OPERATIONS, PROBLEMS AND PROSPECTS OF NIGERIAN-INDIAN JOINT VENTURES IN NIGERIA.

BY

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D E C L A R A T I O N

I hereby declare that this project which is a record of my research work has been written by me. It has not been previouslv presented for the award of any degree.

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CERTIFICATION

This project entitled "Operations, Problems and Prospects of Nigerian-Indian Joint Ventures" meets the regulations governing the award of the degree of Master of Business Administration (M.B.A.) of Ahmadu Bello University, and is approved for its contribution to knowledge and literacy presentation.

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D E D I C A T I O N

I dedicate this work to my grandmother MADAM EKUWEM OTUYA for LOVE.

A C K N O W L E D G E M E N T S

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ABSTRACT

Prior to the Nigerian Fnterpriscs Decrees of 1972 and 1977 most businesses in the country were owned, managed and controlled by foreigners. The indigentsation decrees sort to promote indigenous ownership and control of enterprises. Thus today joint ventures are the only moans by which foreigners can invest in Nigeria.

Most developing countries encourage direct foreign investment not so much for the provision of finance which in certain cases nay he crucial but for the provision and possible dissemination of technology and technical skills necessary for economic development. Infact, it is currently thought that most of the capital involved in direct foreign investment is got from reinvestments of profits and local savings so that the most portant gain accruing to the less developed c untrics from direct foreign investment is technology transfer. Technologies from the developed countries have often been said to be unsuitable for the factor endowments of the less developed ones. This is because technology being human ability to handle factors of production is heavily influenced by the socioeconomic environment for which is produced and can not be transferred wholesale to completely different environments to raise production and welfare.

It is in this sense that technologies from the more developled of the developing countries which have undergone some adaptation and modification become significant. India being one of such more developed third world countries, this study is undertaken to examine the impact on the Nigerian

economy of Nigerian-Indian joint ventures by way of:

I) transfer of technological skills,

2) use of local raw materials,

3) provision of employment opportunities,

4) promotion of entrepreneurship,

5) provision of acceptable goods and services,

all of which are objectives of the manufacturing sector in the fourth National Development Plan. It is hoped that this study will be of use to more detailed studies of the operations of joint ventures from other developing countries. Such studies aimed at accessing their impact on economic development and thus their desirability should pay special attention to the factor endowments of the country.

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A B B R E V I A T I O N S

I.	C.B.N.	-	Central Bank of Nigeria
2.	C.I.C.	-	Capital Issue Commission
3.	GNP	-	Gross Domestic Product
4.	IDBI	-	Industrial Development Banks of India
5.	N.B.C.I	-	Nigerian Bank for Commerce and Industry
6.	NEPB	-	Nigerian Enterprises Promotion Board
7.	NEPD	-	Nigerian Enterprises Promotion Decree
8.	NNPC	-	Nigerian National Petroleum Company
9.	OPEC	-	Organisation of Oil Producing Countries
IO.	HYV	-	High Yeild Variety
II.	U.S.A.	-	United States of America
I2.	U.K.	-	United Kingdom.

Chapter I

I N T R O D U C T I O N

The avialability of or access to external finance and technology has a strong influence on economic development in the less developed countries. While economic growth should or ought to depend largely on a process of domestic capital formation and accumulation, there exist several limitations on such a process owing to low productivity and low capital absorptive capacity in relation to growing demand for public and private consumption, which therefore warrant technical, managerial and financial support from abroad. It should be noted that the technical, managerial and technological aspects of foreign investment are as important as the financial, for financial resources alone can not carry out every aspect of development judging by the Nigerian experience.

The gap in executive, technical and technological capacity is so severe in relation to development efforts in the developing countries that they have to, inspite of financial abundance, depend on foreign investors for these special skills both in the public and private sectors of their economies. The transfering and acquiring of technology is thus the inevitable answer to the question of rapid economic growth in the less developed countries. (LDCs)

I.I The Problem

The technologies avialable from developed countries with relatively short labour supplies and abundant capital ... resources are attuned to their own requirements which have largely become leisure oriented. These technologies make greater use of capital than labour, and inputs are of very high degree of sophistication which among other things

presupposes the existence of highly developed technological skills among the workers, which is more often than not absent in developing countries.

Thus, before the technologies of the developed countries can be successfully utilised in the less developed ones, a lot of modification and adaptation needs to be done to make them suitable for developing countries. It is in this sense that the availability of technology from the relatively more developed among the developing countries assumes special significance. These countries have gone through some amount of adaptation and modification The resulting technologies can thus be adapted more easily than those got directly from developed countries.

India has made considerable progress in industrial development since independence and has also developed a kind of intermediate technology which could be transfered by the establishment of joint ventures abroad. especially in co-developing countries like Nigeria.

As per the entrepriises promotions decree of I972 and the subsequent one of I977, joint ventures are today the only means by which direct foreign investment is admissible in Nigeria.

The enterprises promotions decree (I972) had classified Nigerian enterprises into schedules one and two barring foreign participation in schedules one enterprises and making foreign participation in schedule two enterprises subject to a minimum of 40% Nigerian participation. The 1977 amendment which included banking and insurance enterprises created a third schedule. While schedule one enterprises continued to be barred to foreign participation; schedule two enterprises

were made subject to a least 60% Nigerian participation and schedule three enterprises subject to at least 40% Nigerian participation.

In this way joint venture between Nigerian and foreign investors which began to be encouraged under the I95I Pioneer Industries Ordinance (under which at least IO% Nigerian equity was a condition for obtaining pioneer status) became mandatory under the I972 and I977 enterprises promotions decrees. The study of such joint from other developing countries is therefore necessary to access how they have contributed towards the indigenisation process as well as economic growth.

I.2 Objectives of the Study

Direct foreign investment involves the bringing in of both foreign capital and know-how and it is encouraged by the host country to accelerate the rate of economic development. Unitl I972 most large and medium sized businesses in Nigeria were managed, controlled and owned by multinational corporations. Nigerians only had a negligible share in the ownership, management and control of these enterprises. Post independence era demanded indigenisation but this objective could not even be partially achieved till the enterprises promotions decrees of I972 and I977.

In view of these steps a new era emerged with Nigerians taking part in the real sense in the ownership management and control of enterprises in the country. It is in the context of this new era that this project is undertaken, the objective being: to study the operations, problems and prospects of Nigerian - Indian joint ventrues in the country with a view to examing the impact on the economic development of Nigeria of joint venture with a more developed of the less developed countries - INDIA.

The specific objectives of this project are thus to examine:

I. the extent to which Nigerian-Indian joint ventures have transfered technology which is desirable in the Nigerian context,

2. the extent to which Nigerian Managers and technicians have been trained to take ultimate positions in the organisations,

3. the extent to which goods/services produced/rendered are acceptable for consumption in the country and the possibility of subsequent export of such goods/services,

4. the conditions/factors which have hampered the growth of these joint ventures.

5. the impact these joint ventures have had on the society by way products, employment as well as behavioural aspects, and finally

6. To suggest some remedial measures to strenghten these joint ventures so that ultimate objectives of owning, managing and controlling of industrial establishments in Nigerian by indigens is achieved.

Finally, this study is being undertaken given the background that there has been a lot of outcry regarding the failure of the Developed Countries in assisting economic development in the developing or less developed countries through direct foreign investment.

I.4 Methodology

To carry out this study a list of Nigerian Indian ventures in the country was obtained from the Indian High Commission in Lagos. On scrutinising the list, it was found that these joint venturees are spread throughout the

country. Considering cost and time factors and the nature of the problem it was decided that the study be restricted to joint ventures in the Southern part of the country.

I.3.I The Sample

A detailed questionnaire was then drafted (a copy is attached in appendix I) and mailed to the seven organisations selected for the study. Unforntunately, this yielded no results as no completed questionnaire was sent back even with the addressed and stamped envelopes that were sent. With this development I had to pay personal visits to the organisations sometimes upto three times for some. By such visits I was able to collect four completed questionnaires.

Since the analysis of four questionnaries could hardly be expected to result in meaningfull conclusions, my supervisor and I decided that the same questionnaire be administered to other joint ventures with some Indian participation. The other partners in these organisations were Japanese, and British. Questionnaires were administered and collected from three of such organisation so that in all seven questionaires were collected. For two of these three organisations the foreign partner are Indians with British nationalities.

The breakup of the organisations studied in terms of products is given in Table I.I.

Table I.I

Product Wise Classification of Join Ventures Studied

Nature of Product	NO
Machine Tools/Engineering	2
Textile/Canvass Good	3

Electrical	I
Building Materials	I
Total	7

Source: computed from the questionnaires

Most of the respondents did not fill up all the columns in the questionnaire particularly the financial aspects on grounds of secrecy, complex nature of the problem and other excecuses. None of the organisations was willing to supply copies of their balance sheets and statements of accounts also on the ground of secrecy.

Other sources of Information

In view of these difficulties we decided to meet some top executives of the organisations to get some information so that some important gaps could be filled. In such private discussions some important information were gathered. Also the Federal Ministry of Trade and Industry was approached for necessary data regarding joint ventures in Nigeria and the incentives offered by the Federal Government for such joint ventures. Two reports were obtained from India on the working and problems of Indian Joint Ventures abroad and these have been used and acknowledged in appropriate places.

Some officers of the joint ventures studied also gave their views on the workings of the joint ventures but requested that their identities be not disclosed. In view of this and the promise given about non disclosure of company identity before most of the organisations agreed to complete the questionnaires, the names of the joint ventures studied are not disclosed in this study. An analysis of the questionnaires and other relevant information is given in chapter five.

I.4 . Literature Review

A lot has been written in recent times on the usefulness of foreign investment in the development of the less developed countries. It is generally believed that the transfer of technology is the most important gain that is expected to accrue to the less developed countries from foreign private investment. Selected literature is here reviewed to show the views of some contributors on the issue.

Soyode (1983) says that the sole or ultimate purpose of acquisition of technology is economic development. He defines technology as the process whereby the absolute level of poverty of a nation is continually declining. His definition places emphasis on distribution of income rather than mere increase in Gross National Product (GNP) or per capita income for inequitable distribution could result in a situation where the GNP or per capita income is increasing and the number of people in object poverty is increasing even at a faster rate.

After defining Joint Ventures as the setting up of business between local and foreign partners to accelerate the transfer of technology to increase local production he went on to assert that joint venture technology so far has only been applied in the country but not transferred. For only where such technology is adapted to local requirements, can transfer be implied.

On indigenous technology he says, "It is by far more cost beneficial from the point of view of expenditure of national resources to acquire a technology known to be

effective presently and built or improve thereon. We are likely to developed technology more rapidly that way - the Japanese way."

Nwankwo (I980) sees joint ventures as a development of the I960s in Africa. According to him joint ventures evolved to resolve the mutual suspicion with which foreign investment by giving the indigens a feeling of being part of the show and the foreign pattner some feeling of security and political acceptability.

Benefits

Joint ventures enable the foreign investor to jump the usually high domestic tariff walls and to taken advantage of local collaboration especially in the areas of mobilising domestic resources, labour relations, local marketing and publicity. For the host country joint ventures are an effective means of attracting foreign capital and know-how without which key industries would not be started in the first place. Furthermore joint ventures are an effective way of acquiring technology which could be in the form of technical and managerial know-how as well as foreign connections.

Transfer of technology he says is the inevitable answer to the question of rapid rate of economic growth in the LDCs. On the issue of whether joint ventures have achieved the advantages claimed of them he says. "To the extent that countries limit the areas or sectors in which direct foreign investments is admissible and to the extent that even in these sectors a minimum indigenous participation is stipulated one may be tempted to suggest that joint ventures rather than promoting have actually limited the volume of

direct foreign investment." This of course is assuming that the investments would have been made in the desired qauntities and sectors, assumptions which he sees as plausible. Thus rather than retard, joint ventures appear to have promoted foreign private investments in Nigeria.

He went further to say that the Nigerian experience shows that joint ventures do and can achieve most of the advantages claimed of them, and that whether joint ventures transfered technology or not depends on the joint venture agreement and whether the recipients have the necessary training to assimilate the technology. The Nigerian experience he says tends to support the view that joint ventures accelerate the transfer of technology by the stipulations in their agreements regarding training and employment of indigenes, the use of local materials and above all the opportunities offered to indigenes to make a try.

Lall and Steeten (1977) feel that:

(1) data on the nature and extent of private foreign investment are still indequate especially with problems of measurement where inflation renders book value meaningless and investments are in the form of machinery or capitalised equipment,

(2) great gaps exist in statistics available from both investors and recipient countries owing partly to business secrecy and lack of official scrutiny,

(3) firms operating across nations and over long distances suffer an intrinsic disadvantage caused by difficulties in communication, linguistic and cultural differences, lack of knowledge of local markets etc: so that for

transactional investments to be profitable they must have access to some sort of special advantages over potential local competitors usually in the areas of capital, management and technology.

(4) direct foreign investment (DFI) is a relatively expensive way to acquire foreign finance for investments by Multinationals tend to be more expensive than most smaller companies. Studies show host countries not to gain much financial benefit from DFI and would seem to gain less if hidden remittances by way of transfer pricing were fully known.

(5) the main advantage offered by direct foreign investment is not finance but technology and superior management. Moreover foreign borrowing and aid do not generally substitutes for DFI, if anything they are complementary.

(6) the actual inflow of DFI may not be very large as most of the total value of capital invested and profit remittances come from locally earned and reinvested profits and local savings.

(7) the capital contribution of DFI may be in the form of machinery or capitalised intangibles (know-how, goodwill brand, name etc) rather than cash; the valuation of which is difficult and may be arbitrary. Thus to raise the equity share in investment foreign partners put high values on used machinery or brand name. Most LDCs partners do not check closely. Moreover a local partner may collaborate with the foreign investor to overvalue to bypass official control and payment of tax and

royalties.

(8) in the general sense of technology being the human ability to handle the means of production, it is certainly a vital component of economic progress. However it has come to be increasingly recognised that the particular form that technology takes at any given time in any given context is heavily influencial by the socio-economic environment for which it is produced. It can therefore not be transfered wholesale to competely different envrionments to raise production and welfare.

(9) the issue of appropriateness of technology is two fold: First, with regard to the products and processes and concerned with per capital income savings, sophistication of demand, and investment per worker.
Secondly with regard to the use of factors of production For the technologies transfered are often excessively capital intensive in relation to the factor endownment of the less developed countries (LDCs) and lead to:

I. an aggravation of employment problems
2. worsening of income inequalities
3. distorting influences on technologies used by other industrial firms.
4. a bias in production towards high income, sophisticated and differentiated products for which technology has been developed.

As far as adaptability goes most modern high technology cannot be changed to suit LDCs endownments. The demands of precision, continuity, scale and complexity are too great. Thus the bulk or core of basic production processes transferred by multinationals directly or by licence are not

adapted in any significant way to suit LDCs low wage conditions.

Ohiozehenua (I980) "Recent interests in international technology transfer reflects the dialectic of global change and its manifestation in conflict, confrontation and cooperation between the developed countries (DCs) and the less developed ones (LDCs)".

He argues that the transfer of technology cannot be analysed independently of the social relations of production which it is meant to serve. Development he says should emphasize basic human needs and harmonise with the envrionment; the sociocultural matrix within which man determines his practice of life and the physical conditions in relation to which it is defined. Thus the notion of envrionment in the context of development must include not only the natural conditions but also the social conditions that shape the society's ability to provide the basic needs of its members on a permanent or continous basis. The main feature of this obvrionment in the LDCs, he says include absolute poverty reflected in such indices as infant mortality, malnutrition, unemployment, poor sanitation and inadequate housing. The important questions about technology therefore is not whether it helps to increase output per se but whether it contributes to the broadening or narrowing of the options available to the society. According to him, the real cost of technology transfer involves the strangulation of the growth of an indegenous technological capacity. This is what underlies the concept of technological dependence which means that technology (rather than colonial control and direct foreign investment) has become the means by which the DCs extract surplus from

and control the major economic and therefor political decisions in the LDCs.

He went on to say that for technology to be an instrument of liberation rather than continued subordination and exploitation, a clearly defined set of sociocultural objectives which has its core in the social needs of the broad masses of the population is required.

Steetan (I969) has this to say about the main objectives of joint ventures. The main objectives of the new arrangement are to:

(I) reduce the political tension that arises from large foreign enclaves in less developed countries and the fears of expropriation which deter foreign enterprises.

(2) establish a framework which could change the policies of foreign companies so that they do not necessarily subordinate the policies of the local companies to the interests of the parent companies.

(3) induce spread effect so that beneficial activities of the foreign companies spill over into the less dynamic sectors of the rest of the economy.

(4) set free after a period scarse foreign capital and skill so that these can be re-employed in pioneering new ventures rather than continuing to be employed in existing activities.

Chandler (I980) in a paper presented on private investments and joint ventures in the developing countries says that to him as well as to many others, jointness or partnership has a strong emotive appeal. He however says he

could not find any objective economic argument for them as no joint ventures other than in those situations where there is a genuinely complementary contribution from each partner can contribute to solve the economic ills they are intended to remedy. To him joint ventures will come naturally when each side has something to offer. He concluded that in the long-run the world would have to find a solution which enables industrialised and developing countries to engage in active cooperation as equal patners.

I.4.I: This Study and Avalaible Leterature

The above review shows that most of the studies have been done at a macro level. Even the studies by Nwankwo Ohiozehenua and Soyede looked at joint ventures in the country. Without reference to the country of origin of the foreign partner.

To my mind therefore this study appears to be a madain one with regard to Nigerian-Indian Joint Ventures. Source of date for analysis has been primary (direct from the organisations themselves,as well Nigerians and Indians working in and outside the organisations studied on a personal basis) and hence represent a correct view of the problem.

In view of this, this study can be seen as one that can pave way for future detailed research work in this area and hence an improvement on prior studies.

