of the bank (NEXIM) from 1991 to 1993.

1.6 PLAN OF THE STUDY

The study is divided into six parts. The first chapter discusses about the general introduction, the need for export financing in a given economy, the downturn of the economy over the past decade

and the recognition of the role non-oil exports play in diversifying the foreign exchange and revenue base of the nation as well as receiving pressures on the balance of payments. It further discusses the Federal Government of Nigeria roles in providing financial assistance for the export sector and more importantly for those producing export commodities. The various decrees enacted, different marketing boards, the establishment of the Nigerian Export credit Guarantee and insura nce corporation , the Nigerian Export Promotion council and the establishment of Nigerian Export-Import Bank (NEXIM).

The second chapter discusses the literature review. The trends of export and import trade, direct foreign investment, the multinational Companies and foreign trade and Implications of foreign trade for banking. The chapter also focuses on the ways (U.S.) United States investors had dominated International financial markets as both lenders and borrowers, with a modest net capital outflow in most years. The chapter further explains over-seas private investment corporation and International Institutions set up.

Chapter three is the research methodology, which explains the methods of collecting data for this study. It explains the strategy the researcher used to obtain information for the study. The Questionaire given to some senior staffs of NEXIM and the individuals exporters and importers. The personal interview and su vey of some companies that deal in exporting goods.

The fourth chapter discusses the Evolution of Nigerian Export-Import Bank (NEXIM) and its structure. The formation of NEXIM, the objectives, ownership and capital structure, their functions and the organisational structure.

Chapter five explains the financial policies of MEXIM, the standard conditions for obtaining loans, method of applying, the export and import procedures, the appraisal process, legal documentation, and method of funds disbursement.

Finally, the last chapter summarises the whole study, provides the conclusion, the problems faced by the researcher and the recommendations.

CHAPTER TWO: LITERATURE REVIEW.

2.1 INTRODUCTION:

The financing of trade requires enormous amount of capital in the form of various types of loans and advances, as well as such other financial services as guarantees and letter of credit Also needed are a host of specialized or techical services for making International payments,finding new markets, determining the reputation and financial strength of potential suppliers and customers, etc.

The vast resources required-both financial and human-can be found in a variety of Institutions that specialize in supplying the types of services needed. To marshall capital for the financing of trade requires organizations which have sufficient strength and repute so that depositors and investors are willing to entrusttheir money to them. The technical skills of financing trade also require many highly trained and experience people.[3]

A knowledge of the Institutions which make important contributions to the financing of trade and related services is vital for international merchants and investors. The rapid growth in international trade and investment during the last two decades has caused significant changes in institutions and their services. The most important institutions that provide services for international trade and investment are commercial banks.

Even though banks enjoy a central position in the financing of trade, they cannot do everything. It would, therefore, turn to other institutions which specialize in secured lending such as factors and finance companies.

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3. Export - Import Financing; A practical Guide; By GERHARD W. SCHNEIDER. (1992) April Page. 1

To reduce some of the risks inherent in foreign trade, exporters may wish to insure the payment of their foreign accounts receivable through the Foreign Credit Insurance Association. Such Insurance also often makes bank financing easier to obtain.

2.2 TRENDS OF EXPORT AND IMPORT TRADE

Changes in the banking structure and in the method of financing trade and foreign investment do not happen in a vacuum. Rather, the Institutional set up which emerges is determined by underlying economic and political forces. Similarly, functions performed as well as vehicles used by financial Institutions depend on the needs of consumers,business, and governments.[4]

The Institutional setup and tools used in financing foreign trade have evolved over the years based on underlying business, trade and investment trends. Therefore to gain a perspective on modern financing needs, it is useful to look at some of the recent developments in world trade, investment, and the growth of multinational companies. Later in the chapter we shall then be in a position to discuss some of the recent trends in the banking industry itself.

2.21 TRADE

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During the last 25 years the World has experienced an enormous increase in trade between nations. The downward movement caused by the depression of the 1930s was dramatically reversed shortly after World war II.

4. Export - Import Financing; A Practical Guide; By GERHARD .W. SCHLIEBEN. (1992) April; Page. 3

2.2_2 VOLUME

Total World exports at current prices increased from 51 billion Dollars in 1947 to 370 billion Dollars in 1972,[5] representing a compounded annual growth of over 9 percent. This increase in trade was substantially greater than growth of world production. Over a similar period, for instance, World production of primary products increased only 2.5 percent per year while production of manufactured articles increased by about 5.8 percent per year. The impetus to this expansion in World trade came from a variety of forces.

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2.2_3 RECONSTRUCTION

At first there were the needs of western Europe and Japan for rebuilding their shattered economies. It was clearly a sellers' market and any amount of consumer goods, raw materials, and capital goods that the United States could supply found a ready outlet. The U.S. balance of trade in those days was immensely favourable, and resulted in a severe, Worldwide dollar shortage. In 1947, for instance, the United States exported 15.4 billion Dollars worth of goods representing 30 percent of total World exports. During the same year the United States imported 6.5 billion worth of goods representing only 11.5 percent of World imports.

By 1991 this picture had changed significantly. U.S. exports at current prices amounted to 149.8 billion Dollars or only 53.3 percent of the World total. In the same year

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5. International Monetary Funds Statistics.

U.S. imports amounted to 159 billion or 52.7 percent of the World total.[6]

The massive net export during the reconstruction years were financed primarily through a combination of grants and government credits, with a relatively small role played by commercial banks and other private sources.

2.2$_4$ NON-U.S. EXPORTERS

Gradually the industries of European countries and Japan recovered. Domestic production started to replace items which previously had to be imported. As domestic demand became more satisfied, European and Japanese companies started to become competitive in world markets, thereby adding another dimension to world trade. Between 1972 and 1991, for instance, the quantity of European exports increased at a compounded rate of 11% per year. Japan's expprts over the asame period increased at an impressive rate of over 22% per year.[7]

2.2$_5$ INCREASED ABILITY TO IMPORT

The reconstruction of European and Japan did not, however, decrease World demand for U.S. goods and services. To the contrary, as countries became more prosperous the dollar shortage was alleviated.. This, in turn, allowed gradual elimination of import and

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6. International Monetary Funds Statistics.
7. Ibid.

foreign exchange restrictions. In the late 1950's a number of important currencies became convertible. Tariff and quota restrictions were also gradually reduced through multilateral and bilateral bargaining.

The fueling of increasingly modern industries required more and more industial goods and raw materials imported from the United States and other parts of the World. At the same time, a higher degree of prosperity both in the United States and abroad strengthened the demand for imported luxury goods, thus further increasing trade. The growth of imports into European and Japan during the 1972-1991 period was almost as dramatic as the growth of exports indicated earlier.

2.26 EXPORT INCENTIVES

Many countries, in an endeavor to stimulate exports, have offered a number of incentives. Most industrialised countries, for instance, have some kind of a government-subsidized scheme to provide low cost export financing and/or government guarantees from commercial credit and political risks connected with exporting. Some countries, particularly the less developed ones, offer special incentives for investors who wish to set up factories that will turn out export-incentive products. Tax rebates for goods that are exported may also be obtained in a number of localities.

In the United States, the government has recently

intensified its efforts to stimulate exports. New financing and guarantee programs have been made available through the Export-Import Bank and the Foreign Credit Insurance Association. Additionally, the Department of Commerce provides a wealth of information to U.S. companies wishing to enter foreign markets.

A recent U.S. tax law, the Revenue Act of 1971, permits the establishment of Domestic International Sales Corporations (DISC's). Under this law, companies are permitted to set up wholly owned subsidiaries for the purpose of exporting U.S. goods and services. A DISC enjoys a tax advantage in that it may defer the payment of U.S. corporate income taxes on one-half of its net earnings. Once profits are distributed to the DISC's parent, normal income taxes have to be paid. Since distribution of profits may, however, be delayed almost indefinitely, substantial cash flow advantges may accrue over the years.

There are, of course, detailed regulations on what it takes to qualify as a DISC, maximum profits which may be accumulated in DISC's as a result of intercompany pricing policies, the making of loans by the DISC to the parent, and similar matters. Information is available from the Department of Commerce, the Department of Internal Revenue, commercial banks, and

accounting firms concerning these regulations.

2.2.7 TYPES OF GOODS TRADED

In additions to the volume growth, there has also been a substantial change in the nature of the goods traded.

Traditional Patterns: Before industrialization was as advanced as it is today, much trade was in agricultural commodities and other raw materials, as well as in some manufactured goods. It is well known, for instance, that England traditionally imports raw materials, as well as a substantial proportion of its food supplies. It exports, in turn, manufactured goods which are turned out by its capital intensive economy. The United States, being relatively rich in land, has always been an important exporter of agricultural commodities. Only relatively recently in its history has it also become a significant exporter of machinery and high technology items.

Comparative Growth Rates: Broadly speaking, traditional trading patterns still exist, but at a much expanded scale. There have, however, been a number of significant changes in accent which make today's trade flows quite different from what they were before or just after World War II.[8] World exports of chemicals, machinery, other manufactured products, and fuels grew significantly faster that average. Export growth in food products and raw materials exclusive of fuels in contrast grew substantially less than average.

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8. Export - Import Financing; A Practical Guide ; By GERHARD .W. SCHNEIDER (1992) April;Page. 6

Specific Growth Areas: Taking the above-mentioned broad trends as a point of reference, it may be useful to look at some specific growth areas which have emerged an might continue to assert themselves in the future. The implications which these trends have from a financing point of view will then be discussed in a later section.

LUXURY GOODS: As individual economies were rebuilt in the post World War II era, they became more self-sufficient in basic consumer goods, as well as in some agricultural commodities which previously had to be imported. Local companies and foreign branches and subsidiaries of U.S. firms started to produce goods which previously had to be imported or were not available at all. The obtaining of self-sufficiency in some areas freed funds for the importation of new types of goods. As per-capita income increased and as trade and exchange restrictions were liberalized, individuals were able to buy imported luxuries which they could not afford previously.

HIGH TECHNOLOGY CAPITAL GOODS: In addition to luxury consumer goods, advanced industrial economies also generate a need for a myriad of sophisticated machinery equipment, replacement, parts computers, electronic devices, etc. for which no market existed in simpler times. Countries wishing to expedite their industrial development are increasingly resorting to the importation

of whole industrial plants. The socialist countries of Eastern Europe, including the U.S.S.R., are especially becoming more interested in buying industrial plants to enable local production of more consumer goods for local consumption. Additionally, as more tourists and businessmen travelled, a greater need developed for transportation equipment. Perhaps the most significant item in this category has been the airplane. Other equipment, however, such as cars, rolling stock, and locomotives is also important. World exports of machinery and other manufactures have, therefore, shown impressive growth rates over the past two and one-half decades.

RAW MATERIALS: Developed industrial countries do not need only machinery and equipment for their factories. For the various industires to operate there is also a demand for an enormous quantity of raw material. Just to keep the machines running has required an increasing quality of petroleum, uranium, coal, and other fuels. Large supplies of such raw materials as iron ore, bauxite, chemicals, cotton, and many others are needed in ever-increasing amounts. Hence, there has been plenty of room for raw material producers - particularly the developing countries - to increase their exports. The export of fuels has shown an especially dramatic growth. Other raw materials, however, reflect a slower rate of increase. This is probably due in part to the tendency by some developing

countries to start passing their raw materials through one or more stages of processing or manufacturing before they are exported.

