THE ROLES OF COMMERCIAL BANKS IN FACILITATING FOREIGN DIRECT INVESTMENT IN NIGERIA

(A CASE STUDY OF FIRST BANK PLC)

BY

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CERTIFICATION

This is to certify that this project work has been read and approved by the undersigned on behalf of the Department of Banking and Finance, Institute of Finance and Management Studies, Kwara State Polytechnic, Ilorin, as meeting the requirement for the award of Higher National Diploma in Banking and Finance.

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DEDICATION

This research work is dedicated to Almighty Allah who has given me the knowledge strength and wisdom to achieve this feat, above all for the unmerited grace he has showered upon me may his forever be praised!

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CHAPTER ONE

1.1 BACKGROUND OF THE STUDY

For Quite a long period in the history of banking the foreign business function was relegated to the background yet the provision of a wide range of bank service to bank customer had always involved some aspect of foreign business. (Esene, R.A 2006), Foreign business implies exchange of goods and services among the citizen of sovereign state or countries. This research is an appraisal and evaluation of the role of banks in facilitating foreign business finance and the case study is First Bank Plc. The research is looking at the approach of the First bank to foreign business finance that is promoting foreign business links with Nigeria. (Adeleanya, F. 1998).

The financial system, consists of financial market, financial instruments roles, connection and the norms of major types of financial intermediaries that is universal banks, development banks, financial institution, insurance companies, credit and saving institution, investment and mortgage institution. All these are also involved in trade activities, but on the other hand, financial intermediaries are very relevant in the study because financial intermediaries are very relevant in the study because financial intermediaries provide a linkage between surplus units and deficit units in the economy. First bank is one of the intermediaries that facilitate the promotion of business link with Nigeria. (Njoku, P.O 2005)

The role of banks involved foreign business finance is very important as to the business. The banking system has been integral part of the structural reforms and it has a leading role in management of policy change. The role of financial institutions in export financing is that of a cartelist and a committed broker. It ranges from assisting company and individual on how to enter export market through financing and handing shipping document and collecting export proceedings. (Eboh E. 1983)

Generally, an export can meet his financing needs in the following number of ways.

1. advance payment from overseas buyers
2. internal general funds
3. Credit from bank and other financing institution.
4. Credit provided by the government in the buyer country.

1.2 STATEMENT OF THE PROBLEM

The main thrust of this study is to analyze the role of bank in foreign business finance that is the approach of First Bank plc to international finance of business. This is with particular reference to the first bank as sub sector of financial sector of Nigeria economy.

Nigeria signed the world trade organization (WTO) agreement in December 1994 so it became mandatory for Nigeria to implement trade libercilization with effect from 1st January 1995. before then the federal government of Nigeria has imposed a regime of tariff and customs duties on the importation of goods and services into the country (GATT). It is necessary requirement by the government likewise the bank to comply with it. Due to infrastructure deficiencies and imposition of taxation at the various tiers of government. Namely: Federal government, State government, local government.

1.3 RESEARCH QUESTIONS

1. Are there problems encountered by financial institutions in Direct Investment in Nigeria.
2. Are there modalities adopted by the financial institutions in facilitating foreign direct investment?
3. Has export oriented financial institution affected financial industries to an extent?
4. Are there prospects of foreign direct investment in Nigeria.
5. Are there difference economic policies adopted by the government to support foreign Direct Investment and their effectiveness on their export financing in Nigerian

1.4 OBJECTIVE OF THE STUDY

From the above discussion, it is pertinent to note that major objectives for which the study is being undertaken are as follow:

1. To examine the problems encountered by financial institutions in direct investment in Nigeria.
2. To investigate the modalities adopted by the financial institutions in facilitating Direct Investment

3. To ascertain the financial institution affected by financial industries to what extent?
4. To examine the prospects of foreign Direct Investment in Nigeria.
5. To determine the economic policies adopted by the government to support foreign Direct Investment and their effectiveness on their export financing in Nigerian

1.5 RESEARCH HYPOTHESIS

H01: Financial institutions in foreign Direct Investment in Nigeria does not encounter Problems.

Hi: Financial institutions in foreign Direct Investment in Nigeria encounter problems.

H02: Modalities are not adopted by financial institution is assessing goods foreign Direct Investment.

Hi: Modalities are adopted by financial institution in assessing goods for foreign Direct Investment.

H03: Export oriented financial institution has not affected financial industries to an extent.

Hi: Export oriented financial institution has affected finance industries to an extent

H04: Foreign Direct Investment does not have prospect in Nigeria Hi:
Foreign Direct Investment have prospect in Nigeria.

H05: There is no economic policy adopted by the government to support foreign Direct Investment and their effectiveness on their export financing in Nigerian.

Hi: There is an economic policy adopted by the government to support foreign Direct Investment and their effectiveness on their export financing in Nigerian

1.6 SIGNIFICANCE OF THE STUDY

The research work on the role of financial Institutions in foreign Direct Investment will be beneficial to the Nigeria economy in the following ways.

1. General Economy: It will help the nation in devising the foreign exchange and revenue of the nation as well as receiving pressure on the balance of payment
2. Manufacturers: With the introduction of the structural adjustment program (SAP) in 1986, many manufacturers have been oriented into the system and hopefully manufactures export good with the financial institutions incentives will improve the production potentials as well as production producing large qualities of export purpose.

3. Exporters: The financing of export will go a long way in helping Nigeria exports to compete favorably with the international world.
4. Students: This research work will be valuable to the students who may carry out the similar research work in related field for reference purposes.
5. Financial Institutions: The research work will work expose the problems and the prospect of institution the export finance and the recommended sways to improve on it.