I.5 Limitations

This study is confined to Nigerian-Indian Joint Ventures in the Scurthern part of the country. Initially it ws thought that sufficient data will be avaliable for an indept study of the operations of these joint ventures. This has not

been the case. It has also not been possible to specify the period of study because the organisation's studied have have been in operation for differing lenghts of time period. Another problem that could not be solved was the non-availability of the annual reports and accounts of the organisation's studied. In view of this, thie study is not in a position to analyse their financial performance. The study is also handicapped by the sample size (Seven) and hence conclusions and recommendations may not be representative of other joint ventures in Nigeria. Time and cost were other, though minor constraints to the study.

I.6 Chapter Scheme

The entire study is divided into six chapters.
Chapter I outlines the objectives of the study; literature review and other related introductory issues. Chapter 2 gives a background of the Nigerian economy including the policies and incentives for industrial development in the country. Special mention has been made of the impact of the oil industry on the Nigerian economy.

Chapter 3 contains a conceptual framework of joint ventures and the origin, objectives, policies and incentives for joint ventures in Nigeria.
Chapter 4 outlines a background of the Indian economy; Government of India policies regarding joint ventures abroad and an overall view of Indian Joint Ventures aborad.
Chapter 5 analysis the questionnaires in terms of operations, problems and future prospects.
Chapter 6 contains summaries, conclusions and recommendations.

I.7 Conclusion

In this Chapter the conceptual framework of the study has been explained. Joint Ventures have become part and parcel of industrialisation in Nigeria. The performance of these joint ventures should be examined from time to time to ascertain their effectiveness in the economy. The available literature on joint ventures suggest that this type of cooperation should be increased.

Chapter 2, discusses breiefly the economic background of the country and the policies and strategies followed by the government of Nigeria with regard to direct foreign investment.

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Chapter 2

SOME ASPECTS OF NIGERIAN ECONOMY

Nigeria has an area of about 923.773 square kilometers and a population of 85 million as per the I980 government official report, unofficial estimates put it up to I00 million and it is fast growing.

2.I Climate

Climate in Nigeria ranges from tropical forest on the coast to Saharian in the North. In between zones of open woodland and savana exist.

Temperature exceeds 40°C in the North and averages 20°C in the South., with rainy season from April to August and March to September in the North and South respectively.

2.2 Mineral Resources

The main mineral resource of the economy is crude oil which has accounted for over 80% of export earnings since I970. There are three refinaries in the country located at Port Harcourt, Warri and Kaduna. Other minerals found in Nigeria include tine, coal, gold, clay, columite, limestone, marble, gas and classiferite.

2.3 Industrialisation

The industrial sector of the economy has been develping steadily since the I970s. The contribution of manufacturing sector to Nigeria's Gross Domestic Product in I977 was put at 7.4% and estimated to rise to I0.5% in I985. The country has since independence witnessed the establishment of a number of consumer goods industries. These include textile, beer, beverages, soaps and detergents, plastics, tyres,

furniture, roofing sheets, dairy products, livestocks feeds, asbcrstors and bottling companies. In preparation for the country's industrial take off the Federal Government has establish a number of steel plants, as well as a machine tools project at Oshogbo in collaboration with the Indian government. The steel plants are:-

(I) The gigantic ₦4.7 billion iron and steel project at Ajakuta in Kwara State

(2) The Delta direct production steel complex at Alaja in Bendel State.

(3) Inland Steel rolling mills at Oshogbo, Jos and Katsina in Oyo, Plateau and Kaduna States respectively.

The importance of the machine tools factory as well as the iron and steel complexes cannot be over-emphasized for a country like Nigeria that wants to develop its industrial sector. Gains accrue not only from the foreign exchange that can be saved from a reduction of the importation of machine parts and even possible earnings from export, but also from the acquiring of necessary technology required for the industrialisation process. To this end, the agreements setting up these ventures have incorporated in them clauses which ensure the training of Nigerian engineers, technicians and other skilled workers. A matellurgical, training centr with a capacity of 2000 trainees is being constructed at Ajaokuta to ensure continued local training.

The rate of growth in manufacturing has however slowed down in the last three years in the face of the

economic recession in the country manifest mainly in the non-availability of raw materials and spare parts for plants of machinery most of which are imported. It is hoped that by the time the machine tools plant: goes into full operation most of the parts problems would be solved.

2. 4 Agriculture

Nature has bestowed upon Nigeria adequate land and water resources for agricultural development. Of the country's 98.3 million hectors of land 71.2 million hectors (over 70) are arcable. However only a third of total land area or about 50 of arcable land is currently being cultivated. Before the discovery and commercial production of oil in the country agriculture used to be the major foreign exchange earner and largest contributor the gross national product (GNP). Today, however the contribution of the agricultural sector to Nigeria's export earning and GNP is almost insignificant. Indeed a number of agricultural products like palm oil, timber, raw cotton which used to be exported are now being imported to meet local demand.

Table 2.I which compares the contribution of agriculture vis a vis petroleum to export earning in I960, I974 and I978 shows how drastic the reduction in the contribution of the agricultural sector has been.

TABLE 2.I

Distribution of Nigerian Exports by Major Commodities

(₦ Million)

Commodities	I960	%	₦ I974		I978	
	₦	%	₦	%	₦	%
Cocoa	73.5	24.I4	I59.0	I7.6	405.3	6.4
Groundnut	45.8	I5.0	6.8	0.75	-	-
Groundnut Oil	5.I	I.7	II. 4	I.3	-	-
Palm Oil	28.0	9.2	-	-	-	—
Palm Karnel	52.I	I7.I	43.7	4.83	I8.5	.29
Hide and Skin	8.6	2.8	I0.6	I.2	2.6	.04
Rubber	8.4	2.86	II.2	I.3	I4.5	.23
Raw Cotton	I2.4	4.I	-	-	5.4	.08
Timber	I4.I	4,6	-	-	-	—
Petroleum	8.8	2,9	53.6	59.0	5,683.3	89.9
Tin Ore	I2.I	4.0	-	-	I7.8	.28
Other Exports	35.5	II.7	25.5	I4.0	I69.4	2.68
TOTAL	304.4	I00	904.0	I00	63I6.8	I00

SOURCE: Various Issues of C.B.N. Economic and Financial Review.

In I960 agriculture accounted for 74% (₦2I6.9 Million). While petroleum accounted for 2.9% or (₦8.8 million) of total export. By I973 contribution by agricultural products had declined to 25%. (₦23I.5 Million) while that of petroleum had risen to 59% (₦536 Million) of total export. In I978 while agriculture accounted for 6.8% (₦43I.8 million) petroleum accounted for 90% (₦5683.3 million) of the country's total export. Although the contribution to Nigeria's total revenue by crude oil has since decline in both absolute and percentage terms, crude oil still accounts for over 80% of the country's export earnings and 60% of total revenue. The agricultural

sector however still employs a very large proportion of the country's labour-force (some estimates put the proportion at 70%). Most of the farms are small scale and farmers use mostly crude non-mechanised methods of cultivation.

The major agricultural products include cocoa, palm produce, groundnuts and cotton. Others are rice, cassava, sweet patatoes, yam, maize, sorgum, sugar and cocoa yams. Livestock include cattle, sheep, goats, pigs and poultry. The main forst product is timber. It is interesting to note that Nigeria now imports quite a substantial amount of basic food items consumed in the country. Food billsrose from ₦88 million in I960 to ₦306.8 million in I975 and over ₦2 billion in. I98I. Thus not only is Nigeria unable to produce agricultural raw materials for her industries, she is unable to feed her vast and growing population.

2.5 Exports and Imports

Crude oil dominates the export trade of the country and it accounts for over 80% of her export earnings. Infact Nigeria can be said to be monocultural in her export trade. Other exports include cocoa and palm kernel. The main markets for Nigeria's exports are Western Europe, United States of America (U.S.A) and United Kingdom (U.K.). Nigeria's major imports are food items, manufacturings, machinery and equipments as well as transport equipment. Main sources are U.S.A., Japan, France, Western Germany and Italy.

Table 2.2 shows the country's balance of trade for selected years between I960 and I98I.

TABLE 2.2

NIGERIA: BALANCE OF TRADE FOR SELECTED YEARS

I960 - I98I

Year	Export (₦ million)	Import (₦ Million)	Balance of Payment
I960	I69.7	2I5.9	- 46.2
I965	268.4	275.0	- 6.6
I970	885.7	756.4	I29.3
I975	4998.4	37I7.4	I28I.
I980	I4068.5	8988.4	-5080.I
I98I	I0892.9	I29I9.6	-2026.7

Source: Various Issues of CBN Economic and [illegible] Financial Review.

Nigeria had favourable balance of trade between I970 and I980. Only to be plughed into large unfavourable balance of payments in I98I. The favourable years were the oil boom years when the country export earnings was at its peak.

2.6 Oil And The Nigerian Economy: Background

The development of the oil industry in Nigeria dates back to I938 when Shell B.P. Petroleum Development Company was granted exploratory licence which covered the entire area of the country. Shell B.P. later reduced its concession to some I03,68 square km . in the Niger Delta. After 20 years of exploration it exported the first crude from Oloibiri in Rivers State in I958 thereby launching Nigeria into the community of crude oil producers and exporters. Nigeria became a member of the Organisation of Petroleum Exporting Countries (OPEC) in I977.

The Shell B.P. has since been forced by law to surrender more areas of oil exploration which have been picked up by other other oil companies mostly Multinations. Major companies currently involved in oil production in Nigeria are Shell, Gulf, Elf, Mobil, Agip, Phillips, Tennence, Ashland and Sunray Oil Companies.

Initially government participation in the oil industry was limited to granting of exporatory licences and regulating of the activities of oil companies in the country.

As more insight was gained into the industry it was realised what role it could play in the economic development of the country. Due however to the capital intensiveness and sophistication in technology required in the industry and given the lack of systematic sophistication in the other sectors of the economy there has been very low linkage between the oil sector and the rest of the economy by way of either forward or backward linkages. Despite the activities of NNPC the know-how, machinery, equipment and most of the managerial personnel in use in the industry are imported. The situation is such that Iwayemi in I98I pointed out:

> "An industry that was the most important in the economy could only employ 29,00 workers, less than I0% of the employed labour in the manufacturing sector and less that 0.I% of the total labour force. If government related payments the excluded local payments (by the industry) is less than 0.05% of total local expenditure"[I].

balance of payment was plunged into a defecit of over ₦20 billion and despite government regulations banning the importation of many items and placing vertually all others under licence as well as efforts to check smuggling, the country's balance of payment deficit position has continued to get worse. The world oil price cuts and production cealings placed by OPEC have not made things any better.

The oil industry has provided provided ample resources for the prosecution of the various development plans since the war. Achievements under the plans include the expansion of infrastructural developments such as roads and bridges, the iron, and stell projects, the liquidified natural gas etc. Due to revenue from oil, the per capita income in Nigeria rose to ₦800 in I982 from ₦I40 and ₦400 in I97I and I976 respectively.[3] The I972 and I977 indigenisation decrees were attempts by the Nigerian authorities to channel into economic development funds which had become increasingly available to the Nigerian public as a result of oil revenue.

2.7 Economic and Financial Indicators

Table 2.4 consists of selected economic and financial indicators for the Nigerian economy. from I978 to I983. The table is self-explanatory.

Table 2.4

Selected Economic and Financial Indicators

.	I979 .	I979 .	I980	I98I	I982	. I983.
Real GDP growth %	-5.7	6.0	0.4	-5.3	-2.2	-4.4
Federal Govt. Budget balance to GDP	-I.9	-2.0	-0.9	-I0.4	-I2.4	-9.7

Exports: Goods ($M)	I05038	I7584	26527	I95.2	I6374	II952
Imports: Goods ($m)	I282I	I023I	I6835	209I5	I4445	85I2
Balance of Trade	-2283	7353	9892	7483	I929	3080
Current A/C ($m)	-3765	I669	4268	-5850	-7324	-4707
Reserves Excluding Gold ($m)	I887	5548	I0235	3895	[illegible]	990
Current A, C GDP %	-7.I	2.5	5.4	-8.3	II.0	-6.I
Long term public and private sector Gross disbursed ($m)	2348	322I	4087	4946	8265	I0405
Major short term debt ($m)	I600	2600	2700	3700	5800	5500
Arrears	-	-	-	-	4059	6000
Total debt	50I3	773I	9I36	II69I	I6842	I9004

Source: Financial Express Wednesday, September I9, I984. New Delhi, India. p.5

2.8 Foreign Investment: Policies and Strategies in Nigeria

The availability of financial, managerial, entrepreneural and technical resources is an indispensible factor in the economic development of any economy. Since the domestic resources of the less developed countries are often insufficient for effective economic development, such countries always find themselves depending on foreign sources to augument their domestic resources in carring out development programmes. Nigeria has since recognised the need for foreign assistance in the form of capital, managerial, entrepreneural and technical skills that often come with such capital for carrying out her development programmes aimed at raising the standard of life of her people. Like most less developed countries Nigeria's policies strategies towards foreign investment have been shaped by two principal and objectives: first the desire for economic independence, and second the need for economic

development. Generally the greater the emphasis on economic independence the less generous the government will be on its system of incentives designed to promote private foreign investment while emphasis on accelerated economic development would mean a more open door policy for foreign investors.

In her attempt to pursue both the objectives of economic independence and economic development Nigeria has over the years evolved a system of policies and strategies towards foreign investment in the country. These policies and strategies can be looked at under two broad periods, namely, the colonial era or pre-independence period, and post independence period.

2.8.I The Colonial Period

Before independence most if not all the government policies towards foreign investment were incentives. The regulations came only after independence when the nationalist leaders who had the impression of an alien collusion and exploitation of the economy demanded for a broadly based nationalisation policy.

The colonial administration obviously without any commitment to either of the objectives of economic independence or economic development; but rather re-occupied with exploitation adopted a laissez-fair attitude towards the operations of multinationals in the country. Large experate enterprises like U.A.C. monopolised economic power. In the 1930s and 1940s U.A.C. only controlled about 40 - 43% of Nigeria's import and export trade. [4]

Expartirate dominance was also evident in the areas of mining, shipping and banking.

In theory foreign enterprises were to operate within the framework of government regulations while in practice such regulations were virtually non-existent. Rather national and regional government pronouncements embodied attractions to foreign investors. In 1957 the Nigerian government at the constitutional conference affirmed her readiness to accord foreign investors attractive inducements to invest in Nigeria. In 1958 a joint statement by state and Federal Governments welcoming outside participation in the country's development was issued another pointed out that foreign capital and skills would be encouraged in every form of industrial entreprise with the exception of certain public ultilities was issued.

In addition, freedom by investors to repatriate at will, profits, dividends and capital was assured. Foreign investors were also assured that there would be no wholesale nationalisation of industries and when nationalisation became necessary in any industry they would receive equitable compensation to be determined by independent arbitration. Other attractions offered included availability of government assistance in obtaining factory sites and the provision of industrial estates and basic public utilities and infrastructure as well as protection of local industries.

Apart from offering these attractions as well as high-lighting the country's immense investment opportunities which included her vast potential market, immense natural resources, relative political stability

among other, the Government of Nigeria gave some specific legislative incentives to foreign investors in Nigeria. Embodied in five acts these provided a significant package of policies towards foreign investment in Nigeria. These were the Industrial Development (Income Tax Relief) Act I958; the Industrial Development (Import Duties Relief) Act I957, the Customs Duty (Dumped and Subsidized Goods) Act I958; the Customs (Drawback) Regulations I959, and the Income Tax (Amendment) Act of I959.

I. Industrial Development (Income Tax Relief) Act I958

This act superseded the Aid to Pioneer Industries and the Income Tax (Amendment) Ordinance of I952. The objectives of the act was to encourage the establishment and development of such industries as the government may consider to be beneficial to Nigerian existence and in public interest.

Under this Act, a company can operate an industrial enterprise for a tax-free period of five years with possible extension to a maximum period of ten years provided the company operated in a pioneer industry. Only a public limited liability company registered in Nigeria could apply for pioneer status from the Federal Ministry of Industries. A pionner certificate entitles a company to certain income tax reliefs among other things on initial and subsequent capital investments in fixed assets in its formative years. If a pioneer company invests a minimum of ₦I0,000 in fixed assets before the commencement of production it can claim tax relief for two years. An increase to ₦30,000 of the qualifying capital expenditure at the end of the two years earns the Company another year of relief. The company gets

another tax free year if investment in fixed capital exceeds ₦100,000 at the end of the extended period of three years and yet another year if at end of year four fixed assets reaches a minimum of ₦2,000,000. Thus a company fulfilling the above conditions could obtain complete tax relief for five years.

The act further provides that for each accounting period within the tax holiday which a loss is incurred, the tax relief period is extended by the same period. A company could thus operate for ten years without paying any income tax if it decleared loses in the first five years. By similar thinking shareholders of a pioneer company are exempted from tax on dividends up to the full amount of such dividends during the period of the tax holiday.

2. Industrial Development (Import Duty Relief) Act 1959 (Approved Users Scheme).

This act allowed for either exemption from import duty or granted a concessionery rate on materials brought into Nigeria for use in the manufacture or processing of goods or in the provision of services. To qualify for this benefit however the producer had to show that without the materials it would be impossible to produce the goods or services at prices which were competitive with their imported counterparts or that a comparable imported article bore a lower percentage of import duty then the materials imported to manufacture the same article locally in Nigeria. Such duty exemption could be given for up to ten years. This scheme was aboblished in 1984.

3. The Customs (Dumped or Subsidised Goods) Act 1958

This was introduced to provide some market protection and competitive advantages to local industrialists. Under this act the government could impose special duties on any goods which were being dumped in Nigeria or being subsidised by any government or agency outside Nigeria if such goods would threaten or cause material injury to a potential or established industry in Nigeria and if such imposition of duty is not in conflict with her obligations under the General Agreement on of Trade and Tariff (GATT).