KNOW-HOW: Know-how may be sold as part of a larger project, such as a turn key plant or the export of management and technical talents which takes place when companies set up foreign subsidiaries. Know-how may, however, also be sold in its own right. In this case the buyer receives patent rights, blueprints, and specifications. Buying the necessary machinery and equipment and assembling it into a viable factory is his own responsibility. In recent years more and more international trade is carried on with such basic know-how. The buyer receives something that it would take him several years and enormous expenditure to develop by himself. The seller, on the other hand, can market something (usually at attractive prices) which he already has available and can put together with very little out-of-pocket expenditure.

2.2$_8$ Needs of Developing Countries: The need for sophisticated capital goods and know-how is most severe in today's developing countries. Many are trying to build up their infrastructure and basic industries, while at the same time also providing for the domestic production of some consumer goods to meet growing aspirations of their people. Since developing countries have only a limited supply of foreign exchange available, they usually try to limit the importation of non-essential consumer goods.

There is, however, an insatiable demand for industrial machinery, equipment, and entire industrial plants. Indeed, the quantity imported into a particular country is limited only by the foreign exchange which can be generated from exports and hard currency borrowings.

2.29 Direction of Trade: Trade can never be a one-way street for a prolonged period of time. Imbalances may exist for several years and can be counterbalanced by drawing down reserves and borrowing abroad. Sooner or later, however, these imbalanced have to be corrected Following World War II, the United States was clearly the world's principal exporter. Countries requiring U.S. goods first used up their gold supplies. Then their imports were aided by a series of grants and credits primarily extended by the U.S. Government and some international organisations like the World Bank.

As economies recovered, the picture gradually began to turn. The U.S. trade surplus narrowed and, for a number of years, became negative. Most dramatic is probably the case of japan, which moved from being a net importer to a substantial exporter,

Japan, Europe, and the United States will most probably continue to grow as major exporters. The developing countries (with the exception of oil-rich countries) will remain net importers for some time to come. The resulting trade deficit willhahave to be made up by private direct investment, private and

government-sponsored credits, and economic aid coming more and more frow Western Europe and Japan. It is interesting to note that already there is a significant shift in the creditor status of major countries. The traditionally strong roles of the United States and United Kingdom as creditor nationa are declining while the roles of Europe and Japan have substantially increased.

2.2$_{10}$ Future Trends: What trade patterns mights we see in the future? Unless governments impose a round of new trade restrictions, we can be fairly certain that world trade will continue to increase at a faster rate than gross national product. Following Ricardo's Law, countries will continue to specialize in those products which they can produce most efficiently and import others. Even the soviet Union, which for years has striven toward economic self-sufficiency, is beginning to realize the economic benefits of trade. While the United States has been virtually excluded from the soviet and Chinese markets, substantial gains may be expected in this area over the years to come. Hence, East-West trade will add a new dimension to the international flow of goods, services, and know-how.

As more and more modern plants are constructed, and as prosperous consumers can afford more appliances, cars and other luxuries, the world's energy needs may be expected to continue their rapid growth. This has at least two important implications: First, energy-producing countries

may expect continued rapid growth of exports. Second, to exploit energy reserves - particularly petroleum, natural gas, coal, and nuclear power - will require enormous capital investments. Tremendous amounts of money will be needed to drill oil wells, build refineries, pipelines, tankers, and nuclear power plants. Capital goods exporting countries will therefore continue to enjoy a growing world market for their products.

The future will probably also see substantially increased production and trade in consumer and electronic goods. More of these products will be produced in low labor cost countries for export to regional and world markets. This, in turn, will give developing countries more exchange to buy needed industrial machinery, consumer goods, and hopefully also some luxuries. Instead of exporting all raw materials directly to western markets, developing countries will endeavor more and more to carry them through initial stages of processing. Some raw materials will thus be exported only after they have had some value added, i.e., in the form of semifinished or finished goods.

2.3 DIRECT IVESTMENT ABROAD.

The rapid inflow of direct investment during the 1980s occured in the context of an explosion in international trade in all types of assets.

For several decades, U.S. investors had dominated international financial markets as both lenders and borrowers, with a modest net capital outflow in most years.[9]

In the 1980s, the United States abruptly became a net borrower on a scale that was unprecedented for any nation. However, only a fraction of the rise in total capital inflows came in the form of direct investment. Even in 1989, when direct investment inflow reached a peak of more than 70 billion Dollars this constituted less than a third of total capital inflow for the year. (Table 1 & 2).

The impact on U.S. economic performance of increased foreign ownership and control is different from that of other capital inflows (a major part of t the total was purchased abroad of U.S. Treasury securities and increased foreign deposits in U.S. banks) and the motive for direct investment is likewise different. The flood of direct investment into the United States is thus a phenomenon that needs to be examined seperately from the much bigger rise in U.S. net borrowing.

Most economists see the rise in net borrowing as the result of overall macro-economic forces; when aggregate U.S. saving (private saving less the government deficit) falls short of aggregate domestic investment, the nation necessarily borrows the differnece abroad.[10]

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9. Finance Development; A Quarterly Publication of the International Monetary Fund and the World Bank. (1993). March, Page.13

10. Ibid.

In contrast, direct investment is basically a micro economic phenomenon driven by competitive condition in particular markets.

Table 1

Foreign Investment in the United States (Balance of payment inflows) (Billion Dollars)

Years	Total	Foreign Direct Investment (FDI)	FDI as percent of Total.
1980	58.1	16.9	29.1
1981	83.0	25.2	30.3
1982	93.7	13.8	14.7
1983	84.9	11.9	14.1
1984	102.6	25.4	24.7
1985	130.0	19.0	14.6
1986	221.6	34.1	15.4
1987	218.5	58.1	26.6
1988	221.4	59.4	26.8
1989	216.5	70.6	32.6
1990	86.3	37.2	43.1

Source: survey of current Business August 1991 in Finance Development (Quarterly publication of the IMF and the World Bank

Table 2

Foreign Direct Investment in the United States. Balance of payments inflows for major investing countries.

(Billion Dollars)

Years	Total all countries	United Kingdom	Japan	Netherlands	canada	Germany	Switzerland
1987	58.1	25.3	8.8	8.5	3.7	4.4	3.0
1988	59.4	21.0	17.3	5.8	1.2	2.4	0.8
1989	70.6	18.9	17.4	7.3	3.2	3.8	4.7
1990	37.2	3.7	17.3	7.1	0.0	-0.9	-1.0

Source: survey of current Business August 1991. Quarterly publication of IMF and World Bank.

2.4 MULTINATIONAL COMPANIES AND FOREIGN TRADE

No discussion of trade and investment trends would be complete without mentioning what may be the most significant commercial development during the second half of this century, i.e., the growth of the multinational company. In search for profits through large-scale purchasing, manufacturing, and marketing, many companies are taking on a supranational characters.

2.41 U.S. COMPANIES

At first the multinational company was largely an American phenomenon as U.S. companies set up subsidiaries and branches throughout the World.

Many industrial companies and banks have become multi national not only in so far as their operations are concerned, however, the management and general philosophy of a company may take on a multinational character. While at first most overseas subsidiaries of U.S. companies were run by American nationals, now many managers are nationals of the local a country where the subsidiary is located.

The ownership of many companies has also become multinational. Shares in U.S companies are owned not only by Americans, but also by nationals of many other countries. A few shares of u.s. companies are even traded on one or more of the European exchanges. Today there are a number of 'U.S.' companys which derive close to one-half of their total sales and profits from operations outside of the United States.

2.42. FOREIGN MULTINATIONALS

Most recently, the phenomenon of multinationality is no longer purely American. Many European companies such as Philips Camps, Unilever, Royal Dutch Shell, ICI, Olivetti, etc, have widespread operations around the globe. This trend is likely to continue as more European and Japanese companies invest in neighboring areas and in developing countries.[11]

2.5 IMPLICATION OF FOREIGN TRADE FOR BANKING

What implications does this changing structure of World trade and investment have on the finacing and banking needs of individual companies? Basically, these implications are as follows:-

1. The need for traditional short-term financing of raw materials, fuels, commodities, and manufactured consumer goods is not only as strong as always, but increasing at a fairly rapid rate along with growth in trade of goods requiring such financing.
2. Large-scale investment in infrastructures as well as in manufacturing and extractive industies has created an enormous demand for additional financial resources. A good part of these resources is in turn used to buy imports of machinery, equipment,and industrial plants.
3. Since much of the capital is used to buy machinery and equipment, today's and tomorrow's need is greatest for medium-and long-term funds. The short-term credit which banks have traditionally been willing to grant, while still

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11. Export - Import Financing; A Practical Guide; By GERHARD .W. SCHNEIDER (1992) April Page. 13

needed, is no longer adequate for the longer term needs of capital investment.

4. Companies that sell and invest overseas don't need only money. Often they are unfamiliar with local marketing as well as regulatory, financial, employment, and supply conditions. Hence, the emphasis in banking has been not only the supplying of financial resources, but also the offering of services. It can be invaluable to a company expending in a particular country to have bankers furnish it with detailed information on such considerations as where it might be most advantageous to locate a new plant, required government formalities in getting established, local employment conditions, and countless other useful pointers.

2.6 EXPORT-IMPORT BANK OF THE UNITED STATES

While the roots of Eximbank date back to 1934, it was established as an independent U.S. government agency through the Export-Import Bank Act of 1945. In the immediate post-war period, Eximbank embarked on a programof large scale re-construction lending. It extended about 5 billion Dollars of loans to Europe and Asia to finance purchases of U.S. equipment. Eximbank therefore contributed substantially to the the surge of World trade and the rebuilding of devastated economies after the war. With the establishment of the Marshall plan in 1948, Eximbank's efforts were redirected to help finance projects in developing countries.

By the late 1950s, the previous World shortage of dollars had been turned into a surplus due to a deteriorating U.S.

balance of payments. As a result, Eximbank's effort were again redirected to facilitate the financing of U.S. exports. Other government had set up subsidized export promotion programs. As a result, foreign exporters were often able to offer more attractive financing packages than their U.S counterparts.

The Export-Import Act of 1945 was amended by the Export Expansion Finance Act of 1971. This Act substaintially increased the overall amount of Export loans, insurance, and guarantees which may be extended by Eximbank. The Act excludes receipts and disbursements of Eximbank from the unified burget of the U.S. government. This entails an exemption from annual expenditure and net lending limitations imposed by the budget on the government. Other significant provisions of the Export-Import Bank Act, as amended, include the following:

1. Exim bank is directed to provide export financing with rates, terms, and other conditions that are competitive with government-spcnsored export financing available in major foreign countries.
2. Eximbank is directed to accord equal opportunity to small commercial banks in the formulation and implementat'on of its policies.

2.6 CURRENT FUNCTIONS

Eximbank'smain function today is to give U.S. exporters the necessary financing backup to compete with other countries. This is done through a variety of different

export financing and guarantee programs to meet specific needs. These programs can be categorized into four basic types:

1. Direct loans
2. Discount loans
3. Guarantee
4. Export Credit Insurance.

It is important to stress that Eximbank does not compete with private sources of funds. Its sole purpose is to step in where private credit is not available in sufficiently large amounts, low rates, and long terms to allow U.S. exporters to compete with terms available in other countries. Often Eximbank cooperates with private lenders, encouraging the latter to extend part of the export credit with Exim bank taking the commercially less desirable portions.

