INDIGENOUS PRIVATE ENTERPRISE IN NIGERIA

THESIS

Presented to the Graduate Council of the North Texas State University in Partial Fulfillment of the Requirements

For the Degree of

Master of Arts

By

Shitah, Chapi Martin
Denton, Texas
May, 1984

This study is directed towards the relationship between the economic environment in Nigeria and its indigenous private sector from 1960 to 1980. Nigeria practices mixed capitalism aided by the national government, foreign governments and international agencies.

The 1972 and 1977 Indigenization Decrees were passed to eliminate foreigners from certain economic fields to be replaced by Nigerian citizens. The economic environment of Nigeria is less than suitable for the operation of modern business. Roads, telephones, telex services, electricity services, law and order and a few other critical underpinnings of business are inefficiently provided for in the economic system of the country.

Despite the unfortunate economic environment Nigerian Entrepreneurs, especially the Ibos, have been particularly industrious. However, indigenous private enterprise in the country has not been especially successful.
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CHAPTER I

INTRODUCTION

A BRIEF HISTORICAL PERSPECTIVE

The major focus of this study will be upon the relationship between the indigenous private sector and the economic environment in Nigeria between 1960 and 1980. An effectively functioning indigenous private sector provides the greatest possible assurance for long term sustained economic development.

Geography and Population

Nigeria, which is one of the developing countries on the west coast of Africa, has a total land area of 356,668 square miles. It is nearly four times the size of Ghana, thirteen times the size of Sierra Leone and three times the size of the United Kingdom.\(^1\) It lies in the tropics between latitudes 4°N and 14°N, and also between longitudes 2°E and 15°E. Nigeria is bounded on the north by Niger and Chad, on the west by Benin, formerly called Dahomey, on the east by Cameroun and on the south by the Gulf of Guinea. Figure 1 shows Nigeria's location on the west coast of Africa. The country is divided into

Figure 1
Geographical Location of Nigeria
nineteen states: Sokoto, Kaduna, Kano, Borno, Plateau, Gongola, Niger, Bauchi, Kwara, Lagos, Cross River, Rivers, Anambra, Bendel, Oyo, Imo, Ondo, Benue, and Ogum. Each state is ruled by its own governor. The present capital is Lagos with a population of about 1.5 million,² but the government has announced plans to move it to Abuja in Niger State.³

Nigeria, with 90 million people,⁴ is the most populated country in Africa. Of the 250 or more tribes which constitute the Nigerian population, the three largest are the Ibo, the Hausa and the Yoruba.⁵ The Ibo live in the Southeast, the Hausa in the North and the Yoruba in the Southwest. Figure 2 shows the general locations of nine of the major tribes.

The official language of Nigeria is English;⁶ however, each tribe has its own language. Among the tribal languages, Hausa comes closest to being a "lingua franca," followed closely by Ibo and Yoruba.

⁴Ibid.
⁵Perkins and Jasper, A Descriptive Geography, p. 3.
⁶Frederick A. V. Schwarz, Jr., Nigeria: The Tribes, the Nation, or the Race (Cambridge, Massachusetts, 1965), p. 39.
Figure 2: Nigeria: Chief Tribes
The Economy and the Government

Nigeria, in both a political and economic sense, is the strongest country on the west coast of Africa.\(^7\) Independence was achieved on October 1st, 1960, and a transitional government ruled until 1963 when Dr. Nnamdi Azikiwe was elected President of the New Republic. The first Prime Minister was Alhaji Abubakar Tafawa Balewa. During the civilian rule that ended in 1966, the federal government consisted of a Council of Ministers presided over by the Prime Minister, a Senate, a House of Representatives. The head of state was the President, who was elected for a five-year term, after which he could be re-elected for another term.\(^8\) However, by the 1979 Constitution, a President was elected for only a four year term and could be re-elected for another term. A President was allowed to serve only two terms.\(^9\)

When the army took power by a coup d'etat in 1966, the country was ruled by the Supreme Military Council,


presided over by the Commander-in-Chief, General Gowan.  

In 1975, Gowan was ousted in a bloodless coup and replaced by Brigadier Murtala Ramat Muhammed, who was later assassinated in the course of an abortive coup in which General Gowan was suspected to have been involved.  

In 1978, with Lt. General Olusegun Obasanjo as the new Head of State, the state military governments were abolished and the ban on political parties was lifted. Then a new constitution was approved by the military government. By 1979, a new House of Representatives and Senate elections were held and finally in a contested presidential election, Shehu Shagari was elected and still is the nation's first civilian president since the civil war.  

Nigeria's market economy is based on crude oil production. The mineral rights, and hence the crude itself, is owned and sold by the government. A strong private sector exists, however, in manufacturing, commerce, agriculture and service. Tables I-III below show the principal economic indicators for Nigeria. 

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11 Ibid.  
12 Ibid., p. 70.  
TABLE I

PRINCIPAL ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross National Product</td>
<td>$45.270 billion (1978)</td>
</tr>
<tr>
<td>World Rank</td>
<td>34</td>
</tr>
<tr>
<td>GNP Annual Growth Rate</td>
<td>7.1% (1970-77)</td>
</tr>
<tr>
<td>Per Capita GNP</td>
<td>$560.00 (1978)</td>
</tr>
<tr>
<td>World Rank</td>
<td>76</td>
</tr>
<tr>
<td>Per Capita GNP Annual Growth Rate</td>
<td>4.4% (1970-77)</td>
</tr>
<tr>
<td>World Rank</td>
<td>25</td>
</tr>
<tr>
<td>World Rank</td>
<td>14</td>
</tr>
<tr>
<td>GDP Annual Growth Rate</td>
<td>7.61% (1965-73)</td>
</tr>
<tr>
<td>Per Capita GDP</td>
<td>N152 ($231.00) (1973)</td>
</tr>
<tr>
<td>Per Capita GIP Annual Growth Rate</td>
<td>4.8% (1965-73)</td>
</tr>
<tr>
<td>World Rank</td>
<td>19</td>
</tr>
<tr>
<td>Income Distribution</td>
<td>Information not available</td>
</tr>
<tr>
<td>Percentage of Population in Absolute Poverty</td>
<td>30</td>
</tr>
<tr>
<td>Consumer Price Index (1970 = 100)</td>
<td></td>
</tr>
<tr>
<td>All Items</td>
<td>190.5 (June 1979)</td>
</tr>
<tr>
<td>Food</td>
<td>191.8 (June 1979)</td>
</tr>
<tr>
<td>Money Supply</td>
<td>N6.481 Billion (June 1979)</td>
</tr>
<tr>
<td>Average Annual Rate of Inflation 1970-1978</td>
<td>18.2</td>
</tr>
<tr>
<td>Reserve Money</td>
<td>N4.112 Billion (June 1980)</td>
</tr>
<tr>
<td>Currency in Circulation</td>
<td>N2.455 Billion (June 1979)</td>
</tr>
<tr>
<td>International Reserves</td>
<td>$10.373 Billion, of which foreign exchange</td>
</tr>
<tr>
<td></td>
<td>reserves were 9.766 Billion (September 1980)</td>
</tr>
<tr>
<td></td>
<td></td>
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### TABLE II

**BALANCE OF PAYMENTS (1977)**

(Million)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise Exports</td>
<td>16,734</td>
</tr>
<tr>
<td>Merchandise Imports</td>
<td>-11,800</td>
</tr>
<tr>
<td>Other Exports</td>
<td>616</td>
</tr>
<tr>
<td>Other Imports</td>
<td>-3,945</td>
</tr>
<tr>
<td>Private Unrequited Transfers</td>
<td>343</td>
</tr>
<tr>
<td>Official Unrequited Transfers</td>
<td>38</td>
</tr>
<tr>
<td>Direct Investment</td>
<td>301</td>
</tr>
<tr>
<td>Portfolio Investment</td>
<td></td>
</tr>
<tr>
<td>Other Long Term Capital</td>
<td>933</td>
</tr>
<tr>
<td>Other Short Term Capital</td>
<td>10</td>
</tr>
<tr>
<td>Net Errors &amp; Omission</td>
<td>730</td>
</tr>
</tbody>
</table>

Source: *Encyclopedia of the 3rd World Countries, 1980.*

### TABLE III

**GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITY (1970-1977)**

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>Rate of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>30.8</td>
</tr>
<tr>
<td>Mining</td>
<td>32.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.1</td>
</tr>
<tr>
<td>Construction</td>
<td>5.7</td>
</tr>
<tr>
<td>Electricity, Gas &amp; Water</td>
<td>0.5</td>
</tr>
<tr>
<td>Transportation and Communications</td>
<td>3.1</td>
</tr>
<tr>
<td>Trade and Finance</td>
<td>5.7</td>
</tr>
<tr>
<td>Public Administration and Defense</td>
<td>14.1</td>
</tr>
<tr>
<td>Other Branches</td>
<td>-1.5</td>
</tr>
<tr>
<td></td>
<td>8.1</td>
</tr>
<tr>
<td></td>
<td>13.4</td>
</tr>
<tr>
<td></td>
<td>24.7</td>
</tr>
<tr>
<td></td>
<td>18.2</td>
</tr>
<tr>
<td></td>
<td>16.5</td>
</tr>
<tr>
<td></td>
<td>24.6</td>
</tr>
<tr>
<td></td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: *Encyclopedia of the 3rd World Countries, 1980.*
A series of economic development plans were initiated shortly after independence. The first plan ran from 1962 to 1968, the second from 1971 to 1974 and the third from 1975 to 1980.\textsuperscript{14} Included in the third plan were universal free primary education, a basic health scheme, an iron and steel project, two liquefied natural gas plants, a petrochemical complex, two new refineries and modernization of the railways, seaports and airports. This plan was to be financed primarily by revenues from the oil sector.\textsuperscript{15}

Finance

The unit of currency used in Nigeria is the naira consisting of 100 kobo. The naira came into use in 1973 to replace the Nigerian pound with an exchange rate of \#2 = \#£1. In July 1980, the dollar rate was \#1 = \$1.8716.\textsuperscript{16}

The Central Bank of Nigeria regulates domestic and commercial banking while the Ministry of Finance controls foreign banking in the country. By the Indigenization Decree of 1977, all foreign owned banks were required to

\begin{itemize}
\end{itemize}
have 60% Nigerian ownership.\textsuperscript{17} The most frequently used source of development finance in Nigeria is the Nigerian Industrial Development Bank.

\textbf{Mining, Agriculture, Industry and Labor}

\textbf{Mining}

Nigeria is a land blessed with mineral resources, especially oil. Of much less economic significance are deposits of zinc, lead, gold, coal and tin. The country is also noted for its production of 90\% of the world's supply of columbite.\textsuperscript{18} Columbite is a hard black mineral of iron. It is used in super alloys for the world's aerospace industry, as well as high-strength low-alloy steels, stainless steel, and other alloy steels.\textsuperscript{19}

\textbf{Agriculture}

Shifting cultivation is the method of farming applied in Nigeria. This is a system whereby a piece of farm land is used and then allowed to lie idle during the subsequent

\textsuperscript{17}Nigeria, Third Development Plan, p. 183; see also Nigeria's Indigenous Policy, edited by The Nigerian Economic Society (Ibadan, 1975), p. 15.


growing season. In this way, the fertility of the land is regained and becomes ready for more effective cultivation of crops. A similar method of farming is the bush fallow system of cultivation. 20

The main products are cassava, yams, cocoyams, corn, rice, cow peas, guinea corn, and millet.

In order to ameliorate the relative shortage of food in the country the military government in 1976 introduced an emergency program called "Operation Feed the Nation." The area under cultivation for subsistence and cash crops was to be considerably increased. 21 The Nigerian Agricultural Bank is the principal source of credit for Nigerian farmers. 22

Industry

Even though the federal and state governments welcomed foreign investments, the Nigerian Enterprise Promotion Decree of 1977, also known as the "Indigenization Decree," placed limitations on the share of foreign equity permitted in Nigerian firms, barred alien participation in certain types of industries and

20 Perkins and Jasper, A Descriptive Geography, p. 59.


22 Ibid.
made "indigenization" mandatory. This decree was an adjustment of the "1972 Nigerian Enterprise Promotion Decree" designed to correct problems that had arisen with the 1972 Decree.