4. Customs (Draw Back) Regulations 1959.

These regulations allow importers to claim import duty in full:

(i) if goods are exported in the same state as that in which they were imported.

(ii) if materials are imported for use in the manufacture of goods and services and then exported

(iii) for paper imported for use in the manufacture of educational goods where such goods are supplied to recognised educational establishments.

5. The Companies Income Tax Act (Accelerated Depreciation) 1956

The Act grants to companies whether pioneer or not a much quicker write-off of their capital assets in the early years of production so as to enable them amortise their capital assets during their formative years and so build up liquid reserves at an early date. The capital allowances schedule is given in Table 2.5.

Table 2.5

Capital Allowances Schedule

QUALIFYING EXPENDITURE	INITIAL ALLOWANCE.	ANNUAL ALLOWANCE
I. Plant of Machinery including furniture, fittings, motor vehicles	20%	I2½%
2. Building		
a. Industrial	20%	I2½%
b. Non-industrial recidential	5%	I0%
3. Plantation	25%	I5%
4. Mining	20%	I ½%

Source: "Incentives to invest in Nigeria" Compiled by Nigeria Investment Information of Promotion Centre Federal Ministry of Industires Lagos.

The poinneer company could defer depreciation allowances till the end of the tax holiday and where taxable income is less than the capital allowances claimed, the balance could be carried toward indefinitely to be set against future taxable profit.

Another element of the tax incentives was a number of taxation agreements with other nation like the U.S.A. whose provisions supersede the companies income tax Act in case of conflict. The U.S. - Nigeria treaty covered income from commerce, copywrights, dividends, interests, mining royalties and real property rentals.

Petroleum Profit Tax Relief

The attitude towards petroleum income was mixed. The Nigeria government while wanting to maximise revenue from

oil was willing to accord the oil companies some tax relief considering the huge amounts that had been spent in exploration without any certainty as to when they will begin to realise some returns from their investments. In I959 therefore after hot debates in Parliament, a 50 -50 profit sharing agreement was undertaken to replace the existing tax of 40k per ton, with royalty tax of I2½ percent. It was however thought necessary to include "a most favoured African national clause" in the agreement to enable future reviews take advantage of any more favourable agreement that oil companies may onclude elsewhere in Africa in the future.

2.8.2 Post Independence Policies

Prior to independence in I960, there were hardly any restriction on foreign investment in Nigeria. Aliens were free to invest in any sector of the economy and profits and dividends were freely ropatriated. Since independence the Federal Government of Nigeria has introduced when deemed necessary for public interest various laws and acts to regulate the operations of foreign businesses in the country while maintaing the main the policy incentives of the colonial period.

To establish a business in Nigeria the foreign investor needs to get the consent of the Federal Government and by I962 permission was no longer granted to foreigners for the establishment of retail trade.

With the Exchange Control Act of I962 foreign investors need to obtain prior permission from the Minister of Finance for transfer of profits, of capital, new foreign borrowing, transactions in securities and compensation deals. As a rule however permission is freely granted as long as due

tax liabilities were settled by the companies.

The Immigration Act of I963 stipulated that no alien might either on his own account or in partnership with any person including a Nigeria citizen set up a business or practice a profession without the prior written approval of the Federal Ministry of Internal Affairs. This should be obtained before the entreprenuer himself enters the country. When the business is established the number of expertriate employees the foreign entrepreneur can bring in is also controlled. Furthermore the alien is not allowed to acquire interest in land without government permission.

Foreign investors in Nigeria are required to obtain approved status for their original investments to ensure unimpeded repatriation of capital, dividends and profits, in the future. Approved status is recognition that the original investment came into the country from abroad in the form of equity either by way of cash or and parts, equipments and machinery. It is given after a careful assessement of the economic benefits a company could generate for the country. Before I973 there were no restriction on the repatriation of capital as long as due tax liabilities were met. Repatriation of capital since I973 has been made subject to exchange control regulations and remittance of dividends is annually approved by the Ministry of Finance as per the Nigerian Exchange Control Act of I962.

External loans for financing of projects cannot be taken without the approval of the Federal Ministry of Finance and a company with substantial foreign equity

participation that wants to avail itself of local credit facilities must seek and obtain the approval of the Federal Ministry of Finance before enjoying such facilities as overdrafts, medium and long-term loans.

The Enterprises Promotion Decrees I972, I977

The Indigenisation Act of I972 and the later one I977 were introduced to boast Nigerian participation in the economy of the country.

The I972 act contains two schedules the first made up of 28 industries and ventures reserved exclusively for Nigeria citizens, businessmen and associations. The second contains 25 activities in which Nigerians were to have at least 40% participation.

The I977 act (Decree No 3. of I977) which supersedes that of I972 groups affected I36 enterprises into 3 schedules.

Schedule I contains 40 enterprises exclusively reserved for Nigerians.

Schedule 2 lists 55 enterprises in which Nigeria ownership vis a vis foreign ownership must be at least 60%.

Schedule 3 designates 39 enterprises in which the foreign investor could retain controlling interest provided the Nigerian interest is not less than 40%.

Others

In I984 a number of regulatory measures some of which affect foreign investors specicially and others the industrial sector in general were introduced. These are:

I) Home remittance allowance for both male and female expertriates who have not obtained Nigerian citizenship was slashed to 25% of net salary as against 5C % allowed prior to May I984.

2) The approved users scheme was abolished and the general concessionary rate of duty granted some manufacturers was abolished and replaced by a low rate duty with the exception of raw materials for the manufacture of alkydresing I0%, for the manufacture of lace and embroided textile fabric 50%, raw material for iron and steel industry I0%, raw materials for automative component industry I0%.

3) Speific duty rates were converted to ad-volarem rates so that certain items which used to enjov specific rates of duty are to attract ad-volare rates.

4) Locally produced goods which are to attract excise duty were increased from 68 to 100, and include commodities like corks, taps and valves parts for an crafts, musical instruments, buses, lorries.

These measures are to stay for a minimum period of three years.

5) The economic stablisation (Temporary provision) Act I982 placed the importation and exportation of certain goods under conditional prohibition while others were placed under license. In the I984 budget, practically all goods to be imported were placed under specific license.

The present Stand

The Federal government of Nigeria has continued to pursue policies and make regulations and laws that would

not totally discourage foreign private investments, aware of the benefits that could be reaped. Unfortunately the inflow of foreign capital has been far short of what would be required to augment her domestic resources in order to be able to exploit potentialities of the country and raise the living standards of its people. The Federal Government of Nigeria has also tried to reduce gradually the foreign dominance of the capital base on the economy. As by the 1972 and 1977 enterprises promotion decrees, joint ventures are the only means by which foriegners can invest in Nigeria.

In the light of this, the present Government's approach to foreign investments is towards encouraging the intensification of joint ventures and other collaboration agreements in areas which appear relatively neglected such as agriculture, forestry , fishing and in those areas which require complex and fast growing technology such as electronics and manufacture of office computing and accounting machinery and equipment as well as areas which require heavy capital such as aircraft and steel. This is because joint ventures have a number of advantages both to the foreign investor and host country.

2.9 Conclusion

The Nigerian economy can today be said to be more or less monocultural with oil accounting for over 80% of the countries export earnings and over 80 of total revenue. Despite this dominance of oil in the country's earning, the oil industry has had very little linkage with the rest of the economy. Agriculture whose contribution

to gross national product and export earnings is rather neglibile still employes over 70% of the country's labour force. Large amounts of agricultural products are imported annually for food and industrial use. Manufacturing which grew rapidly in the 1970s has now taken a downward turn due to lack of raw materials and spare parts.

The two objectives of economic self reliance and economic development have remained the interacting forces shaping the policies towards foreign investment in Nigeria over the years. The colonial era saw the creation of number of incentives which facilitated the exploitation of the country's resources by the British. With the attainment of Independence, the conflict between these two influences became manifest.

Thus the post independence policies of the various governments while retaining the various incentives of the colonial regime in recognition of the role of foreign capital and skill in economic development, introduced a number of policies on Nigeriansisation, nationalisation and several aspects of regulations of foreign business which indicates that economic nationalism has been an important objective of the government.

Nigeria will however eventually have to quicken her pace of development through the use of her own resources instead of relying unduly on external resources. This is the only way for an aspiring nation like Nigeria to develop at a rapid rate and in the right direction. It is in this light India which are not so capital intensive and easy to adapt become significant.

The next Chapter examines the nature of joint ventures and Nigeria Government Policies towards them.

Footnotes

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Chapter 3

JOINT VENTURE ENTERPRISES: POLICIES AND INCENTIVES.

The concern of this Chapter is first to examine the nature and benefits of joint ventures. Secondly the origin of joint ventures in Nigeria is looked at with particular reference to the indigenisation decrees of 1972 and 1977 and the importance of industrialisation in the 4th National Development. Plan. Lastly some incentives to the industrial sector by the Federal Government of Nigeria have been outlined.

3.1 Definition of Joint Venture

A joint venture has been defined as an undertaking in which one or more persons combine labour and capital to achieve a single result and in which there is a community of interest in the objectives, a means of promoting direct foreign investment and increasingly today the only means by which direct foreign investment is accepted in many developing countries.[1]

It may also be seen as any form of association implying collaboration for more than a transistory period. It includes commercial and industrial entreprises in which two or more countries share the responsibility for the operation of a company in an agreed manner.[2]

3.2 Features of Joint Ventures

Joint ventures derive the rationale for their existence from economies in sharing or risk, financial resources, management and peronnel, corporate know-how and other intellectual property. These are combined in various ways

and proportions of which the following are practical examplies.[3]

(I) Combination of capital;

(2) Combination of experience in various technical fields;

(3) Comination of marketing techniques with technical know-how;

(4) Comination of brand ownership with some other company manufacturing resources sometimes on a market sharing basis;

(5) Comination of distinctive resources and or brand ownership and technical know-how;

(6) Comination of brand, trade mark, design or process backed by technical know-how with experience of commercial affairs and administration in all its aspects with reference to a specific country, its customs and its political and economic background.

The last is the most common in developing countries. In all these various combinations, the most important element is that each partner must make a distinctive contribution the nature and manner of which must be clearly set from the beginning and a way of ensuring that the initial plans are adhered to is to insist that each partner takes up some substantial share of the risk and capital.

In Nigeria like most developing countries the critical elements of jointness are technical know-how usually supplied by the foreign investor, and knowledge of local conditions in its totality usually supplied by the host investor. Aside of these two distinctive elements, other elements of jointness such as capital and risk are shared more or less on an equality basis.

3.3 Benefits from Joint Ventures

A number of benefits accrue to both the foreign investor and host country from joint ventures. From the foreign investor's point of view joint ventures confer political acceptability and good-will of the host country and has increasingly become the only way of getting a foothold or continuing to operate in a host country.

Through joint ventures foreign investors are able to protect or increase their share of the local market. Also optimisation of total earnings from the market is ensured as they are usually able to jump the high domestic tariff walls and take advantage of local collaboration especially in the areas of mobilising domestic resources, labour relations and publicity.

From the host country's point of view not only are joint ventures an effective way of attracting foreign capital by making it politically acceptable and thereby increasing the foreign investors incentive to invest, they have proved the only way that most industries of national interest can be started at all. Nigerian examples include the Kaduna Textile Mills, Nigerian Sugar Company at Bacita, Nigerian Machine Tools Industry at Oshogbo, the Iron and Steel Complexes as well as the Steel Rolling Mills.

Another very important benefit of joint ventures to the host country is that they are an effective way of acquiring technology. This may be in the form of technical or managerial know-how for joint venture agreement often include such issues as the employment of local manpower and the training of such manpower. Furthermore joint ventures help most countries accelerate their indigenisation policies.

This is because it is easier to put more effective pressure on companies with indigeneous and particularly Government participation.

3.4 Origin of Joint Ventures in Nigeria

Joint ventures are today the only means by which direct foreign investment is admissible into Nigeria. The first scientific approach to the issue of indigenous participation in all aspects of the economy was through the Nigerian Enterprises Promotions Decree of I972 which was followed up by the I977 decree.

3.4.I Nigerian Enterprises Promotions Decrees (NEPDs)

NEPD I972

The primary objectives of the decree was simply to encourage and protect Nigerian participation in those areas of the economy in which Nigerians, had competence. The decree which was concerned with only the private sector divided affected businesses into two schedules. Schedule I consisted of businesses wholly reserved for Nigeria. Those business where it was believed that joint participation with foreigners was still required were classed as Schedule II and minimum Nigerian participation was put at 40% for the medium and large scale ones. Already existing foreign interests in affected businesses were to be bought out and new entrants structured in a way to comply with the decree. Subsequent amendments of the decree enabled the Federal Government to take over in I973, 40% of the equity capital of the three largest expartriate banks in the country which together controlled about 70% of banking operations in the country. In I976 Government equity participation was extended to cover all

expertriate commercial and merchant banks as well foreign owned insurance companies. Equity participation also rose from 40 - 60%.

NEPD I977

The NEPD I977 was promulgated in consequence of a comprehensive appraisal of the results of the implementation of NEPD I972. Besides providing further indigenisation of enterprises in Nigeria, the decree attempted to guard against the anomalies that resulted in the implementation of the I972 decree and to make improvements in the various organs of implementation and promotion in order to achieve a more meaningful indigenous participation in the private sector of the economy. Unlike the NEPD I972 it affected all alien enterprises in the country.

Objective:

To promote and protect Nigerian participation in all areas of the economy.

The decree groups all businesses into three schedules. Schedule I enterprises are reserved solely for Nigerian citizens. Other businesses where joint participation was considered to be required were classified into Schedules 2 and 3, minimum Nigerian interests being 60% and 40% in Schedules 2 and 3 businesses respectively. A list of the enterprises in the three schedules is given in Appendix 2. In addition any existing enterprise whose activities were listed in Schedules I, 2 or 3 or any two of the three and whose annual turnover was not less than ₦25 million and whose business is being carried out in not

less than IO states of the Federation was required to have a minimum Nigerian equity of 60% and was required to comply by 30 June I977 as per section 7(7) of the decree. Other enterprises were to comply by 3I December I978. For new businesses no approval can be given unless ownership structure complies with the decree.

Machinery for Implementation.

The decrees established a number of instruments and utilised some existing institutions for their effective implementation.

The Nigerian Enterprises Promotion Board (NEPB)

This was the principal body charged with the responsibility for the effective implementation of the decrees. The board which had been created to facilitate the implementation of the I972 decree. Its primary objectives even with the I977 decree was to ensure that Nigerians knew what they were buying, paid reasonable prices for what they were buying and that the operations of the bought businesses were sustained commercially. This was to be without prejudice to its obligations with alien owners who were ready to comply with the provisions of the decrees.

In the exercise of its general function of advancing and developing the promotion of business enterprises in which citizens of Nigerian could participate fully and play a dominant role, the baord could issue general directives or become directly involved in the activities of a particular business. To facilitate the functioning of the board, a number of instruments were created. These include:-

(e) Centres for Management and Development

In appreciation of the fact that technical and management support to indigenous business is essential for their development the Board was to use a number of management education and training institutions to ensure this support. Of especial interest was the reconstituted Council for Management Education and Training charged with the responsibility of formulating policies on management training, education and development. The Council was also to establish a Centre for Management Development whose business and advisory unit was to provide direct and meaningful assistance in management needs arising from implementation of the decree.

(f) Financial Institutions

The existing financial institutions in the country that is commercial banks, merchant banks, investment houses, insurance companies e.t.c. were expected to play a vital role in promoting indigenisation by:

(I) assisting existing traders to expand their businesses and met opportunities created by the withdrawal of their alien competitors,

(2) providing funds to Nigerians to enter new businesses in areas exclusively reserved for them as well as schedules 2 and 3 business,

(3) providing funds for purchase of shares in private companies,

(4) providing funds for purchase of stock exchange securities.

In addition, the Nigerian Bank for Commerce and

Industry (NBCI) was created in 1973 to facilitate the indigenisation exercise. The Agricultural Credit Bank had also been created to handle purely agricultural projects.

(g) Nigerian Bank for Commerce and Industry (NBCI)

Against the widely reported fear both in the local and international press that the prospective indigenisation exercise in the country would be a failure since the Nigerian public neither had the funds nor the technical ability to invest in stocks and shares and would at any rate be reluctant to do so given their preference for quick profits which were available and could be more easily obtained elsewhere, the NBCI was established in 1973 to forestore failure.

The bank was primarily to "provide equity capital and funds by way of loans to indigenous persons and organisations for medium and long term investments in industry and commerce at such rates and upon such terms as may be determined by the Board in accordance with the policy directed by the Federal Executive Council."[4] To avoid the obvious limitations and gaps created by the operations of other financial institutions in the country and wanting to speed up the rate of economic development the Federal Government vested in NBCI powers to enable it act as a catalyst in development by operating like an all-purpose universal bank to engage in all types of investment banking and underwriting operations. The decree creating it endowed the NBCI with an authorized capital of ₦50.M

(₦35 million of which was fully paid up) to be subscribe 40% and 60% by the Central Bank of Nigeria (CBN) and Federal Government respectively. The bank was also given wide powers to borrow by way of loan from any scurces any monies required for meeting its obligations and discharging its functions under the decree. Apart from providing funds to Nigerians, the bank was to if need be buy up businesses pending when willing and able Nigerians would turn up.

The bank was not to:

(I) finance residential accommodation or such other real estate business which is not part of other major bankable business; or infrastructure for public use such as roads, schools and hospitals or pure agricultural plantation not intended to support primary processing business or scientific or other educational or research business not directly related to a potential bankable business.

(2) make investments in non-corporate bodies like partnerships or sole business.

(3) support any business unless 60% of its ownership capital carrying voting rights is owned by Nigerians or Nigerian Institutions.