2.7 OVERSEAS PRIVATE INVESTMENT CORPORATION

The overseas private investment corporation (OPIC) was formed in 1971 to take over a number of programs previously offered through the Agency for International Development (AID).

OPIC is wholly owned by the U.S. Treasury, functioning, infact, as an agency of the government. Its objectives is to stimulate and facilitate U.S. private equity and loans investments in friendly developing countries.

As a fundamental premise in all its activities, OPIC assists only with new investment that are financially sound, commercially viable, welcome by host countries, and generally responsive to the needs of host countries.

To the extent that OPIC'S programs stimulate private investments in developing areas, they also promote world trade. Unlike Eximbank, however, OPIC does not require that goods bought under programs it sponsors be imported from the United States.

To achieve its basic purpose, OPIC offers the following programs:

1. Investment Insurance.
2. Guarantees
3. Direct loans
4. Pre-Investment Information, Counseling, and lost sharing.

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1. Investment Insurance:

To assist U.S companies investing in develop countries, OPIC provides investment insurance for various types of risks. Three types of political risks may be covered.

(a) Inconvertible of profits or repatriation of the original investment.

(b) Loss of investment due to expropriation or confiscation by the foreign government.

(c) Damage to properly resulting from war, revolution or insurrection.

No protection is offered against normal business risks, or against devaluation of a foreign currency.

2. Investment Guarantees:

OPIC makes available an extended risk guarantee that provides coverage against all risks (including business risks) in certain economically viable projects. Guarantees are

available for equity investments as well as for loans from U.S. financial Institutions.

3. Direct Loans:

OPIC participants in project financing by making medium and long-term loans in U.S. dollars or in local currencies, where available. As with other OPIC programs, the consent of the host government is required before a loan may be granted.

OPIC evaluates each loan request on its own merits, taking into consideration such factors as the viability of the project, its contribution to local economic and social development, the degree of U.S. private sector participation, project priority assigned by the host country, value of goods and services to be procured from the United States and developing countries, etc.

4. Pre-Investment Information:

OPIC offers potential investors general information on developing countries. It may help U.S. firms in finding, planning, and developing potential investment projects.

OPIC may also actually investigate a potential project in the field and advise on a project's financial structure.

Pre investment assistance may be given in the form of partial financial support for feasibility studies. If the study comes out favourably and the investor decides to under take the investment, he bears the entire cost. If the decides not to invest, he pays only one-half of the cost, with the remainder paid by OPIC.

2.8 International Institutions

There are a number of international orgnisations whose primary function is to assist the industrialization and

general economic progress of developing countries. The International Bank for Reconstruction and Development, for Instance, makes project loan for roads, power plants, steel mills, etc in developing countries. The inter-American Development Bank has a similar purpose, but concentrates solely on Latin America. To the extent that these large projects require the importation of machinery, equipment, and know-how, loans granted by these international organisations directly assist in the financing of foreign trade.

What benefits may international organisations such as the ones mentioned provide to the U.S. exporter?

First, to the extent that machinery, equipement, and services needed for projects financed by these organizations originated in the United States, the supplier gets builtin export financing. He may, infact, ship directly overseas but gets reimbursed from the particular internstional organisation.

Secondly, if an exporter in conversations with a potential customer hears of a worth while project that may be instrumental in suggesting this to the customer and may also assist in any negotiations necessary in Washington, DC. - all in the hope of getting the export order if assistance is approved.

Thirdly, a U.S. businessman may hear of a new project financed by one of these organisations on which he may wish to bid often borrowers advertise locally for bids and also

inform the embassies of major countries. The Bureau of International Business operations or other U.S. government agencies have information on projects for which bids may be offered.

2.9 CONCLUSION:

In conclusion, it might be said that banks still perform, to a growing extent, the traditional services of facilitating and financing world trade. The changing structure of World trade and investment has, however, placed much more exacting demands on the innovative ingenuity of international bankers. Not only is more financing required than ever before, but bankers are asked to come up with longer terms than they have been willing or able to grant in the past.

To meet these challenges, banks have expanded overseas, and have formed affliations, joint ventures, consortiums, and syndicates. In the process of serving the increased needs of their customers the banks have tapped new sources of funds such as Eurodollars and other Euro currencies.[12] At the same time they have made financing possible by encouraging the use of such vehicles as the parent guarantee and the performance letter of credit.

Finally, to make more long-term export credit available, new organisations such as Private Export Funding Corporation (PEFCO) have been formed, and relatively established institutions such as the Export-Import Bank (EXIM) and Foreign Credit Insurance Association (FCIA) have been substantially strengthened by the intriduction of new and more liberal programmes.

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12. Export - Import Financing: A Practical Guide; By GERHARD .W. SCHELLER (1982) April; Page 20.

Certainly the future holds many additional challeges for international banking. The groundwork seems to have been laid for marshalling resources needed to finance expected growth in world trade and investments. Commercial banks, togehter with other private financial institutions and appropriate governmental assistance, appear to be well-positioned to come up with the amounts and terms of financing and related services required.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The data for this research was collected from primary and Secondary sources. The primary data was obtained through questionnaires distributed to the officials of Nigerian Export-Import Bank (NEXIM), and some selected Exporters and Importers, especially those that deal in Importation of machines and materials used in production of exportable goods. Interviews with some selected staffs of the Bank and individuals exporter-Importer was also conducted.

The Secondary data was collected through references in books, Journals Newspapers, Paper presented by some officials of the Bank. In general the methods employed are appropriate and suitable for the research topic as outlined below.

3.2 METHODS OF COLLECTING DATA

(a) DISTRIBUTION OF QUESTIONNAIRES

The main informants to whom the questionnaires was directed to were the officials of the Nigerian Export-Import Bank (NEXIM).

In most cases however, completion of the questionnaires was done by their managers because of daily exposure to NEXIM operations, they tend to have more practical experience. The involvement of the managers in providing information about the problems and prospects of the Bank also helped in facilitating the research work.

Questionnaires administered to some selected Exporters-Importers also helped in the research work. It provides information on their problems in getting finance for their exports.

(b) PERSONAL INTERVIEW

Personal interview with some senior officials of the bank was conducted to obtain necessary information on:-

(a) Problems facing the exporting industries .
(b) General problems facing the bank in granting loans.
(c) Likely solutions.
(d) Prospects for the bank (NEXIM)
(e) Other comments.

Some selected exporters-importers of machineries for production of exportable goods were also interviews for more information.

(c) SURVEY METHOD.

Survey method was conducted on the sites of some selected exporters' companies to examine their production processes, the kind of products they are into, how they produce items and in what quantity and quality.

3.3 CONCLUSION

The strategy used in obtaining information for this research was unique, very simple, appropriate and suitable for the research topic.

CHAPTER FOUR:

THE EVOLUTION OF NIGERIAN EXPORT-IMPORT BANK (NEXIM) AND ITS STRUCTURE.

4.1 INTRODUCTION:

Nigeria's non-oil export prospects is tremendous, considering the diversity and quantum of forest, agricultural and mineral resources that are yet to be fully tapped. To harness and exploit the export opportunities for the socio-economic transformation for the nation and her people, calls for the articulation and adoption of viable export promotion strategies, vision and determination demonstrated in providing solutions to identified constraints to exports of Made-In - Nigeria products. The resolution of these issues and the combinations of both fiscal and monetary policy instruments to be used in stimulating and diversifying exports need to be carefully thought out in the years ahead.

Although the idea about establishment of the Nigeria export credit Guarantee and Insurance Corporation was fist conceived under the first National Development plan as an export credit agency whose main activity was to undertake insurance of Nigeria's export crops, it was not until 1977, when the Federal Government designed the CBN as the lead institution to establish the organisation based on its experience in establishing and managing a related scheme - the Agricultural credit Guarantee scheme. Between 1979-1984, series of operational and technical studies were conducted from which federal Government decided on establishing an EXIM Bank rather than a pure risk management agency.

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In 1991, the Government repealed the Nigeria Export credit Guarantee and Insurance Corporation Decree 1988 and provided for the establishment of the Nigerian Export-Import Bank (NEXIM).

4.2 BACKGROUND TO ESTABLISHMENT OF NIGERIAN EXPORT-IMPORT BANK (NEXIM).

Export - Import Financing is the provision of short, medium and Long-Term funds for export - import operations.

The funds are usually provided by the banks, non-bank financial Institutions as well as the exporters themselves and foreign buyers. Until 1945, Nigeria had no specialised export financing mechanism.

This is not to say that the country had not been exporting, rather, traditional products were exported by multinationals who had no problem in securing finance from foreign owned banks.

The marketing Boards, through the defunct west African Produce Boards, handled exclusively the marketing of scheduled agricultural produce such as Cocoa, Coffee, Ginger and solid minerals.

Later, the Nigerian produce Marketing Company ltd. (owned by state marketing Boards) took over the export of these scheduled commodities.

From 1962, a new export financing mechanism was evolved by the CBN. Under this mechanism, the Marketing Boards met their requirements for cash by drawing 90 days Bills of Exchange on the Nigerian produce Marketing Company Ltd., the company acted as an exporter for all the marketing boards. On acceptance by the company, the bills were discounted by a consortium of commercial banks and acceptance Houses participating in the scheme.

The CBN backed the scheme by providing rediscounting and refinancing facilities for the bills up to specified limited. Under this method of rediscounting and refinancing of produce bills, the gross value of commercial bills actually refinanced by the CBN rose from 59.4 million in 1964 to N[illegible]

However, due to uncertainties in the produce market in the 1964 to 1967 period, the scheme collapsed in 1968 with the withdrawal of commercial and acceptance houses from the scheme.

Consequently, the CBN assumed direct responsibility by financing the marketing Boards. By this direct financing, the CBN in 1970, financed the marketing Boards to the tune of N30 million, but by 1978 the total rediscounting and refinancing amounted to N355 million.

However, from 1979, the CBN relied more on direct credit controls as its main instrument of monetary policy in financing exports rather than direct financing. As a result, it stipulated credit allocations by commercial and merchant banks, to the export sub-sector. The export sub-sector until 1979 was classified under the less preferred sector of the economy apparently due to high foreign exchange earnings from non-oil exports. However, from 1979, the subsector was included in the preferred sector of the economy and the prescribed credit allocation to the export sector by Commercial Banks rose from 3.0 percent to 6.0 percent between 1979 and 1982 though it was 2.0 percent for the period 1983-1984. For Merchant Banks, it was between 3 percent and 4 percent from 1979 to 1985. However, since 1986 export sector has been placed on high priority sector.

1986 became a turning point for the export sub-sector it was the year the Structural Adjustment Programme (SAP) was introduced. The programme was designed to correct inadequancies in the policies that were hitherto in place and to induce a recovery of the economy through liberalisation of the external trade and payment system, and the adoption of appropriate pricing policies in all sectors of the economy based on market forces.

One of the main planks of the programme was the adoption of realistic exchange rate for the Naira and the diversification of sources of external revenue. Consequently, promotion of non-oil

of scarce foreign exchange, coupled with arrays of export incentives, and awareness created by Government, in addition to scrapping of commodity boards and export licence many firms and individuals went into export business.