The labor force in Nigeria in 1975 was about 33 million of which 39% were women. The country does not have any general minimum wage law; however, the state governments have established some uniform rates for general laborers and the federal government does have the authority to set minimum wage rates in any sector where very low wage rates exist. Working conditions in the country are governed by law. In 1971 the work week was 40 hours, with overtime paid at increased rates for work done on weekdays, Sundays and holidays.

Although labor unions exist in Nigeria they have very little economic or political influence. The largest labor union is the Nigerian Labor Congress which was

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founded in 1975 through the merger of the Nigerian Trade Union Congress, the Nigerian Worker's Council, the Labour Unity Front and the United Labour Congress. In 1966, there were 625 trade unions with 491,000 members.27

Transport and Communications

The railway system in Nigeria is run by the state-owned Nigerian Railway Corporation and consists of 2,178 miles of single track in two north/south rail lines. The western line runs from Lagos to Kaduna, while the eastern line runs from Port Harcourt through Enugu and Makurdi to join the western line at Kaduna.28

The navigable waterways in Nigeria are mainly the Niger and the Benue Rivers. There are three chief seaports in Nigeria: (1) Lagos, which handles 80% of the country's annual imports and exports, (2) Port Harcourt, and (3) Wari.29

Roads in Nigeria are divided into three categories: (1) Trunk A, maintained by the federal government, links Lagos with the state capitals; (2) Trunk B roads, maintained by state governments, connects provincial capitals and other large towns with the Trunk A system;

28 Ibid., p. 174-176.
29 Ibid., p. 179.
and (3) other roads maintained by local governments and as feeders to the trunk road system.30 All Trunk A and most Trunk B roads are paved and these cover a distance of 9501 miles.31 The Trans-African Highway links Lagos with Mombasa in Kenya.

Nigerian Airways is the national airline and operates a fleet of aircrafts within the country and internationally. There are ninety-one airports in the country, the largest of which is the Murtala Muhammed International Airport at Lagos, which was formerly known as Ikeja Airport.

The national telephone system is owned and operated by the federal government.32

Health, Education and Social Welfare

Health

There are very few hospitals in Nigeria considering the large population of the country. Nigeria is one of

the most disease ridden areas on the west coast of Africa and has a great need for physicians throughout the country.33

**Education**

Education in Nigeria consists of seven years of primary school and five years of secondary school. The shortages of schools and trained teachers in Nigeria are the roots of the serious educational problems facing the country.

Primary and secondary school administration fall under the jurisdiction of the state governments. The federal government, however, is responsible for all education policy and owns and administers six of the country's twelve universities. Nigeria has a national literacy rate of only 25%.34

**Social Welfare**

There is a social welfare system in Nigeria which is financed by the National Provident Fund and provides for sickness, retirement and old age benefits.35

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33Ibid., p. 134.
Religion

In the south, the Ibos are predominantly Christians while in the north the Hausas are almost entirely Muslims. The Christians in Nigeria are almost evenly divided between Roman Catholic and the Protestant Churches.

The development policy in Nigeria between 1960 and 1980 will be discussed in Chapter II. Chapter III will discuss the Indigenization Policy in Nigeria. Chapter IV will focus upon the economic environment which will be related greatly to the country's infrastructure. Chapter V will examine entrepreneurship in the country. Chapter VI will present a summary of the thesis and draw some conclusions from this study.
CHAPTER II
DEVELOPMENT POLICIES IN NIGERIA

The development policy in Nigeria, like most other African developing countries, is based on capitalism aided by governments nationally and internationally.

Pre-Civil War Period

Historically, emphasis throughout the early 1950's was to develop industry and trade in such a way that Nigerians themselves could play an increasingly important economic role in the development process of the country. It was also everybody's wish that this should be tackled with vigor and should be done so as soon as possible.¹

In the mid-1950's, as Nigerians took over increasing power, the economic policy of the country was modified in two important ways.² First, intensifying nationalism greatly emphasized Nigerian participation, benefits and control in the development of the modern economy. Second, as Nigerians recognized that indigenous business was not yet able to provide the know-how needed


to generate a substantial modern sector, the government increasingly assumed a direct and active role in the productive sector of the economy. By 1955, government corporations undertook a great number of directly productive enterprises intended to be run as profitable ventures. In this manner numerous large-scale national development activities could be promoted. These corporations were intended to operate as private enterprises in order to promote economic development in the exact same way as would private firms. After these modifications, Nigeria moved to an economic development policy which was nationalistic and which possessed state-capitalist and welfare tendencies. Dr. Charles R. Frank, Jr. described Nigeria's pattern of industrialization as one involving "emphasis on private enterprise combined with the use of national development corporations and other quasi-governmental bodies," and also as one in which "private enterprise is encouraged, but the role of national development corporations are conspicuous."³

These corporations which were engaged in direct productive activities did not perform as was anticipated. The policy was considered as a failure due, primarily, to

the political abuse exercised by the corporations, their low profitability and their limited managerial capability. As a result, the country placed increasing reliance upon foreign-owned enterprises for the development of the modern economy. This amounted to a shift from nationalist to internationalist policy, causing an absence of "national control over or at least co-determination of basic decisions affecting national levels and patterns of output, consumption, investment and international trade. . . ."4

Indigenous enterprise, nevertheless, was still favored for all activities that Nigerians believed to be capable of performing by themselves. Reliance on government-owned directly productive enterprises for further development decreased dramatically. With this state of affairs, the mixed-economic policy was entirely forgotten; and welfare tendencies were almost completely dropped. From 1960 through 1968 which included the First National Development Plan (1962-1968) was a period of increased international economic dependency.

Post-Civil War Period

After the Civil War that lasted from 1967 through 1969, Nigeria initiated joint international/national capitalism as its basic economic development policy. The private sector, however, would still be vital in its overall development policy.\textsuperscript{5} There would be an increase in gross private fixed investment from 48.6 per cent of total fixed investment in 1970-71 to 60.2 per cent in 1973-74 and this trend was expected to continue.\textsuperscript{6} Foreign direct investment was projected at about 50.6 per cent of gross fixed private investment for the Second Development Plan period.\textsuperscript{7} The country relied on foreign enterprises for the creation of investment opportunities and to establish their commercial viability. Most medium or large scale economic activities in the modern sector were initiated by foreign enterprises together with Nigerian government or private investment. With the reliance on private investment, foreign and indigenous, Nigeria created a series of related approaches and measures to facilitate investment. The government attempted to minimize uncertainty, which


\textsuperscript{6}Ibid., p. 48

scared away private investment and generated instability.\(^8\) The government constantly stressed consultation with private enterprise. For this reason, the government was committed to multifaceted programs of assistance to private enterprise.\(^9\) In the Second Development Plan there was emphasis on "the need to bring various (private), interested groups into a smooth and harmonious working relationship with government bodies responsible for industrial matters.\(^10\) The government was to set up new administrative machinery "to ensure regular and adequate consultation with representatives of the private sector."\(^11\)

Import restrictions during the war period stimulated new growth in industry. Petroleum production, responding to sustained new demand, increased more than fourfold between 1962-1963 and 1966-1967. Despite the war period interruptions, the Second Development Plan would still project more than a doubling of oil production by 1973-1974. In terms of Gross Domestic Product (GDP) oil production rose from 2 per cent to 5.1 per cent in the four years from 1963 to 1967 and was expected to skyrocket to 12.5 per cent by 1973-1974. It had been anticipated that

\(^8\)Ibid., p. 67.
\(^9\)Ibid., pp. 145-146, 151, 231-233, 236, and 293.
\(^10\)Ibid., pp. 145-146.
\(^11\)Ibid., p. 145.
exports from the oil sector would contribute almost two-thirds of Nigeria's total exports by 1973-1974.\(^{12}\)

With the encouraging economic situation, coupled with the victory in the Civil War, Nigerians gained great confidence in themselves.

The war helped to generate greater confidence in the strength and resilience of the Nigerian economy and enhanced its potential credit worthiness abroad. The origin of this confidence was ascribed to the overall natural endowments to the country in the fields of agriculture, livestock, forestry, fishing, water resources, mineral oil, solid minerals, fuel and energy. It derived from the quantity and quality of its manpower, the innate ability of its people and their determination to transform their country politically, economically and socially. The Nigerian economy emerged from the war as probably the most promising in Tropical Africa.\(^{13}\)

The Post-Civil War approach to economic development showed confidence and purpose previously lacking in the Nigerian development policies. Since lack of purpose, particularly in economic matters, had tended to restrain economic development, the federal government decided to occupy the commanding position in the quest for purposeful national development and to provide the leadership and honest administration that was necessary to

\(^{12}\)Ibid., pp. 50, 52, 65.

\(^{13}\)Ibid., p. 29.
achieve a national sense of purpose. The government's intentions could be seen from the following statements made in the Second Development Plan:

1. a unified, strong and self-reliant nation;
2. a dynamic economy;
3. a just and egalitarian society;
4. a land full of opportunities for all citizens, and
5. a free and democratic society.

The spirit of nationalism, a desire to be freed from dependence upon foreign investors was, nevertheless, still very strong in the minds of Nigerians. In the Second Development Plan, it was stated that

... experience has shown through history, that political independence without economic independence is but an empty shell. The interests of foreign private investors in the Nigerian economy cannot be expected to coincide at all times and in every respect with national aspirations. A truly independent nation cannot allow its objectives and priorities to be distorted or frustrated by the manipulations of powerful foreign investors.

Nigerians' demand for greater "economic independence" could not be ignored. It was inevitable that "explosive

14 Ibid., p. 32.
15 Ibid.
16 Ibid., p. 289.
socio-political problems were no doubt to arise in the future with foreign-absentee control of the nation's industrial sector."

Emphasis on income distribution and the welfare of the people of Nigeria was one of the facets of the national-capitalism of the post-war period as opposed to the earlier international/national capitalism. The Second Development Plan mentioned the need to

reduce the areas of unearned incomes, to broaden the social base of the capital ownership in the economy, to reduce the high degree of concentration . . . of holdings of stocks and shares, and to enable Nigerians to share in the increasing profit generated in the country."

One of the principal objectives of fiscal policy was to "minimize existing inequalities in wealth, income and consumption standards which may tend to undermine production efficiency, offend a sense of social justice and endanger political stability."

The income and wealth redistribution and other goals together with the anticipated healthy growth and development of the economy, were to be attained through two facets of the post-civil war capitalism: an

---

17 Ibid., p. 144.
18 Ibid., p. 75, 71.
19 Ibid., p. 68.
intangible change in national spirit and attitude; and a tangible change in economic policy.

The intangible change was seen as a shift to a leadership of integrity and dedication to development and the general welfare from which effective results would flow. An example mentioned in the Second Development Plan was that

"... in stimulating a greater sense of sacrifice in the community, the government would provide the leadership and honest administration necessary for development. Honest and dedicated leadership can go very far in achieving self-reliant economic advance." 20

The Second Development Plan constantly stressed the significance of government led by dedicated people.

On the other hand, the major tangible change implemented an economic policy that was to shape and, if possible, control the allocation of investment. Indicative planning was used to influence "the quantum and composition of investment undertaken in the private sector in order to ensure that such investment activities were in consonance with national objectives and priorities." 21

The influence was to be obtained mainly through different investment incentives. Those who were to invest in

20 Ibid., pp. 32, 33.
21 Ibid., p. 280.
priority areas would be favored in the administration of the incentive programs; for "only carefully selected industries which meet the requirements of national priorities will qualify." Priority status would depend principally

... on the value-added potential of proposed industries... Priority status could not be conferred indiscriminately on broad industry groups, but, rather on those specific industrial activities within each group that... [would by] in consonance with the value-added maximization principle.

Priority status was accorded to "those industries that were to consolidate the industrial achievements of the past decade through the provision of intermediate and capital goods" and those in which "the summation of the forward and backward linkages" were expected to be high.