The bank could participate in financing a project in three ways viz:

I. direct subscription (equity participation)

2. granting of loan

I. combination of I and 2

Interest rates to be charged on loans were to be generally

lower than commercial rates on loans to clients. Rates were to be fixed by the Board of NBCI taking into account commercial rates and costs of funds and were to be revised from time to time to reflect current conditions with the upper limited fixed by the CBN by means of annual credit guidelines to banks and insurance companies.

It however turned out the expected fear of lack of funds never materialised. Rather than dearth of funds what obtained in I973 was a glut of funds and the problem was the availability of shares and stock and businesses to buy. As such the NBCI became redundant and irrelevant as only as small financial outlay was made by the bank for the exercise. Some of the reasons advanced for this state of affairs include:-

(I) expartriate banks who were reluctant about lending for purchase of alien businesses changed attitude in the face of competition from NBCI.

(2) both buyers and sellers of alien business prefered very private transactions.

(3) some projects appraised and approved by NBCI's Board were purchase by competitors before disbursement could be effected by NBCI.

When it was dicovered that indigenisation could not provide enough work for the bank its development banking functions were reviewed and NBCI was given power to:

(I) promote and developed key economic projects of large and medium scale with overall capital cost not less than ₦4,million

(2) provide finance for acquisition of existing businesses by Nigerian majority owned companies, for establishing new or expanding existing businesses by Nigerian majority owned companies.

(3) provide wider development banking functions including programme loans to state investment institutions.

(4) make investments in basic developmental projects like industrial estates/warehousing shopping centers and grain silos,

(5) establish unit trusts'

(6) open letters of credit and issue gaurantees.

NEPB and its Faciliating Agencies

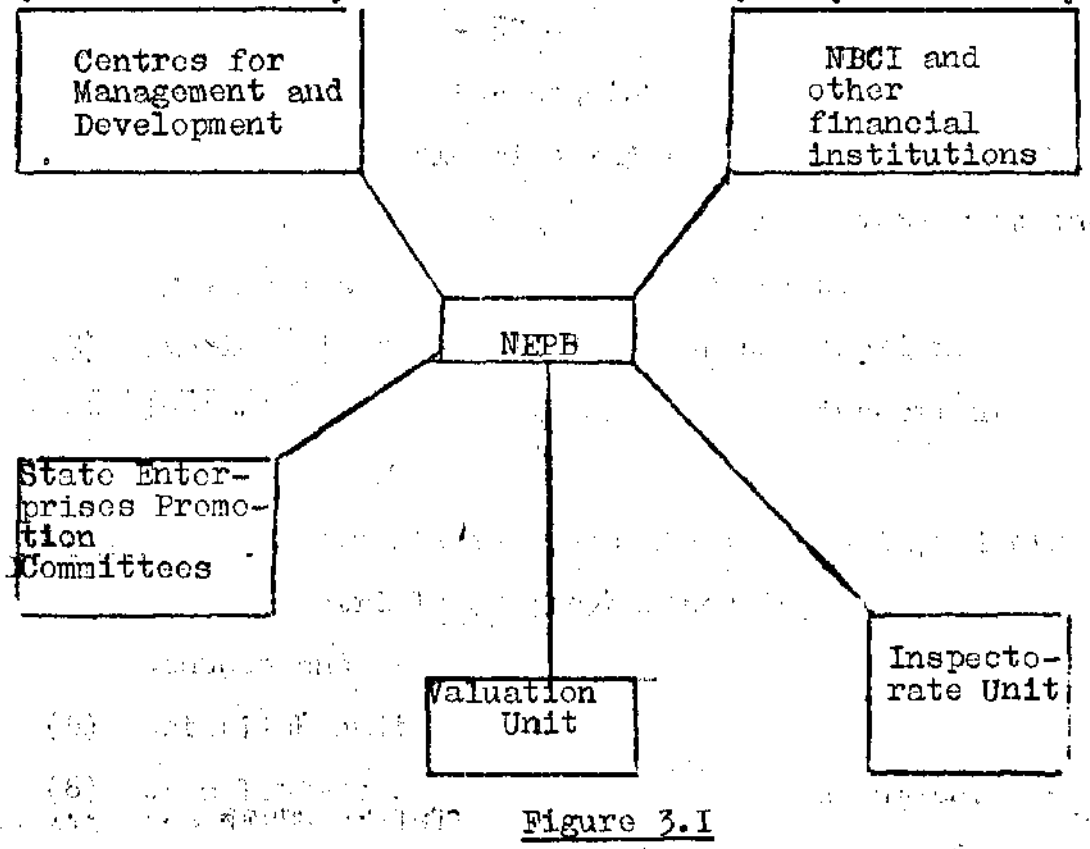


Figure 3.I

Thus with the NEPDS of 1972 and 1977, the Nigerian Government

(vii) promote more even dispersal of industries.

(viii) promote the development of export industries

(ix) give maximum encouragement to private sector industries.

(x) improve the efficiency of government owned enterprises.

(xi) nationalise and consolidate the gains from NEPDS of I972 and I977.

(xii) improve price and quality competitiveness of Nigerian products.

The private Sector

By the plan the government is to continue to provide the necessary infrastructural facilities and incentives to enable the private sector function effectively. Incentives were to include tax holidays, accelerated depreciation of capital, compensation for inventions and use of local raw materials. For finance the NBCI and Nigerian Industrial and Development Bank (NIDB) were given more allocations to enable them provide more loans to the private sector. In addition fully intergrated agro-based industries are to receive additional incentives.

While indigenous enterpreneurs are to be encouraged to participate fully in manufacturing, foreign investors are also welcome especially in activities in which indigenous capability is known to be small. Manufacturing is expected to account for ₦3,000 million or 26% of total private investment in the plan period.

Public Sector

The manufacturing sector is to account for II.2% of total public sector programme.[6] This is indicative of the importance

the Federal Government attaches to industrialisation.

Federal and State Government programmes under the plan include:-

1. Iron and Steel projects
2. Engineering industries
3. Machine Tools project
4. Agro-based industries
5. Textile industries
6. Building materials industries
7. Chemical industries
8. Electrical industries
9. Petrochemical plant
10. Refinaries.

The Fourth National Development Plan period has almost come to an end. EVen though all the objectives set in the plan have not been achieved, the importance of manufacturing in the plan is indicative of the fact that Nigeria realises that industrialisation is vital to the realisation of her national goals.

3.6 Incentives

In her bid to attract foreign investors and speed up the economic development of the country, the Nigerian Government offers a number of incentives to industrial investors. These include:-

I. Income Tax Relief

The Industrial development (Income Tax Relief) Act 1958 as amended by decree No. 22 of 1971, makes income tax relief possible for companies engaged in

pioneer industries in their early stages up to ten years.

2. Accelerated Depreciation

The companies Income Tax Act (Accelerated Depreciation) allows companies a much quicker write off of their capital assets in their early years of production to enable them amortise their capital assets during formative years and thus build up liquid reserves.

3. Approved Status

Foreign investors in Nigeria by obtaining approved status for their original investments are assured of future unimpeded repartriation of capital and dividends.

4. External Loans

With the approval of the Federal Ministry of Finance external loans for financing of projects can be undertaken.

5. Local Borrowing

Companies with foreign participation can avail themselves of local credit facilities. Schedule III companies are however required to seek the approval of the Federal Ministry of Finance before enjoying such facilities.

6. Capitalisation of Retained Profits

Retained profits can be capitalised on approval from the Federal Ministry of Finance.

7. Payment for Technology Transfer

It is recognised that the owner of technology must have acquired it at a cost and should therefore be

compensated. However Technical Management Service Agreements must be cleared with the Federal Ministry of Finance.

8. Consultancy Fees

It is recognised that certain jobs can only be performed by foreign consultants because of the basic lack of indigenous expertise in these areas. As a result foreign consultants are tetained by businesses for specific assignments of fixed duration for which they are financially compensated.

9. Remittance of Proceeds from disposal of assets other than Securities.

On application to the Federal Ministry of Finance, this is allowed.

IO. Dividends are transferable to non resident share-holders on application.

II. Other Fiscal Measures

These include:

I. imposition of high customs tariffs on
. imported goods.
2. Import restrictions
3. Prohibition of the importation of certain goods.

Besides, there are positive measures embodied in the yearly budgets which have been used to assist manufacturing enterprisess .

I2. Aside from the above fiscal incentives Nigeria ha

I. ich mineral and agricultural resources
2. ast potential market
3. relatively stable political envrionment,

3.7 Conclusion

On a concluding note one can say that joint ventures are today the only means by which foreigners can invest in Nigeria, empahsis being on technology as fas as foreign contribution is concerned. To attract foreign investors, the Nigerian government offers special incentives to industrial enterprises, general and foreign investors in particular.

Since joint ventures bestow advantages on both the foreign investor and host country, they help reduce the suspicion with which the two parties traditionally viewed each other; being partners in progress. Chapter 4 examines some aspects of the India economy as well as Indian Government policies and incentives towards joint ventures abroad.

Footnotes

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Chapter 4

SOME ASPECTS OF THE INDIAN ECONOMY

This Chapter outlines the major aspects of Indian economy as well as government policies towards joint ventures abroad. The chapter ends with an examination of the prospects for Indian joint ventures abroad after an overall view of India joint ventures by type of activity and host country has been given.

India has an area of 3.3 million sq kms with a population of over 684 million in I98I, I5% of word population and 25% the population of Asia. It is also the home of rich cultural and social economic diversities.[I]

4.I Agriculture

India has witnessed a steady growth in the production of her major agricultural products. Table 4.I show agricultural production for three selected years. Food grain production reached a record level of I5I.54 million tonnes in I983-84 and production I984-85 is expected to maintain the same level.

Table 4.I

AGRICULTURAL PRODUCTION (Millions of Tonnes/Bales*)

GDP	I973-74	I978-79	I983-84
Rice	44.05	53.77	59.77
Wheat	2I.78	35.5I	45.I5
Pulses	I0.0I	I2.I8	I2.65
Food Grains	I04.67	I3I.90	I5I.54
Oil Seeds	9.39	I0.I0	I2.8I
Sugarcane	I40.8I	I5I.66	I77.02
Cotton*	6.3I	7.96	6.58
Jute and Mosta*	7.68	8.33	7.4I

*I70 kg each for cotton and I80 kg each for Jute and Mosta
Source: Government of India: Economic survey I984, -85,p.6

Oil seeds as a group as well as the major oil seeds, rape groundnuts and mustard also exceeded their previous peaks. Though there was a big drop in the production of Jute and Mosta in I983 - 84 as compared with the I978 -79 figures some recovery is expected in I984-85.

An analysis of the trends in Agriculture in recent years shows that the "Green Revolution" which provided the big push to Indian agriculture in the mid I960s has gathered further strenght in subsequent years extending beyond the narrow base of regions with developed infrastructure and particular crops like wheat. There has been .. distinct acceleration in the production of most crops brought about mainly by improvement. in yields and to a lesser extent by an increase in the area under various crops.

Major factors responsible for improvement in yield include:

I. Seeds

The production and distribution of certified seeds increased from I4 "Iakh quintals" in I979-80 to 58 'lakh quintals' in I983-84, and it is expected to be upto 70.4 lakh ... quintals in I984 - 85. Expansion of the area under high yield variety (HYV) has also been an important component of the strategy for increasing agricultural production. The area under HYV increased from 38.4 million hectares in I979-80 to 52.5 million hectares in I983-84 and the target of 56 million hecters fixed for I984-85 is likely to be exceeded.

The scheme of free distribution of improved varieties

of seeds of cereals, oil seeds and pulses to the small and marginal farmers in the form of minikits (containing separately packed seeds, specific rhizohium culture and also the recommended package of practices and other instructions) instituted in I982 has proved a very useful device for promoting the use of better seeds.

(2) Fertilizers

Another factor which has contributed to the increase in agricultural production is the increased consumption of fertilizers. The total off take of chemical fertilizers doubled in four years from 25.7 lakh tonnes in I974-75 to 5I.2 lakh tonnes in I982-83 and reached a record level of 77.2 lakh tonnes in I983-84. Apart from the favourable rainfall situation and a further price discount on about I2 lakh tonnes of more than 2 years stock lying with the Food Corporation of India, the step up of short term loans to states for purchase and distribution of agricultural inputs and intensive fertilizer promotion campaign in I04 selected districts have contributed a lot to the increase in fertilizer consumption.

There has been considerable increase in the domestic production of fertilizers over the years but not enough to keep pace with the growth in consumption. Large quantities of fertilizers still have to be imported. Prices of both imported and indigenously produced fertilizers are highly subsidised.

3. Irrigation

At the beginning of the 6th Development Plan I98I-85, the irrigation potential under major and medium irrigation

works was 26.5 million hectares and 50 million hectares under minor irrigation. By 1983-84 9.1 million additional potential had been created from major/medium irrigation projects, minor irrigation wells, tubewells, pumpsets, tanks etc. For a variety of reasons there has been a lag between the creation of additional irrigation potential and its utilization. For example of the 65.6 million hectares available by June 1984, only 60.5 was being utilized.

Moreover, utilization on its own may not imply the full realisation of the benefits intended on the field for silt deposits, evaporations, seepage, losses of water due to inadequate distribution channels to the fields and overflooding are quite common. Poor management and suboptimal cropping patterns also are problems. For optimum benefits therefore the Command Area Development Programme (CAD) has been deviced to achieve optimum utilisation of the potential already created. Provision is also being made for the construction of field channels in the command areas not already covered by the CAD Programme. The widespread productivity increases in recent years as against earlier periods reflect the dissemination and absorption of new technology in agriculture over a wider area than before.

4.2 Industry

The industrial sector registered a growth rate of 5.5% over the previous year in 1983-84 and is expected to reach 7% in 1984-85.

Table 4.2 shows the index of industrial production from 1980 to 1984 with 1970 as base year.

Table 4.2

Index of Industrial Production
(Base I970 = I00)

Industry Group	I980 -8I	I98I - 82	I982-83	I983-84
General Index	I54.0	I67.3	I73.8	I86.4
Manufacturing	I48.8	I59.9	I63.9	I7I.I
Textile Projects	II5.7	II3.0	I04.8	III.7
Chemicals and chemical Products (Except mechinery and transport equipment)	II8.2	2I2.8	2I7.9	32I.4
Basic Metals	I37.I	I48.I	I6I.5	I60.8
Metal Products	I47.7	I49.6	I6I.4	I69.0
Machinery(Except electircal)	22I.8	239.0	238.7	258.9
Electrical machinery apparatus and applicances	I76.0	I82.I	I74.0	I84.7

SOURCE: Government of India: Economic Survey I984-85, P.26.

Of the eighteen major groups of industries in the manufacturing division eleven recorded increases in production during I983 - 84 while the other seven had negative growth. Of the eleven that showed positive growth, three had more than I0% growth. These were wood and cork (5I.8%) foot were and other wearing apparel (I7.2%) and transport equipment (I4.I%).

Others that showed positive growth include rubber products (8.6%), Machinery except electrical machinery (8.2%) textile products (6.6%) chemicals and chemical products (6.2%) non-metalic mineral products except products of petroleum and coal (5.7%) metal products other than machinery and transport equipment (4.7%). The groups which recorded deline in production include tabacco, food processing beverages and paper and paper products.

The engineering industry comprising of six groups in general showed a growth rate of 5.9% in I983-84 as against I6% in I982-83. Among the major engineering industries impressive growth were recorded by agricultural tractors three wheelers (20.7%) mator,cycles (I8.8%) and bicyles (22.9%) Industries which recorded a rather sharp decline in production were saleable steeel, road rollers, earth moving equipment and zip fastners.

The over all industrial growth rate in I984-85 is expected to reach 7% bringing to 5.8% the average growth rate during the sixth plan period. This falls signifantly below the growth rate stipulated in the plan. This disappointing performance of the India industrial sector is not unique to the Sixth Plan period. It was also a feature of the preceeding fiften years. Although the reasons for this prolonged period of sluggish growth is said to be complex, a number of factors can be advanced. These include protection in various forms, inappropriate choices of scale and technology, poor rates of capacity utilization, mismatches between capacity and demand and recurrent episodes of severe infrastructural constraints, especially with respect to power among others.

Or it may well be that the targets set are too high considering the countries level of technology and other resources.

4.3 Import and Export: Balance of Trade

Imports

The rate of growth in India's imports which had touched the level of 34.2% in I979-80 and 37.3% in I980-8I decelerated thereafter and showed only modest growths of 8.4% in I98I-82, 5.5% in I982-83 and 9.8% in I983-84, over the year before each. The most important factor contributing to the containment of Indias imports was the rapid increase in the domestic production of crude oil which helped reduce the share of Oil in India's overall imports from 42% in I980 - 8I to 3I% in I983-84. This turn facilitated the expansion of non-oil imports required for the maintainance of the economy and for investment. Major imports include petroleum and petroleum products, capital goods, iron and steel, cereals, non-ferrous metals, edible oils and fertilizers (crude and finished).

Sources of Imports

As a group the countries constituting the organisation for Economic Cooperation and Development (OECD) have remained the largest sources of India's imports. India's import from OECD countries was 42% in I982-83 and increase to 5I% in I983-84 with U.S., U.K. and Japan as major sources. OPEC countries, the second largest sources accounted for 20.6% in I983-84 as against 27.I% in I982-83. This is a reflection of a reduction in the import of oil and oil products. The share of developing countries other than OPEC members increased from I3.7% to I5.2% in I982-83 and I983-84

respectively while imports from developing countries including OPEC countries increase by 21.4% in 1983-84. Imports from Africa showed an increase of 52.2% in 1982-84 over the previous years. Imports from East European Countries showed a marginal decline in 1983-84. On the whole the U.S.A. emerged India's single largest source of imports with a share of 11.4% in 1983-84.