The major policy instruments to achieve this objectives of a more aggressive, consistent and comprehensive export expansion programme was set out in the export (incentives and miscellaneous provisions) decree 18 of 1986. This decree brought into being the following export incentive schemes:-

(i) **CURRENCY RETENTION SCHEME**

Prior to 1986, exporters were allowed to retain only 25 per cent of their export proceeds in a foreign currency Domicilliary Account with a bank in Nigeria. However, under the current situation exporters are allowed to retain 100 percent of their proceeds.

(ii) **REDISCOUNTING AND REFINANCING SHORT TERM BILLS**

This facility is aimed at assisting banks to provide pre-shipment financing in respect of agricultural commodities, manufactures and semi-manufactures, solid minerals and capital goods.

(iii) **DUTY DRAW-BACK/SUSPENSION SCHEME**

Under this scheme, exporters can import raw materials and intermediate products for use in the manufacture of export products free of import duty. The scheme covers both a refund of import duty already paid on imported inputs for production of export item and the suspension/exemption from the payment of such duties by exporters.

In addition, manufacture - in Bond scheme provides for the importation of inputs required for export manufacturing, whether or not they are under import prohibition.

(iv) **EXPORT EXPANSION GRANT FUND**

This is supposed to be a cash grant from the Export Expansion Grant fund for exporters who have exported a minimum of N50,000.00 worth of semi-manufactured products to enable them increase the volume of export and also diversity export products and market coverage.

(v) **EXPORT PRICE ADJUSTMENT SCHEME**

The Export price adjustment scheme is a supplementary export subsidy applied as a last resort if by the application of all other incentives, the price of the Nigerian products is still uncompetitive in the world market due to high cost of production arising mainly form infrastructural deficiencies and other factors beyond the control of the exporter.

(vi) **EXPORT DEVELOPMENT FUND**

The Export Development Fund (EDF) is meant to provide financial assistance to private sector exporting companies to cover part of their initial expenses in respect of export promotion activities such as:-

(a) Participation in training course, symposia seminar and workshop in all aspect of export promotion;

(b) Advertising and publicity campaigns in foreign markets;

(c) Export market research and studies;

(d) Product design and consultancy;

(e) Participation in trade fairs, exhibitions, etc and

(f) Cost of collecting trade information.

This scheme is being administered by the Nigerian Export Promotion council.

(vii) **SUBSIDY FOR USE OF LOCAL RAW MATERIALS**

Exporters of manufactured products are by this scheme granted subsidy, provided the manufacturers export upto 50 percent of their annual turnover or the products have at least 40 percent local raw materials content or 33 percent value added. this scheme is also under the general administration of the Nigerian export Promotion Council.

(viii) **TAX RELIEF ON INTEREST FROM EXPORT LOANS**

Interest on income accruing to banks from loan granted in aid of export activities shall be exempted from tax. in addition, stamp duties on export credit instruments have been abolished.

(ix) **EXPORT CREDIT GUARANTEE AND INSURANCE SCHEME**

This scheme is meant to provide guarantee for pre-and post shipment loans extended to exporters, and insurance cover against non-payment by foreign buyers.

(x) **CAPITAL DEPRECIATION ALLOWANCE**

An additional 5 percent capital depreciation allowance on plants and machineries is extended to manufacturing exporters provided that such manufacturers export 50 percent of total goods produced.

Besides the incentives, the Federal Government proceeded to set up a very conducive environment for an export-oriented economy. It is not only strengthened the leading export promotion agency. The Nigerian Export Promotion Council (NEPC), it also increased the funding of the hitherto latent organisation and decentralised its activities. In addition, it went further to set up new institutions to implement most of the incentives.

For example the Nigerian Export-Import Bank (NEXIM) was established to implement the Export credit guarantee and insurance scheme while export processing zone authority takes care of Export processing zones (EPZ).

Furthermore, through the deregulation of the economy, numerous new banks and other financial institutions were licensed and export financing become an important part of banks portfolio management.

4.3 FORMATION OF NIGERIAN EXPORT-IMPORT BANK (NEXIM)

The idea about establishment of the Nigerian Credit Guarantee and Insurance Corporation was fist conceived under the first National Development plan as an export credit agency whose main activity was to undertake Insurance of Nigeria's export crops, it was not until 1977, when the Federal Government designated the CBN as the lead Institution of establish the organisation based on its experience in establishing and managing a related scheme - the Agriculture Guarantee Scheme. Between 1979-1984, series of operational and technical studies were conducted from which the Federal Government decided on the establishment of an EXIM Bank rather than a pure risk management agency.

In line with its structural Adjustment programme which emphasised a policy deregulation, the Federal Government of Nigeria in 1986 promulgated the Export incentive and miscellaneors provisions Decree which enumerated a number of incentives to be provided by the Nigeria export promotion council (NEPC) and other agencies of Government. The Decree mandated the CBN as one of the agencies of the government to provide a rediscounting facility on short-term bills for exporters as provided for in the CBN Amendment act of 1967. The C.B.N was also required to establish the Nigerian

Export Credit Guarantee and Insurance Corporation to provide Export Credit Guarantee and Insurance to protect exporters against risks Inherent in export business.

In 1988, the enabling Decree - the Nigeria Export Credit and Insurance Cooperation decree No. 15 of 1988 was promulgated and its pioneers board inaugurated in November 1990. the organisation commenced operation in January 1991.[13]

In 1991, the Government repealed the Nigeria export Credit Guarantee and Insurance Corporation Decree 1988 and provided for the establishment of the Nigerian export-Import Bank (herein after referred to as NEXIM).

NEXIM was established by Decree No. 38 of 1991. The initial Authorised share Capital was set at =N=500 Million divided in five million shares of =N=1 each and it is held equally by the Government of the Federation and the CBN.

4.4 OBJECTIVES OF NEXIM

The objectives for which NEXIM was established included the following:

(i) To carry on the business of export credit guarantee and insurance;

(ii) To undertake and guarantee the insurance of export credit and to enter into contracts of insurance against risk of monetary loss;

(iii) To accept reinsurance of all kinds from parties whether resident in or outside Nigeria.

(iv) To lend and advance money or give credit in naira and foreign exchange.

(v) To buy and sell foreign currency and accept money for remittance to all countries.

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13. The Role of NEXIM Bank in Export financing and Promotion by Mr. ONYEBUCHI ANIH. (Paper Presentation)

(vi) To establish and manage funds connected with object of the Bank.

(vii) To maintain diverse and relevant information for credit verification, export trade facilitation, etc.

(viii) To cooperate with similar organisations in the areas of credit information, debt collection, reinsurance and training.

4.5 OWNERSHIP AND CAPITAL STRUCTURE

NEXIM is owned by the Government of the federation and the CBN. The initial Authorised share capital was set at N500 million divided in five million shares of N1 each and it is held equally by the government of the federation and the CBN. The CBN and the Federal Ministry of Finance have since subscribed to and paid in full the amount of their shares, i.e. N250 million each.

4.6 FUNCTIONS OF NEXIM

What is today referred to as Nigerian Export-Import Bank has the following statutory functions.

(a) Provision of export credit guarantee and export credit insurance facilities to its clients;

(b) Provision of credit in local currency to its clients in support of exports,

(c) Establishment and Management of funds connected with exports;

(d) Provision of Foreign exchange credit from a revolving fund to exporters who need to import foreign inputs to facilitate export production;

(e) Maintenance of a trade information system in support of export business;

(f) Provision of domestic credit insurance where such a facility is likely to assist exports;

(g) Provision of credit insurance in respect of external trade, transit trade and enter-pot trade;

(h) Purchase and sale of foreign currency and transmission of funds to all countries;

(i) Provision of investment guarantees and investment insurance facilities.

These functions can be categorised into three main services.

(i) Provision of export fiance.

(ii) Provision of risk bearing facilities and

(iii) Provision of trade information and advisory services.

(i) **EXPORT FINANCE**

NEXIM bank may provide local and foreign currency finance to exporters either directly or through commercial and merchant banks in support of exports.

(ii) **RISK BEARING FACILITIES**

The Bank may also provide a relatively wide range of risk bearing facilities to enable exporters or their banks cope with the risks involved in the export trade. In this regard, the Bank may issue export credit guarantees export credit insurance and similar facilities for dealing with credit risk. The bank is also mandated to provide facilities for coping with investment risks since foreign investments stimulate foreign exchange receipts.

(iii) **ADVISORY SERVICES**

The bank's mandate covers the provision of advisory services in a wide range of areas - prices, exchange rates, markets, tariffs and non-tariff issues, product quality, trade practices and contract forms product and product specific matters finance and credit and a whole range of logistic issues involving freighting over land and sea, warehousing and storage etc.

In view of the rather complexity and breadth of the above issues, NEXIM commenced operations by providing services in areas considered as high priority. These services are explained in the following section as well as by the beneficiaries especially the exporters.

(1) **EXISTING SERVICES OF THE BANK ; (i) Export Credit, Rediscounting and Refinancing Facility (RRF)**

This facility is designed to assist banks to provide pre and post shipment finance in local currency in support of export. The facility enables exporters to have access to the expanded export portfolio of banks at preferential rates, and has contributed immensely to the expansion of export credit portfolios of banks.

The RRF started in the CBN in 1988 - the year in which the Nigerian Export Credit Guarantee and Insurance Corporation Decree as enacted and operated through only three banks.

ACCESSING THE RRF

Any exporter in Nigeria can benefit from RRF. firstly, the exporter, sure of source of the export commodity, gets a confirmed order from his oversea buyer.

He then approaches his bank to ask for export credit. when many exporters must have approached the bank, the quantum of foreign exchange expected from their orders would form the basis for the bank to apply to NEXIM for export credit line for the nearest quarter.

Individually, therefore, the bank would agree on the terms of the credit with the exporter clients. Then, the bank would initially disburse monies to the exporters to enable them execute the orders. Subsequently, the bank would approach NEXIM bank with an application from its credit line inrespect of each of the exporter to which it had extended export credit.

After examined the documents accompanying the application and thereby getting convinced that actually, there was an underlying export contract, that the bank passed on the credit to the exporter and that the exporter had the capacity to perform, NEXIM bank would grant finance to the bank against a promissory note and irrevocable transfer order to be presented by it. The RRF is conducted on basis of concessionaire interest rate. Currently the participating bank charges the exporter 18% per annum while NEXIM Bank charges the bank 14% per annum. Under the RRF NEXIM Bank provides credit for up to a year for refinancing and for maximum of 180 days (120 days for pre-shipment and 60 days for post - shipment) for rediscounting.

From 1988 to 1991, 80 banks and 343 exporters had benefited from the RRF. Funds disbursed under the facility has also grown from =N=552.4m in 1988 to N2,098.9m in 1991 and N2,839.5m in 1992.[14]

(ii) **STOCKING FACILITY**

This facility is provided in Local currency to enable manufacturers of exportable goods to procure adequate stock of raw materials (which are seasonal in nature) to keep their production at optimal levels through out the year.

. 14. The Role of NEXIM Bank in Export Financing and Promotion by ONYEBUCHI ANIH (Paper Presentation)

The facility became necessary when it was observed that manufacturing exporters had problems sustaining profitable production levels during the periods in which their raw materials were scares. The stocking facility is available for a maximum of one year and is granted a concessionary interest rate to enhance the price competitiveness of the manufactured goods.