1.7 SCOPE OF THE STUDY

The scope of the study is very wide it focuses on the roles of banks in facilitating foreign business in Nigeria. As a result of this, the researcher has consulted with several reviews on the issues of the roles of financial institution in foreign Direct Investment in Nigeria which are appreciated for employees at a particular point in time it also serves as a useful guide to organization. In this future decision-making procession training related issues, knowledge of private sector

1.8 LIMITATION OF THE STUDY

i. For the nature of the research work the researches Intended to limit its work because of the time of this research work the economics of the nation is also battered that the research cannot afford to visit all the financial institution and has a limited time.

ii. Time Factor: The research has limited months as duration in season. However the researcher was able to utilize the available period

iii. Work Load: The department worked load is numerous for the research work coupled with the fact that the researcher must attend lectures there by prevent a through and intensive work.

1.9 DEFINITION OF TERMS

Foreign Business: Known as foreign direct investment in any country

Letter of Credit: This is a confirmed credit the advising banks has its undertaking to pay the settlement to that of the buyers (issuing) bank that opened with a correspondent bank’s trade finance facility.

Bill of Collection: It is a method of settlement whereby exporter said to that importer through correspondent banks.

Issuing Bank: That is the bank within the investor country e.g First Bank.

Correspondent Bank: That is the bank outside the investor country e.g Baraday's bank of South Africa.

Domiciliary Account: (Non-export domiciliary account) the non-export or ordinary domiciliary account is mainly for all foreign exchange receipts other than proceeds on non oil exports.

Expatriate Quota: This is the official permit to a company conveying permission for the company individual expatriate and also specifying permissible duration.

1.10 PLAN/ORGANIZATION OF THE STUDY

The organization of this research work contain chapter one, which is the first chapter with general introduction, background of the study, statement of the problems, purpose and objective of the study, significance of the study, organization of the study plan of the study and definition of term or operations.

Chapter two centers on literature review, theoretical framework, and Empirical review.

Chapter three contains methodology and research method introduction sample and populations of the study, source of data and data collection instrument, methods of data analysis and research problems.

Chapter four cover data presentation and interpretation of finding, introduction brief history of the case study, presentation of data, analysis of data, testing of hypothesis and summary, conclusion recommendation for further findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter will review available literature in the areas of foreign business finance which is also known as international business trade or foreign investment its historical background, definition, objectives and bring about the latest state of knowledge that is useful for the current research work. there has been a considerable degree of consensus in the literature as to the appropriate and exact definition of Foreign Direct Investment finance. Some called it Foreign Direct Investment e.g by economist and international (multinational) business finance export for instance, Lipsey and Chrystal (1996) define it as investment, which gives foreign firm owners control over the behaviour of a firm in which the investment is made.

According to Franklin R. Root (1978) foreign business finance known to him as foreign direct investment that is a long term investment in a foreign firm that gives the investor managerial control over that firm, it is of excellence business because foreign investor an almost exclusive corporation or individual representing a business enterprises. He further observed that foreign business finance is not simply (or even primarily) a foreign transfer of capital but rather the extension of enterprises according to him involve flow of capital, technology and entrepreneurial skills to the host economy where they are combined with local factor in business production of goods for the local and or export markets.

Franklin R. Root further contended that this transfer or a bundle of factors services retransfer under the control of the investing firm is to the sub-sequent production and marketing activities of the subsidiaries in the host country. His classical exposition of this is in line with the earlier work by Ronald Mckinnon (1973) in which he defined foreign business as a package of finance, modern technology and managerial skill. By the same token, Morgan D.J (1965) observes that privates investments inform of direct investment by business takes with it administrative technical and managerial skills necessary to begin or expand economic enterprises, these in turn provide training and experience for local personnel.

Foreign business is the business activities which involve the crossing of national boarders, this include foreign manufacturing international trade as well as service industry such as banking tourism, construction, wholesaling and international trade and investment. This has to do with trade between two countries of the world or among countries, foreign business finance as a separate study became necessary due to the inadequacy of the study of international trade deal with all among issues and intricacies that are involve when business is take abroad

This a good knowledge of all related discipline in the humanities. It becomes highly relevant when with foreign business. Finance international business manager must have knowledge such as business administrative accounting and finance international law, political science, and diplomacy. International trade and the international firms are not strange in the conducting of business activities all over the world the mercantilism stated its in United Kingdom in it century or thereafter when gold was being king seen and perceived as an exclusive preservation. The trading at that mechanist would not like buying from abroad.

Thus the promulgation of Corn Law came into being no scorner did this event last then it was realized that trade had to pass across boarder and also the means of exchange. This remediably marked the beginning o international trade.

2.2 CONCEPTUAL FRAME WORK

2.2.1 HISTORICAL PERSPECTIVE

The first American foreign direct investment are the English Vulcanized rubber plant that was located by colt fire Arms and ford, it was established some few years before the advent of the first world war of 1916 the business failed no sooner than its final inception. In 1866, a Scotch factory started what looked like the first successful American foreign investment by building singer serving machine by the inception of First World War in 1914. American listed manufacturing factories were not less than eight countries of the world. The American were not alone in the establishment of offering direct investment. Its countries like United Kingdom, Germany and Switzerland have established a good number of European businesses, concern like others. There is a clear indication that multinational firms of a sort existed much well before world war I.