Exports

In 1983-84 India's exports showed an increase of 10.8% over the previous year's level. Major export commodities include crude oil, handicrafts (mainly pearls, previous and semi previous stones), engineering goods, ready made garments, leather and leather manufactures including footwears, iron ore, tea and mate, fish and fish preparations, chemical and allied products, cotton, rice, tobaccoa, cashero nuts, sugar, spices among others. Handicraft, crude oil and engineering goods are the most important. In 1983-84, handicrafts accounted for 16.2% of total exports while crude oil and engineering goods accounted for 12.5% and 7% respectively.

Direction of Exports

Main destinations of India exports are OECD countries, Eastern Europe and OPEC countries which accounted for 44.2%, 16.3% and 8.9% respectively in 1983 - 84. Developing countries other than OPEC got 15.8%.

The bulk of Indian exports to the OECD are to the EEC, USA and Japan with U.S.A. as India's single largest export market accounting for 14.1% of India's export in 1983-84 and 10.7% in 1982-83. Table 4.3 shows India 's balance of trade from 1979-80 to 1983-84.

Table 4.3

Exports, Imports ad Trade Deficit

RS/Crores

	1979-80	1980-81	1981-82	1982-83	1983-84
Exports	6418	6711	7806	8908	9866
Imports	9143	12549	13608	14356	15783
Balance of Trade	(2725)	(5838)	(5802)	(5448)	(5897)
As % of GDP	2.5	4.6	3.9	3.3	3.0

SOURCE: Government of India: Economic Survey 1984-85, p.67

The improvement in India's balance of payment as a % of Gross domestic product can be attributed mainly to an increase in domestic production of crude oil and petroleum products which has not only reduced imports but also increase export of crude oil.

4.4 Government of India: Policies Towards Joint Ventures Abroad

India views joint ventures as an instrument for strengthening economic ties with co-developing countries and thus implements in a concrete way the doctrine of collective self reliance and cooperation among developing countries. An important by product of this form of economic cooperation is that it enables India to find markets for her capital goods and products and has given her a base for earning foreign exchange in the years to come. In a sense joint ventures are thus one of the various other elements of the export expansion drive undertaken by India.[2]

India herself being short of capital does not pursue an altogether open door policy towards the export of capital

overseas. Although in the late fifties and early sixties, some investments were taking place with the approval of the Government of India, a comprehensive joint venture policy for export of capital was formulated and appropriate guidelines issued only in the late sixties. Thus from an ad hoc state of affairs a policy for export of capital emerged in a comprehensive manner only in 1969. Very largely, the objective is to limit the contribution to share capital by way of equipment and services, thus intending Indian investors export machinery against equity which is treated as export. In some cases, technical and managerial fees are also permitted to be converted into equity capital. Normally no cash participation is permitted in overseas ventures. However in those circustances where the host country insists on cash participation, the companies may be permitted strictly on a selective basis to invest cash in those ventures.

Government of India insists that Indian companies should not take more than 49% of equity, however this is relaxable only in those cases where host country does not have any objection to majority participation. Another important syipulation in the Government of India's guidelines is that India companies should try to give training to local parties. This is in keeping with the government of India's stand with reference to foreign investors in India who are required to give similar undertaking when they establish companies in India.

Incentives

To encourage the participation of India entrepreneurs in joint ventures abroad, the Government of India has provided a number of incentives which include:-

(I) The export of machinery and equipment as part of the Indian equity investment in the joint venture is eligible for grant of import Replenishment Licences and other export benefits which are normally available to the exporters under the Import Policy for Registered Exporters. Additional export that is non equity export automatically qualify for these benefits.

(2) Defered payment facilities for non-equity exports are also considered by Industrial Development Bank of India (IDBI) in the same way as normal exports.

(3) Under section 80 (o) of Income Tax Act, Indian partner's dividend receipts from abroad in free foreign exchange, in consideration of supply of technological know-how, patents, designs, processes and similar property rights and other services are excempt from tax, on obtaining the approval of the Central Board of Direct Taxes to the agreement

(4) Receipts in foreign exchange from abroad in the form of royalities, commissions and transfer fees are also exempt fromn taxation, on obtaining the approval of the Central Board of Direct Taxes to the agreement.

(5) The government of India has entered into double taxation avoidance agreements with a number of countries. There are also agreements with certain countries covering income of certain specified enterprises like aircraft operations.

Negotiations are in progress for similar agreements with more especially south East Asian and African countries.

(6) Since the preparation of pre-investment feasibility studies is important for setting up joint ventures such work can be undertaken by Indian consultancy organisations. Consultancy organisations registered with FIEO are made eligible for substantial financial assistance on expenditure incurred on such studies abroad.

(7) India Missions abroad render assistance to the prospective Indian entrepreneurs in respect of locating suitable collaborators and difficulties in the implementation of the projects.

(8) The Ministry of Commerce as well as Indian Investment Centre provides information regarding the scope of joint ventures in different countries. The Indian Investment Centre maintains up-to-date information about investment opportunities, priority industres, economic conditions, taxation laws, foreign investment policies and procedures in different countries. These country-profiles provide necessary preliminary information to guide investment efforts.

(9) Adequate amount of preliminary expenses are released. On request for release of foreign exchange for deputing the representatives of the Indian participants either for exploration of joint ventures possibilities or implementation of sanctioned projects releases are made on priority basis.

(IO) Finally the India Government policies are flexible enough to consider any special problems that may arise in the orderly implementation of joint ventures

projects. The Indian parties however have to work not only within the policies and procedures of Indian but also of the host country. Indian entrepreneurs are helped at every stage for this purpose.

4.5 Growth of India Joint Ventures Abroad

Over the last 20 years the involvment of Indian entrepreneurs in joint ventures abroad has increased considerably. The number of joint ventures increased from a few in the early I960s to 247 in I976 and over 300 in I983. There has been geographical diversification as well. There are as many as 42 countries in which India joint ventures are located.

However, they are concentrated in the developing countries. South East Asian countries account for over one third of the ventures with Malaysia in the lead. Important African countries are Nigeria and Kenya. Indian joint ventures established abroad are in those industries in which India has developed substantial expertise and experience. They include engineering textile, electricals, woodpulp, paper, sugar and cement. The largest segment being in engineering and textiles.

4.6 Indian Joint Ventures in Practice

Table 4.4 shows Indian Joint Ventures by field of collaboration as at July I982. While Table 4.5 portrays Indian Joint Ventures in Developing countries as at July I982; table 4.7 shows Indian Joint in Nigeria as at July I985.

TABLE 4.4

Indian Joint Ventures by Field of Collaboration
(As on Ist July 1982)

St. No.	Field of Collaboration	In Operation		Under Implementation	
		No of. JVs	Percent Of Total	No of JVs	Per cent of Total
A.	Manufacturing Ventures	87	64.9	51	54.75
1.	Light engineering	30	22.4	15	15.36
2.	Textiles & allied products	19	14.2	5	5.32
3.	Chemicals & Pharmaceuticals	12	9.0	14	14.89
4.	Oil seeds crushing & refining of Palm Oil	9	6.7	1	1.06
5.	Iron & Steel Products	5	3.8	2	2213
6.	Pulp & Paper	3	2.2	1	1.06
7.	Glass & glass products	3	2.2	2	2.13
8.	Leather & Rubber products	2	1.5	5	5.32
9.	Food products	2	1.5	5	5.32
10.	Commercial vehicles	1	0.7	1	1.06
11.	Cement products	1	0.7	-	-
B.	Non-Manufacturing Ventures	47	35.1	45	45.75
12.	Trading & Marketing	17	12.7	10	10.64
13.	Hotels & Restaurants	14	10.5	10	10.64
14.	Engg. contracts & Construct	7	5.2	12	12.77
15.	Consultancy	3	2.2	133	3.19
16.	Other (Non-manufacturing)	6	4.5	8	8.51
	GRAND TOTAL	134	100.0	94	100.0

SOURCE: Federation of Indian Chamber of Commerce and Industry. New Delhi, 1982.

TABLE 4.5

Indian Joint Ventures in Developing Countries (As on Ist July, I982)

Region	In Operation			Under Implementation		
	No of JVs.	Indian Equity (Rs. Million)	Percentage of total	No. of JVs	Indian Equity (Rs. Million)	Percentage of total
South East Aisa	64	283.0	6I.0	26	I84.0	24.3
South Aisa	9	4.5	I.0	I8	98.I	I3.0
West Asia	I5	I2.5	2.7	9	48.7	5.8
Africa	23	I54.6	33.4	24	279.2	5I.4
Eeveloping countires	III	454.6	98.I	77	680.6	94.5
Developed Countries	23	9.3	I.9		39.5	5.5

Sources: Federation of Indian Chambers of Commerce and Industry New Delhi, I982.

TABLE 4.6

INDIAN JOINT VENTURES IN AFRICA
(EXCLUDING UAR AND LIBYA)
AS ON 1.8.76

NAME OF COUNTRY	Proposals Approved		In Production		At Various Stages of Implementation		Abandoned after Approval	
			No.	Indian Equity RS/Million		R/Million	No.	Indian Equity RS/Million
1. Kenya	16	113.278	7	39.239	3	14.700	6	59.339
2. Muritius	14	17.206	5	5.315	5	6.210	4	5.681
3. Nigeria	12	13.828	3	4.620	-	-	9	9.208
4. Ethiopia	9	13.955	-	-	-	-	9	13.955
5. Zambia	5	7.290	-	-	2	4,840	3	2.450
6. Tanzania	3	3.620	-	-	-	-	3	3.620
7. Uganda	2	2.920	4	2,920	-	-	1	
8. Togo	2	0.120	-	-	-	-	2	0.120
9. Ghana	1	0.540	-	-	-	-	1	0.540
10. Morocco	1	0.369	-	-	-	-	1	0.369
11. Senegal	1	0.365	-	-	-	-	1	0.365
TOTAL	66	173.491	16	53.094	10	25.750	40	95.647

SOURCE: Ministry ofn Commerce Government of India, 1976.

Table 4.7

Indian Joint Ventures In Nigeria as at July I985 by Field of Collaboration.

Field of Collaboration No	. No. .	% of Total
	-	2
I. Engineering	3	20%
2. Pharmaceuticals	2	I3.33%
3. Iron and Steel Produces	I	6.66%
4. Cement Products	I	6.66%
5. Glass Products	I	6.66%
6. Bottling	I	6.66%
7. Textile		I3.33%
8. Merchant Commercial Banking	2	I3.33%
9. Consultancy	2	I3.33%
IO. Insurance	I	6.66%
TOTAL	I5	IOO

Source: Indian High Commission, Lagos.

The tables are self explanatory but it may be necessary here to out line a few points that do emerge.

(I) 65% of Indian joint venture abroad are in manufacturing, out of which 45.6% is accounted for light engineering, textile and allied products and chemicals and pharmaceuticals.

(2)

(2) 98% of Indian joint ventures abroad are in the less developed countries (LDCs), out of which 61% is in South East Asia. Africa accounts for 33.4%.

(3) Out of the 23 Indian Joint Ventures in Africa as at July 1985 are in Nigeria and of these are in engineering and pharmaceuticals.

4.7 Prospects for Indian Joint Ventures Abroad.

Most of the developing countries in which Indian joint ventures are located have good and hospitable environments for investment. Various facilities are offered by the Governments to encourage foreign investments. These include guarantee against nationalisation and political risk, tax free treatments, encouragement through loans etc. Despite the fact that some host governments are emphasizing investment in high technology which india does not possess, there are numerous industries in which Indian investments could go profitably. These include construction, coastal and waterways shipping paper coversion, bicycle manufacture, textile, machine tools, automobile parts, furniture, leather, agro based industries, steeel plants etc.

Some of these countries are however realising that asking for high technology for economic development in the face of acute unemployment problems and lack of capital is like asking to eat your cake and have it. Furthermore, most host countries are emphasing, the use of local raw materials. Since, Indian entrepreneurs are mainly interest in the export of plant, machinery and technical know-how, there eixst good

prospects for joint collaboration in these countries.

4.8 Conclusion

India is today one of the most developed of the less developed countries of the world. India has recorded a steady growth inh her agricultural production over the recent years, her Green Reen Revolution Programme having been extensive in terms of both regions and crops. Improved seeds, increased use of fertilizers and extensive irrigation projects constitute the major factors responsible tc improvement in agricultural production.

Industrially, India has also developed quite substantially. A growth rate in industrial production of 5.5% was recorded in I983-84 over the previous year. It is expected to reach 7 % in I984-85 to bring to 5.8% the average growth rate during the Sixth National Development Plan Period. India's major imports include petroleum and petroleum products, capital goods, non and steel cereals, non-ferrous metals, edible oils and fertilizers. Main sources of imports are the United States of America, Japan and United Kingdom Major exports include crude oil, handicrafts, engineering doods, leather goods, tea, fish, cotton and rice. United States of America is India largest single export market. The improvement in India balance of trade in the last few years is attributable mainly to increased domestic production of crude oil and products.

In a bid to promote her export promotions drive, the India government encourages the establishment of India joint ventures abroad in industries in which the country has acquired some technology and experience. This it does by

giving a number of incentives which include tax reliefs, provision of information, speedy treatment of foreign exchange matters and subsidized pre-investment feasibility, studies among others.

India heslf being short of capital does encourage cash contribution to equity of Indian partners. As much as possible equity participation by India partners in these joint ventures are restricted to export of machinery and service. The number of India joint ventures abroad is about 300. Most of these joint ventures are located in other third world countries with Nigeria and Kenya being the most important Africa countries. A major advantages of Indian joint ventures abroad is the fact that they use intermediate technologies which are more suitable to the factor endowments of the developing countries than advanced technologies.

Chapter 5 undertakes an analysis of the questionnaires.

Footnotes

1. Industrial Development Bank of India. 1984 Development Banking in India. P. 3

2. Indian Institute of Foreign Trade. Indian Joint Ventures Abroad. New Delhi, 1977 P.I

Chapter 5

OPERATIONS OF JOINT VENTURES STUDIED DATA ANALYSIS

This chapter undertakes an analysis of the questionnaries completed by the joint ventures studied. Given the objectives of the study outlined in Chapter II, individual portions of the questionnaires are analysed seperately or added to others for a meaningful analysis. Findings from private discussions are also reflected in this analysis.

5.I Year of Incorporation/actual production and nature of products

The joint ventures studied produce a variety of products and have been in production for varing number of years. Table 6.I shows the types of products produced as well as the date of incorporation and actual production. In this table and in severall others where it is necessary to analyse joint ventures individually, the alphabets A to G are used instead of company names in compliance with the promise of non-disclosure of identity given to the organisations.

Table 5.I

Year of Incorporation/actual production and nature of products

Firm	Nature of products	Year of Incorporation	Year of actual Production
A	Ligh engineering goods	I964	I967
B	Building Products	I967	I967
C	Textile fibres and yearns	I980	I985

Table 5.I CONT.

Firm	Nature of products	Year of Incorporation	Year of actual Production
D	Tarpaulin and Canvass goods	I973	I975
E	Electricity meters and circuit breakers	I977	I98I I98I
F	Metal forming and cutting	I980	I985
G	Blankets, beds spreads finishing materials	I979	I980

SOURCE: Computed from questionnaires

5.2 Source of Initiative for Joint Ventures

This, is to show what was responsible for intially thinking up the joint ventures. Responses are tabulated in Table 5.2.

Table 5.2

Source of Initiative

	GOVERNMENT	PRIVATE	TOTAL
Nigerian	I	3	4
Indian	-	3	3
Total	I	6	7

SOURCE: Same as in Table 5.I

Of the seven organisations studied, the initiative for establishment come from Nigerians in four cases, three being from private individuals and one from the Federal Government. For the remaining three initiatives were from private foreign

investors. This means that for 6 out of 7 ventures initiatives came from private individuals. The fact that Nigerian entrepreneurs are taking active part in invitiating join ventures is aplausible, it means that the indigenisation drives of the government is yielding fruits.

The government should however through the various Chambers of Commerce and Ministries of Trade and Industry ensure that such joint ventures are in the priority areas of the economy.

5.3 Motivating Factors

The factors which motivated the establishment of join ventures studied is tabulated in table 5.3. Total number is greater than 7 due to multiple factors for some of the organisations.

Table 5.3

Motivating Factors

Factor	No
Incentives from Nigerian Government	2
Incentives from Indian Government	I
Restrictions by Nigerian Government	I
Captive market	2
Limited Domestic Market in home country	-
Availability of raw materials	I
Desire to become multionational	I
Desire to earn foreign exchange	2
Desire to conserve foreign exchange	I
Others	I
TOTAL	I2

Source: Same as in Table 5.I

Table 5.3 points to the fact that no one motivating factor is responsible for the establishment of these joint ventures. It is however interesting to note that five of these firms have (i) incentives and restrictions by the Nigerian Government, (ii) availability of raw materials and (iii) desire to conserve foreign exchange as their motivating forces. These factors are in line with the Federal Governments efforts to industrialise the economy. Only one of the firms studied, had factors outside those listed in Table 5.3 as motivating factors.

5.4 Management and Control

The concentration of management and control is a major distinguishing factor between direct foreign investment by multinationals and joint venture businesses. In the former, management is usually in the hands of the foreign investors or their representatives and control is exercised by the parent company abroad. In the later management and control is shared jointly in agreed proportion by the partners. In the Nigerian case where the development of indigenous entrepreneurship is desired, such agreements should be in a form that would put a substantial portion of management and control in the hands of Nigerians. Table 5.4 shows how management and control is distributed among the partners in the organisations studied.