ACCESSING THE STOCKING FACILITY

To benefit from the facility a manufacturing exporter would apply through his banker. NEXIM Bank, if satisfied with the bank's presentation in respect of the exporter's production schedule and raw material requirement/utilization, would approve the disbursement of some funds to the bank subject to the bank producing such documents as warehouse warrants insurance policy/certificate on the raw materials and a letter of hypothecation giving rights to the dealing bank on the stocked materials. When these documents are presented evidencing the appropriate utilization of the initially disbursed funds, the balance of the grant is then disbursed to the bank.

The facility has been largely accountable for the success of many manufacturing exporters. For example, over 38 (or 33%) of the 115 projects that benefited from NEXIM's foreign exchange financing under the Foreign Input Facility (FIF) have started exporting their products on regular basis to the support of the stocking facility. In 1991, NEXIM Bank provided the sum of N90.2m to exporters through eleven banks while in 1992 it disbursed N191.2m to exporters through 355 banks under the stocking facility.

(iii) **FOREIGN IMPUT FACILITY (FIF)**

This facility provides manufacturers of export products needed foreign exchange for the importation of capital equipments, spare parts, packaging materials and raw materials for the production of finished or semi-finished export products. The loan is also repaid in foreign exchange.

The decree establishing NEXIM provides for the bank to source foreign exchange from multilateral and bilateral institutions as well as from Nigeria's external reserves. The first quantum of resources for operating the scheme was obtained from the Federal Government of Nigeria from the African Development Bank (ADB). This was an export stimulation loan (ESL) of $245 million.

ACCESSING THE ADB/ESL FACILITY

The ADB/ESL is designed to benefit small and medium scale enterprises which include enterprises whose assets including land do not exceed $6 million.

To benefit from this facility, an enterprise which falls within the above category would have to apply to its bank. The bank in turn appraises the project proposals and if satisfied that the proposals are commercially viable, applies to NEXIM Bank on behalf of the manufacturing exporter for the foreign exchange allocation. The NEXIM Bank would then aggregate the applied sums from the banks and subject to the available funds, uses the pro-rata principle to allocate the foreign exchange to the banks - also against the promissory notes and irrevocable transfer orders presented by the benefiting banks.

(iv) **REPURCHASING FACILITY.**

Following the inability of some enterprises to meet up their foreign exchange repayment obligations under foreign input facility (FIF) due to such problems as late take-off of their projects and non-sale of export items produced, NEXIM Bank introduced in june 1991, the Repurchasing Facility designed to ameliorate the repayment burden.

With the facility, the bank representing the enterprise (manufacturing exporter) repurchases the promissory note that it is supposed to redeem ie the principal while the interest is paid. A bank can repurchase not more than two installments of the
loan that has fallen due but could not be repaid. The repurchase facility allows such affected enterprises more time to generate funds to meet their obligations.

ACCESSING THE REPURCHASING FACILITY

Any exporter which is distressed as explained above can avail itself of the facility by simply applying through his bank. On receipt of the application by NEXIM Bank it is examined against the information it must already have accumulated on the cash flow position of the enterprise. Thereafter, if the bank is satisfied, it approves the application and the bank is allowed the repurchase. The maximum length of period allowed for a repurchase is 18 months and a repurchased promising note attracts one percent higher than the normal charges of 10.5% annum for capital goods and 9.5% per annum for raw materials.

In 1991, the total volume of repurchases was 3.9 million Dollars involving 6 banks while in the first half of 1992 (i.e up to June 1992) the total repurchases was N14 million Dollars. It is

signified that many enterprises that benefited from NEXIM Bank FIF have been able to resume repayment on due dates due to the support of the repurchasing facility.

(v) **RISK BEARING FACILITY**

Some of the facilities have been articulated and are on the verge of being introduced while the others will come on stream in due course.

ABUBAKAR TAFAWA BALEWA LIBRARY

(1) **EXPORT CREDIT GUARANTEE FACILITY**

This facility is the usual guarantee which a lender receives from a suitable party as security to protect it against a borrower's default.

In the event of a default, the guarantor arranges to repay the lender. NEXIM's guarantee will be provided to lending banks where a suitable counter-guarantee is in turn given to NEXIM by the exporter. Considering the mandate for the Bank, only export credit will qualify for NEXIM's guarantee. This facility took off in April 1993.

(2) **EXPORT CREDIT INSURANCE FACILITY**

This facility insures exporters against risk of non-payment by buyers where such default is ascribable to commercial causes. Payment defaults due to political reasons are to be covered separately by the Bank for the account of Federal Government. This facility commenced before the end of June, 1993.

(3) **INVESTMENT GUARANTEE AND INSURANCE FACILITIES:-**

This facility to be offered by the Bank to promote Capital Investment in export-oriented enterprises. The Insurance facility compensates investor for investment losses that could not be covered under buyer commercial insurance.

(4) **PRICE GUARANTEE CONTRACT (PGC)**

The Bank in its efforts to protect exporters against material risks had introduced a price guarantee scheme which involves the purchase of a price guarantee contract (PGC). The PGC enables exporter hedge against market risks associated with adverse movement in price. It insulate exporters against excessive price fluctuations by guaranteeing a minimum price for their export product.

(5) **MUTUAL EXPORT GUARANTEE ASSOCIATION (MEGA)**

The bank has established a counter guarantee fund to which infant exporters, grouped into associations known as Mutual Export Guarantee Associations - MEGA, can contribute and therefore offered on their behalf by NEXIM to banks in respect of export loans.

(6) **TRADE INFORMATION AND EXPORT ADVISORY SERVICE**

In addition to the above facilities which can be accessed only through commercial and merchant banks, NEXIM provides the following market information and advisory services directly to exporters.

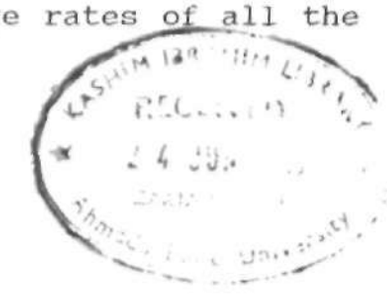
(a) Hotlines

This is a telephone service designed to enable exporters obtain, through the telephone, prompt information on commodity prices as traded in various commodity exchanges, market trends and other export-related information.

(b) **Price and Currency Information Services**

NEXIM provides price and currency information to exporters and its other clients on inquiry. This service is made possible by NEXIM's acquisition of Reuters terminals, which provide visual information on current prices of sold commodities at the international market and also current exchange rates of all the major currencies.

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(c) **Other Information and Advisory Services**

In addition to the Annual Report, NEXIM has other publications and study services from which exporters could obtain vital information in support of their operation. these include:-

(1) Worldwide product review or commodity profiles conducted at client's request.
(2) Country market profile available at client's request in support of trade fairs and trade missions
(3) Information on major chambers of commerce around the world.

(d) **PARTICIPATION IN TRADE FAIRS AND TRADE MISSION**

NEXIM Bank participates in Trade fairs and trade missions. It seizes the opportunity of such fairs to enlighten exporters on the range of products it offers in support of exports. The bank's delegation to such trade fairs provides Nigerian exporters with information on trade policies, country risk rating and other relevant economic information. This information assists Nigerian exporters on how to prepare sales contracts, advises them on the details of such contracts that will easily qualify them for NEXIM's financial support.

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4.7 SOURCES OF FINANCE FOR NEXIM.

The resources with which NEXIM currently carries out its statutory functions are derived essentially from equity contributions of its shareholders, loans obtained from CBN and African Development Bank (ADB), as well as income derived from investment and other interests/returns from the management of the Bank's assets:

- Equity - N500 million (five hundred million shares at N1.00 each)
- 8% perpetual debenture of N1,225, 151, 555.00
- N200 million loan from CBN for Naira Term Loan.
- About 245 million Dollars at an annual average interest of 7.5%.
- Internally generated-retained profits = N224.7 million

4.8 NEXIM'S ORGANISATIONAL STRUCTURE

NEXIM Bank was basically established to foster the country's export by performing the earlier discussed functions. The organisational structures are woven around these functions. As earlier discussed NEXIM Bank was established by government and their structures tend to conform with the following:-

(1) Board of Directors.

At the helm of the activity structure is the Board of Directors with a chairman who directs the policy-making organ. The composition of the Board is as stated hereunder:

(a) The Deputy Governor responsible for monetary and Banking policy in the CBN as chairman;

(b) One other person representing the CBN

(c) One person representing the Federal Ministry of Finance and Economic Development;

(d) One person representing the Federal Ministry of Commerce and Tourism;

(e) Two representatives of private Export interests;

(f) The Managing Director of the Bank, and

(g) Two Executive Directors of the Bank.

Currently, the names of the Board Members are as follows:

(a) Mr. V.A. Odozi
(Deputy Governor, CBN)

(b) Mr. C.C. Edordu — Member
(Managing Director)

(c) Mr. A.A. Adaba — "
(Executive Director, Operations)

(d) Mr. R.A. Adeshina — "
(Executive Director, Mgt. Service)

(e) Alhaji I.G. Garba — "
(Representing CBN)

(f) Alhaji M.S. Hamid — "
(Rep. Fed. Min. of Finance)

(g) Mr. M.I. Nwagwu "

(Rep. Fed. Min. of Commerce & Tourism)

(h) Alhaji A.M. Bulkachuwa "

(Rep. Private Export Interest)

(i) Alhaji (Dr) Hassan Adamu "

(Rep. Private Export Interest)

The Managing Director oversees the following;

(i) Internal Audit or control Dept.

(ii) Research and planning Department

(iii) Legal Department

(iv) Public Relation Department.

DEPARTMENT

(1) Operations

(2) Management services or support services.

(A) **OPERATIONS**

(1) Export Finance

(2) Export Insurance

(3) Corporate Development

(B) **MANAGEMENT SERVICES**

(1) Finance and Administration

(2) Audit

(3) Legal Office

(4) International Relation.

Operation department are further broken down to the following:

(1) Lending

(2) Projects Guarantee and Insurance

(3) Performance and other binds.

(4) Project Administration.

(5) Loans Administration

(6) Underwriting services

(7) Treasury operations

(8) Human Resources - Research and Development

(9) Marketing

(10) Accounting

(11) Corporate Communications

(12) Claims

(13) Audit see Appendix.

4.9 FUNCTIONAL DEPARTMENTS OF NEXIM

All the operational departments discussed above are functional and the management services are functioning well.

4.10 CONCLUSION

After a delay of three decades, NEXIM has finally came along and commenced operations in 1991. The bank has taken off effectively and has introduced numerous facilities to aggressively push exports both in volume and structure. Their objectives include rapid export expansion, export product diversification, export market diversification and diversify in degree of export processing.

CHAPTER FIVE: FINANCIAL POLICIES OF NEXIM.

5.1 INTRODUCTION

The Nigerian Export Import Bank was established by degree No. 38 of 1991 as an Export Credit Agency (ECA) to provide financial, risk bearing and export advisory support services to Nigerian exporters and exporters of Nigerian products. The principal objective being an expansion in the volume and value of non traditional exports as well as the facilitation of market and product diversification. The Bank in providing financial support to exporters, disbursed concessionally priced funds through commercial and merchant banks. This has the effect of allowing the exporter keep his cost profile low and remain competitive in the international market. It also allows the **NEXIM** to take advantage of the extensive coverage offered by the banking system. In order to access this facility, exporters requiring funds (either for short term trade finance or long term project financing) are required to submit relevant documents including an application for **NEXIM** financing, Local procurement invoice, an export order for short term trade finance, and a comprehensive feasibility study for long term project finance to his chosen banker.