2.2.2 FIRST BANKS PROFIT CONCEPTUAL FRAMEWORK

From its epochal beginning as British West Africa premier financing services provider on March 31, 1894 First Bank has distinguished itself as Nigerian's leading financial services solution provider and a major contributor to economic development with 530 business location. The bank as one of the largest sales network in Nigeria capital stood at #3 billion (U.S $23.62 million) and was issued and fully paid first bank's ownership is spread over 3000,000 Nigeria citizen and association with its member board of directors jointly controlling 4.6% of its enquiry. First Bank remains the most profitable Nigerians banks with commitment to returning value to shareholders is reflected in the ability to consistently maintain post tax return on equity above industry average, its optical adequacy ratio is above the regulatory minimum of 10%

Earning per share for the bank in 2006 was #3.32 while dividend per share stood at #1.00 in the last decade by playing their roles in the federal government privatization and commercialization scheme first bank has led the financing of private investment infrastructure development in the Nigeria economy with 8 local subsidiaries, the bank operates a full-fledged bank in the U.K and a representative office in south Africa. First bank growth strategy incorporated an all-inductive understanding of customer services realties and elimination impediments to effective service delivery through continued network expansion product development, merger and acquisition and strengthening its global foot print. In further one of this strategy and in line with the imperative of industry consideration the bank acquired its investment banking subsidiary FBN limited and MBC international bank furthermore the bank is currently executing a business combination with ECO bank transitional incorporated (ETI) a pan west African banking group.

The emergent entity will be the largest bank in West African and one of the largest banks in African. This is the largest bank group in Nigeria it is made up of:

First Bank of Nigeria Plc (Commercial bank)
FBN (UK) Limited
First Funds Nigeria Limited
First Registrars Nigeria Limited
First Trustee Nigeria Limited
FNB Mortgages Limited
First Bureau de Change Limited.

2.2.3 THE ROLE OF BANK IN FOREIGN DIRECT INVESTMENT CANNOT BE NEGLECTED AS OUR CASE STUDY BASED ON FIRST BANK PLC.

Overtime, the bank has handled trade finance transaction in conjunction with multilateral agencies like US First bank, Africa Export Bank (Afrexim bank) Common Wealth Development Corporation (CDC) etc. we have also recently been involved with finance institution like Burp

Paribas, export development, Canada etc. for trade finance transaction. These multilateral agencies provide financial assistance to company (preferably private sector companies) with a view to promoting efficient use of resources and acceleration sustainable economic development. These agencies often require a relationship with a bank in the borrowing company country. The process through which company can access funds from the multilateral; agencies involved a step-by-step procedure that began with the company (prospective borrower) identifying viable projects. Which it to undertake.

The borrower then approaches a multilateral agency (directly or through a first bank) with the following details.

1. General Information: Includes borrowing description capital structure ownerships details scope and nature of major activities of the enterprise company history and management.

2. Specific Details of the Project: The borrower is required to give detailed description of the request to the facility, currency and tens of the facility and proposed security bring offered for the facility.

3. Financial Information: The borrower will provide at least 3 years audited accounts to enable the bank have a view of its financial performance power the years. He also required to provide financial projection encapsulating the project balance sheet profit and less account cash flow statement together with supporting assumption.

4. Marketing Strategy: The borrower will present a detained marketing plan for the product to be financial which should include:

    i. Details of marketing and current market trends and development
    ii. Description of the global market for the product
    iii. Details of tariffs non tariff barriers influencing trade in the product, subsides import and export regulation.

5. Macro Economic and Sect Oral Issues: A review of macro economic and sect oral issues effecting of the project will be provided. The review will include amongst others.

- A description of the export sector within the borrower country ○ A description of the export performance of the product to be financed.
- A description of domestic interest rate levels.
- A description of the foreign exchange rate and recent trend in exchange rates once the borrower provides the information listed above, first bank will them undertake comprehensive due diligence and appraisal of the proposal for which financing is

being sought first bank will evaluate the technical feasibility economic viability and environment. Impact of the product. The integrity and competence of the project sponsor are also considered in the evaluation if first bank is satisfied with the viability of the project the bank will approve the borrower transaction. Once the transaction is closed, first bank manager the borrower's account to prevent difficult on repayment obligation to the multilateral agencies.

Our foreign operations department handles foreign trade services through the following trade services through the following modes:

Letter of trade services by type: Irrevocable letter of (credit conferment) irrevocable letter of credit deferred payment stand by letter of credit revolving letter of credit red clause letter of credit bank to bade letter of credit transferable letter of credit.

Bill for collection: Method of settlement whereby the exporter entrusts the colletion document (financial or commercial) forward delivery to the importer through a correspondent bank in accordance with the instruction contained in collection order / bill history.

Domiciliary Account: There are two types namely: non-export domiciliary account and export proceeds domiciliary account. The non-export or domiciliary account is namely for all foreign exchange receipts other proceed on non-oil exports.

2.2.4 MEXIM ANNUAL STATEMENT OF ACCOUNT OF 1999 FOREIGN SOURCES

a) International banks for reconstruction and finance to State and Federal development project. Export oriented projects and investment can benefit from such funds.

b) International finance corporation (I.F.C) it is an affiliate of the word bank establishment in 1956 with headquarters in Washington U.S.A it was meant to provide financial guarantees. Some Nigeria company has benefited from its service all through as it invest in all type of project both large, medium form preference is given to produce with light export content.

c) ECOWAS FUND: The fund for operation and development is an aim of ECOWAS with head quarter in Rome. The fund help to finance the project in West Africa by providing loans quarantines and assisting in the raising international external force for Members

State. The project is self liquidating and is financed in accordance with the international banking practice.