Table 5.4

Management and Control

Management and Control vested in the hands of:	No of Firms
Nigerians	-
Indians	2
Both Nigerians and Indians	5
TOTAL	7

SOURCE: Same as in Table 5.I

Table 5.4 indicates that five out of seven of the organisations studied have combined management and control. The other two have management solely in the hands of the foreign partners. Considering the fact that the enterprises pomotions decrees of I972 and I977 were aimed primarily at makin . Nigerians take active part in the management and control of businesses in the country it is unsatisfactory to find joint ventures still managed solely by foreigners. It is hoped that management and control will ultimately be shared on equal basis by both foreign and indigenous partners.

5.5 Development of Entrepreneurship

One of the advantages claimed of joint ventures as a form of foreign investment is that they help develop entrepreneurship in the host country.. Prior to the enterprises promotions decree of I972, manufacturing business in Nigeria were mainly in the hands of foreigners,.Nigerians were merely traders at the best. The need for Nigerian businessmen to take

active part in manufacturing if the country is industrialise can not be over emphasised.

One of the objectives this study is to examine the extent to which Nigerian-Indian joint ventures have helped in the development of entrepreneurship in Nigerian investors. The organisations studied all being manufacturing enterprises, a way of judging whether this has been achieved is to look at the businesses or professions of the Nigerian partners before going into manufacturing in the joint venture. Responses in the questionnaires are summaried in table 5.5.

Table 5.5

Business or profession of major Nigerian Partners

Activity	No
Manufacturing	2
Trading	I
Investments in Industries	2
Services	2
Total	7

SOURCE: Same as in table 5.I

Two out of the Nigerian partners were already involved in manufacturing before the establishment of joint ventures and two others though not involved directly with manufacturing, were investing in industries. The remaining three are new in the manufacturing sector. To this extent the joint ventures can be said to have contributed towards the development of enterpreneurship by initiating the Nigerian partners into

manufacturing activities in three cases and increasing the scope of —nitoflfcBrfm activities la tfce otber loir*

5.6 Activities of India Partners in IndiaT"

For Jftlgerian^Indian joint ventures to transfer technology to Nigerians the Indian partners must possess considerable knowledge of the products produced and the processes and technology used for their production. Thus a basic requirement of the ability to transfer technology is experience in similar production processes. An outline of the business of Indian investors in India vis a vis the activities of joint ventures in Nigeria is given in Table 5.6.

Table 5*6

Activities of Indian Partners in India vis a vis Joint Ventures in Nigeria,

Firm	Nature of Business	
	Indian Partners in India.	Joint Ventures
A	Light engineering goods	Light engineering goods
B	Building products and motor parts	Building products
C	Investment, transport and finance	Textile fibre and yarns.
D	Tarpauline and Canvass Canvass goods	Tarpaulin and canvass goods
E	Electricity meters and mini circuit breakers	Electricity meters and circuit breakers
F	Machine Tools	Manufacture of metal forming and metal cutting machines.

Table 5.6. Cont.

Firm	Nature of Business	
	Indian Partners in India.	. Joint Ventures
G	Textile and Chemical industries	Blankets, bed-spreads and furnishing materials.

SOURCE: Same as in Table 5.I.

With the exception of one firm the Indian partners are engaged in similar activities in India as as the joint ventures in Nigeria. This means that the Indian partners having had some knowledge and experience of the plant and processes utilised by the joint ventures are in a position to transfer technology to their Nigerian partners and employees.

5.7 Capital Cost of Project

The project cost for a manufacturing set up is usually made up of:

I) Land
2) Site development
3) Factory buildings
4) Plant and machinery
5) Erection charges
6) Basic and detailed engineering fees
7) Projecting expenses
8) Miscellaneous fixed assets
9) Pre-operational expenses
IO) Contingency

It was not possible to collect information on the cost of projects studied in the manner given above. However the estimated and actual costs of projects are given in table

5.7 in lumpsums.

Table 5.7

(Project Cost (₦000)

Firm .	Estimated Cost .	Actual Cost	% change of actual over estimate.
A	N/A	N/A	-
B	6,000	5,500	(8%)
C	9,500	II,000	I6%
D	I,960	I,960	0%
E	I4,500	I6,000	I0%
F	92,200	N/A	-
G	5,200	5,400	4%

SOURCE: Same as in Table 5.I.

Save in the case of one of the firms actual costs of project where information was available were more than estimated the highest percentage, rate of increase being I6%. This could be accounted for by inflation. Despite inflation the percentage increase of actual over estimates are not very high which points to the fact that it was possible to make proper estimates from experience. Another factor that could account for little effect of inflation is probablly the fact that the ventures were implimented in time.

5. 8 Capacity Utilisation

The extent to which the firms studied are utilising their installed capacity is analysed in table 5.8. In Nigeria today there is hardly any fixed pattern of capacity utilisation as this varies widely from period to period due to difficulties in obtaining raw materials and parts for plant and machinery.

Table 5.8 reflects the level of capacity utilisations at the time of data collection.

Table 5.8

Capacity Utilisation as at May I985

Firm	Installed Capacity	Utilised Capacity
A	I,200,00 units	65%
B	44,000 tonnes	5%
C	3,00 kp	75%
D	2,000,000 sq meters	36%
E	400,000 units	I00%
F	N/A	N/A
G	2,840,400 pcs	I7.05%

Sources: Same as in Table 5.I

Of the firms studied only one is currently producing at full capacity. Firms B and D complained of low demand and raw materials respectively, while firm G's problem is non-availiability of parts. Firm B whose situation is rather critical had expanded some years back to meet the large demand for building products in the country. Unfortunately just as the expansion process was coming to an end, the demand for building products witnessed a sharp down turn which brought demand well under the previous level of production. Firm A was producing at I00% capacity till end of I973 when it was forced to reduce the level of capacity utilisation due to declining demand for its major products; airconditioners, office furniture and steel structures.

5.9 Nature of Technology Used

One of the objectives of this study is to examine the

extent to which the joint ventures studied are in a position to transfer desireable technology from Nigerian point of view. A way of studying the nature of technology is the number of stages involved in processing. A one or two stage(d) manufacturing process can hardly be regarded as any thing other than rudimentary technology while a process involving three or more stages can be said to be advanced technology. Table 5.9 summarises responses on the question of stages involved in manufacturing.

Table 5.9

Stages of Manufacturing/Processing

No of Stages	No. of Firms
One	-
Two	-
Three or more	7

Source: Same as in Table 5.I

The above table indicates that none of the organisations is employing a redumentary technology as they all use three or more stages of manufacturing or processing. This coupled with the fact that most of the plants are imported from India means that the technologies used are advanced technologies which have undergone some modification to suit the conditions of a developing country. This appears to be desirable in Nigerian conditions at the moment.

5.IO Raw Materials

Most industries in Nigeria today depend to a large extent on imported raw materials for their production. A country that wants to develop economically can not depend

solely on foreign raw materials for her industries given the scarcity of foreign exchange and other political and economic implications of such dependence. It is one of the aims of this study to examine the extent to which joint ventures use local raw materials for their products. Answers from respondents on this issue are summarised in table 5.IO.

Table 5.IO

Source of Raw Materials

Source	No
Nigeria	2
India	5
Elsewhere	6

Source: Same as in Table 5.I

Note

The answers here do not total seven as some of the joint ventures get their raw materials from more than one source. Table 5.IO is indicative of the fact that most of the joint ventures studied depend on imported raw materials. Only two of this firms get any raw materials at all from Nigeria. This is to say that the other four depend solely on imported raw materials. This is not in keeping with the Federal Government policy where industries are required to utilise maximumly locally avialable raw materials. It is therefore desirable that these joint ventures switch over to the use of local raw materials or the purpose of their establishment would be defeated.

5.II Source of Plant and Machinery

A question in the questionnaire was directed at the source of the plant and machinery used in joint ventures. This was with a view to seeing whether they were avialable

in Nigeria, imported form India or elsewhere. This certainly has some connection with the type of technology used and the likelihood of the technical partners being in a position to transfer it. Plant and machinery from India would mean intermidiate technology with which the technical partners are fimiliar. Responses are shown in Table 5.II.

Table 5.II

Source of Plant and Machinery

Source	No of Firms
Nigeria	-
India	6
Elsewhere	4

SOURCE: Same as in Table 5.I

Generally plant and machinery were not available in Nigeria. six out of seven ventures studied got part or all of their plant and machinery from India. This is understandable given the fact that the main equity contribution of the Indian partners was in the form of plant and machinery as the Indian Government does not encourage them to contribute cash. Where the required plant and machinery or parts of it were not available in India, they were imported from third countries. Some of the joint ventures however gave cost considerations as reasons for purchasing plant and machinery from countries other than India. Naturally the reason given for not buying in Nigeria was non-availability. The ventures studied therefore are using in the main intermediate technology from India.

5.I2 Share of production of joint Ventures in the total Consumption of Same products in Nigeria: Market Share

One of the objectives of this study is to find out if the joint ventures have some impact on the Nigerian economy and

society by way of products. A company which accounts for a good proportion of the amount of a certain good consumed in the country would be said to have some impact. Table 5.II gives the responses as to the market share of each of the ventures for their products.

Table 5.I2

Market Share.

Market Share	No of Firms
Monopoly	I
Sizable	5
Minor	-
Information not available	I

Source: Same as in table 5.I

Five of these joint ventures contribute a sizable proportion of the total consumption of the goods they produced. This points to the fact that the goods they produce are generally acceptable which is a desirable state of affairs.

5.I3 Employment

The employment of indigens by joint ventures is about the only way technology can be transferred. This is why joint ventures agreements usually contain clauses that make it mandatory for joint ventures to employ certain categories of local manpower in specified proportions. Moreover given the employment situation in the country, one of the gains of Nigeria from joint ventures is the provision of employment opportunities. Foreign manpower is however needed especially in the technical areas where indigenous capabilities are limited. The employment patternsn in the organisations studied is given in tables 5.I3 and 5.I4 in terms of level of skill

and nationality of employees respectively.

Table 5.I3

Employment (Skillwise Distribution)

Firm .	Level of Skill			Total
	Skilled	Semi-Skilled	Unskilled	
A	256	2I0	45	5II
B	50	37	97	I84
C	72	42	38	I54
D	3I	52	I70	253
E	I00	200	60	360
F	I50	44	I2	206
G	I28	[illegible]	30	I58
Total	797	585	452	I824

Source: Same as in Table 5.I

Skilled wise distribution shows that of the I824 persons employed, 787 (43%) are skilled, 585 (32%) are semi skilled and 452 (25%) unskilled. All the foreign employees fall under the skilled category leaving 747 (4I%) of total manpower employed as skilled Nigerians. The larger proportion of skilled and semi-skilled vis a vis unskilled employees can be explained by the fact that the organisations studied are manufacturing set ups where at the least some knowledge of specific skills is necessary for performing the jobs. Moreover most of the skilled and semi-skilled workers have been trained to suit the particular needs of the organisations under study.

Table 5.I4

Employment (Nationality wise Distribution)

Firm	Nationality of Employee		Total
	Nigerian	Indian/others	
A	500	II	5II
B	I82	2	I84
C	I50	2	I52
D	245	8	253
E	358	2	360
F	200	6	206
G	II49	9	I58
Total	I734	40	I824

Source: Same as in Table 5.I

Put together the joint ventutes under study employe I824 workers, 98% of whom are Nigerians. Indians and other [illegible] nationals account for 2% of employees in these joint ventures. These organisations have offered employment opportunities to Nigerians, and obviously the government policy of controlled employment of foreigners is being followed.

5.I4 TRAINING

Training both on the job and out of job is a means of imparting knowledge of relevant techniques and processes to employees. It is one of the objectives of this study to examine to what extent the joint ventures studied give training to Nigerian employees with a view to making it possible for them to make useful contributions in the operations as well as management of the organisations, the ultimate aim being for Nigerians to be able to operate these industries on [illegible].

their own.

All organisations studied claim to have given training to employees especially at the semi-killed level. With government restrictions on the employment of foreigners and the absence of sufficient indigeneous skilled manpower, organisations have little option but to employ unskilled and semi skilled workers who are then trained to their requirements. Inplant training is the popular form of training. Most of the training is done in Nigeria and on few occasions, in the parent factories abroad. Table 5.I4 gives a summary of the responses from joint ventures on the number of Nigerians that have been trained and promoted since the opening of the joint ventures.

Table 5.I5

Training and Promotion

Level	A.	B.	C.	D.	E.	F.	G.	Total*
Technicians	N/A	20	N/A	45	200	I25	5	395
Middle Management	N/A	5	N/A	38	I5	2	6	66
Top Management	N/A	5	N/A	I2	2	-	2	2I

Source. Same as in Table 5.I

Note

*Total is for five organisations.

Five of the joint ventures for which information is available have trained and promoted 482 employees, technicians accounting for 395 (82%). Though the varing periods of time for which these joint ventures have existed does not allow a very meaningful analysis the table does expose that even though emphasis is on chemical training, Nigerian Managers both

at middle and top levels have also been given relevant training.

5.I5 Markets Served

The markets served by the ventures studied are solely Nigerian as none of these firms are exporting to any other other country. One of them however has plans to export to other West African countries in the near future.

These firms have however contributed significantly towards the achievement of self reliance in Nigerian economy by reducing reliance on the importation of goods similar to these produced by the joint ventures. In the cases where importation of such goods are prohibited by government policy measures, these organisations have contributed towards satisfying the demand for these products. It is interesting to note that of seven joint ventures studied only two of the parent companies were exporting similar goods to Nigeria before the establishment of the joint ventures.

It was not possible to gather data on sales figures for the past three years for four of the organisations studied. In the three cases where information is available there was a marked downwards trend in sales from I982 to I984, with sales in I984 in all three cases less than one half of sales in I982. This is understandable given the difference in the general levels of economic activities in the country during these two years.

5.I6 Finance

The financial resources required for the running of any manufacturing set-ups like the ones under study are the fixed capital and working capital. The organisations under study being joint ventures, partners are expected to

contribute to the required amounts in various and prodetermined ways. Such methods of contribution often include cash, land, capital equipment, capitalisation of technical know-how among others. Moreover funds can be raised from external sources such as commercial banks, development banks and other lending institutions to meet the financial requirements of the organisation.

Table 5.6 shows the authorised and issued and paid up capital of the organisations studied while Table 5.I7 tabulates the method of contribution by the partners.

Table 5.I6

Authorised, Issued and Paid Up Capital

Firms	Authorised (₦)	Issued and paid up (₦)
	(₦,000)	(₦,000)
A	4,200	4,200
B	3,000	2,078
C	3,200	3,050
D	I,960	I,960
E	4,500	4,500
F	20,000	20,000
G	2,I72.5	2,I72.5

Source: Same as in Table 5.I

From Table 5.I6 it can be seen that apart from Firm F with an issued and paid up capital of ₦20, million the others are medium sized firms.

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Table 5.I7

Method of Contribution to Equity Capital

Method of Contribution	Nigerian	Indian/Others
Cash		

Table I.I7 Cont.

Method of Contribution	Nigerian	Indian/Others
Capital Equipment	-	5
Land and Buildings	I	-
Capitalisation of Technical know-how.	-	-

Source: Same as in Table 5.I.

The Nigerian contribution to equity was mainly by cash; land /and building being capitalised as well for only one of the firms. In the case of the foreign partners four of the foreign investors contributed by a combination of cash and export of capital equipment, one by export of capital equipment alone and one by cash alone. For those who contributed by cash and equipment cash was often a small proportion as the Indian government does not encourage remittance of cash as equity unless in special circumstances. Other sources of finance were mainly bank loans.

5.I7 Home Remittances by Foreign Partners

None of the joint ventures studied completed the part of the questionnaire which inquired into the amounts remitted abroad by the foreign partners in the form of dividends, management fees, technical fees and other remittances. Some gave confidentiality as their reason for not completing this part of the questionnaire. Most of the firms however stated that they had problems with remittance of profits and returns mainly in the form of administrative bottlenecks.

5.I8 Future Capital Requirements

Additional capital is often required by organisations

for one or more of the following purposes:- expansion, modernisation and diversification. The amount of such capital requirements will depend largely on the magnitude of the proposed expansion, modernisation or diversification. All the ventures studied indicated that they will need additional capital for one or more of the purposes stated above in the next couple of years. Table 5.17 gives the various reasons for which additional capital will be needed and the number of organisation that require additional capital for a particular purpose. Some of the firms also complained of shortage of capital for their present operations and as such will required additional capital especially working capital to maintain their present level of operations. The need for increased working capital in most cases was attributed to inflation and the need for more liberal credit policies.

TABLE 5.18

Purpose-wise Future Capital Requirement

Purpose	No of Firms
Expansion	2
Modernisation	-
Diversification	2
Present Project(s)	5

The fact that none of these joint ventures needs additional capital for modernisation can be said to portray the fact that they do not consider their plant and machinery outdated.

5.I9 Lending Institutions

Financial institutions in the country have an important role to paly in economic development by making funds available to industrialists. The Nigerian Industrial Development Bank (NIDB) was established primarily for this purpose. The Nigerian Bank for Commerce and Industry (NBCI) was established in I973 to facilitate indigenisation of the Nigerian economy by providing equity capital and funds by way of loans to indi indigenous persons and organisations for long and medium term investments in industry and commerce.

Apart from these specialist banks, commercial banks as well as other lending institutions like merchant banks and insurance companies provide funds for investments in industry. The organisations studied were asked to indicate their preference for source of funds and their responses are tabulated in Table 5.I9.

Table 5.I9

Prefered Sources of Finance

Source	No
NIDB	2
NBCI	I
Commercial Banks	6
Others including merohant banks and insurance companies	2

Source: As in Table 5.I

Note: The number of responces does not total seven because of multiple choice by some of the joint ventures.

The popular choice of source are commercial banks and the reason for this is that these organisations feel it is easier to get loans from commercial banks as there are less formalities involved than is the case with other lending institutions. Moreover most of the joint ventures need increased amounts of working capital and commercial banks are the only source.