In addition, the government mobilized a number of controls to improve the allocation of investment. The plan stressed government and indigenous private ownership in partnership with foreign investors. This time, however, statements favoring government ownership were firmer than ever before. The government insisted on at least 55% ownership in a projected iron and steel complex, in petrochemical industries, in fertilizer production, and

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22 Ibid., pp. 144, 279-286.
23 Ibid., p. 286-281.
24 Ibid.
in petroleum products. The government and indigenous private equity, together, were also to amount to at least 35 per cent in a number of other important industries.\textsuperscript{25} Emphasis was placed, throughout the plan, on Nigerian nationalization, on employment of Nigerians at all levels, including technical and managerial positions and even partial ownership of foreign-run companies.\textsuperscript{26}

The government was not to embark on indiscriminate nationalization of existing future enterprises in the country. Where any nationalization . . . [would be] necessary . . . compensation would be made in accordance with internationally accepted norms of equity and fair play.\textsuperscript{27}

There were still other controls that the government could use. It intended to require "honest accounting operations" by large firms, to discourage monopoly, and to control the repatriation of dividends and capital in order to encourage further investment in the Nigerian economy. It had various formal and informal pressures in regards to matters such as licensing and permissible quotas of foreign personnel. The government could even withdraw authority granted for the establishment and operation of a business and, consequently, force a firm out of the

\textsuperscript{25}Ibid., pp. 145-146.
\textsuperscript{26}Ibid., pp. 145-146, 226-227, 230, 233.
\textsuperscript{27}Ibid., p. 289.
country forever.\textsuperscript{28} The Second Development Plan period, 1970-1975, could be described as an internationally aided capitalism with some stress on nationalism. Government investment programs, under the Third Development Plan that started in 1975, heavily stressed infrastructure. "The main thrust of the public sector program under the plan was the further development of essential infrastructural facilities . . . In this sense the public and private sectors are largely complementary."\textsuperscript{29} Government also complemented private enterprise by providing a business and economic climate and a set of programs and policies intended to encourage and assist the "very dynamic"\textsuperscript{30} private sector of the economy. In order to avoid unsettling ambiguity for foreign investors, the areas reserved for indigenous enterprise, and those in which foreign investment was to be accepted, were clearly defined by law.\textsuperscript{31} "The Plan was prepared in close consultation with the private sector. . . . This is to

\textsuperscript{28}Ibid.

\textsuperscript{29}Lagos \textit{Daily Times}, August 14, 1975.


\textsuperscript{31}Ibid., p. 349.
ensure that the interest of the private sector is fully taken into account in the Development Plan." In his speech Chief Henry Fajemirokun said:

If my analysis of current trends and thinking is correct, the government is happily becoming more and more responsible to the constructive suggestions which the organized private sector of the economy is privileged to make from time to time. For the first time, the sector has been deliberately and meaningfully involved with the development planning process and the indications are that it will be even more closely associated with the implementation process.

According to the Plan, directly productive investment remained primarily a private responsibility, although the Plan also projected substantial public investment in industrial activities in partnership with foreign corporations. The economic development of Nigeria still depended very much on the indigenous and foreign private enterprises. Gowon, in his speech, on March 29, 1975, said:


33 Third Plan, p. 7.

The Third National Development Plan offers to our indigenous entrepreneurs and to private foreign investors a tremendous opportunity to play an important part in the development of the Nigerian economy... private investment activity is welcome in most sectors of the economy...

The Third Development Plan also called for a projected private investment (of N10 billion) which was more than triple the actual private investment (N3.1 billion) during the Second Development Plan.

The government leaned very much toward advancing indigenous business interests even at the expense of delaying development, as long as the cost was not hurting the economy too much. The Plan further emphasized indigenization as well as business-assistance programs for Nigerians.

Even with the oil boom in 1974 the government had to depend once more on foreign corporations for the provision of technology for directly productive enterprises, e.g., liquefied natural gas, petroleum products, fertilizers, etc. In each of these areas, the government was to be a major partner. Gowon, in his speech given on the Third


36Gowon, "Speech," p. 29, see also Third Plan, p. 353.
Development Plan, made it all the more clear that Nigeria still needed the foreign investors when he said: "The foreign businessmen in our midst are as welcome as ever before. . . ."\textsuperscript{37}

The oil boom created a change in the economic development approach in the Third Development Plan in that government investments were increased drastically. "The size of the Plan is meant to ensure a radical transformation of the economy during the Plan period."\textsuperscript{38}

The nominal and effective investment programs were introduced with about ₦20 billion to ₦32 billion projected for them.\textsuperscript{39} The "nominal" investment program is a simple summation of all the financial allocations made to all the projects." The "effective" investment program is more of an aggregate (macro) economic projection. In terms of budget allocations it is the more concrete one for operational purposes. It is the sum total of all the investment projects incorporated in the Plan, and also the list of projects that public agencies were committed to implement.

The Third Development Plan was more comprehensive and extensive than the first two plans. The operational

\textsuperscript{37}Third Plan, p. 10.
\textsuperscript{38}Gowon, "Speech," p. 29.
\textsuperscript{39}Third Plan, p. 8.
(nominal) Third Plan program was more than nine times as large as the upward revised investment program (N3.35 billion) for five years of the Second Plan period. The guidelines of the Third Plan set a very great public investment target of N4.3 billion which was thought to be over optimistic and very unlikely to be met.\textsuperscript{40} Nevertheless, a year later, the Third Plan presented an operational investment program nearly eight times as large as that of the guidelines.

The Third Plan was further modified creating a greatly enhanced relative role for public investment. Formerly in the Third Plan, the private sector was to be the major source of capital formation. Private investment was projected to be N6.4 million.\textsuperscript{41} This exceeded the private investment of the Second Plan period by about 60 per cent. The projected Second Plan investment was 51 per cent private and 49 per cent public; whereas, the actual investment was 58.4 per cent private and 41.6 per cent public.\textsuperscript{42}

The oil boom made it possible for the government to meet its long-standing intention to share with foreign investors in the ownership of nationally important

\textsuperscript{40}Ibid., p. 395.
\textsuperscript{41}Lagos \textit{Daily Times}, December 7, 1974, p. 25.
\textsuperscript{42}Guidelines, The Third Plan, p. 8.
projects. Since the Second Plan, emphasis on government and indigenous private partnership with foreign investors had gradually increased. With the availability of ample oil funds, progress in government negotiations with foreign firms became more definite and the prospects of government participation on a wide-scale basis became feasible. Those firms that shared ownership with the government were generally to operate as any other profit-oriented private firms.

With the available funds brought about by the oil boom, provisions for welfare programs became increasingly important. Health facilities, education, housing and water supplies were emphasized as sectors that directly affect the welfare of the ordinary citizen of Nigeria. "The aim is that by the end of the Plan period every Nigerian should experience a definite improvement in his overall welfare."\(^4\) One of the most important policy decisions of the Plan is "the introduction of free universal and compulsory primary education. . . ." Primary education was to be free throughout Nigeria from

\(^4\)The Third Plan, p. 10.
September 1976 and was to be compulsory from 1979. "44

Still another very important objective was the reduction
of unemployment. 45

In practice the economic development policy of the
Third Plan was a mix of national and internationally aided
capitalism. There was almost equal emphasis on both
national and international participation in development
during the Third Development period.

44 The Third Plan, p. 8.
45 The Third Plan, pp. 27, 29.
CHAPTER III
INDIGENIZATION POLICY IN NIGERIA

Why Indigenization?

Although Nigeria achieved independence in 1960, by 1970, the leaders felt that economically they were not yet independent. The modern sector of their economy was still owned and managed by foreign expatriates. They felt that without indigenization, they could hardly extricate themselves from overseas colonial domination. For this reason, they anxiously wanted control of the foreign-owned and managed business. In order to achieve this goal, the Indigenization Decree was initiated to eliminate foreigners from certain economic fields to be controlled by indigenous Nigerians.

The idea of indigenization was supported heartily by the Nigerian press. Journalists and educators wrote about and discussed it extensively and in a positive manner. Newspapers, such as the Nigerian Observer, New Nigerian, Daily Times, Sunday Observer, Nigerian Herald, Nigerian Tribune, Morning Post, Business Times, etc., published widely on the benefits of indigenization to Nigeria. Numerous discussion on indigenization were printed in the dailies which showed how preoccupied the public was with the subject.
The economic aspects of sovereignty was expressed by one journalist when he mentioned that the foreign business community in Nigeria was like "a rotting tooth resting comfortably in the nation's mouth." 1 He continued to say that such a tooth must be extracted; meaning that sweeping indigenization was very necessary. No country, he continued, can escape the process of indigenization, for it is a necessary step in the nation's evolution. After all, the indigenization problem in Nigeria was a manifestation of the yearning of Nigerians to control the economic destiny of their country in theory and in fact. 2 Osa-hemi Uzumere argued that it was better to mismanage their own economy than for foreigners to do so for them. 3 Dr. C. Ebo argued that the aims of indigenization "are excellent and indispensable," and that Nigeria must control the "... bulk of its economic life... , if not, political independence remains dubious." 4 In a lecture


at the Amadu Bello University, General Adebayo emphasized the need to liberate the nation's economy from foreign domination.  

The Nigerian indigenous business community also favored sweeping indigenization, with the assumption that indigenization would expand the private sector. The Organization of Nigerian Indigenous Businessmen (ONIB), founded in August 1970, with 500 members, held its General Economic Conference early in 1971, urging sweeping localizatin of all retail and distributive businesses in the country, and also urged the military government to pass the indigenization legislation at once. Chief Fajemirokum, emphasized that a greater part of the Nigerian economy is still dominated by foreigners whose interests tend to diverge from the national interest. He further pleaded with the military government "to insure that Nigerians occupy the commanding heights in the

7Daily Times, September 1, 1971.
control of their economy and their national development.\textsuperscript{9}

Indigenization in Nigeria was also caused by the pressure put on the government by educated young men and women who after graduation from universities often found out that opportunities in the private sector of their country were limited because the best jobs were held by foreigners. It's as the saying goes, "you graduate from these universities only to become a labourer in your own country." In some cases where they could not find suitable jobs, they simply left and settled overseas. For example, in 1975, 4,000 Nigerians lived in New York City alone.\textsuperscript{10} This, of course, was a brain drain of talent which Nigeria needs badly for the economic development of that country.

Chief S. O. Adebo stressed that Nigeria's decolonization "involves not only the taking over of the political government of the country, the Civil Service, and the management of public boards, and corporations, but also the indigenization of the private sector of the economy. Economic decolonization is the last and the


\textsuperscript{10}\textit{The Bethlehem Globe-Times}, December 6, 1975, p. 30.
toughest task of all."\textsuperscript{11} Professor Pita N. Ejiofor, an economist, also felt that indigenization was the best for Nigeria, in order to take her economic destiny into her own hands.\textsuperscript{12} The former chairman of the influential Daily Times Group companies, Mr. B. Jose, also argued that "the raison d'être of the indigenization scheme introduced by the federal government is to give economic power to Nigerians."\textsuperscript{13} P. R. Belabo also argued that the only way to reverse the domination of Nigeria's economy by aliens was through indigenization.\textsuperscript{14}

At the 1975 indigenization conference, A. Y. Oyeleke said that:

It is common knowledge, reinforced by the experience of the former colonized territories all over the world, that while political self-determination is philosophically desirable as the inalienable right and ultimate goal of any country under a foreign


rule, what is needed to make it meaningful, and to translate available resources into national prosperity is a firm economic base backed by the resourcefullness and ability of the people.15

Dr. Chikelu, Permanent Secretary in the Federal Ministry of Economic Development, also argued that consolidation of political independence called for economic emancipation of the young countries of Africa. He also felt that the indigenization process of increasing local involvement in the ownership, control and management of the enterprises within the countries concerned, was an indispensable part of the development process.16 Nigerians felt that large foreign investments were going to mean higher and higher remittances of profits to the overseas investors, so they argued that foreign capitalists exploited Nigeria at will and that it was high time they put a stop to it.17 Some people even termed the 1972 Indigenization Decree the Magna Charta of Nigeria. Other arguments stated that the former colonial powers were keeping the new African countries under their economic control through "unfair exchange" practices; they bought African raw materials


cheaply and sold their manufactured goods very expensively. It has been argued that because of this and other such practices, the industrialized countries have virtually hurt the African economies and have, as such, left them underdeveloped.