5.2 **FINANCING POLICIES OF NEXIM**

The Banks financing policies may be summarised in tabular form as follows:

	Objective	Means of Attaining Objective	Remarks
1.	The Provision of pre and post-shipment export credit	1. Operating a self-Liquidating Rediscounting and Refinancing facility provided to exports through their banks based on export orders received	Been operating since inception of the Bank and operated through the Trade Finance Department of the Bank.
2.	The provision of Input inventory finance in support of export Manufacturing	2. Operating a stocking facility for manufacturer of value added exports	"
3.	The provision of Term Financing in support of export manufacturing	1. Operating a hard currency facility through which exporters are provided funds for the import of equipment and raw materials needed for	The hard currency component is operated through a loan facility provided to

		export manufacturing.	Nigeria by
			African Develop-
			ment Bank (ADB)
			The facility is
		2. Also operated through linked placements	managed by the Projects and
			Corporate Finance
			department.
4.	The provision of credit guarantee and other guarantees	1. Operating an export guarantee facility for banks 2. Operating Mutual Export Guarantee facility for banks on behalf of small exporters 3. Operating a manufacture -in Bond guarantee facility for export manufactures.	To be introduce in 1994 and operated by underwriting Department

5.3 REQUIREMENTS FOR OBTAINING NEXIM FACILITIES.

Below is a diagrammatic sketch of the required documentation for NEXIM's facilities.

	Facility	Documents required by NEXIM
1.	Rediscounting & Refinancing Facility	
	(a) Rediscounting	An application to NEXIM signed by two authorized Signatories of the bank.
		Evidence of export order such as letter of Credit, Sales contract, confirmed order.
		A bill of exchange drawn by the bank on and accepted by the exporter covering export Credit facilities provided by the bank. The bill shall be for an appropriate tenor completed Return on Export Finance Port-Folio.
		A performance bond. for post shipment export credit rediscounting, evidence of shipment such as bill of lading.

(b) Refinancing	An application to NEXIM signed by two authorized signatories of the applying bank.
	Evidence of export order-letter of credit
	Sales contract.
	Evidence and details of export finance including particulars of repayment schedule
	The instruments (e.g. export debentures) or installments fallen due for repayment within one year of application date.
	Return on export finance portfolio
	Performance bond.

5.4 **METHOD OF APPLYING NEXIM SUPPORT.**

As mentioned earlier, exporters requiring funds (either for shot term trade finance or long term project financing) are required to submit relevant documents including an application for **NEXIM** financing, Local procurement invoice, an export order for short term trade finance, and a comprehensive feasibility study for long term project finance to his chosen banker.

5.5 **EXPORT PROCEDURE.**

Below is a diagrammatic sketch of a simple sequence of events leading to a successful exportation of goods from Nigeria.

Registration of an Export oriented company at the Corporate affairs Commission, Abuja.

Registration of the company with the Nigerian Export promotion Council.

(This is optional but is strongly advised)

Determination by the exporter of what to export
(This would involve a cost benefit analysis of the various export item in which the exporter has some comparative advantage)
Negotiating an export contract with a prospective foreign buyer.

(This would involve discussing issues of pricing,volume, shipment terms, payment terms, quality specifications, and packaging requirements)

Arranging financing for local procurement
(Whether personal, Bank or **NEXIM** financing)

Delivery export items to the point of exportation
(Either by sea, land or air depending on the terms of the contract)

Receipt of payment.

5.6 **IMPORT PROCEDURE**

NEXIM Bank does not have procedure for import .

5.7 **THE APPRAISAL PROCESS.**

The exporters banker appraises credit proposals submitted by individual clients and if convinced as to the financial viability of the requests, applies to **NEXIM** for financing (project finance) or refinancing (trade finance) on the transaction. While credit appraisal and monitoring for trade finance transactions are largely the responsibility of the supporting bank, **NEXIM** does ask for and receive status reports on outstanding credit performance from the banks. For project financing, officers of the bank undertake independent appraisal of project feasibility reports, the purpose of

which is to evaluate projected performance of the project utilizing the banks superior knowledge of the environment in which the project is to operate.

5.8 **COMMITMENT CHARGES.**

NEXIM Banks does not require that exporters pay any commitment charges.

5.9 **LEGAL DOCUMENTATION.**

The banks as primary obligors on avalized funds, issue promissory notes and irrevocable standing orders to **NEXIM** for all sums disbursed to the exporters. This ensures the recovery and integrity of the funds disbursed.

5.10 **PROCEDURE FOR FUNDS DISBURSEMENT.**

All credits disbursed by **NEXIM** to exporters are channeled through the exporters bank. As such, repayments on all **NEXIM** facilities are expected to be made by the exporter through the bank that disbursed the funds. For this purpose, exporters are expected to maintain domicilliary accounts with the disbursing bank into which export proceeds are credited. It is from this account that repayments are made. The financing bank therefore maintains a lien on all export proceeds accruing from transactions so financed. This together with the promissory notes and irrevocable standing orders issued to **NEXIM** by the banks ensures the recovery of the funds disbursed.

5.11 **POLICIES FOR INVESTMENT SUPERVISION**

KASHIM IBRAHIM LIBRARY

As mentioned earlier, credit monitoring for trade finance transactions are largely the responsibility of the supporting bank. However **NEXIM** does ask for and receive status reports on outstanding credit performance from the banks. For project monitoring, officers of the bank undertake joint project visits with officers of the supporting bank. The purpose of these visits is to evaluate the performance of the project and to keep management abreast of the developments.

5.12 **DATA ANALYSIS.**

In this research, the data collected are uniquely, adequately and appropriately interpreted by using statistical method. Statistics can be described as a branch of scientific methodology dealing with collection, classification, description and interpretation of data obtained by distributing questionnaires, personal interview, survey and experiments. Its main essential purpose is to describe and draw inferences about the numerical properties of population. A population is used to describe groups or aggregate of people, animal objects, materials measurements, things or happenings of any kind.

The main statistical method or symbol used in clarifying the variables under this research is "percentage". All the results are appropriately apportioned over one hundred (100%).

TABLE 3

5.12(i) **FREQUENCIES OF RESPONSES BY CLASSIFICATION.**

	RESPONSES		
SAMPLE	A.POSITIVE	B.NEGATIVE	NO IDEA
1. Agricultural industry	80%	20%	-
2. Textile Industry	60%	35%	5%
3. Leather Works Industry	85%	12%	3%
4. Merchant Banks	80%	20%	-
5. Commercial Banks	90%	10%	-
6. Automobile Industry	90%	10%	-
7. Other manufacturing Industry	70%	20	10%

A. POSITIVE:- Are those Banks/Companies that have certified with the role of NEXIM Bank in providing financial, risk bearing and export advisory support services to Nigerian exporters.

B. NEGATIVES:- These are the classes of Banks/Companies that believe NEXIM Bank is only in theory and does not render any assistance to them in any form.

C. NO IDEA:- Are those who refused to give any comment on the NEXIM. The claimed that they only heard of the name but do not know about their operations.

In this research, the statistical data available revealed that Agricultural products and other non-oil exports dominated the bulk of Nigerian export.

5.12(a) **ACHIEVEMENT OF NEXIM**

During 1992. NEXIM'S second year of operation, the Bank experienced both absolute and relative expansion in its main activities.

This expansion took place in the areas of:

- Provision of financial services
- Organic size
- Exporter education and advisory services
- Range of planned facilities.

In financial services, the Banks expansion occurred in virtually all products. Measured in absolute terms, the Bank's trade finance facilities rose from about N2 billion in 1991 to almost N3 billion in 1992.[15]

In relative terms, the Bank's short-term funding for exports as a proportion of total trade financing issued by the banking system in the country stood at about 87% at the end of 1992., compared to about 60% in 1991 (TABLE 4).

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15. NEXIM BANK (1992) ANNUAL REPORT AND STATEMENT OF ACCOUNTS.

TABLE 4.

NEXIM'S OUTSTANDING EXPORT CREDIT SHORT-TERM AS A PROPORTION OF TOTAL OUTSTANDING BANKING SYSTEM'S EXPORT CREDIT (YEAR ENDED)

1	2	3	4
Year	NEXIM'S OUTSTANDING EXPORT CREDIT (Nm)	TOTAL BANKING SYSTEM OUT-STANDING EXPORT CREDIT (Nm)	2 AS A PERCENTAGE OF 3
1990	418.6	1215.7	34.4
1991	942.5	1449.2	60.8
1992	1457.0	1682.6	86.6

SOURCE: NEXIM Bank and Research Department of CBN, Lagos.

The emerging picture is that NEXIM is now the predominant source of short-term trade financing provided to the export sector, with the rest of the banking system providing less than 15% from their own resources.

The Banks support for raw material stocks on behalf of manufacturing exporters more than doubled, rising from N90 million in 1991 to N249 million in 1992. However, project finance flows slowed, (owing to problems of cross - defaults in which NEXIM was not directly involved) although the quantum of outstanding project funding remained fairly stable at US $ 231.6m in 1991 and US $229.6m in 1992.

In addition to expansion in financial terms, the Bank witnessed organic growth and expansion. At the beginning of the year, they moved their operation base from its embryonic location within the premises leased by the central Bank in Savannah House to its own rented premises at the Allied House in Lagos. This made possible the assumption of duty by the may of Bank's new officers who, on arrival, significantly expanded the staff strength. Further, the year ended with the Bank continuing its orderly growth with the opening of the abuja office as a first and significant step in diffusion of its services to exporters across the country.

The Bank also expanded its role in the areas of exporter education and advisory services. Such activities included three Seminars, (an international Seminar Co-hosted with the Dakar Union; a second seminar jointly organised with the World Trade Centre of Nigeria, and another seminar jointly organised in collaboration with the CBN, for women Entrepreneurs in Export) for achieving export expansion.

In addition to the above developments, the conceptual framework for moving the Bank closer to a full-fledged export-import bank was laid. In that regard, several new services and facilities including the price guarantee scheme, Mutual Export guarantee Scheme were fully elaborated and discussed with exporters and bankers.

The international arena and the domestic economy as they functioned in 1992 provided the context in which NEXIM operated, and economy's export performance and the Bank's impact. Developments in the world economy were not very favourable to exports during 1992. Global output was virtually stationary having grown by only 0.4%.

However, the economies of the organisation for Economic co-operation and Development (OECD) Countries which constitute the biggest markets for Nigeria's exports experienced modest recovery having achieved an output growth of 1.5%. Elsewhere in the World, political and economic problems as well as natural disasters combined to weaken output growth and trade prospects.

As in 1991, the Bank continued the vigorous pursuit of its manda through the operation of the facilities that existed at the end 1991 as well as the introduction and/or articulation of new ones. Existing facilities were sustained and expanded during the year whi the Banks capacity to provide trade information and export adviso services was strengthened through the establishment of well-stack modern library where information on international market prices soft commodities as well as exchange rates of all major currenci could be sources. Some risk management products were articulated a discussed with the export community. The Banks strove to carry o export enhancing activities inspite of the adverse but challengi domestic and international economic environment that prevailed 1992.