AFRICAN DEVELOPMENT BANK (A,D.B)

The Europeans investment bank (EIB) is the Europeans communities' bank providing long term finance under the loan convention the African Countries can benefit from the EIB Facility.

Its area of interest includes all sectors of the economy.

2.2.5 THE ROLE OF FINANCIAL INSTITUTION

There are three major types of financial institutions that exist and are concerned with trade and export in Nigeria. The central bank, Commercial bank, Merchant bank and development bank

THE CENTRAL BANK: The central banks of Nigeria has a dominant role to play in export financing the central bank of Nigeria (CBN) has taken active part in assisting the export through formulation of polices aimed at promoting export financing. A recent significant step in this direction is the establishment of Nigeria exports and import bank (NEXIM) COMMERCIAL BANKS

Although commercial banks constructs one of the main supports of international trade promotion efforts. The commercial bank in Nigeria is only beginning to open export desks.

THE MERCHANT BANK: The merchant bank are engaged more in short term domestic financing but naturally they are of finance export.

DEVELOPMENT BANK: Development bank is in practice set up to finance development projects and may have no special schemes for promoting development and series oriented industries but they are also expected to render merchant bank type of services for developing the industrial infrastructure needed for a meaningful export oriented economy.

2.2.6 FACTORS MILITATING AGAINST EXPORT FINANCE

Some major factors that could be the discourage of the provision of exports finance are:

1. High cost of local processed goods; in view of certain local factors and development the cost of security and producing goods for export, are after higher than the cost of importation of similar items. This is a situation whereby production of export has been relatively on largely attributable to the inflation any effects of large names devaluation, high interest jokes and high cost of local inputs as well as provision of lack of infrastructural facilities.
2. Government Policy Consideration: Bank export finance decision are based principally on government declared export where government economic policy rare to improve balance to payment position banks may be forced to raising their location rate and tends to accommodate all type of export.
3. Changing Financial Environment: The changing financial environment a tremendous impact on the extent to which bank and other financial institution are prepared to finance export in Nigeria.

Owing to the periods of monetary cases and liquidity banks are better disposed for export business but during the period of tight monetary policy and squeezed liquidity are loss inclined finance for export business for instance before the 1989 central banks directives to bank and monetary policy actions carried at mopping up excess liquidity in the system banks are more willing up exceed liquidity in the system, banks are more willing to finance export business. Only because of the availability of funds to allocates for those purpose but also because of the opportunity to have additional source of foreign exchange from the non oil export.

2.2.7 HISTORICAL BACKGROUND TO EXPORT FINANCING IN NIGERIA.

Export financing is the provision of short, medium and long term fund for export operation. The funds are in form of institution as well as the exporter themselves and foreign buyers, until 1945. This is not to say that the counter had not been export, rather traditional product we exported by multinationals who had no problem in securing finance from owned banks. The marketing board through initially refund West Africa production boarded handed exclusively the marketing of schedules agricultural product such as Cocoa, coffee, ginger and solid mineral letter, the Nigeria produce marketing company limited by state marketing boards took over the export of those schedules commodities. From 1962 a new export financing mechanism was evolved by the central bank of Nigeria (c.bn) UNDER THIS mechanism, the marketing boards met their requirement for all the marketing boards. On acceptance have participation in the scheme.

The central bank of Nigeria banked the scheme by provision rediscounting and refinancing facilities. For the build drawn up to specified limits. Under this method rediscounting and refinancing bills, the gross value of commercial bills actually refinancing by the central banks of Nigeria rose from 59.4 million in 1964 to 142:6 million in 1967. However uncertainties in the market in 1964 to 1964 period, the scheme and the acceptance house from the scheme.

Consequently, the central bank o Nigeria in 1930 financed the marketing board for the tone of 30 million. But by 1978, the marketing board for the tone of 30 million. But by 1978, the total rediscounting and financing amounted to 355 million. In 1936, it became turning point for export self sector it was the year the structural adjustment programme (S.A.P) was introduced. The programme was liberation of the external mode and payment system and adoption of appropriate based on market forces. One of the main plans of realistic exchange for naira and diversification of source of external revenue. Consequently, the promotion of non-oil exports became more less j nor rational cells, against the back drop of scare foreign exchange coupled with export in captive and awareness created with export in captive awareness created with export in captive awareness created by government in addition to scraping of commodities but export license many firms and individual want into export business

POLICY INSTRUMENT

The major policy instrument to achieve the objective of an aggressive, consistent and comprehensive export expansion programme was set out in export decree N0, 81 of 1986. The decree bought into the following export incentive scheme.

1. Currency retention scheme
2. Export development fund
3. Export expansion grant fund
4. Any draw back/suspension manufacturing food
5. Export credit guarantee and insurance scheme
6. Pioneer status
7. Capital asset depreciation and allowance

CURRENCY RETENTION SCHEME

Prior to 1986 exporters were allowed to retain only 25% of their export proceeds in a foreign currency, domicilliary account with bank in Nigeria. However under the current exporters are allow to turn 100% of their export proceeds they shall open foreign currency domiciliary account with an authorized bank of its choice in Nigeria into which all the proceeds of export transaction shall be fully credited.

The proceeds for non oil export deposited in foreign domiciliary account maintained by each exporter should be funded only by bone- oil export proceed and operate separately from, its fund other source and domiciliary account export proceeds for the purpose of maintaining its special status and for proper monitoring.