Neo-colonialism, according to the late head of State of Ghana, Kwame Nkrumah, meant that any new African country, even though independent, was indeed, controlled from overseas, be it from Washington, London, or Paris. He continued to say that neo-colonialism maneuvers men and governments, creating what he termed client states and despite nominal independence, the former colonial masters sought to thwart and corrupt true independence. The fear of the multinational corporations in Nigeria was expressed clearly by Professor Pita N. I. Ejiofor of the University of Nigeria, who claimed that in the oil-rich

land of Nigeria, the multinationals bribe, cajole, flatter, subvert and otherwise exploit the people.\textsuperscript{22} He further claimed that countries in whose territories subsidiaries of multinationals operate are not in complete control of their political, not to mention economic, destiny. He also felt that multinational corporations created convenient cover for the operation of foreign informants and spies who were all detrimental to Nigeria.\textsuperscript{23} He further argued that the loyalty of Nigerian employees of the multinationals were always divided between their government and that of the foreign employers who paid higher than average wages and salaries. The best Nigerian brains were often working primarily for the expatriate employers and not for the best interests of their own country. It was further argued that indigenization would benefit Nigeria's balance-of-payments because it would considerably reduce the amount of profits remitted overseas as it was common among Nigerians to retain profits at home.\textsuperscript{24} It was said that since the indigenous business community of Nigeria did not directly transfer


\textsuperscript{23} Ibid., pp. 17, 20-21.

\textsuperscript{24} Second National Development Plan, 1970-1974, p. 35.
profits abroad, except for the purchase of imported goods, indigenization would ease the demand for convertible foreign exchange.

The Nigerian Civil War of 1967-1970 was also a very important factor for the indigenization policy in Nigeria. The military government felt that the former "open economy" policy had become obsolete and that "indigenization, at least in theory, represented a counter thesis . . . to the former economic policy." It was discovered that the nation's farmers not only could feed the population and supply the armed forces, but also provide agricultural staples for exports, which in turn earned desperately needed convertible foreign exchange. Wartime conditions reasonably reduced unemployment in the country. The scarcity of other goods during this time also created opportunities for indigenous Nigerians to open up and expand their businesses; idle resources were utilized to the fullest, new industries were built, and

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the growth of indigenous entrepreneurship was stimulated a great deal. Import substitutes were manufactured at home since they could no longer be imported. Nigerian businessmen commented that although the most part of the modern sector was owned and managed by foreigners, the civil war stimulated a "spirit of self-reliance." With this, Nigerians realized that indigenization was very important for the national interest. It was also discovered, that even during the war, foreigners continued to control about 95 per cent of Nigeria's large-scale and 82 per cent of the medium-scale industries. When the war was over, and the wartime indigenous entrepreneurs feared that they might no longer be capable of competing with the experienced aliens, they fought hard for a greater share in the economic life of the country. This led directly to the Indigenization Decree of 1972.

Indigenization policies in other African countries, like Ghana, Kenya and Uganda, for example, also played an important part in shaping the indigenization policy of Nigeria. In fact, the Nigeria Enterprise Promotion Decree


of 1972 seemed to have been modeled after the Ghanian Business (Promotion) Act of 1970, which prescribed that certain expatriate businesses were required to be sold to Ghanians within a certain limited time. It also stated in the act that as of August 1, 1970, the Indian, Syrian and Lebanese non-citizen owners of certain businesses and industries had to sell out to Ghanians.  

In Uganda a Special Report stated that "... Uganda's commerce and industry is predominantly in the hands of non-Africans most of whom are non-citizens. This fact also accounts for the nonindigenous character and appearance of our towns and trading centers, which to a first visitor to the country would look like a transplanted Bombay, Calcutta or Madras, except that they would perhaps be tidier and less populated."  

The report further states that "if this imbalance is not corrected before it is too late, a serious social and political situation might develop from which it will be very difficult for the country to extricate itself."  

For this reason a Trade Licensing Act was passed to exclude non-citizens from carrying on business in certain specified areas of economic activities in the country. As a result of this act General Idi Amin, who by 1972, was

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32 Ibid., p. 10.
the new Head of State of Uganda, ordered some 401,000
Asians, essentially Indians and Pakinstani's, to leave the
country within three months. These people played very
important roles in the country, e.g. as businessmen and
teachers. Amin believed that Africa should be strictly
for Africans and that it was high time that Africans
handled their own economic affairs.\textsuperscript{33}

Kenya, a neighbor of Uganda, also had thousands of
Asians living in the country. They were the foreigners
who owned businesses on the main streets and property in
the industrial areas. The President, Tom Mboya, felt that
this characteristic of the Kenyan economy had to be
eliminated.\textsuperscript{34} In 1965 the Kenyan government initiated a
policy of indigenization designed to eliminate Asians from
trade and commerce in the country.\textsuperscript{35} Since nothing in
particular has been mentioned about the Asians in Nigeria
during the Nigerian indigenization process, it seems
reasonable to believe that they were treated like
foreigners.

\textsuperscript{33}"Uganda's President Weist Asiaten ans," \textit{Die Zeit},
August 15, 1972.

\textsuperscript{34}T. Mboya, \textit{The Challenge of Nationhood: A
Collection of Speeches and Writings}, London, 1970,
p. 88.

\textsuperscript{35}Kenyanization of Personnel in the Private Sector:
A Statement in Government Policy Relating to the
Employment of Non-Citizens in Kenya, Nairobi (Republic of
Nigerians felt that indigenization was above all, going to redistribute equity shares from expatriate to indigenous Nigerians without thinking carefully about the concentration of wealth that this could cause. This, as will be discussed below, became a very important issue in the 1977 Indigenization Decree.

While indigenization was important to the Nigerian people, some of them stressed the difficulties, pointing out the weaknesses of the economy, the lack of managerial manpower, and urged the country not to expect any miracles from indigenization. It was felt that short-comings of the Nigerian commercial elite, such as expensive taste, lavish life style, contemptuous and deplorable treatment of their staff, were unlikely to make indigenization policy a quick success. Chief Fajemirokum felt that there was an unwillingness among Nigerian businessmen to give adequate supervision and make proper use of written records, a disinterest in quality improvements and innovations in general, a lack of trust in partners and


responsible subordinates, and a love of engaging in conspicuous consumption. He further mentioned that Nigerian businessmen have a tendency to misuse loan funds and not to separate business from household expenditures. Mr. Onyendor in the Renaissance argued that Nigerian businessmen are prone to failure because of the inefficiency, which to a greater extent stems from lack of a clear-cut objective, and poor planning. A Nigerian businessman tends to rely on inexpensive and inexperienced labor, and also prefers to operate on the basis of a high-profit, low-volume theory. Mr. Ebo in the Morning Post asked if it were prudent to entrust such a large segment of the Nigerian economy to indigenous firms as early as indigenization called for, when they were "all weaklings in terms of managerial experience and in know-how they are all infants," while in effective

41 N. Onyendor, "Indigenization Scheme: How Prepared Are We?" The Renaissance, January 14, 1974, p. 10.
organization, they have not even cut their upper teeth. All this explains the fear that rapid indigenization could bring about business failures and dislocations in several sectors of the economy.

Nevertheless, the reaction of the Nigerian public opinion makers, civil servants and military leaders did everything possible for the Indigenization Decree to be passed. The press worked very hard to maintain the deadline of the Decree.

Indigenization Decree of 1972

The Main Features of the Decree

The Indigenization Decree of 1972, also known as the Nigerian Enterprise Promotion Decree, was signed on February 23, 1972, by General Yakubu Gowon who was then the head of state. The Decree was to take effect on March 31, 1974.

The Decree was made up of two schedules. The first schedule contained a list of twenty-two service and industrial activities which were exclusively reserved for

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44"Indigenization: Zero Hour to Amen or Not?" Daily Express, March 16, 1974.
Nigerians or associations of Nigerians while the second schedule listed thirty-three commercial and industrial activities which were also reserved for Nigerian citizens, but which could be undertaken by foreigners under certain conditions. One half of the Schedule One activities belongs to the service sector, while the other half belongs to the industrial sector. The service sector contained the following activities:

1. Advertising and public relations agencies.
2. All aspects of pool betting and lotteries.
3. Casinos and gaming centers.
4. Cinemas and other places of entertainment.
5. Clearing and forwarding agencies.
6. Hairdressing.
8. Laundry and dry-cleaning.
9. Municipal bus services and taxis.
10. Radio and television broadcasting.
11. Retail trade with the exception of department stores and supermarkets.

The other half of the schedule also contained the following industrial activities.

1. Rice milling.
2. Bread and cake making.
3. Blending and bottling of alcoholic drinks.
4. Singlet (underwear) manufacture.
5. Ordinary garment manufacture (not combined with production of textile materials).
6. Newspaper printing and publishing.
7. Candle manufacture.
8. Tire retreading.
10. Assembly of radios and radiograms, record changers, television sets, tape recorders, and other electrical domestic appliances separated from the manufacture of components.

Foreigners were to be excluded from these last eleven industrial activities within two years.

Schedule Two, which contained thirty-three industrial and commercial activities, did not permit the establishment of any alien enterprise on and after the commencement date of the Decree. However, a foreigner could qualify to operate a business if the paid-up share of capital of any such enterprise was not more than 400,000 naira or the turnover of the enterprise did not exceed 1,000,000 naira; but an alien could also qualify to undertake a business in Nigeria if the paid-up share
capital of the enterprise exceeded 400,000 naira or the turnover exceeded 1,000,000 naira (whichever was appropriate and applicable), where the equity participation of Nigerian citizens or associations of Nigeria in the enterprise was less than 40%.45

Eleven of the thirty-three Schedule Two industries listed as services were as follows:

1. Coastal and inland waterways shipping.
2. Construction.
3. Department stores and supermarkets.
4. Distribution agencies for machines and technical equipment.
5. Distribution and servicing of motor vehicles, tractors, and spare parts, thereof or other similar objects.
6. Real estate agency
7. Internal air transport (scheduled and chartered) services.
8. Passenger bus service (interstate).
9. Shipping.
10. Travel agencies.

The rest of the industries in the Schedule Two were in the industrial sector and were as follows:

1. Slaughtering, storage, distribution and processing of meat.
2. Fish and shrimp trawling and processing.
5. Manufacture of cement.
7. Manufacture of wire, nails, washers, bolts, nuts, rivets, and other similar articles.
8. Boat building.
10. Screen printing on cloth, dying.
11. Manufacture of suitcases, briefcases, handbags, purses, wallets, portfolios and shopping bags.
12. Production of sawn timber, plywood, veneers and other wood conversion industries.
13. Furniture making.
16. Insecticides, pesticides and fungicides.
17. Manufacture of paints, varnishes or other similar articles.
18. Cosmetics and perfumery manufacture.
19. Manufacture of soaps and detergents.
20. Manufacture of matches.
22. And others. 46

Implementation of Decree

As the principal agency for implementing the Decree, the Nigerian Enterprises Promotion Board (NEPB) was set up by the Indigenization Decree of 1972. The Chairman of the Board was then serving as Permanent Secretary of the Federal Ministry of Industries. The rest of the members of the board were representatives, each from the Federal Ministry of Industries, Ministries of Trade, Finance, Economic Development and Reconstruction, and Internal Affairs; and three other representatives from the New Nigerian Development Company (NNDC), the Nigerian Industrial Development Bank (NIDB), and the Western Nigerian Industrial, Investment, and Credit Corporation (WNIICC). 47

The most important section of the NEPB was in the Secretariat which was in Lagos. It was made up of:
(1) the administrative unit, (2) the inspectorate

46 "Nigerian Enterprises Promotion Decree 1972," Activities Schedules, pp. 15A-19A.
unit, and (3) the valuation unit. The inspectorate was charged with reminding expatriate firms of their obligation to indigenize. By the Decree, expatriate firms could seek exemption from any of its provisions by application to the commissioner of industries. Practically, firms could apply and get an extension of two consecutive six-month periods of exemption. The valuation unit, staffed with accountants, engineers, land officers and lawyers, furnished the Nigerian indigenous businessmen with valuable ideas about the status, value, financial position and profit earnings power of the firms to be indigenized. If an expatriate firm failed to comply with the Decree after March 31, 1974, the NEPB had the authority to levy fines and dispose of the defaulter's property. They, however, lacked the power to seal up defaulting enterprises.

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49 Nigerian Enterprises Promotion Decree, Paragraph 9.