5.20 Restrictive Clauses in Collaboration Agreements

A section of the questionnaire administered was directed at finding out if there were any restrictive clauses in the joint ventures agreements with respect to sources of raw materials, employment, management, sources of plant and machinery as well as destination of exports where applicable. An attempt to study the agreements had proved abortive as none of the joint ventures would produce them on the ground of these being confidential documents. The responses given in the questionnaires are tabulated in table 5.20.

TABLE 5.20

RESTRICTIVE CLAUSES IN COLLABORATION AGREEMENTS

Restrictions with regard to:	No
1) Exports	1
2) Sources of raw materials	-
3) Sources of plant, machinery and parts	2
4) Employment	-
5) Management and technical collaboration.	3

Source: Same as in Table 5.1.

Three of the joint ventures claim that there were absolutely no restrictions in the joint ventures agreements under the headings listed in table 5.I9. For the remaining four, restrictions were in forms of one or more of the following:

I) Export restrictions

2) Sources of plant and machinery

3) Management and technical collaboration

While three firms have restriction in terms of technical and management collaboration, two have restriction in the form of sources of plant, machinery and parts and only one in the form of export conditions.

Technical and management restrictions account for the highest number of restrictions and were specified as (i) supply of technical know-how by the foreign partners and (ii) joint management and control. Sources of plant, machinery and parts which comes next in proportion restricted source of plant machinery and parts to the country of foreign partners. Only one firm claimed restriction with regard to export and this clause forbide the firm to export its products unless in situations of saturated local market.

It is interesting or rather surprising to note that none of the joint ventures has any restriction regarding source of raw materials. This means that the ventures could import all or part of their raw materials or obtain them locally. This is certainly an area the Federal Government of Nigeria should look into more closely. With the scarcity of foreign exchange and abundance of untapped natural

resources in the country, joint venture agreements should embody clauses that compels them to obtain at least part of their raw materials locally.

5.2I Problems Faced by Joint Ventures

The aim here is to state the important problems faced by the joint ventures in the course of their operations.

Labour: Five of the organisations studied claim they had problems with obtaining suitable technical manpower locally. To overcome this they have had to give inplant and out of plant training to employees. This they say is quite expensive but given the Federal Government's restrictions on the employment of expartriates only a limited number of technically skilled workers can be employed from outside. Thus training is the only answer.

Competition from other producers in Nigeria.

Firms C,D,E and F see competition from other firms in Nigeria as either no problem or minor problem, while firms A B and G see competition from such local producers as a serious problem.

The situation of competition not posing a problem may be explained in one or two ways. First, that the company in question enjoys a monopoly and second, that demand is so high relatively to supply so that all the producers put together can be satisfy demand and therefore pose no threat to one another. Either way, the consumer (society) suffers as the producers can afford to condone ineffeciencies which are passed on to the consumers in the form of high prices or low quality or both. To ensure that the economy derives maximum benefits from the operations of these joint ventures

the establishment of more joint ventures in these areas should be encouraged. The cases where competition is deemed a serious problem can be said to be a desirable state of affair as this helps put the firms on their toes and ensure that consumers get their money's worth.

Competition to Inports

Since the importation of most of the goods produced by these ventures are either prohibited or under licence, importation should not pose any serious problem. But despite official policies and controls, foreign goods still find their ways into the Nigerian markets and this makes the problem of competition fron foreign products which are normally cheaper a serious one.

The worst hit by smuggling activities is Firm D which produces tarpaulin and canvass goods. Firm A which produces light engineering goods sees competition with foreign goods as a serious problem especially in connection with air-conditioners, fans and flourecent fittings. Firm C which produces textile fibers and yearns finds it difficult to compete with similar goods from foreign sources because of its high production cost. The remaining Firms B.C,F and G do not see competition from foreign goods as any serious problem.

Raw Materials

Most of the raw materials used by the joint ventures are imported from India or elsewhere with only a negligible proportion obtained locally. In the face of import restrictions by the Federal Government and scarcity of foreign exchange this has forced some of this ventures to operate at

critically low capacity levels. Such low capacity utilisations means high unit cost of production which makes it very difficult for the firms to compete. Where there is no competition, the society at large suffer for such high production costs.

Plant Machinery Spare Parts

Another major problems faced by the joint venture is that of parts for plant and equipment. There is very little that can be done now about this since they are all imported given their non-availability locally. It is however hoped that this problem will be solved or at least eased in the near future where the machine tools projects in the country take go into full production.

Demand

Though no sales figures were obtained for most of the ventures, discussions with officers of the organisation revealed that sales generally have dropped significantly in the last two years. This is not surprising given the general level of economic activities in the country. Most of the firms think that this trend will continue for the next few years and hence their reluctance to undertkae any major expansion programmes.

5.22 Image of Indian Entrepreneurs vis a vis their Nigerian Partners

Most of the respondents declined from filling the part of the questionnaire which asked them to state how the Indian partners rate Nigerian businessmen vis a vis their Indian counterparts or how Nigerians rate their Indian partners. Private discussions however revealed that most Nigerian businessmen see their Indian counterparters as bureaucratic tricky and difficulty to handle.

Indians see their Nigerian counterparts as cooperative. For optimum benefits from these joint ventures the parties need to work together in conditions of trust and maximum cooperation. It will thus be a step in the right direction if Indian businessmen in Nigeria try to be more straightforward.

5.23 The Indian High Commission

There is mixed feelings about the usefulness of the Indian High Commission in Nigeria with regards to helping Indian businessmen locate areas of collaboration with Nigerians and finding suitable partners for such collaborations. While some of the respondents feel that the high commission is of great use some others feel the exact opposite and there is a middle group that thinks the high commission is useful in this regard only to a limited extent. It is thus difficult to deduce any conclusions. What ever be the case however, it is desirable that the Indian High Commission in Nigeria and its Nigerian counterpart in India should work closely together to bring together Nigerian and Indian businessmen for cooperation in desired sections of the economy. They should have a separate section in the respective high commissions specifically dealing with matters partaining to joint ventures. It is also advisable that they should supply information on the performance of joint ventures so that they can be evaluated impartially by academicians and researchers. Such studies will enhance the utility of joint ventures for both countries.

5.24 Future Prospects

Depending on its experience with past and present operations as well as future forcast, a company may decide to

maintain present levels of operation, expand, diversify or even drop out completely. The responses as to what prospects the respondents visualise for the establishment of more Indian-Nigerian joint ventures either in their present fields or other areas are given in table 5.20.

TABLE 5.2I

Prospects for further Establishments of Indian Nigerian Joint Ventures in Nigeria

Good	2
Poor	5

Source: Same as in Table 5.I.

The reasons given for the poor prospects include:

I) difficulties in procurement of raw materials and machinery parts due to foreign exchange restrictions,

2) difficulties encountered in remitting money home by foreign partners,

3) envisaged low demand for the ext couple of years at least,

4) rate of abandonment of approved projects due to unforeseen bureacratic and other bottlenecks.

Genrally Nigerian Indian joint ventures do not see themselves as possessing any special advantages or disadvantages in comparison with joint ventures by other nationals. Most of the Indian partners therefore feel that the Government of India as well as the Indian investors should make sure that all agreements are approved in principle by the Nigerian government before joint ventures are started.

5.25 Conclusion and Findings

The above analysis of data on the operations of Nigerian India joint ventures reveal a number of facts which

include:

I) The initiatives for the establishment of these joint ventures came mainly from private investors.

The fact that most of them are reluctant to establish any more joint ventures is indicative of the fact that their main motive has not been achieved. Instead of leaving initiative totally to private investors, the Federal Ministry of Trade and Industry should seek out areas where industrial investments could benefit the economy most and encourage joint ventures in such areas:

2) Most of the joint ventures are managed jointly by both foreign and indigenous parties.

3) Joint ventures have helped develop entrepreneurship as some of the Nigerian partners are new in the manufacturing field.

4) Joint ventures are in the main engaged in activities for which the foreign partners have some experience and are therefore in a position to transfer the technologies used.

5) At least 50% of the joint ventures are operating at less than 40% of installed capacity due to non-availability of raw materials and parts.

6) Technologies used are all intermediate technologies with three or more processes involved.

7) Only a negligible part of raw materials used by the joint ventures are obtained in Nigeria.

8) Most of the plant and machinery were imported from India.

9) Together the joint ventures studied employ 1784 Nigerians

as 98% of labour employed). Of this 43% are skilled, 37% semi-skilled and 25% unskilled.

I0) Joint ventures give both inplant and out of plant training of employees as most of the available labour are not suitable for their needs. Most of the traning is done in Nigeria

II) All joint ventures serve local market. No export is undertaken.

I2) Indian contribution to equity capital is mainly by way of plant and equipment while Nigerian contribution is mainly by cash.

I3) The main problems faced by the joint ventures are:

i) non-availability of raw materials

ii) non-availability of spare parts for plant and equipment

iii) low demand

iv) non-availability of skilled local manpower.

v) competition from imported (smuggled) goods.

I4) Although no financial analysis has been done in this study due to lack of data, the reluctance of the organisations in going into further joint ventures can be taken to be indicative of the fact that they are probably not making reasonable profits.

Chapter 6

SUMMARIES CONCLUSIONS AND RECOMMENDATIONS

As a result of indigenisation efforts, business enterprises in Nigeria are organised and managed either exclusively by Nigerians or in partnership with other foreign nationals in the agreed proportion as per the provisions of the indigenisation decrees of I972 and I977 which required foreign nationals/mutinationals to dilute their ownership to the appropriate percentage of shareholding by I979. Apart from these joint ventures which came into as a result of indigens buying part of foreign ownership, new enterprises established first time in Nigeria in accordance with the provisions of these decrees can only be joint ventures.

This study has been undertaken to examine:

I) the extent to which Nigeria-Indian joint ventures have transfered technology which is desirable in the Nigerian context,

2) the extent to which Nigerian managers and technicians have been trained to take ultimate positions in these organisations,

3) the extent to which goods and services produced or rendered by these organisations have been acceptable for consumption in the country and the possibility of subsequent export of such goods and services,

4) the conditions or factors which have hampered the growth of these joint ventures,

5) the impact these joint ventures have had on the society by way of products, employment as well as behavioural aspects,

and finally,

6) To suggest remedial measures to strenghten these joint ventures so that the ultimate objectives of owning, managing and controlling of industrial establishments in Nigeria by indigenes may be achieved.

6.I Summaries and Conclusions

To examine the above , the study was divided into chapters. Important conclusions emerging from individual chapters are given below.

I) From a review of available literature, this study is a maiden one with regard to Nigerian-Indian joint ventures. For though a lot has been written on joint ventures in the developing countries in general and Nigeria in particular, there has been no study of Nigerian-India joint ventures using data collected directly from the joint ventures. Thus this can be viewed as an improvement on previous studies in this specific area.

2) The Nigerian economy is more or less monocultural with petroleum accounting for over 80% of the countries' export earnings and over 60% of total revenue. Agriculture which until late I960s used to be the country's major foreign exchange earner has been subjugated to the background. In-fact today Nigeria imports large amounts of agricultural items (some of which it usedto export) to feed her growing population as well as for industrial use. The influence of the oil sector on the economic development of Nigeria has however lacked expected dynamism. For although the oil industry has provided ample financial resources for the

prosecution of various development plans since the war, there has been very low linkage between the oil sector and the rest of the economy. It is ridiculous for example that the oil industry which accounts for about over 60% of the country's earnings employs less than 0.I% of the country's labour force and less than I0% of labour employed in the manufacturing sector, while agriculture whose contribution to gross national product is almost insignificant, employs over 70% of the country's labour force.

3) Industrialisation which witnessed an upsurge in the I970s has now taken a downward turn due mainly to the country's worsening unfavourable trade balances which has resulted in severe scarcity of foreign exchange. This problem has resulted in the non-availability of raw materials and parts which in most cases are imported.

4) In a bid to industrialise, the twin objectives of rapid economic development and economic self reliance have shaped the country's policies towards foreign investment. While the colonial era by deliberate lack of policies encouraged the exploitation of Nigeria's resources by foreigners, post independence policies demanded gradual Nigerianisation the first formal step taken to this effect being the Enterprises Promotions Decree of I972.

5) The Nigerian authorities however realise that complete indigenisation is unrealistic as of now for certain technical skills and know-how required in industry are not obtainable locally.

6) Joint ventures derive the rationale for their existence from economies in sharing of capital, risk and technical

know-how as well as management and other intellectual property which can be combined in various ways. The most common combination in the developing countries is that of brand, trade mark, design or proces with experience of commercial affairs and administration in all its aspects with reference to a specific country, its customs and economic background.

7) Joint ventures bestow benefits both to the foreign investor and host country and help remove the asuspicion with which each usually views the other. For most developing countries, joint ventures are an effective way of acquiring technology and the only way some industries of national interest can be established at all. Joint ventures are today the only form in which foreign investment is acceptable into Nigeria. By the Enterprises Promotions Decree of I977 no foreigner can on his own establish a business in Nigeria without indigenous participation. The aim is to promote indigenous participation in all sectors of the economy and allow foreign participation in manufacturing and high technology areas.

8) Manufacturing was accorded a high a priority in the 4th National Development Plan (I98I - I985) as industrialisation is seen as an essential part of the country's efforts to attain self reliance and self sustained growth. The specific objectives for the manufacturing sector in the plan was therefore to mobilise the industrial potentials of the country with a view to setting the stage for economic and social development.

9) To encourage investments in the industrial sector, Nigerian

government aside from measures embodied in annual budgets give a number of policy incentives which include tax reliefs, accelerated depreciations and protection in the form of import restrictions and high custom tariffs n imported goods. In addition, the foreign investor is given such specific incentives as the approved status, capitalisation of retained profits, technology transfer payments, consultancy fees, remittance of profits and proceeds from assets disposal as well as transfer of dividends to non-resident shareholders.

IO) Other condusive factors for industrial investment in Nigeria include her rich mineral and agricultural resources, vast potential market and relatively stable political envrionment.

II) India has over the years developed considerable expertise and experience in the processes and production of certain industrial goods. These include textile, electrical, engineering, woodpulp, chemical, cement and metal goods among others. India sees joint ventures in these areas as a means of finding market for her capital goods and products as well as a means of earning foreign exchange. This Indian joint ventures abroad are a part of the export expansion drive undertaken by the country. The Indian government guidelines on joint ventures abroad aim at limiting equity contribution of Indian investors to export of equipment and service. These guidelines are however flexible enough to allow cash investments in special circumstances.

I2) To encourage Indian entrepreneurs to invest abroad, the Indian government provides a number of incentives such as tax exemptions, double taxation agreements with host countries, import replenishment licences, free information about prospective host countries, financial assistance on pre-investment feasibility studies and speedy release of foreign exchange for preliminary expenses among others.

I3) Most Indian joint ventures abroad are in the less developed countries, important African countries being Nigeria and Kenya. The number of Indian joint ventures abroad has increased tremendously in the last twenty years to over 300 in I983. As at July I985 there were I5 Indian joint ventures in Nigeria. Ten of these are in the manufacturing sector with engineering account for three. Two are in banking, two in consultancy and one in insurance.

I4) An analysis of the operation of the joint ventures studied reveals the following

I) The joint ventures studied are in a position to transfer technologies used to Nigerians.

2) Nigerian managers and technicians are given training in the technologies and processes used.

3) Joint ventures do not produce for export.

4) The major problems facing the joint ventures include:

i) general economic depression which has resulted in low demand.

ii) scarcity of parts and raw materials resulting in less than full capacity utilisation,

iii) inavailability of skilled manpower locally resulting

in expensive training programmes given the Federal Government restrictions on employment of foreign labour.

5) Joint ventures give employment to a relatively large number of Nigerians.

6.3 RECOMMENDATIONS

To ensure that Nigeria - India joint ventures operate successfully and thus contribute maximumly towards economic development in Nigeria, a number of remedial measures or steps are hereby suggested.

I) Nigerian Government

The Federal Government of Nigeria through the Federal and State Ministries of Trade and Industries as well as Chambers of Commerce should take more active part in the initiation and channelling of joint ventures into priority areas.

2) Raw Materials

The present state of affairs where most of the raw materials used are imported is quite undesirable. Joint ventures should be encouraged in areas which local materials can be obtained and it should be made mandatory for joint ventures to obtain a certain minimum proportion of their raw materials locally.

3) Export Drives

Joint ventures experiencing low demand for their products should be encouraged to export to other West African countries. This will not only improve their sales position but will also earn the country foreign exchange. Such encouragement can be in terms of incentives such as tax

reliefs, import duty concessions on parts, higher home remittance for the foreign partners and the like.

4) Equipment Parts

Since the non-availability of spare parts is one of the most serious problems facing the industrial sectors in the country, the Federal government should speed up the construction and full operationalisation of the machine tools projects in the country. Also efforts should be made in the direction of establishing more of such industries.

5) Skilled Technical Manpower

The absence of skilled technical manpower constitutes a major problems in the operations of the joint ventures studied. To overcome this, the Nigerian government should monitor more closely the industrial training programmes of the higher educational institutions especially the polytechnics. Such manitoring would ensure that students are actually exposed to the operations and processes involved in manufacturing in the factories. Without such monitoring, students will continue to see the industrial training periods as periods of holiday.

6) Indian Partners Equity Participation

The Indian equity participation in these joint ventures were mainly in the form of equipment export and serviced export from India. Two issues are at stake here.

I) It should be made mandatory for the foreign partners to make at least some cash contribution to equity capital. Restricting Indian participation to equipment export leaves the ventures with little choice as to source of machinery.

2) It is a known fact that most foreign investors in the

developing countries export obsolate and second hand equipment which they overvalue to cover their equity participation. In such cases not only are the Nigerian partners cheated by their partners contributing less than realised, such equipment soon break down and plunge the ventures into the problem of spare parts earlier than would have been the case. It is therefore recommended that the Federal Ministry of Trade and Industry should employ a valuation unit to assess and value such equipment and make sure that they are what they claim to be. It should be criminal for officials of the valuation unit or the Nigerian partners to connive with the foreign investors to make wrong valuations.