EXPORT DEVELOPMENT FUND

The export development fund is a special fund provided by government to give financial assistance to export companies to cover part initial expenses.

a. Export mark research duties
b. Production design constancy
c. Advertising and publicity changing in foreign market.
d. Cost of collecting trade information
e. Banking up the development oriented industries.

The fund would only covers part of the cost involved in any part of the related activities. Exporters are therefore, to meet the major part of such cost.

Export expansion guarantee fund. This fund is to provide cash for export a minimum of N50,000.00 worth of semi-manufacturing product to enable increase in the volume of product of export, diversity export product and market coverage. The level of such inducement approve for exporter are.

i. 50,000- 100,000 exports sales per annual 5% grant. ii.
Additional 50,000 export per annual 40% grant

The export expansion grant fund shall be made available only to exporter whose repatriation must have been satisfy by the central Bank of Nigeria.

DUTY DRAW BACK/SUSPENSION MANUFACTURE IN BOARD SCHEME

The duty drawn back schemes provide the reform of duties on raw– materials into a bounced wave have of the company for export production. APPRECIATION for draw back rate D.B.R can be made prior to or after exportation while application for draw back duty can make after exportation of goods and repatriation of proceeds confirmed by central banks.

PIONEER STATUS

The provision of industrial development (income tax relieves) Oct of 1971 with respect to pioneers status such shall apply to any manufacturer.

Capital Assets Depreciation and allowance. The companies income tax act 1979 has amended by the finance /miscellaneous provision decree of 1985 was further amended by export incentives decree No. 18 of 1986 to provide an additional annual depreciation allowance of 5% on plant and machinery to manufacturing exporters who at least 40% local raw materials content of 35% value added tax.

EXPORT CREATE GUARANTEE AND INSURANCE SCHEME

The export credit guarantee scheme is made up of three financial elements

a. Provision of financial facility, which was subdivided into two elements.
   i. The provision of naira facility which is function at present.
   ii. The provision of foreign exchange to be funded through money borrowed from the various sources and which is expected to be operation before end of the year.

b. Provision of export credit guarantee facility.

c. Provision of credit insurance facility.

TYPES OF EXPORT FINACE

Export requires finance to carry out export order and the appropriate financial requirement depends largely on the duration of each order. This is the most important criteria's in assessing the type of finance needed. Short term credit request word needs short-term borrowing while medium and long term credit needs long-term finance there are three main types of finance categories on their duration

i. Short-term finance ii.
Medium term finance iii.
Long- term finance.

a. SHORT TERM FINANCE

This is the type of term that the exports need to meet orders of short-term nature ranging from one to twelve months. It is essential in traditional products, where the practice of finance entrustment stipulated that credit must be liquidated within 90 to 180 days.

In Nigeria, with 90 days are the most significant point in short financing.

It is self-liquidating and generally established on receipt of export proceeds or negotiation of shipping document. Just like in domestic business, an export can provide finance for his exporter operation. This is only feasible where the value of order is low for companies, medium- and longterm finance could be scare by plunging back profits for by going to the public to raise capital for export expansion. Internal source of fund would have then exporter to quicken the transaction and eliminate delay and difficulties associated with bank financing

b. BUYER FINACE

Buyer finance is the system whereby an exporter pays advance to exporter in fulfilling an order. This pays advance to exporter in fulfilling an order. This financing method can only be possible when both parties are well established and have natural confidence in each other. c. SUPPLIER CREDIT

In case of export merchant or broker, there is the possibility of securing of credit consecution for the suppliers, producer or manufacturer, can supply the product on credit to the export agent after exportation, the agent will in burse the manufacturer can supply the product on credit to the export agent after exportation, the agent will in burse the manufacturer. d. BANKS

Banks loan forms the most important mean of financing export transaction. They are not only providing the finance but also assist exports with export advice, on export procedures and documentations various type of banks grant facilities to exporters ranging from short

i. CENTRAL BANKS

The central Banks has major role to play in the provision of rediscount facility of bank stimulate their interest in the export trades financing the rediscounting facility is intended to ensure the safety position of the bank while financing such export. The scheme of export rediscount and refinancing facilities (ERRF) introduces by the central banks of Nigeria for commercial and merchant bank. Credit exposure client have already being taken over by (Nexim) ii. COMMERCIAL BANK

A commercial bank provides short and sometime medium term finance to exporters on pre and post shipment finance. The finance takes the form of loan advance , overdraft, discount of bills etc.

iii. MERCHANT BANK

The merchant bank are on the singulars positions to the commercial bank and are able to offer a wide range of export finance service.

2.3 THEORETICAL FRAMEWORK

Many theories have been advanced in connection with foreign direct investments and economic growth as it passes through the financial system. Among these theories are Production Cycle Theory, Eclectic Paradigm Theory, Internationalization Theory and Theory of Exchange rate on imperfect capital market. However, this study discussed briefly two of the theories: Eclectic Paradigm Theory and Endogenous Optimum Currency Area Hypothesis due their closeness in explaining banking sector foreign direct investments. This study is anchored on the Endogenous Optimum Currency Area Hypothesis because offers the closets reason for foreign direct investments in the banking sector.

2.3.1. Eclectic Paradigm Theory

The Eclectic Paradigm Theory was introduced by John Dunning in 1973 otherwise called the Dunning OLI's theory because it was modelled from the aspects of other theories. Eclectic paradigm theory of foreign direct investment centres on three factors via ownership, location and internationalization. In the words of Louangrath (2014) if one asks whether all the three factors pass the test in each foreign direct investment case.