The 1972 Indigenization Decree set up twelve Nigerian Enterprises Promotion Committees to assist the NEPB in Lagos to carry out its intent at the state level. These committees were located in Benin City, Port Harcourt, Kaduna, Ibadan, Ilorin, Enugu, Maiduguri, Sokoto, Calabar, Kano, Ikeja and Jos. The chairmen of these committees were required to monitor compliance by the expatriate business community, recommend to the Lagos office for better implementation of the Decree, and perform other services required of them by the NEPB.

During the November 1974 Symposium on Nigeria's Indigenization Policy, A. E. Ekukinam, then the President of the Nigerian Economic Society, felt that since 1972, implementation of the Decree went smoothly. Of 326 firms on Schedule One, 237 were supposed to have complied and sold out to Nigerians; and of the 628 businesses on Schedule Two, about 503 had complied. This meant that 740 firms, or 77.5%, had been indigenized. In addition the Nigerian Bank for Commerce and Industry was set up in 1973 to assist the commercial banks and to provide the funds to purchase the expatriate firms.

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Although there was high optimism from the beginning, it became certain by mid-1975 that large scale noncompliance by expatriate firms existed. Richard Ikiebe in the *Daily Times* of Lagos reported that "a good number of these over-optimistic Nigerians had concluded that the 1972 law was after all the greatest mockery of a Decree."\(^{53}\) A. Oyebode in the *Lagoon Echo* paper called the March 31, 1974 deadline All Fool's Day.\(^{54}\)

In order to investigate this matter, General Murtala's government, which succeeded that of General Gowon, organized a series of panels to investigate a broad range of Nigeria's social and economic problems. Their purpose was to recommend necessary reforms. The Industrial Enterprise Panel's *White Paper Report*, discovered the various devices used in circumventing the provisions of the Decree and admitted that its implementation as of mid-1975 "fell short of


Confirmed cases of compliance after proper inspection was only 33 per cent as of June 30, 1975.56

Causes of the Massive Noncompliance of the 1972 Indigenization Decree

The Industrial Enterprise Panel Report indicated that many factors were responsible for noncompliance. The report stated that "the main devices employed to circumvent the provisions of the Decree included fronting application for nationalization, extended use of the definition of Nigerian citizenship, interpretational problems of classification of enterprises, the gentle approach to implementation of the Decree and frequent amendments providing for exemptions on flimsy grounds. In almost all instances, the devices employed by the foreigners could not have worked without the active support and compliance of some misguided Nigerian citizens. Defects in the Decree itself also contributed to the failure of the indigenization exercise. For example:


1. The lack of power for NEPB to seal up defaulting enterprises;
2. Failure to make it obligatory for more companies to seek compliance by issuing their shares through the Lagos Stock Exchange.
3. Failure to match equity participation with management control.
4. Weak and understaffed administrative machinery for implementation of the Decree.\textsuperscript{57}

When the Federal Military Government noticed the problems it faced with the implementation of the Decree, the government stressed the need for administrative revamping of the Nigerian Enterprises Promotion Board itself. The Panel then recommended that the NEPB should have the authority to seal up defaulting businesses, seize them, appoint caretaker managers and try to sell them to faithful indigenous Nigerians. The Panel also recommended that the names of defaulting businesses were to be published in all national newspapers and many Nigerians should be invited to be potential buyers of those firms. Defaulting enterprises were to be denied the right to repatriate money overseas. Defaulting expatriates were to be deprived of the right to stay in Nigeria.

\textsuperscript{57}White Paper, p. 4.
Fronting was one thing that the Panel recommended strongly to come to an end. Fronting was done by regrouping existing expatriate businesses into different legal entities, selling shares to Nigerians on the basis of future dividends (this never involved any exchange of money for shares) and in most cases, there were transfers of shares to Nigerians without any direct involvement of the management of the business that was to be indigenized. Fronting was so successful because some misguided Nigerians actively supported the expatriate in the process of noncompliance of the Decree.

The 1972 Indigenization Decree unintentionally created "the concentration of economic power in the hands of a few Nigerian's." As a result, the Industrial Enterprises Panel Report suggested some major steps to reverse excessive concentration of economic power during the 1977 Indigenization Decree. In Paragraph 58, for example, it was mentioned, besides other things, that 10 per cent of the shares in the affected expatriate enterprises should be sold to the employees of the firm.

58 Ibid., p. 5-6.


On June 29, 1976, in his address to the nation, Lt. General Obassanjo formally acknowledged that the indigenization policy had very poor results. He further revealed that the Industrial Enterprises Panel found that "out of a total of about 950 affected enterprises, only 314 or 33 per cent were confirmed as having fully complied with the provisions of the Decree by June 30, 1975."\textsuperscript{61}

These poor results, no doubt, prompted the launching of the 1977 Indigenization Decree.

The Indigenization Decree of 1977

It was during the last minute preparations for the Second World Black and African Festival of Arts and Culture, FESTAC, when the Nigerian government promulgated the new Indigenization Decree of January 12, 1977.\textsuperscript{62}

The Main Features of the Decree

In 1977 the Indigenization Decree touched all activities carried on in Nigeria, and no foreign firm was exempted from it, unlike the 1972 Indigenization Decree. It was made up of three schedules. The first schedule listed economic fields reserved exclusively for Nigerians; Schedule Two contained a list of enterprises, 60 per cent

\textsuperscript{61}New Nigerian, July 16, 1976.

of whose equity were to be owned by indigenous Nigerians, while Schedule Three listed enterprises which had to have not less than 40 per cent indigenous equity participation. The compliance day of alien firms was set for December 31, 1978.63

The 1977 Schedule One listed forty economic activities; Schedule Two contained fifty-seven different fields of economic activities, while the newly created Schedule Three selected thirty-eight economic activities together with those that were neither in Schedule One, nor Schedule Two, which were not, however, within the public sector.64 The Decree ruled, according to Paragraph Four, that all enterprises specified in Schedule One were exclusively reserved for Nigerians or Nigerian associations, and, after the appointed day, only a Nigerian or Nigerian association, should be part or sole owner of any such enterprise. It further stated that, no such enterprise should be established by any foreigner on or after the commencement date of the Decree.

The new 1977 Schedule Three listed thirty-eight specific industrial areas that included the following:

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glass and glassware, basic chemicals, drugs and medicines, the manufacture of tobacco, cutlery, fabrication metal products, general hardware, plastics, engines and turbines, machine-making, agricultural machinery, television and communication equipment, radios, railway equipment, electrical appliances, shipbuilding and repairs, watches and clocks, photographic and optical goods, manufacture of aircraft, scientific instruments, textile manufacturing industries, hotels, data processing and ocean transporting/shipping. This schedule contains the most important economic activities which could be regarded as the backbone of any industrial sector of a nation.65

In order to reduce the inequality of income problems created by the 1972 Decrees, wherein very few informed people had the opportunity to buy shares of the selling-out expatriate firms, the Industrial Enterprises Panel suggested that if less than ten persons acquire 40 per cent of the stock of an expatriate firm in Schedule Two without direct management involvement, any such transaction should be "revoked" and "enterprise directed to seek quotation through Lagos Stock Exchange." All

gift-type transfers or payment for shares acquired from future dividends were also to be declared null and void. Paragraph 58 of the White Paper stated that "Enterprises which are being sold to owner-managers may be acquired alone by the owner-manager, provided that he shall devote full time to the enterprise during the first five year period. All others shall be sold on the basis of 5 per cent maximum equity or ₦50,000 worth per beneficial owner, whichever is higher in value." According to the new Decree, all Schedule Two and Three firms were compelled to sell not less than 10 per cent of their equity shares to their workers. It further stated that no less than one-half of the 10 per cent should be sold to workers of the lower echelon. To further ameliorate the inequality of income problem caused by the 1972 Indigenization Decree, the new 1977 Decree created an agency which they called the Allotment Committee. It was to operate under the Capital Issues Commission. This new committee consisted of three representatives:

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67 Nigerian Enterprises Promotion Decree, 1977, Section 11, (1) (d).
68 Indigenization Decree, Section 11 (1).
1. A representative of the Nigerian Enterprises Promotion Board;

2. A representative of the Nigerian Stock Exchange, and

3. A representative of the appropriate issuing house.69

The functions of the Committee were, however, never spelled out in detail.

The Nigerian Enterprises Promotion Board

under the 1977 Indigenization Decree

The new Decree strengthened the Nigerian Enterprise Promotion Board. For Example, it stressed solidifying the institutional framework of the principal implementing agency. The new NEPB consisted of twelve members, with five of them to come from the private sector. The Board's first full time Chairman was Malam Ali-Hakim, an economist, a graduate of the Ahmadu Bello University in Zaria. 70

The new NEPB had the authority to deal with offenders as was stipulated by Paragraph 17 which read:

69Ibid., Section 9 (5).

Any person who:

(a) acts as a front or purpose for the purpose of defeating or in any manner likely to defeat the objective of this Decree to be the owner or part owner of any enterprise; or

(b) operates any enterprise for or on behalf of an alien who is under the Decree

   (i) not permitted to operate the enterprise, or
   (ii) disqualified from operating the enterprise, or
   (iii) not permitted to own or be part owner of such enterprises, shall be guilty of an offense under this section, and shall be liable on conviction to a fine of $15,000 or to imprisonment for a term of five years or to both such fine and imprisonment.71

The NEPB this time expected all expatriate firms formerly incorporated in Nigeria under the decree, to furnish to them by February 28, 1977 with the following information:

I. Name of enterprise;

II. Registration number and date;

III. Date of commencement of operation;

IV. Full address, including the name of the street and P.O. Box, including telephone number;

V. Full address of physical trade if different from Number IV;

VI. Nature of business and kind of activities;

VII. Names and nationalities of proprietors;
VIII. Paid-up capital as of April 1, 1974;
   A. Total . . .
   B. Foreign . . .
      (1) Amount . . .
      (2) Percentage . . .
   C. Indigenous . . .
      (1) Amount . . .
      (2) Percentage . . .
IX. Names and full address of bankers;
X. Name and address of managing director or general manager; and
XI. Name, signature, designation, address and date.72

They finally got all the information by the end of 1977 and were tabulated and evaluated.

Although the second phase of the indigenization was a success, some alien firms still tried to evade the 1977 Decree.73 A few companies resorted to voluntary liquidation, which the NEPB declared to be unacceptable and insisted that all affected enterprises had to comply


with the provisions of the Decree as going concerns. However, genuine cases were accepted as long as expatriates of such companies obtained approval.
CHAPTER IV

THE ECONOMIC ENVIRONMENT IN NIGERIA

The most critical factor impinging upon the operation of any business in Nigeria is the country's infrastructure, which will be the main focus of this chapter. Good roads, railways, ports, energy systems, communications, and other infrastructural factors are vital for the growth of indigenous private enterprise. Examining the economic history of the advanced countries of the world, it may be observed that economic success has largely depended upon the effectiveness of the infrastructure.¹

Construction and Maintainance of Roads

Efficient transportation alleviates scarcities and shortages and, thus, contributes towards price stability.² Widespread transportation increases the assortment of goods available to the community and tends to reduce and


to equalize prices throughout the economic environment. Efficient transportation favors the mobility of labor and permits effective utilization of geographical specialization.

In the 1960's when most African countries gained independence, road building was one of the major projects in each of their plans. Nigeria was no exception.

During Awolowo's Administration, just prior to independence, the most important deteriorating roads and bridges were strengthened, widened and resurfaced. Since independence, Nigeria's road system has grown rapidly in terms of quality and total distance. This growth and maintenance continued after the severe damage which occurred during the Civil War. From 1951 to 1972, the total distance of paved roads increased more than tenfold, from 1,782 kilometers to 18,109 kilometers. During the same period, the total road network, more than doubled, which included unpaved roads. The increase was from 44,414 kilometers in 1951 to 95,374 kilometers in 1972.