5.12(b) **REVIEW OF NEXIM'S OPERATIONS**

Having discussed NEXIM Bank achievements, the details of some NEX activities in 1991 and 1992 are presented here under.

1. Export credit Rediscounting and Refinancing facility (RRF)

The Bank continued the operation of RRF which was introduced to boos access to export credit at an interest rate that was both stable ar relatively comparable with those existing in competing countries. A in 1991, the facility was operated through commercial and merchan banks, and enables them to cope with enormous liquidity requirement for financing export. Total RRF advances of about N2,871.2 millio were made available to 43 commercial and 46 merchant banks in 1992 The overall disbursement in 1992 represented an increase of abou 36.8% over the N2,098.9 million granted to 35 commercial and 4 merchant banks in 1991 (table 5)

TABLE FIVE

MONTHLY DISBURSEMENT UNDER NEXIM'S RRF IN 1991 AND 1992

MTH	AMOUNT DISBURSED N' MILLION			NO. OF PARTICIPATING COMMERCIAL BANK		NO. OF PARTICIPATION MERCHANT BANK		NO. OF EXPORTING BENEFICIARIES	
	1991	1992	% Change between (1) & (2)	1992	1991	1991	1992	1991	1992
JAN	94.8	235.5	148.4	5	17	10	14	10	41
FEB	189.2	173.4	- 0.1	9	14	9	17	21	34
MAR	156.5	207.8	32.8	14	14	15	18	32	32
APR	98.7	227.4	130.4	9	11	9	23	20	42
MAY	134.5	230.4	71.3	9	9	13	16	26	38
JUN	95.5	250.6	162.4	9	11	9	20	18	46
JUL	165.8	254.1	53.3	12	12	11	15	27	38
AUG	260.1	135.1	-48.1	13	9	22	10	47	24

TABLE FIVE CONT.

SEP	185.2	164.2	-11.3		15	12	13	12	37	30
OCT	203.9	290.4	42.4		11	19	16	22	31	47
NOV	231.2	384.9	35.7		10	14	17	20	32	47
DEC	283.6	384.9	35.7		16	14	21	24	42	69
TOTAL	2,099.0	2,871.2								

Source: NEXIM

On the basis of RRF advances handled by them, merchant banks were m tive than commercial banks in 1992, accounting for N1,717.3 mil about 59.8% of total disbursement while the remaining N1,158.9m o of total disbursements passed through commercial banks. Rubber and ber products topped the list of export items financed in 1992 with of N716.6million or 25% of total RRF disbursement.

Repayments during the year amounted to N2,642.9m and represented a 75.6% over the N1,505.1 million repaid during the corresponding pe 1991 (Table 6)

TABLE 6

Repayment under NEXIM'S RRF in 1991 and 1992.

Month	Amount Repaid (N million) 1991 (1)	1992 (2)	% change Between (1) & (2)	No. of banks Involved 1991	1992
January	180.6	246.7	36.6	28	34
February	150.3	216.7	43.8	20	33
March	68.5	172.6	152.0	11	28
April	130.3	178.9	37.3	25	36
May	114.3	229.9	101.1	22	31
June	132.8	168.5	26.9	19	31
July	163.4	189.3	15.9	29	28
August	85.4	184.3	115.9	22	24
September	170.7	218.8	28.2	29	27
October	1.0	270.7	269.7	28	38
November	137.7	293.3	113.0	23	37
December	170.1	273.3	60.8	24	31
Total	1,505.1	2,642.9	75.6		

Source: NEXIM.

(2) **STOCKING FACILITY**

The stocking facility as earlier discussed is made available in local currency to enable manufacturers of exportable goods procure adequate local raw materials needed to keep their production at optimal levels, particularly during the period of scarcity of the raw materials.

Raw material stocking advances worth N249.1 million were granted during the review period through 17 banks for the procurement of cocoa beans, rubber, palmnuts (table 7)

TABLE 7.

SUMMARY OF DISBURSEMENT UNDER NEXIM'S STOCKING FACILITY IN 1991 AND 1992 CLASSIFIED BY TYPE OF COMMODITY STOCKED.

Name of commodity	Quantity stocked (Tones)		Amount Disbursed (N'million)	
	1991	1992	1991	1992
Cocoa Beans	4,883	32,072	63.0	110.7
Rubber	3,340	7,520	17.2	24.0
Palm Kernel	25,000	46,920	10.0	79.8
Cotton Lint	-	N.A	-	8.0
Raw Skin	-	144,000 pieces	-	9.5
Cashew Nuts	-	7,981.25	-	17.1
TOTAL	90.2	249.1		

* N.A. = NOT Available

Source: NEXIM.

Disbursements for the stocking of Cocoa beans accounted for N110.7m or 44.4% of the over all disbursements under this facility in 1992, while N79.8 million or 32% was advanced for palm kernel. The dominance of the disbursements to Cocoa beans reflected a vigorous pursuit of the government's objective of increasing the processing of the commodity at origin for enhanced value - added as well as the need for the Bank to provide adequate raw materials to cocoa plants, having committed substantial amounts of money in the establishment of new cocoa processing plants or in the re-activation of existing ones.

(3) **FOREIGN IMPUT FACILITY (FIF).**

In adequate resources slowed down project finance activities of the Bank in 1992. This was because the negotiation for a second line of credit from the African Development Bank (ADB) was not concluded as rapidly as had been expected owing initially to a number of technical factors and subsequently to cross-default arising from other ADB projects in Nigeria. However, these problems were near resolution at year end. As a result, the Bank operated the FIF during the year with the balance of about 1.6 million units of Account (or about US $2.2 million) On the whole 13 banks and 10 activity types benefited from FIF disbursements during the review period. Among the activities that benefited were cocoa, rubber, food, oil-seed and wood processing Industrial fishing/traveling, plastics, textiles, petroleum drilling and steel. The disbursements to various activities ranged from $5.7 million or 21.2% of total disbursements in respect of cocoa processing, to $0.35million (6.5%) for rubber processing.

5.12(c) **EMERGING PROBLEMS IN THE EXPORT SECTOR**

The export sector continues to be plagued by various bottlenecks and disincentives. These include the state of the economy, real sector production programmes, infrastructures including haulage of goods; quality inspection, certification and standardization; export levies and taxes; port tariffs and surcharges, etcetera[16]. This research will however emphasize on those aspects which have impact on production primarily and therefore export growth. They are:

1. **The State of the Economy**

   The significant divergence between macroeconomic outcomes and targets has hampered economic activities considerably and slowed down the rate of growth of the GDP. This has been characterised by low capacity utilisation, high level of underemployment and, perhaps unemployment, numerous labour unrests including various acts of civil disobedience which have culminated in significant losses of man days. Aggravated distress in the financial system, hyper-inflation, soaring debt stocks (both domestic and foreign), etcetera have been reinforced by political uncertainties to constrain productive economic activity.

2. **Production**

   Production normally precedes export. However, as a result of some of the factors listed above, productive economic activities have remained constrained. The uncertainties in

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16. NEXIM BANK (Research Department).

the distribution of subsidized inputs, etcetera have all worked together to prevent production from growing at a rate that could impact positively on export. In a nutshell, the macroeconomic policies which have been pursued, especially in 1993 triggered more increases in production costs than in revenue, thus wiping out or reducing the profit incentive that was necessary to stimulate export.

Total non-oil exports as a percentage of estimated non-oil **GDP** at current values was a mere .94 per cent in 1993.

3. <u>State of Infrastructures</u>

Inefficient transportation, telecommunications and energy services continued to pose great difficulties to exports in the country. Land transportation is still characterised by deplorable road condition, insufficient trucks and high freight charges, particularly after the increase in the price of petroleum products.

Sea freighting is characterized by serious inefficiencies at the ports, low cargo volumes, high port tariffs and surcharges, etc all of which frequently induced diversion of Vessels to neighbouring countries. The economic cost of this development to the nation is alarming, including the elimination of any chance of Nigeria becoming a trans-shipment port. Loading and off-loading equipment as well as stevedoring services at the ports remain grossly inefficient and costly. Ports operating hours are still too short with closures during the weekends unlike what obtains in other countries that also engage in outward-looking, export promotion programmes. The ports continue to experience frequent disruptions and closures due to industrial strikes and the

political crises. This development has forced many carriers and shipping companies to pay avoidable demurrage, whose incidence is invariably transferred to port users. Finally, the security at the ports is still grossly inadequate.

5.13 **CONCONLUSION**

The NEXIM Bank was established by Decree No. 38 of 191 and is an organisation charged with the responsibility of financing and promoting non-oil export in the country - foreign exchange earnings from non-oil sources in 1991 stood at US $326.7 million which represents 12.9% improvement over the figure of US $284.4 million reported in 1990 full information for 1992/1993 are not yet available but the 1991 story can hardly produce a cheerful situation because the basic concentration remain a feature of the export sector. Other problems include inadequate export production, obstacle facing new processed and semi-processed export products and limited opportunities for expanding new markets. NEXIM is conscious of these problems and recognises that its establishment was not expected to bring about an over night solution to the problems of the export sector which is a difficult sector and has assumed even more complex dimension as many nations simultaneously take similar steps to become more competitive. The ration should however, be undaunted as a useful beginning has been made and the private sector has since 1986 responded admirably. The number of products entering the export list has risen rapidly from the handful they were just prior to 1986. A new generation of entrepreneurs acquired the needed skills and NEXIM is determined to use its existing and planned facilities to support them to realise the national goals in export.

CHAPTER SIX: SUMMARY, CONCLUSION AND RECOMMENDATIONS.

6.1 SUMMARY

The introduction of this study highlighted the importance of diversifying the Nigeria economy through export financing by encouraging non-oil exports. To this NEXIM Bank was established by decree No. 38 of 1991 as an Export Credit Agency (ECA) to provide financial, risk bearing and export advisory support services to Nigeria exporters. NEXIM does not deal much on import financing except for importation of raw materials, machines used in production of exportable goods. The objectives and the responsibilities of the bank were also discussed.

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The purpose, objective and the significance of the study were discussed. The literature review highlighted the Trends of Export and Import Trade in the international scene. The institutions set up and tools used in financing foreign trade specifically united states, multinational companies and foreign trade, U.S companies and Export-Import Bank of the U.S. were all discussed.

The sources of data collection for this study were through primary and secondary methods. The numerous publication on export financing in Nigeria and on NEXIM Bank formed the main sources of secondary data collation. The primary sources were derived with the aid of questionnaires, interview, verbal discussion and survey. The information obtained were analysed accordingly. Prior the formation of NEXIM Bank, the establishment of the Bank, organisational structure and their functions were all fully discussed. Guide to Nigerian exporters, NEXIM financing policy and requirement for obtaining NEXIM facilities were also discussed in details as well as review of the Bank's operation since inception to 1992. (Information on 1993 were not yet ready as at the time of this research) some problems confronting the export sector were stated which were mainly the state of the

economy, productive economic activities being constrained due to uncertainties in the economy coupled with the government - at the expense of the private sector, scarcity of foreign exchange and the state of infrastructures were all stated and discussed.

6.2 **CONCLUSION:-** In conclusion, the setting of NEXIM Bank is a good development but more needs to be done.