The answer is no; it might be the case that only one factor is caught in the nest, especially in the banking sector. The ownership factor implies the intangible assets at the possession of a firm which it can, at its discretion, transfer such intangible assets to other firms abroad to earn profit or reduced cost of production usually via contract agreement. The aspect of location come to play depending on transnational country where such intangible assets is highly needed or where the utilization will provide higher returns. However, the choice of location may be hindered by macroeconomic environment, infrastructural potency and political consideration among others. The third factor: internationalization depends on actualization of the assumption/conditions of ownership and location aspects. Internationalization is the various channels available to a company to exercise its control from the sale of its goods or services based on the contract agreement with other companies.

2.3.2 Delegated monitoring

The theories that explain the existence of banks and of the banking activity pointed to the role of banks as an entity that follows and verifies debtors. For the reason that monitoring of the credit risk determined by the debtor's inability or bad faith is costly, it is more efficient for the commissioning units (depositors) to delegate this monitoring activity to banks. Banks on their own have the necessary expertise and they also benefit from the large scale economy in the processing of information regarding debtor risk. The "Financial intermediation and delegated monitoring" by Diamond (1984) explains why monitoring commissioning is the reason for the existence of banks. The theories by Diamond (1984) analyze the determining factors for the commissioning of monitoring and developed a theoretical model in which the financial intermediaries, especially banks and insurance companies, have a net comparative advantage from the point of view of costs in relation to direct financing. Diamond (1984) theory is based on two premises: a) Diversity of the investment projects, which explains advantages to delegate monitoring towards an intermediary than to have it to be performed individually by creditors; b) Intermediaries who perform the monitoring of debtors are bigger which allows them to finance a large number of debtors.

2.3.3 Liquidity Transformation

Banks set at the disposal of surplus agents (deponents) primary or secondary assetbacked by securities with a superior liquidity. The bank deposits can be seen as credit agreements that present a high liquidity and a low risk and which are founded on the resources attracted by the bank. Banks achieve a transformation of the size of the assets in the sense that they establish the size of the assets depending on the needs of the client, attract small size deposits and grant high value credits. Thus the banks based on the attracted small size deposits grant much larger credits, this transformation can occur because of the access banks have to a large mass of deponents and of the scale economy. Thus banks create liquidity that individual surplus agents cannot. Banks transform the deposits made mostly for short term into medium and long term credits. This non-correlation between the due dates of attracted deposits and the due dates of the granted credits can lead to the emergence at the level of the banks of the liquidity risk; but the larger the bank's portfolio of assets and liabilities the lower the risk for breach of obligations.

2.4 EMPIRICAL REVIEW

Owing to the heavy regulation in the banking sector, empirical studies on foreign direct investments and banking sector operations are few and in most cases scare particularly, for emerging economies as emphasis are placed on manufacturing through setting up of industries. However, the few available literatures that closely relate to foreign direct investment in the banking sector were reviewed.

Tajgardoo, Noormohamadi and Behname (2012) studied the causality relationship between FDI and Islamic banking. Panel unit root tests show that the variables are stationary at level. Pedroni test indicates that there is not log run relationship between FDI and Islamic banking. Data chosen 9 countries from Organization Islamic Conference (OIC) over the period 1995-2010 were used for analysis. The results showed that there is a bidirectional relationship between these variables (the feedback relationship). It means that FDI reinforce Islamic banking and Islamic banking attracts foreign direct investment.

O'Connor, Santos-Arteaga and Tavana (2014) proposed a game-theoretical model for commercial bank foreign direct investment strategy, government policy and domestic banking industry interactions in emerging market economies and demonstrate the application of this strategy to the banking system. The paper develops a game-theoretical model to analyse the optimality of the limiting entry strategy followed by given domestic institutional sector when considering the entry applications of foreign banks in the domestic financial system. The paper showed that the progressive liberalization of entry restrictions would define the perfect Bayesian equilibria of the subsequent set of continuation games and the respective payoffs derived from this liberalization as the domestic economy integrates and competes within the global financial system.

Tsaurai (2014) investigated if there is a causality relationship between banking sector development and FDI inflows in Botswana. Three arguments were raised regarding the relationship between banking sector development and FDI inflows into the host country. The first perspective says that banking sector development attracts FDI inflows into the host country. The second perspective suggests that there is a positive feedback effect between banking sector development and FDI inflows whilst the third perspective maintains that there is no direct causality relationship between the two variables. The results from the study were consistent with the third perspective that says there is no direct causality relationship between banking sector development and FDI net inflows. This confirms that the long run relationship between banking sector development and FDI net inflows is an indirect one and the two set of variables affect each other indirectly through other factors in Botswana.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The research method discusses the following terms research design, population of the study, sample size and sample procedure, methods of data collection, method of data analysis and limitation to methodology.

Descriptive methods of data were adopted by the researcher to find out the roles of banks in facilitating Direct Investment in Nigeria.

3.2 RESEARCH DESIGN

The study is based on the roles of banks in facilitating Direct Investment in Nigeria, using First Bank plc as the case study.

Descriptive method was adopted by the researcher which are previous work done by other research. the use of secondary method of data was also adopted.

3.3 POPULATION OF THE STUDY

The population of the study consists of staff and some selected customers of first bank plc Ilorin.

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUES

The study was conducted using descriptive method of data in assessing the impact of information and communication technology on operational performance of deposit money banks in Nigeria using first bank PLC, Ilorin as the case study. Since it's difficult to study the entire population. Sample size and sample techniques were selected randomly among the staff and a stern of First Bank Plc, Ilorin the sample size is (60) sixty respondents.