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The military government, in 1976, accelerated the continuing work on a national integrated highway system. The project had been started earlier with the Jos-Bauchi-Kari-Beni Sheik road link (499 km), the Ikom-Ogoja-Kat-Sina Ala-Mutum Biu-Mayolope-Biu road (892 km), the Idi-Oro bridge, as well as the Lagos Inner Ring Road projects. Road building and maintenance was a responsibility divided among the federal, state and local governments. The federal government was responsible for the Trunk "A" roads which link the nineteen state capitals and ports. The rest of the roads were maintained by state and local authorities. In 1972, the federal government was responsible for 10,607 km of roads, whereas the various states maintained 21,168 kilometers, and the local governments 63,600 km. This apportionment of responsibility in maintaining the roads subsequent to construction was not very effective, because the state and local governments possessed insufficient resources to care for their roads. The result was generally poor standard of road construction at the local level and substandard


maintenance of most local roads. Consequently, at the end of 1978, the military government decided to maintain all of the country's roads subsequent to construction. State and local governments continued to construct all but the new Trunk "A" roads.

Road maintenance in Nigeria had been a very serious problem, with newspapers constantly giving accounts of the physical conditions of the roads, their safety, and the number of accidents. In 1974, for example, the World Bank Country Economic Report detailed the poor condition of the roads leading to rural areas. The condition of the Trunk "A" roads varied from good to extremely poor. These sections of the roads with surfaces were generally poor and inadequately maintained. Some of the newly constructed roads were without adequate drainage systems and became fatal traps to motorists during heavy rains. Country roads over the years have remained deplorable,
with most of them almost impassable during the rainy season. Nigerian roads also suffer from the excessive speeds at which Nigerians drive. The not uncommon presence of armed highwaymen encourage driving at excessive speeds on highways. Most Nigerians are reckless drivers, and when it comes to speeding, they are almost never law abiding. This state of affairs attributed to the fact that "it had become a practice for people to obtain their driving licenses even before they mastered how to insert the ignition key." Between 1962 and 1972 the Nigerian mortality rate due to road accidents grew at a compound rate of 9.5 per cent annually. The deteriorating condition of the road network has effectively forced a reduction of operating speeds in many parts of the country, and consequently, increased maintenance costs. It has become impossible for the trucking industry to use the roads at night for fear of robbers who are in total control of the highways after dark. The poor state of road conditions generated negative externalities which have adversely affected

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Nigeria's trade and industry. In order to rectify this situation large sums of development funds have been directed to this end. During the 1975-1980 Development Plan almost 25 per cent of the budget was set aside for transportation, a great portion of which was budgeted for road construction.\textsuperscript{16}

Railways in Nigeria

The Nigerian railroad network was started in 1898 and completed by 1914 when 930 miles (1,480 kilometers) were in operation.\textsuperscript{17} In the early 1960's, the Nigerian Railway Corporation operated two main lines from Lagos to Kano, about 1,100 kilometers long, and from Port Harcourt to Maiduguri in the north, a distance of about 1,435 kilometers.\textsuperscript{18} By 1975, the total length of railroad tracks extended to almost 3,500 kilometers.\textsuperscript{19} In 1960, the railway tracks of the northern region had been considerably extended with the aid of a $10 million loan from the World Bank.\textsuperscript{20}


\textsuperscript{18}W. Tims, editor, \textit{Nigeria: Options}, p. 188.

\textsuperscript{19}Ibid.

Plan (1975-1980) envisaged an ambitious railway expansion program that required $1.4 billion for track extension, standardization and purchase of new rolling stock and communications equipment. The Nigerian railway system, which was very slow and inadequate, suffered from poor management and very serious competition from the trucking industry. The decline in railroads had a great deal to do with the keen competition of the trucking industry and the advantage of trucks transporting goods, by road, from door-to-door. In addition the costs of road transportation was relatively cheaper than railroads, despite poor maintenance and highway robbery.

Consequently, the Nigerian Railway Corporation was running at huge losses which had to be subsidized from public funds. According to one authority, the Nigerian railroads are very "unprofitable and inefficient."

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Nigerian Railway Corporation has suffered from a shortage of good, experienced engineers and an abundance of poor managers and administrators.\(^\text{25}\) In view of this situation, the Nigerian military government decided to take drastic measures. In 1979, 380 Indian railway experts arrived in Nigeria to revive its railroads.\(^\text{26}\) These experts were to take over the entire railway system for three years in order to improve its efficiency.\(^\text{27}\) After a short while it was reported that "the crumbled corporation's workshops had been quickly revitalized for repairs to be effected on the many broken down locomotives, wagons and coaches."\(^\text{28}\)

**Nigerian Ports**

There are six ports in Nigeria, i.e. Lagos, Port Harcourt, Warri, Calabar, Koko and Burutu. Lagos is the most important port and it is through Lagos that most of the imports enter the country. In the 1970s, about 80% of all imports came through the port of Lagos.\(^\text{29}\) With the

\(^{25}\)Ibid., p. 156.

\(^{26}\)Daily Times, January 9, 1979, p. 3.

\(^{27}\)"Curing the IUS of NRC," Business Times, January 16, 1979, p. 7.


oil boom in Nigeria, the congestion in the port became extremely serious and by the end of 1975 over 300 ships were waiting to unload cargo. To remedy this problem, the Nigerian Port Authority decided to unload ships anchored out at sea by lighterage. After it was officially reported that Lagos and Port Harcourt were "seriously overstrained," the military government, during the last quarter of 1975, gave top priority to the decongestion of the ports.

The main cause of port congestion in Nigeria was an unprecedented volume of cement imports into the country by the public sector, notably the Ministry of Defense.

Another major problem in the Nigerian ports was very loose security that allowed pirates to operate on a considerable scale in and around the sea ports. In an effort to correct this problem in January 1977 the Nigerian Navy began dusk-to-dawn patrols with orders to

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31 "Lagos Port Contract," Africa, April 1975, p. 82.
shoot at sight any offending pirate craft.\textsuperscript{35} To further cope with this problem the military government embarked upon considerable general port development. Nigeria is, and may remain for a long time, an import-oriented country with a need to import most of its capital goods. Rapid economic and social development depends upon imported capital goods which in turn requires efficiently operated ports.

This problem of port congestion greatly affected the ultimate purchasers who experienced shortages of consumer goods, spare parts and partially manufactured goods. When these items eventually became available, prices were considerably higher than anticipated. All port-related charges were simply passed on to the consumer who had no choice but to pay those charges. Machinery, equipment, parts and supplies were occasionally damaged during the long wait aboard ships, on the wharves or in transit. When the delayed goods finally arrived at the particular plant, production programs invariably had to be rearranged causing production costs to soar.

Electric Energy

The production and distribution of Electric energy is another very important aspect of a country's infrastructure. Electricity generation in Nigeria started in 1898, but it was not until after independence that the expansion of the power network emerged. It was after the Civil War (1967-1970) that the former Electricity Corporation of Nigeria and the Niger Dams Authority were merged in 1972 and the National Electric Power Authority (NEPA) was created to control the electricity supply and distribution.

With the oil boom, electricity consumption greatly increased. In 1976-1977, the consumption rate had risen to over 20 per cent per annum.

The high demand for electricity is an indication that the available generating capacity had not been adequate to meet the high demand for electricity. This has been

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39 West Germany, Bundesstelle für Ansenhandels Information, p. 5.

The nonchalant attitude of some highly placed officials in NEPA has been mentioned as one of the reasons for the continued power failures.\footnote{Business Times, May 23, 1978, p. 19.} In the 1970's electricity supply in Nigeria was both inadequate and inefficient. It was so sporadic that in 1978 the Movement of the People Party (MOP), led by Fela Kuti promised Nigerians a twenty-four hour uninterrupted supply of electricity if elected.\footnote{Daily Times, December 18, p. 19.} Newspapers reported accounts of continued power failures and in December 1978 it was found that damaged underground cables had been responsible for most of the electricity blackouts.\footnote{"Dark Days Ahead, NEPA Warns," Daily Times, December 1, 1978, p. 1.}

The actual problem stemmed from inadequate maintenance of power plants and transmission lines.\footnote{"A Nation Being Choked by an Alien Culture," Daily Times, December 28, 1978, p. 3.} The prolonged and continued electricity blackouts were very costly to the Nigerian economy. One economist,
I. I. Ukpong said that "as a strategic input in the
development process, electricity supply must be regular
and must increase with the demand for it from industry and
agriculture." According to Ukpong, "the lack of routine
maintenance was one of the main causes of breakdowns
leading to power failures." Unreliable and insufficient
electricity supply produced negative externalities on the
productive sectors of the country. This could be likened
to the Lagos port congestion that caused an acute shortage
of raw materials and consumer goods. Electricity
brownouts also destroyed electronic and other equipment
which required extra costs for replacement and repair.
In order to prevent unforeseen interruptions in
production, Nigerian businessmen installed emergency
standby equipment which also raised their costs of
production. The slow-down of the country's industrial-
ization was partially attributed to the failures of NEPA.

Power failures were particularly serious in the Lagos

45I. I. Ukpong, "Economic Consequences of Electric
Power Failures in the Greater Lagos Area," The Nigerian
Journal of Economic and Social Studies, XV, March 1973,
p. 54.

46Ibid., p. 58.

47"TEMA to the Rescue of Lagos," Africa (September
1975), p. 89.

area during late 1977. At Ikeja, for example, industrial production was down by 40 per cent of planned output, and many companies suffered financially.\textsuperscript{49} The country's growing population together with the concentration of industries in Lagos, and recognizing that Nigeria is still a developing country, helps to account for much of the country's electricity problems.

Communications

Good communications systems in any country, is an indispensable part of that country's infrastructure. Communications here means telephone, telegraph and telex. A well functioning telephone network is an absolute necessity for the development of business, administrative and social life of a country. In Nigeria, the post office and internal communications services are owned and operated by the federal government, while the external communications are provided by the Nigerian External Communications Corporation that is partly owned by the government and partly by a private company.\textsuperscript{50}

In the 1970's most telephones and telegraphs in Nigeria were either out of order or functioned very

\textsuperscript{50} W. Tims, Nigeria: Options, p. 93.
erratically. The president of the Nigerian Manufacturer's Association reported in 1978 that in Lagos State alone about 1,500 telephones were out of order. Some manufacturers had installed telex machines but were unable to use them because the Post and Telecommunications Department was short of labor and spare parts to keep them in good working condition.\(^5\) For example, the telex of E. O. Ashama and Sons Holdings, Ltd., of Lagos, had not been working for three years.\(^6\) An inefficient, not to mention dead, communication network in Nigeria created enormous financial burdens on Nigerian firms. Without telephones, messengers and vehicles had to be used instead. That raised cost of production in all industry. The density of telephones in Nigeria was one of the lowest in the world and this was an obstacle to economic transformation of the country.\(^7\) During the Third Development Plan Period the government invested very heavily in the area of communications.\(^8\)


At certain hours in Nigeria, it is almost impossible to make a phone call. Despite some improvements in the system, telephone communications continue to be slow and unreliable at certain periods of the day.55

Education

High quality of education may be seen as an externality favorable to the productive sector of the economy. Africans are convinced that education is one of the most important and prestigious personal achievements. Gradually, if not immediately, it elevates an individual into a higher social status. Chief Awolowo, the former Prime Minister of Western Nigeria, reflecting the attitude of most Nigerians, once said that

the provision of education and health in a developing country such as Nigeria is as much an instrument of economic development as the provision of roads, water supply, electricity and the like. To educate the children and enlighten the illiterate adults is to lay a solid foundation, not only for the future social and economic progress, but also for political stability. A truly educated citizenry is, in my view, one of the most powerful deterrents to dictatorship, oligarchy and feudal autocracy.56

55The Evening Sun, November 3, 1976.

He wanted to introduce free primary education as early as January 1955, and also to provide high school education for at least 10 percent of the students who had successfully completed the eighth grade. Northern Nigeria, which is the most thickly populated region had only a handful of university graduates and probably no more than 2,000 high school graduates. In 1972, "for every child in a primary school in the northern states there were four in the southern states; . . . . And for every student in a secondary school in the north there were six in the south."60

Nationally, enrollment rates at schools were very low. In 1920, for instance, one out of three children of school age was in primary school and one out of twenty-five children was in high school.61 School dropout rates were also very high due to inadequate facilities, poor quality teaching, insufficient financing and, probably

57Ibid., p. 274.
58 Ibid., p. 287.
61 Ibid., p. 31.
most important, was that illiterate parents took very little interest in the education of their children. In order to eradicate mass illiteracy in the country, and with the help of petro-dollar income during the 1970's, the military government in the Third Development Plan promised a universal free and compulsory primary education for the entire nation that would start in 1976. To this effect, the Nigerian Head of State, Obasanjo finally announced in 1977 the launching of free and universal primary education program throughout the country. He also announced that technical high school teachers' training and polytechnic education would be totally free, while university education would be only tuition free.