There has been a growing interest in export financing by banks and other institutions in the country. In addition to banks and other financial institution in the country, international financial institutions have been assisting exporters by injecting new funds into the export sector. For instance, the African Development Bank (ADB) has granted Nigeria a package of export stimulation loans (ESL) other international financial institutions like the World Bank, have been of assistance in supporting Nigeria's effort in reshipping her economy through fostering non-oil export, among other measures.

The various moves to promote export, coupled with the the offer of export incentives, e.g. the setting up of the Export Promotion Council, prescribed sectorial credit allocation, promulgation of the Export (incentives and miscellaneous provision) Decree, duty drawback, etc. are yet to yield the expected dividends in view of lack of adequate positive response.

What appears to us to be a major issue to tackle in any meaningful export promotion drive is the need to embark vigorously on the production of goods and services for export. Much needs be done on the production aspect, including quality improvement, rather than on the sales promotion aspect before the country's large export potentials can become realised which would also boost the business of the bank and other financial institutions.

Banks have to improve upon some expects of their services to facilitate export financing. One aspect is the long delay in

cheque clearing procedure which could make exporters face the problems of increased cost of exports. Since the bulk of the non-oil export items originate in the rural areas where banking services are poor, there is need to extend better banking services into the areas. Here, commercial banks with rural branch network should complement the services of merchant banks operating from the cities by agreeing to enter into some correspondent on agency arrangements with merchant banks. This could facilitate payment through the banking system to beneficiaries of exported items in the rural areas.

For a successful export financing operation, banks should expedite the granting of needed export credit facility to make it available when needed on time.

6.3 **RECOMMENDATIONS:-**

For export trade to thrive in the country an enabling environment must be established to promote manufacturing. Goods have to be produced first in commercial quantity and at competitive prices and quality. The government must improve the manufacturing base by providing basic infrastructures such as efficient communication net work, efficient utility services, etc. Our exporters needs appropriate training in the complex network of export trade.

For NEXIM Bank to discharge its, functions as expected without any hindrance and to achieve the aim for which it is set, would like to offer the following suggestions, these are:

(1) The NEXIM Bank should be given or granted autonomy and executive powers to carry out its export financial activities without any interference from the FGN and some members of the board should be drawn from private sector which has highly experienced personal in business dealings.

(2) NEXIM in conjunction with the exporter (companies) should from time to time be conducting overseas market research in order to identify the existence of potential markets and the means of reaching them with least possible cost.

(3) Government should provide adequate infrastructural facilities such as electricity, better and available water, and better communication net-work that will help in making contacts with different areas and facilitate easy movement of raw materials semi-processed and finished products from one place to another and subsequently to abroad.

(4) More Well experienced and developed marketing and financial institutions such as money market, stock exchange market, Banks and Insurance Companies be established purposely to finance, advise and assist exporters.

(5) Nigerian boarder ports be adequately checked and anybody found smuggling any non-oil product should be severely dealt with.

(6) Employees of the NEXIM should be drawn from various disciplines such as Business Administration, Accounting, economics, Technology, Geography, Sociology and others, these will enable the Bank to tackle the problems faced by exporters in all areas and advise them accordingly.

(7) The tediousness of the export procedures and documentation in Nigeria be reduced or eliminated completely where possible. Certain protocols and redtapism in the Nigerian ports be reduced considering the facts that some of the Nigerian exporters are illiterate as such encountering difficulties in clearing their consignments both to and from Nigeria. Activities of the crooks (Advance 419) should also be eliminated completely in the ports.

(8) Nigeria non-oil products should only be exported in a processed or finished form like cocoa to cocoa butter, iron steel etc unless where necessary. Banning the export of r products will help in linking all the sectors of the Nigeri economy and help in bringing employment opportunities and stim late small and medium scale industrial development.

(9) NEXIM Bank should be ready and willing at all the time to repre sent Nigerian exporters abroad in solving some problems such a bad-debt recovery and litigation.

(10) The NEXIM bank in conjunction with the CBN and or commercial an merchant banks should organise training programmes on a regular basis for exporters. Problems of ignorance, poor quality commodity. Packaging and inexperience of exporters can be solved through this medium. The monitoring forms, such on the pre-shipment and post shipment forms can thoroughly explained to exporters and their importance and constraints the exporter face with the authorities from non-compliance of these forms should also be highlighted. Experts who can talk on the type of packaging acquirements for international marketing are to be invited. They should also be able to talk on the importance of good quality commodities and the importance of grading of these commodities for exports. Good quality products attracts high prices should be enumerated in this training programmes. The training programmes should run for at least four weeks and at the end of the programme participants should be awarded "certificate of attendance" which will indicate that an individual that possesses one, has attended a developmental programme on exporting and this certificate should attract recognition through this constant training and with time, all the individuals involved in exporting would find their feet on the ground and the problem of "greenhorn" would be overcome.

(11) To mobilise export particularly in the Agricultural sector, provision of storage facilities to minimize crop losses whi are reported to be very high especially for perishab agriculture products or in the alternative the provision of mo processing factories to turn raw materials into "ready to serv products for exports should be given high priority e.g tomato into tomato puree

(12) Competent and well established companies and exporters should b selected to take part in foreign trade fairs so that on retur they can satisfy the demand of their foreign customers.

(13) Export is a delicate and expensive venture because the prospec tive exports would be going into an unknown territory whos cultures, laws, currency, required documentation etc. are quit different from his own country's for the products of th exporters to be accepted in the foreign country therefore, th exporter must be conversant will all the idiosyncrasies of th foreign market in terms of packaging, advertising,etc. It i for this reason that all persons involved in export busines must be versatile in ever aspect of it. Market information mus be updated and activities monitored regularly.

(14) After a careful re-appraisal of the managerial and th organisational structure of the NEXIM bank taking into accoun its establishment, present level of operational performance an future expectation, the enhancement of individual staf professionalism can best be achieved through establishing a appropriate structural organisation; making necessary structural improvements from time to time, securing a clea

definition of all functions and assigned duties, appointi
suitable qualified personnel; ensuring their proper developme
according to experience or skills; and adopting correct

designation for all staff to accord with their functional cad
and generally encourage systematic (vertical or horizontal
career mobility, through regular performance evaluation
training and promotion.

6.4 LIMITATION OF STUDY

Sufficient time and availability of fund are the most momentou
elements in any research work. As a result of time limitation
political and fuel impasse, and lack of adequate fund, the stud
covered only some basic issues that are central to the subject
Extensive detail into the peripheral matters are avoided in order t
cope with the time and financial constraints.

Moreover, obtaining up to date information about the NEXIM Bank was
barrier as the Bank annual report of 1993 was not yet ready at the
time of the research. Despite the above constraints, the researc
was able to put much effort to get the project written within the
time stipulated.

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ZARIA.
APRIL, 1994.

Dear Sir,

QUESTIONAIRE ON "EXPORT - IMPORT FINANCING IN NIGERIA"
(A STUDY OF THE NIGERIAN EXPORT - IMPORT BANK LTD. (NEXIM):

I am a postgraduate student of the Ahmadu Bello University Zaria, and currently reading for my Masters in Business Administration (MBA) for the 1994 session.

This questionaire is being sent to you in connection with my research being undertaken in fulfilment of the course. Any information given will be used strictly for the purpose of the research please.

Thanks for your anticipated Co-operation.

Yours faithfully.

Abdul-Kadir Kabir.

SECTION A:

QUESTIONNAIRE ADMINISTERED ON OFFICIALS OF NEXIM:

1. (a) Name of the Bank : ----------

   (b) Year of Establishment: ----------

   (c) Head of Office: ----------

   (d) Branch Offices: ----------

   (i)

   (ii)

   (iii)

   (iv)

   (v)

2. What are the main objectives of establisbing the bank?

   ---

3. Tick as appropriate the type (s) of Exporting enterprises financed by the bank.

   (a) Large Scale Enterprises ( )

   (b) Small Scale Enterprises ( )

   (c) All of the Above ( )

4. Apart from provision of loan facilities to exporters, does the bank finance timportation of goods?

   Yes ( ) NO ( )

5. If yes, indicate the types of import facilities granted----

   ---

6. Mention some of the main projects bormally financed by the bank.

   a) ----------

b)----------

c)----------

d)----------

e)----------

7. What is the minimum interest charged for a project financed by the bank?

---

8. What is the expected minimum contribution by the exporter in any project to be financed by the bank?

---

9. What are the collateral securities required by the bank for granting loans?

a) ----------

b) ----------

c) ----------

d) ----------

10. When approved, how are loans disbursed to exporters?

a) In bulk ( )

b) Instalmental ( )

c) Others (please specify) ----------

---

11. What is the rate of revocery of loans?

a) Very high ( )

b) Moderate ( )

c) Low ( )

12. How are loans recovered from defaulters?

(a) Through the use of staff of legal department of the bank ( )

13. (b) Through the use of Agents ( )

(c) Through legal actions ( )

(d) Cthers (specify) ----------

---

13. What do you think are the main causes of default in repayment of loans?

---

14. How often do you normally visit your clients to find out their problems?

a) Very often ( )

b) Often ( )

c) Not Often ( )

d) None of the above ( )

15. What other problems (if any) do you encounters in Export financing generally?

SECTION B

QUESTIONNAIRES ADMINISTERED ON THE (EXPORTERS AND IMPORTERS) BENEFICIARIES OF NEXIM

1. What is the location of your business?

   ---

2. Is your Company Incorporated?

   Yes ( ) No ( )

3. If yes, state the year ----------

4. What is the nature of the Company's operations? -------

   ---

5. What is/are the main products of the Company?---------

   ---

6. What is the Authorised share capital of the Company?

   ---

7. Who are the shareholders?

   Wholly Nigerian ( ) Nigerian- foreigners ( )

8. If it is a joint venture, what percentage of the share are held by Nigerians?

   ---

9. What is your Networth as at now?

   Paid-up capital ----------

   Retained reserves ----------

10. What is the value of your total assets as at now?

    Fixed Assets ----------

11. What use was the money borrowed from the bank (NEXIM) for?

a) Expansion of existing export goods ( )

b) Development of new product to be exported ( )

c) Others (pleases specify) ----------

---

12. How did you know about the existence of the Bank and its activities?

a) Through Advertisement ( )

b) Through the bank's journals ( )

c) Through friends ( )

d) Others (specify) ----------

---

13. How long did it take you to get the loan from NEXIM?

a. Within one month ( )

b. Between one to six months ( )

c. Between six months to one year ( )

d. Above one year ( )

14. What were the basic documents did the bank require from you when you applied for the loan?

a. Memorandum and articles of association ( )

b. Certificate of Incorporation of your company ( )

c. Feasibility study of your products ( )

d. Statement of accounts for the past years ( )

e. All of the above ( )

f. Others (specify) ----------

---

15. At what term were you granted the loan?

    a. Short term ( )

    b. Medium term ( )

    c. Long term ( )

16. What rate of interest was charged on the loan relied?

    ---

17. How many months of grace were you granted before repayment of the loan?

    ---

18. Do you support the loan disbursement pattern of the bank? Yes ( ) No ( ).

19. Are you satisfied with the manner in which the bank processed your applicstion? Yes ( ) No ( )

20. Comment generally on the bank?

    ---.