3. 5 METHOD OF DATA COLLECTION

The researcher employed the use of primary and secondary method of data collection. Primary method÷ this is the use of questionnaire while secondary method this is the use of journals, textbooks, internet, reports etc.

3.6 METHOD OF DATA ANALYSIS

Descriptive statistical tool such as table and percentage as well as interracial statistical tools such as chi- square test were used in taking decision on the roles of banks in facilitating Direct Investment in Nigeria

3.7 LIMITATION TO METHODOLOGY

The limitation to methodology is limited by assessing adequate and necessary data. The problem of data collection is based on the researcher's culture of keeping data. Due to the constraints in data collection some relevant information was kept by the respondent.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 DATA PRESENTAION

In this chapter, data collected for the purpose of ensuring research quantities posed was presented and analyzed. The findings are presented according to research questions.

FINDING AND DISCUSSION OF FINDING QUESTIONNAIRES DISTRIBUTION.

No Distribution	100
No Returned	60

Source: Field Survey, 2025

QUESTION 1

What do you regard as export finding?

Options	**Frequency**	**Percentage (%)**
Transition between contribution	39	48.75%
Financial support towards exportation	21	51.25%
Total	**60**	**100%**

Sources: Field Survey 2025

From the above table, 39 questionnaires out of 30 that were distributed supports export financing to be transaction between countries while 21 regard as exportation. Hence, the percentage 48.75% and 51.25% given a hundred with the frequency.

QUESTIONS 2: Does financial institution have anything to do?

Options	**Frequency**	**Percentage (%)**
Not	40	66.67%
Not always	20	33.33%
Total	**60**	**100%**

Sources: Field Survey 2025

Some individuals and paratactic believes that financing presented above did not carry out obligations as expected. This is represented in the data above as 100%. but some firm disagree that financing institutions are the heart of the export financing in the above, it is 0%.

QUESTION3

What factor did you think that has been binding export financing Nigeria?

Options	**Frequency**	**Percentage (%)**
Government policy and environment	45	75.0%
Distressed banks	10	16.7%
Poor responses by the public	5	8.3%
Total	**60**	**100%**

Source: Field Survey, 2025

75% accepts government policy and environment as factor that is capable of hindering export finance in Nigeria while 16.7% believed that hindrances are due to distressed bank. From the table above the public has very little effort to hindrance in export financing 8.3%

QUESTION 4 Do you think export financing is effective in Nigeria?

Options	**Frequency**	**Percentage (%)**
Yes	30	50.0%
No	20	33.7%
Partially	10	16.3%
Total	**60**	**100%**

Sources: Field Survey 2025

From the above table show that half of the respondents (50%) believe that export financing is effective in the country. However, 33.7% think it is not effective, while 16.3% believe it is only partially effective. This indicates a mixed perception among the participants, with a significant portion expressing doubts or reservations about the current state of export financing in Nigeria.

TEST OF HYPOTHESIS

This section deals with the testing of hypothesis. A hypothesis is a conjectural statement of the relationship between two or more variables. Hypothesis are always declarative sentence form and they relate either generally or specifically, variables to variables. They are guides for the investigator in the entire process of research work.

The statistical technique considered here is chi-square. In the responses to question 50% the responds showed that financial institution using short, medium and long term facilities and the growth of export financing this shown that the hypothesis number one and two are the correct on and there expected a true.

Therefore, question three on the null hypothesis is rejected. The testing of the hypothesis formulated is hypotheis1.

Ho: financial institution plays not role in export financing.

Hi: financial institution plays important role to Nigeria exporters to complete favorable

Note: Question one relevant to this hypothesis see the table below.

Options	**Frequency**	**Percentage (%)**
Yes	30	73.75%
No	30	26.25%
Total	**60**	**100%**

Source: Field Survey, 2025

The information in the above table is now arranged to show the following.

Observation frequency O Expected frequency E Deviation (O-E)

Deviation squared (O-E)2

Deviation squared weighted (O-E)2

Chi-square calculation (counting only)

Options	**Observed Frequency (O)**	**Expected Frequency (E)**	**(O - E)**	**$(O - E)^2$**	**$(O - E)^2 / E$**
Yes	59	50	9	81	1.62
No	21	50	-29	841	16.82

Source: Field Survey, 2025

chi-square (X2) cal = (0-E)2=18.44

Critical value of x2 at 5%=6.5

DECISION RULE

Reject the null hypothesis if x2 calculated is greater than x2 tabulated and accept the alternative since the computed chi-square is greater than the critical value, the null hypothesis are rejected and alternative accepted. Therefore we conclude that financial institution significantly influence the value of export.

HYPOTHESIS 11

Ho: The financial institution does not play any significant role in export financing.

Hi: financial institution plays important role to Nigeria exporters to complete favourable

Note: Question 3 is relevant to this hypothesis.

Options	**Frequency**	**Percentage (%)**
Yes	56	70.0%
No	24	30.0%
Total	**80**	**100%**

Source: Field Survey, 2025

Formula for Chi-Square (χ^2):

$$\chi 2 = \frac{\sum (O - E^2)}{E}$$

Where:

- O = Observed frequency
- E = Expected frequency

TABLE:

Chi-square calculation (continuance)

Option	**O (Observed)**	**E (Expected)**	**O - E**	**$(O - E)^2$**	**$(O - E)^2 / E$**
Yes	100	50	50	2500	50
No	60	50	10	100	2

Source: Field Survey, 2025

The critical value of x2 at 5% = 3.841 Decision Since the computed chi-square is greater than the critical value (3.841) the null hypothesis is rejected and alternative is being accept, then the volume of export is significantly influence by financial institution.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

This project presents with the roles of banks in facilitating Direct Investment in Nigeria (a case study of First Bank of Nigeria plc). Chapter one is the beginning of this project. The main problem identified in foreign Direct Investment were discovered and other issues whose propelled the resemble to embark on this project were fully discovered under the statement of problem. Also discover under the scope and limitation of study as well as the objective of this research work.