Despite the billions of nairas that were spent to improve education in Nigeria in the 1970s, the literacy rate for the country in 1977 was only 20 per cent. In order to increase literacy rate in Nigeria to a resonable level, billions of nairas will have to be spent in addition to producing thousands of grade school teachers.

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With the introduction of universal free education in the country, enrollment in grade school has improved between 1960 and 1980, although much less than might have been expected. Table IV shows the enrollments in Nigeria's grade schools from 1960-1980.

Although enrollment from Table IV indicates some slight progress, the dropout rate in grade schools is an unbelievably high 40 per cent. By 1973, there were only six universities in the country, with one in the north and five in the south. The only one in the north, Amadu Bello University, was owned by the six northern states serving roughly 52 per cent of the population. The other five universities included two federal government universities at Ibadan and Lagos. The other three are state-owned higher schools of learning at Nsukka, Ife, and Benin. They are owned respectively by East Central, Mid-Western, and Western state governments. Towards the end of the 1970's, the number of universities in Nigeria had doubled. Nigeria still is in great need of professional and skilled labor, a situation which is also true in other developing countries. One reason is that most Nigerian

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TABLE IV

NIGERIAN GRADE SCHOOL ENROLLMENTS
(in Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Enrollment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960&lt;sup&gt;a&lt;/sup&gt;</td>
<td>2.9</td>
</tr>
<tr>
<td>1961&lt;sup&gt;b&lt;/sup&gt;</td>
<td>2.8</td>
</tr>
<tr>
<td>1964&lt;sup&gt;b&lt;/sup&gt;</td>
<td>2.8</td>
</tr>
<tr>
<td>1971&lt;sup&gt;a&lt;/sup&gt;</td>
<td>3.9</td>
</tr>
<tr>
<td>1975&lt;sup&gt;b&lt;/sup&gt;</td>
<td>4.0</td>
</tr>
<tr>
<td>1976&lt;sup&gt;c&lt;/sup&gt;</td>
<td>6.2</td>
</tr>
<tr>
<td>1978&lt;sup&gt;c&lt;/sup&gt;</td>
<td>8.0</td>
</tr>
<tr>
<td>1975-1980&lt;sup&gt;a&lt;/sup&gt;</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Sources:  
students prefer to study psychology, sociology, history and geography and tend to neglect accounting, engineering and agriculture.

**Institutional Infrastructure**

Institutional infrastructure in Nigeria refers to the country's governmental bureaucracy, the legislative process and the prevailing legal framework. Although institutional infrastructure by itself produces nothing quantitative, without it the country simply could not function.

Nigeria returned to civilian rule after thirteen years of military rule in 1979. The first elected civilian president after the military rule, Alhaji Shehu Shagari, vowed to "maintain the former military regime's strong support for black African Nationalism." 67 Until 1980, Nigeria had nineteen states and nineteen state governments, in addition to the federal government capital in Lagos. In the days of the military rule, 1966-1979, nearly every initiative emanated from Lagos. The nineteen state governments were mostly passive. Nigeria has taken "the irreversible decision that government will occupy the

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commanding heights of our socio-political and economic life."\(^{68}\) The efficiency of Nigeria's private sector depends on

the existence of an efficient public service, not only in terms of the provision of infrastructural services and utilities, but also because of the ability of the Higher Civil Service to respond to the complex needs of industry and commerce in the private sector.\(^{69}\)

By 1965, the Federal Service consisted of some 100,000 people, which supposedly represented the best brains and organizational skills of the country.\(^{70}\) By 1977, the number of civil servants had risen to almost 200,000.\(^{71}\) In the 1960's crash programs to upgrade and indigenize the public service, including public corporations, led to a decline in the quality of services in many areas. Less qualified Nigerians were taking over old jobs and newly


\(^{69}\)Ibid., p. 225.


\(^{71}\)A. A. Ayida, "The Federal Civil Service," p. 223.
created ones. According to T. A. Akinyele, the major weakness of the civil service is its inability to instill and enforce discipline. Lack of discipline is experienced at all levels of public service and a warped sense of duty prevails. He pleaded for the introduction of discipline as a way out of the administrative malaise of the late 1970's.

In 1975, many civil servants were regularly absent from their offices, were quite arrogant to the public, and were discharging their duties sluggishly and reluctantly. Nigerian government workers were widely known for their laxity, corruption, and inefficiency. When General


74 Ibid., p. 235.


Murtala Muhammed ousted General Gowon in a bloodless coup in mid-1975, he was determined to eliminate corruption in the government offices and declared total war on corruption and laziness. He then issued an order that there would be no more lateness in starting work in government offices.\textsuperscript{77}

This was not easy to accomplish in Lagos because of the great Lagos traffic congestion. In 1973, it took about three hours for some senior federal civil servants to get through the traffic chaos on their way to and from work.\textsuperscript{78} Although Murtala tried very hard to cope with the slow traffic in Lagos, he accomplished very little. He set up an anticorruption unit and issued a decree stipulating a penalty of ten years or a $15,000 fine or both for corruption of any type. Seven months later he dismissed more than 10,000 civil servants, army and police officers who were accused of corruption, abuse of office and indolence.\textsuperscript{79} Despite General Muhammed's efforts to stamp out corruption, corruption continues to be very much in evidence in Nigeria.


\textsuperscript{78} S. Aluko, "Nigerian Universities," Africa (December 1973), p. 54.

Law and Order

The inability to provide adequate security for the Nigerian people and property is one great problem facing the country. It was reported in 1978 that "the incidence and depravity of crimes in our society in 1978 are unprecedented for their bestiality. The sanctity of human life is violated almost with impunity." Crimes like being forced on pain of death to part with one's car or money, or being run down by a motorcycle gang and many others are reported daily in the press. Way-laying of vehicles on the road and robbing of passengers is quite common throughout Nigeria. People rarely drive at night for that reason. At the Baleva Square in Lagos, and at the airports, passengers are robbed by pick-pockets.

There is no Nigerian who does not know about the extent of insecurity and lawlessness throughout the nation. Although Nigeria has survived these difficulties, lawlessness and insecurity have created externalities which have cost businessmen and others extra outlays to protect their property.


Inaccessibility to Information

Information which is one of the most important factors in running a business, is very inaccessible in Nigeria, especially since 1967. Early in 1974, during the First National Conference on Management Development in Nigeria, a number of speakers deplored the inadequate flow of information for Nigerian management. Professor Alfred Opubor of the University of Lagos in 1979, stated that in Nigeria "basic information had become a commodity being hoarded by public officials to whom such information had been entrusted." A. E. Ekukinam, a former Minister of Finance, once complained that "scarcity of accurate economic and business information is the most frustrating obstacle encountered by those interested in investing in our development." He continued to say that economic data and business information "... are between file folders in both public and private sector offices, and retrieving information from files and archives may prove

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frustrating." In most instances, information has to be obtained by bribing government officials, which increases the cost of doing business.

CHAPTER V

ENTREPRENEURSHIP IN NIGERIA

According to Schumpeter, and most other economists, the entrepreneur is the critical decision maker in a capitalist economy.\(^1\) A high degree of business entrepreneurship is of great significance to the success of any such economy.

The Importance of Entrepreneurship in Nigeria

Entrepreneurship is an extremely important factor in economic development. W. Arthur Lewis argues that providing money to entrepreneurs who lack business capacity is wasteful, since the main deficiency of local enterprise is usually not capital but entrepreneurship.\(^2\) Without the entrepreneur, labor, capital and natural resources cannot be combined effectively.


The Third Nigerian National Development Plan, 1975-1980, observed that "manpower or executive capacity remains a bottleneck to the development of the nation. . . . Management or entrepreneurship, as a resource is generally in scarce supply in the Nigerian economy."  

Professor W. F. Stolper, who directed the Economic Planning for the First Development Plan in Nigeria, 1962-1968, did not have the slightest doubt that money for development purposes would be forthcoming, but that the real limitations of the plan would be manpower; and especially executive manpower. It was a widely held opinion within Nigeria that the main problem of the indigenous Nigerian businessman would be his lack of entrepreneurship. Enabor argued that "the generally low level of efficiency of Nigerian forest industries was

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attributed to nonexistence of mill maintenance facilities, poor training of operators and low entrepreneurial performance.”

The Nature of Entrepreneurs

Nigerian entrepreneurs tend to be very industrious individuals who have established many small enterprises. In September 1960, it was estimated that there were about a quarter million indigenous enterprises in Nigeria.7

Regardless of sex, amount of education or business experience, any such enterprises could be started very easily. Ownership of capital was often of very little significance. Some entrepreneurs relied virtually entirely on advances from their suppliers. The "know-how" usually required was simple and people had acquired it as workers in other firms or through government employment. Labor required was mostly unskilled and semi-skilled and was usually cheap. The multifaceted one-man business is common in Nigeria. An entrepreneur is successful in one line, but instead of enlarging operations in that line, he may branch out into other fields. The most common

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cases are trading combined with transportation and construction. The success of many entrepreneurs has been achieved through the establishment of several unrelated businesses. These enterprises, if handled carefully, would grow to a critical size that would necessitate a higher level of organization, marketing and technology. At that stage of the enterprise the entrepreneur would run invariably into problems associated with growth. The greater difficulty in coping with larger organizational issues is why there were fewer indigenously owned large scale enterprises in developing countries as opposed to many foreign ownerships of such enterprises.

With regard to Nigerian mining, in 1963, it was discovered that operations had a certain limited size based on the labor-intensive, simple technological methods that were employed by the indigenous entrepreneurs. John Harris discovered, in the saw milling industry, that as output expanded the entrepreneur could no longer depend on

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supervising the production process personally. The organization of the firm needed to be more complex than it had been and required both delegation of responsibility and advance planning of work tasks. As an apprentice, the entrepreneur was never prepared for the intricate situations that would occur later in a successful career. The marketing horizon of the small enterprises in Nigeria was very limited. The entrepreneurs knew little about broader prospects of the market in which they operated and were unable to benefit from economies of scale which could only be achieved by a wider penetration of the market.

Trustworthiness in the Nigerian Business Society

Mutual trust is the essence of any business relationship and this quality was often lacking among Nigerian businessmen. Government loan programs had frequently been abused by their recipients. Loan repayments were often difficult to collect unless accompanied by specific threats. For example, during 1961 and 1962 the Federal Loans Board belatedly received

hurried payments from debtors upon notification that if they did not pay their loans the property they had pledged as security would promptly be seized and sold. Bankers, other foreign businessmen, and Nigerian political leaders were forced to solve collection problems in a similar fashion. The difficulties in achieving collections and repayment of loans had the effect of limiting the credit advanced to indigenous businesses and thus tended to limit their growth. Consequently, small-sized indigenous businesses continued to be prevalent. The atmosphere of untrustworthiness hurt the credit and limited the growth of many well intentioned businessmen who had viable plans for expansion and who needed assistance from financial sources. G. Ogunpola, among others considered this a major set-back to the development of large corporations.

This kind of commercial atmosphere in a society limits the rate of economic growth.


Another factor impeding business credibility was the wide extent of "fronting," by which the claim to indigenous ownership (entitling the owners to special benefits) was, in fact, fraudulent.

Entrepreneurship may be considered a national characteristic of Nigerians generally and of the Ibo in particular. Nigerians tend to seize every available opportunity to pursue any economic advantage. They are flexible and venture aggressively in quest of profitable businesses. Dr. Bauer states that "the general impression I formed was always the same: exceptional effort, foresight, resourcefulness, thrift and ability to perceive economic opportunity."

Entrepreneurship and Education

Studies on entrepreneurship in developing countries indicate a direct relationship between the education of the entrepreneur and success of the firm.


16 Carroll, *Filipino Manufacturing*, and Sayih, *Entrepreneurs of Lebanon*
In Nigeria it was discovered that the average educational attainment of Nigerian entrepreneurs in firms with eight or more employees was more than that of the population as a whole. However, if entrepreneurs from all sizes of industrial firms are considered, it seems very likely that the average education of entrepreneurs would not be higher than that of the population at large. Theodore Geiger and Winifred Armstrong also found out that there is a positive relationship between entrepreneurial education and gross sales of the firm. The sample used in this study consisted of sixty-four Lagos entrepreneurs in manufacturing, construction, trading, services and transportation.