7) Evaluation of Joint Ventures

From time to time an evaluation of joint ventures in the country with particular reference to nationality of foreign participation should be undertaken and their effectiveness and contribution to the Nigerian economy acessed. This will help find out areas where more cooperation with other countries is essential and areas where Nigerians can operate independently.

8I Contribution to Gross National Product

As suggested earlier joint ventures should only be allowed in area where they make maximum use of local materials. The existing policy of allowing assembly type joint ventures should be stopped.. This creates a false impression that the industrial sector is contributing to the GNP whereas 90% of the inputs are imported from outside in finished form with scarce foreign exchange.

9) Economic Survey of the Country

The Federal Government along with state Governments, financial and technical institutions in the country should carry out a detailed economic survey of the country Information from the findings of such a survey should be made available to existing and prospective entrepreneurs so that the tremendous potentialities of Nigeria can be exploited in the right direction with minimum foreign participation. Such information should also be available to academicians for research purposes.

I0) Transfer of Technology

An important aspect of the well debated issue of technology transfer is the state of readiness of recipients to the technology transfered.

) It can hardly be expected that any technology can be transfered unless the recipients can absorb the technology.

The Federal Government should therefore pay more attention to technical education in the country. This will put Nigerians a position where they can receive the technologies transfered by joint ventures organisations.

(11) NEPD I977

Schedules 2 and 3 of the enterprises promotions decree I977 should be reviewed with a view of removing from these schedules enterprises which Nigerians can operate without foreign participation. Only those enterprises for which indigenous technical know-how is lacking should be included in these schedule.

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Appendix I

DEPARTMENT OF BUSINESS ADMINISTRATION

A.B.U. ZARIA

MBA Project on Operations, Problems and Prospects of Nigeria - Indian Joint Ventrues in Nigeria.

QUESTIONNAIRE

PART I. GENERAL INFORMATION

I. Name and Address of Joint Venture in Nigeria

_____

_____

2. Name and Address of Indian Collaborator

_____

_____

3. Date of approval of venture by Nigerian Government

_____

4. Date of incorporation/registration in Nigeria _____

_____

5. Date of Commencement of Production

(i) Trial Production _____

(ii) Regular Production _____

6. Whether the management and control are in the hands of foreigners or Nigerians

Nigerians	Foreigners	Jointly
☐	☐	☐

7. Does the Joint Ventures come in the priority sector of Nigeria

YES	No
☐	☐

8. Does the Joint Ventures enjoy any concession or benefits in Nigeria such as priority status, tax holiday period exemptions from duties etc. Please list.

(I) _____

(2) _____

(3) _____

9. Please state whether the intiative for the Joint Venture came from Nigeria.

Nigeria	Foreign Partner
☐	☐

IO. Which of the following were the motivating factors for starting the joint ventures ?

(I) Incentives from Nigerian Government

(2) Incentives from Indian Government

(3) Restrictive Policies of Nigerian Government say

(a) Foreign Exchange regulation Act

(b) NEPD I972, I977

(c) Income Tax

(4) Desire to earn profits

(5) Desire to earn foreign exchange

(6) Limited Domestic market

(7) Advantages of exporting to third World Countries

(8) Protection of Market

(9) Captive Market

(IO) Availability of Raw materials

(II) Desire to become a multinational company

(I2) Any other reason; please state.

_____

II. What was the main business/profession of major Nigerian Partners/Shareholders before Launching of this Joint Venture ?

Manufacturing	Trading	Service	Other
☐	☐	☐	☐

PART II PRODUCTION

(I) Products produced/activities engaged in by the joint Venture in Nigeria.

_____

_____

(2) Products produced/activities engaged in by foreign collaborators in home country.

_____

_____

(3) Capital Cost of Project

(a) Estimated ₦ _____

(b) Actual ₦ _____

(4) What is the licenced Capacity _____

Please also give the installed and utilised capacity in different years.

Year	Installed Capacity	Utilized Capacity

(5) How many stages of manufacturing/processing are involved in production.

ONE ☐ TWO ☐ THREE OR MORE ☐

(6) Are the materials used

(I) Available in Nigeria ☐

(2) Imported from home country ☐

(3) Imported from other third World Country ☐

(4) Imported from elsewhere ☐

(7) Was the plant and machinery

(I) Available in Nigeria ☐

(2) Imported from hone country ☐

(3) Imported from elsewhere ☐ Please State where

(8) If imported from elsewhere why was the technology prefered

_____

_____

_____

(9) If imported from any other country what was the reason for not importing from home country.

(a) At home itself you we using imported technology

(b) The plant and Machinery were more Sophisticated

(c) The technology is better

(.) It was not available in home country

(e) Loans were easily available for importi ng from other countries.

(f) Any other reason. Please specify _____

_____

(IO) What is the share of production by Joint Ventures in total output and consumption of same products in Nigeria? Whether it is

(a) a Monoply ☐

(b) Sizable ☐

((c) Minor ☐

PART III PERSONNEL

(I) Please give the number of persons employed in Joint Ventures

I) Nigerians _____

2) Indians _____

3) Others _____

Total _____

I) Skilled _____

2) Semi-skilled _____

3) Unskilled _____

Total _____

(2) Does the joint ventures give training to Nigerians

YES ☐ NO ☐

If Yes please indicate at what levels

Skilled ☐ Semi skilled ☐ Unskilled ☐

(3) Do you provide any in-plant training to Nigerians in Indi:

YES ☐ NO ☐

(4) Did you have any problem getting skilled personnel in Nigeria to suit your requirements

YES ☐ NO ☐

(5) Do you have any problems in employing foreign personnel/ labour

YES ☐ NO ☐

(6) How many officers, here you trained/promoted since the opening of the ventures

Technicians _____ Middle Management _____ Higher Level: _____

PART IV MARKETING

(I) Was the foreign collaborator exporting similar products to Nigeria before the establishment venture

YES ☐ NO ☐

(2) What is the effect of venture on the import of same products from aborad.

_____

_____

_____

(3) What market does the project serve

Year	Total Sales	%to Host Country	%to Export to other countries
____	_____	_____	_____
____	_____	_____	_____
____	_____	_____	_____

PART V FINANCE

(I) What is the Authorised/Issued Capital of the joint ventures

Authrosed ₦ _____

Issued & Paid ₦ _____

(2) What is the foreign share of equity _____ %

(3) Method of contribution (Foreign share) ₦

(a) Cash remittance _____

(b) Export of Capital equipment _____

((c) Capitalisation of Technical know how _____

(d) Bonus Shares _____

(e) Others _____

(4) Method of Contribution by Nigerian (b) ₦

(I) _____ _____

(2) _____ _____

(3) _____ _____

(4) _____ _____

(5) What were the other initial sources of finance

(I) _____

(2) _____

(3) _____

(6) Please state amounts of dividends, technical fees, management fee etc. remitted abroad in various years

Year	Dividends	Management fees	Technical Fees	Other remittances
	₦	₦	₦	₦
____	_____	_____	_____	_____
____	_____	_____	_____	_____
____	_____	_____	_____	_____

(7) Do you have any problems regarding transfer of foreign exchange or remmitance of profits/returns

YES ☐ NO ☐

If yes please specify _____

(8) Do you feel any shortage of Capital for your venture

☐ ☐

(9) Would you needs additional finance for the next wo to three years.

YES ☐

NO ☐ Total Requirement ₦ .....

If yes please state proporse for ticking this

Expansion ☐ Mordernisation ☐ Diversification ☐ New Product ☐

(IO) Which of these institutions would uou prefare for financial assistance

NIDB	NBCI	COMMERCIAL BANS	Other
☐	☐	☐	☐

Please indicate the reason for your preference

(I) easy to get ☐

(2) less formalities ☐

(3) confidential ☐

(4) other ☐

Please specify _____

_____

PART VI POLICIES AND FUTURE PROGRAMME

(I) What are the restrictive clauses in the collaboration agreement with regard to

(a) Exports _____

_____

(b) Sources of raw materials _____

_____

(c) Plant Machinery, equipment and spare parts _____

_____

_____

(2) What are the problems faced in Nigeria by the Joint venture with regard

(a) Labour _____

( ) _____

(c) Competition from other producers in Nigeria _____

_____

_____

(d) Non adherence of commitments made by partners _____

_____

(e) Any other _____

_____

(3) Is any other country apart from Nigeria and India participating in the ventures

YES ☐ NO ☐

If yes please, state nature of participation

Financial ☐ Technical ☐ Managerial ☐

(4) Do you have any disadvantages/advantages compared to other countries in establishing joint ventures in Nigeria

YES ☐ NO ☐

(5) How do Nigerian busines men generally feel about Indian enterpreneurs

Arrogant ☐ Uncooperative ☐ Bureacratic ☐ Other ☐

Please specify _____

_____

_____

(7) What measures do you suggest the Government of Indian take regarding Joint Ventures abroad

_____

_____

(8) Do you think the Indian High Commission in Nigeria is fully equiped to help businessmen in identifing areas of co-operation and partners and concluding the actual deals.

YES ☐ NO ☐

((9) What prospects do you visualise for further establishing of Indian/Nigerian joint ventures in Nigeria

_____

_____

(I0) Do you have any plans to establish any other joint ventues in Nigeria.

YES ☐ NO ☐

Many thanks for helping me. I will appreciate any comments or criticism of specific questions or the questionnaire in general. So please use the space below to express your views.

APPENDIX II

NIGERIAN ENTERPRISES PROMOTION DECREE 1977

SCHEDULE I

ENTERPRISES EXCLUSIVELY RESERVED FOR NIGERIANS

1. Advertising and public relations business.
2. All aspects of pool betting business and lotteries.
3. Assembly of radios, radiograms, record changers, television sets, tape recorders and other electric domestic appliances not combined with manufacture of components.
4. Blending and bottling of alcoholic drinks.
5. Blocks and ordinary title manufacture for building and construction works.
6. Bread and cake making.
7. Candle manufacture
8. Casinos and gaming centres.
9. Cinemas and other places of entertainment.
10. Commercial transportation (wet and dry cargo and fuel).
11. Commission agents.
12. Departmental stores and supermarkets having an annual turnover of less than ₦2,000,000.
13. Distribution agencies excluding motor vehicles, machinery and equipment and spare parts.
14. Electrical repair shops other than repair shops other than repair shops associated with distribution of electrical goods.
15. Establishments specialising in the repair of watches, clocks and jewellery, including imitation jewellery for the general public.
16. Estate agency.
17. Film distribution (including cinema films).
18. Germent manufacture.
19. Hairdressing.

20. Ice-cream making when not associated with the manufacture of other dairy products.

21. Indenting and confirming.

22. Laundry and dry-cleaning.

23. Manufacturers representatives.

24. Manufacture of jewellery and related articles, including limitation jewellery.

25. Manufacture of suitcases, brief cases, hand-bags, purses, wallets, portfolios and shopping bags.

26. Manucipal bus services and taxis.

27. Newspaper publishing and printing.

28. Office cleaning.

29. Passenger bus services of any kind.

30. Poultry farming

31. Printing of stationery (when not associated with printing of books).

32. Protective agencies.

33. Radio and Television broadcasting

34. Retail trade (except by or within departmental stores and supermarkets).

35. Rice milling.

36. Singlet manufacture,

37. Stevedoring and shorehandling.

38. Tyre retreading.

39. Travel agencies.

40. Wholesale distribution of local manufactures and other locally produced goods.

SCHEDULE II

ENTERPRISES IN RESPECT OF WHICH NIGERIANS MUST HAVE AT LEAST 60 PER CENT EQUITY INTEREST

1. Banking - commercial, merchant and development banking

2. Basic iron and steel manufacture.

3. Beer brewing.

4. Boat building

5. Bottling of soft drinks.

6. Business services (other than machinery and equipment rental and leasing) such as business management and consulting services, fashion designing.

7. Clearing and forwarding agencies.

8. Canning and preserving of fruits and vegetables.

9. Coastal and inland waterways shipping.

10. Construction industry.

11. Departmental stores and supermarkets having annual turnover of not less than ₦2,000.000.

12. Distribution agencies for machines and technical equipment..

13. Distribution and servicing of mator vehicles, tractors and spare parts thereof or similar objects.

14. Fish and shrimp trawling and processing

15. Fertilizer production

16. Grain mill products except rice milling.

17. Industrial cleaning.

18. Insecticides, pesticides and fungicides.

19. Internal air transport (scheduled and charter services).

20. Insurance-all cases.

21. Lighterage.

22. Manufacture of bicycles.

23. Manufacture of biscuits and similar dry bakery products.

24. Manufacture of cement.

25. Manufacture of cosmetics and perfumery

26. Manufacture of cocoa, chocolate and sugar confectionery

27. Manufacture of dairy products, butter, cheese, milk and other milk products.

28. Manufacture of food products like yeast, starch, baking powder, coffee roasting: processing of tea leaves into black tea.

29. Manufacture of furniture and interior decoration. Manufacture of metal fixtures for household, office and public building.

30. Manufacture of leather footwear.

31. Manufacture of matches.

32. Manufacturer of metal containers.

33. Manufacture of paints, varnishes or other similar articles.

34. Manufacture of Plastic products such as plastic dinnerware, tableware, kitchenware, plastic mats, plastic machinery parts, bottles, tubes and cabinets.

35. Manufacture of rubber products, rubber footwear, industrial and mechanical rubber specialities such as gloves, mats, sponges and foam.

36. Manufacture of tyres and tubes for bicycles and motorcycles: of tyres and tubes for motor vehicles.

37. Manufacture of soap and detergents.

38. Manufacture of wire, nails, washers, bolts, nuts, rivets and other similar articles.

39. Other manufacturing industries such as non-rubber and non-plastic toys, pens, pencils, umbrellas, canes, buttons, brooms and brushes, lampshades, tobacco pipes and cigaretter holders.

40. Mining and quarrying.

41. Oil milling cotton ginning and crushing industries.

42. Paper conversion industries.

43. Plantation sugar and processing.

44. Printing of books,

45. Production of sawn timber, plywood, veneers and other wood conversion industries.

46. Petro-chemical feedstock industries.

47. Publishing of books, periodicals and such like.

48. Pulp and paper mills.

49. Restaurants, cafes, and other eating and drinking places.

50. Salt refinery and packaging.

5I. Screen printing on cloth dyeing

52. Inland and coastal shipping.

53. Slaughtering, storage associated with industrial processing and distribution of meat.

54. Tanneries and leather finishing.

55. Wholesale distribution of imported goods.

56. Photographic stuios, including commercial and aerial photography.

SCHEDULE III

ENTERPRISES IN WHICH NIGERIANS MUST HAVE AT LEAST 40 PER CENT EQUITY INTEREST

I. Distilling, rectifying and blending of spirits such as ethyl alcohol, whisky , brandy, gin-and the like.

2. Tobacco manufacture.

3. Manufacture of bas ic industrial chemicals (organic and inorganic) except fertilizers.

4. Manufacture of synathetic resins, plastic materials and man-made fibres except glass.

5. Manufacture of drugs and medicines.

6. Manufacture of pottery, china and earthenware.

7. Manufacture of glass and glass products.

8. Manufacture of burnt bricks and structural clay products such as concrete, gypsum and plastering products, including ready- mixed concrete, mineral wool, abrasive, asbestos products, graphite products.

I0. Manufacture of primary non-ferrous metal products such as ingots, bar and billets: sheets, strips, circles, sections rods, tubes, pipes and wire rods: casting and extrusions.

II. Manufacture of (fabricated metal) cultery, hand tools and general hardware.

I2. Manufacture of structural metal products-components of bridges, tanks, metal doors and screens, window frames.

I3. Manufacture of miscellaneous fabricated metal products, except machinery and equipment; such, as safes and vaults, steel springs furnaces; stoves, and the like.

I4, Manufacture of engines and turbines.

I5. Manufacture of agricultural machinery and equipment.

I6. Manufacture of metal and wood working machinery.

I7. Manufacture of special industrial machinery and equipment such as textile and food machinery paper industry machinery, oil refining machinery and equipment, and the like.

I8. Manufacture of office, computing and accounting machinery.

I9. Manufacture of other machinery and equipment except electrical equipment, pumps, air and gas compressors, blowers, air-conditioning and ventilating machinery: refrigerators, and the like.

20. Manufacture of electrical industrial machinery and apparatus.

2I. Manufacture of radio, television and communication equipment and apparatus.

22. Manufacture of electrical appliances and houseware.

23. Manufacture of electrical apparatus and supplies not elsewhere classified, such as insulated wires and cables batteries, electric lamps and tubes, fixtures and lamp switches, sockets, switches, insulators and the like.

[illegible]

24. Ship building and reparing (excluding boat building)

25. Manufacture of railway equipment.

26. Manufacture of motor vehicles and motor-cycles.

27. Manufacture of aircraft.

28. Manufacture of professional and scientic and measuring and controlling, equipment, such as laboratory and scientific instruments; surgical, medical and dental equipment, instruments, and supplies and orthopaedic and prosthetic appliances.

29. Manufacture of photographic and optical goods.

30. Manufacture of watches and clocks.

31. Ocean transport shipping.

32. Oil servicing companies.

33. Storage and warehousing-the operation of storage facilities and warehouses (including bonded and and refrigerated warehouses) for hire by the general public.

34. Textile manufacturing industries.

35. Hotels, rooming houses, camps and lodging places.

36. Date processing and tabulating services (on a fee or contract basis).

37. Production of cinema and television films (or motion picture production).

38. Machinery and equipment rental and leasing.

39. Plantation Agriculture for tree crops, grains and other cash crops.

40. All other enterprises not included in Schedule I or 2 not being public sector enterprises.