No meaningful result could have been achieved without making reference to relevant material, test and work of past research. All such works were effectively covered under literature review.

Methodology of data collection from chapter three of this project: This chapter essentially deals with the method adopted by the researcher in collecting data and how the researcher intended to analyzed the data. Also included here are sample size and population.

Chapter four deals with data presentation and analysis. This chapter is the chapter that deals with the role of corporate body that facilitates export live nexin and also problem of export finance.

5.2 CONCLUSIONS

From the foregoing, the researcher concludes by saying that there has been a growing interest in foreign Direct Investment by bank and other. There has been assistance in supporting Nigeria effort in reshaping their economy through financing non-oil export among other reason.

The various move to finance and promote export couple with the offer or exports incentive. Examples are the setting up of the export promotion council prescribed section credit allocation, promulgation of the export incentives and miscellaneous provision degree duties drawn back etc. are to yield the expected divided in view of lack of adequate positive response, it is important to promote export of goods. It is established in Nigeria export and import bank. Nigeria export help to promote council, export to credit guarantees and insurance co-operation as well as other export proceeds zonal schemes

5.3 RECOMMENDATION

Base on the finding and other observation in the body of the project, the researcher made the following recommendation which if implemented will not only aid financial institution in achieving their cooperate objective and traditional function it will also help in achieving balanced economy growth, the need to embark vigorous on the production of goods and services for the export to scale promotion drive, there is a large for our communities in neighboring that we are yet unable to satisfy, much needs to be done one of the production expecting includes quality improvement, rather than on the real scale promotion aspect before the countries large export potential can become realize which will also boost of the bank business and other financial because of long delay in cheque clearing procedures which could make export to face problem of increase cost of export for a successful exporter financing operation.

Bank should expatiate the granting of loan facilities to make it available when needed on time. They should be scrutinized and put into series control so as to improve the quality of Nigeria export commodities.

Since it has been funded, the locally proceed good and it has become very experience due to inadequate finance from relevant institution. It is therefore important to recommend that governments should device means of giving assistance like subsidy and all other kind of encouragement so as to reduce the cost of local processed goods.

Monetary policy, guideline should be design to encourage the bank to step up export financing. This is in view of the high priority that should be accorded to nonoil export in order to generate additional foreign exchange for more diversified sources. It is suggested that provision for producing and processing of export communities should be excluded from Central Bank of Nigeria credit ceiling.

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APPENDIX

DEPARTMENT OF BANKING AND FINANCE

KWARA STATE POLYTECHNIC, ILORIN KWARA STATE

Dear Sir/Madam,

This research is being undertaken by ABIOLA SIDIQAT ADEDAMOLA final year student of the above-mentioned department in partial fulfillment for the award Higher National Diploma in banking and finance.

Please as part of academic programme, I am conducting a research survey to find out "THE ROLES OF BANKS IN FACILITATING DIRECT INVESTMENT IN NIGERIA"

(A case study of First Bank Plc.)". I am using First Bank of Nigeria PLC, as the case study. Please Sir, feel free while answering the question for information supplied and views expressed will be treated in strict confidence. The information will be used solely for academic purpose. Tick "v" in the box to indicate your answer.

Thanks. For your anticipated co-operation.

Yours faithfully,

ABIOLA SIDIQAT ADEDAMOLA

QUESTIONNAIRES

1. What do you regard as export financing? (Transactions between countries), (Financial support towards exportation).
2. Do financial Institution have anything to do with export financing? (Yes) (No) (Not always)
3. To what extents have Institution participated in export financing? `
    a. Provision of short-term finance
    b. Provision of medium-term finance
    c. Provision of long-term finance

4. Are there legal provision for fund raising or financing exportation? (Yes) (No)
5. If yes, what are the sources? ____
6. What factor do you think that has been hindering export financing in Nigeria?
7. Government policy and environment
    a. Distressed banks
    b. Poor response by the public
8. What are the problems encountered by the financial institution in export product.
    a. ……………………………………………
    b. ……………………………………………..
    c. ………………………………………………
9. What are the modalities adopted by the financial institutions in assessing goods for the export.
    a. ……………………………………………
    b. …………………………………………..
    c. ………………………………………………
10. Does Government support financing? (Yes) (No) (Partially).
11. What effort did the government make to encourage export financing?
    a. ……………………………………………
    b. ……………………………………………..
    c. ………………………………………………
12. If number "a" is yes, his effective, have there effort been?
    a. ……………………………………………
    b. ……………………………………………..
    c. ………………………………………………
13. To what extent has the export oriented industry be finance by financial institution?
    a. ……………………………………………
    b. ……………………………………………..
    c. ………………………………………………
14. Are there prospects to expertise financing in Nigeria? (Yes) (No) (Not always)

15. If yes, what are the prospects of export financing in Nigeria?
    a. ……………………………………………
    b. ……………………………………………..
    c. ………………………………………………
16. How can export financing improve in Nigeria?
    a. ……………………………………………
    b. ……………………………………………..
17. Of what importance has export financing has been to the country?
18. It will help diversity foreign exchange and revenue based.
19. It helps Nigeria exporters to complete favorable.