The Nigerian Industrial Development Bank was established in 1964 as a privately owned and foreign controlled institution. In 1976, the federal government bought out the foreign shareholders of the bank.

The Bank actively promotes indigenization, and assists in projects sponsored by both the government and private industries. The Bank provides the basic ingredients

17 Peter Kilby, African Enterprise: The Nigerian Bread Industry (Stanford, California, 1965), pp. 94.
19 NIDB Newsletter, January-April, 1980, p 5.
of economic development such as entrepreneurial skills for the initiation and promotion of projects, technical expertise in project development, appraisal and implementation, as well as the managerial acumen for directing projects. It also provides medium and long term finance, as well as equity funding for developing projects. The mobilization of private resources is also one of the primary functions of the Bank. The World Bank has been and is still the Bank's major external creditor. The bank rarely demands initial collateral. However, it normally demands a first mortgage on the fixed assets of the projects when it is completed and a second lien on the floating assets. Able and responsible entrepreneurs, who otherwise might not be able to obtain credit, could easily obtain loans from the Bank. Appendix A is the questionnaire that the Bank requires to be completed by loan applicants. The NIDB has financed projects for indigenous industries such as: Awalah Hotel Limited; International Steel Industry (Nigeria) Ltd; Delta Glass Company Limited; Odutola Food Industries Limited and Borno Clay Products Company Limited.\(^{20}\)

The need for more and better entrepreneurs should not be regarded as a problem faced by developing countries alone. The United States Small Business Administration has stated:

"Statistics show that over 60% of new businesses never last over five years and the reason for the majority of failures is lack of management know-how. In fact, poor management is the reason for most business failures. Many of these men who failed believed that more money would solve their problems, but found it did not."21

Improvement in the economic environment of Nigeria, particularly as applied to an enhanced infrastructure, is bound to benefit Nigerian entrepreneurship.

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CHAPTER VI

SUMMARY AND CONCLUSION

The major focus of this study is upon the relationship between the economic environment in Nigeria and its indigenous private sector from 1960-1980. An effectively functioning indigenous private sector provides the greatest possible assurance for long term sustained economic development.

Nigeria, with a total land area of 356,668 square miles is bound on the north by Niger and Chad, on the west by Benin, on the east by Cameroun and on the south by the Gulf of Guinea.

The country has a population of ninety million with about 250 tribes, each speaking a different dialect. English, however, is the official language. Christianity and Islam are the predominant religions.

Independence was achieved on October 1, 1960, and in 1963 Dr. Nnamdi Azikiwe was elected president of the New Republic. After a series of military coups, Shehu Shagari was eventually elected, in 1979, as the first civilian president since the start of the 1967 Civil War. He was re-elected in 1983.
Development Policies in Nigeria

Nigeria's development policy is based upon mixed capitalism with substantial aid provided by the national government, foreign governments and international agencies.

Industrialization in Nigeria emphasizes private enterprise combined with the use of national development corporations and other quasi-governmental bodies. The late 1950's through the First National Development Plan (1962-1968) was a period of increased economic dependency upon foreign countries.

The spirit of nationalism dominated the Second Development Plan (1970-1975) which introduced indigenization.

The Third Development Plan (1975-1980), which was more comprehensive and elaborate than the first two plans, finally achieved the objective of mixed capitalism.

Indigenization Policy in Nigeria

The Indigenization Decree was initiated to eliminate foreigners from certain economic fields which were to be controlled by Nigerian citizens. It was popularly supported by the press, opinion leaders and educators throughout the country.
The Indigenization Decree of 1972 was comprised of two parts. The first listed twenty-two service activities, and the second listed thirty-three commercial and industrial activities, all of which were reserved for Nigerian citizens. Under certain specific conditions, however, these activities could be undertaken by foreigners.

The Nigerian Enterprises Promotion Board (NEPB) was created as the principal agency for implementing the Decree. In its initial stage it seemed as if compliance was falling into place; however, by the middle of 1975, it was ascertained that large scale noncompliance existed. This occurred through "fronting" which was a means by which foreign firms claimed indigenous ownership. This fraudulently entitled the foreign owners to special benefits.

The 1977 Indigenization Decree added a new component to the 1972 Decree and also provided the NEPB with new authority to deal with offenders.

The Economic Environment of Nigeria

Nigeria's infrastructure is the most critical factor affecting the operation of business. Road maintenance in the country is extremely poor. The press regularly
provides information of the safety of roads, their physical conditions and the number and locations of the many accidents that occur.

There are six ports in Nigeria of which Lagos is the most important and also the most congested.

The electrical, telephone and telex systems are seriously deficient, especially in Lagos. In an attempt to solve these problems, the Nigerian businessmen have invested heavily in private electrical power and communication systems.

Despite the billions of nairas spent to improve elementary education in the 1970's the literacy rate for the country in 1977 was only 20 per cent. The government operates a network of secondary and higher education schools throughout the nation.

There is widespread corruption and inefficiency among government workers, although measures are constantly being devised to correct the situation. Law and order is inadequate and crime is widely reported in the press.

Entrepreneurship in Nigeria

Without the entrepreneur, who is the critical decision maker in a capitalist economy, labor, capital and natural resources cannot be combined effectively. Successful entrepreneurship, however, was relatively
scarce between 1960 and 1980. Nigerian entrepreneurs, especially the Ibos, have been particularly industrious and have established many small one-man enterprises.

The Nigerian Industrial Development Bank (NIDB), actively promoted indigenization and assisted entrepreneurs in promising projects. The World Bank has and continues to be the NIDB's major external creditor.

Although entrepreneurship may be considered a characteristic of many Nigerians, indigenous private enterprise in the country has not been especially successful. This is due to the lack of trained personnel upon which the success of business, industry and economic development is dependent.

The economic environment in Nigeria during 1960-1980 was inadequate for the smooth running of an indigenous private sector. The continuous blackouts of electricity in the cities were extremely discouraging for potential entrepreneurs. Bribery and corruption among high government officials increased the cost of doing business and further discouraged Nigerian entrepreneurship.

The training of more professionals and skilled labor, the accessibility of valid economic information, and an enhanced infrastructure are all bound to benefit Nigeria's indigenous private enterprise.
APPENDIX
NIGERIAN INDUSTRIAL DEVELOPMENT BANK LIMITED

Questionnaire to Applicants for NIDB Financial Participation

Answers to be addressed to:-
Managing Director,
Nigerian Industrial Development Bank Ltd.,
NIDB House,
63/71, Broad Street,
P. O. Box 2357,
Lagos.

Where there is an asterisk (*) it may be necessary to give the information on a separate sheet.

<table>
<thead>
<tr>
<th>1. Name and official address of the Promoter.</th>
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<th>2. *Names and brief biographical details of the promoters or principal shareholders, directors, and officers with special reference to their industrial or commercial background.</th>
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<tr>
<th>3. If an existing Company wishing to expand, provide the annual reports of the past three years (including balance sheets, profit and loss accounts) and up-to-date pro-forma accounts.</th>
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<th>4. Please provide information about existing bank cash credit facilities of the Company (if existing) or of the main promoter(s).</th>
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<tr>
<th>5. Nature of the Project to be financed.</th>
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<tr>
<td>(a) Describe the project, and indicate whether it relates to expansion, modernisation or a new plant. (Relative engineering, market or other documents should be submitted).</td>
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<th>(b) Indicate the installed plant capacity and the normal projected annual production envisaged.</th>
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<tr>
<th>*(c) Give as much information as possible on the manufacturing process, giving a flow chart as well as the quantities, sources and prices of raw materials that will be required.</th>
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<th>(d) Indicate the number of labour to be employed, broken down into skilled, semi-skilled and unskilled and arrangements to be made for training.</th>
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</table>
**Provide a complete list of machinery giving detailed specifications, competitive quotations.**

**Project implementation schedule:**

(i) Start-off and completion of construction.
(ii) Date of commencement of test production.
(iii) Date of commencement of normal commercial production.

**Indicate the level of utility requirements and availability of essential services such as water, power, transport, etc.**

6. State what arrangements have been made or proposed to be made for technical and overall management of project and indicate whether necessary approvals have been obtained e.g. (Approved User Scheme; Expatriate Quota; Approved Status; Pioneer Status).

7. The Total Cost of project broken down as follows:

<table>
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<tr>
<th>Description</th>
<th>€'000</th>
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<tbody>
<tr>
<td>(i) Cost of Project</td>
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<tr>
<td>(a) Land (including site and infrastructural development)</td>
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<td>(b) Building (including office, warehouse and housing)</td>
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<tr>
<td>(c) Fixed Plant and Machinery at f.o.b. cost; import duties; insurance; freight; transport to site and installation charges</td>
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<td>(d) Power plant and installation</td>
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<tr>
<td>(e) Contingency Margin on (a)-(d)</td>
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<tr>
<td>(f) Movable Plants, tools and equipments vehicles, etc.</td>
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<tr>
<td>(g) Other items to be purchased such as office equipment and furniture</td>
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<tr>
<td>(h) Contingency Margin on (f) &amp; (g)</td>
<td></td>
</tr>
<tr>
<td>(i) Preliminary and pre-operative expenses</td>
<td></td>
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<tr>
<td>(j) Working Capital</td>
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</table>

**Total**

*If the project is already underway state what costs have been incurred already and what costs remain to be incurred under each of the above heads.*

*Describe the factory location (if land has been acquired, indicate whether leasehold or freehold).*

*Make an estimate by quarterly periods of the flow of funds that will be required to meet the cost of the project.*
8. Proposed means of Financing the Project broken down as follows:

(a) Equity Capital
Promoters, NIDB, Others (indicate for each) ....................

(b) Long-term Loans
Promoters, NIDB, Others (indicate for each) ....................

(c) Short-term Loans
Bank of India (Working Capital) ....................

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<th>Total</th>
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**NOTE:**
(a) that, where required, NIDB's equity participation in a project cannot be less than 11% or more than 26% of the total equity capital of the project, and its overall participation, i.e. equity plus loans, cannot exceed 75% of the total cost estimate of the project.

(b) that if any part of the cost of the project is to be met by overseas suppliers' credits or overseas partners, the terms and conditions of such arrangements and the amounts involved should be stated.

9. Estimate the demand for the products to be manufactured on the basis of local production and imports for the past three years and assess future trend in demand.

10. Furnish information about capacity and location of existing manufacturers and new projects known to be underway.

11. Give the prices of imported articles f.o.b.; c.i.f.; landed cost (rate of duty) and selling price (as appropriate).

12. Give particulars of proposed selling arrangements (including sole agents, if any) and commission proposed to be paid.

13. Provide a detailed estimate of annual cost of production, giving separately the cost of each item of raw material, labour, essential services and overheads. Indicate basis for wastage factors assumed for raw materials and percentage of capacity utilisation.

14. Give an indication of present and expected selling prices with comparison for competing imported and indigenous products.
15. On the basis of 13 and 14 above, state the expected profit year by year until full production is reached taking into account selling expenses, interest on loans and debentures, depreciation, taxation, etc.

16. Provide details of Raw Material requirements and sources of supply.

17. *Produce a Cash-flow table showing both source and disposition of funds annually until normal production is achieved, indicating the basis for all the assumptions made in working out the estimates.

18. State what assistance or concessions are expected to be secured from the Governments.

NOTE:

1. To enable NIDB make enquiries of the applicants' bankers, letters addressed to the bankers should be given to NIDB authorising the former to disclose any information NIDB might request (standard format is obtainable in NIDB offices).

2. A Guide to Applicants and Explanatory Memorandum which sets out in greater detail the role of NIDB and the procedure for NIDB assistance is available on request from NIDB offices.

3. The Memorandum and Articles of Association of the applicant Company should be sent, wherever possible, with the answer to this questionnaire.

4. It may be necessary to call for additional information or to invite applicants for personal interviews. NIDB may also wish to see the site of a proposed factory or, in the case of an operating factory, see the factory in operation.

Company Stamp and Signature
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