

**THE ROLE OF FINANCIAL INSTITUTIONS IN EXPORT  
FINANCING IN NIGERIA FROM 2006 – 2012**

**(A CASE STUDY OF FIRST BANK OF NIGERIA PLC ONITSHA BRANCH)**

**BY**

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REG.NO: BF/2006/045**

**DEPARTMENT OF BANKING AND FINANCE  
FACULTY OF MANAGEMENT AND SOCIAL SCIENCES  
CARITAS UNIVERSITY, AMORJI-NIKE ENUGU.**

**AUGUST, 2012**

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**BEING A PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc)**

**DEGREE IN BANKING AND FINANCE.**

**FACULTY OF MANAGEMENT AND SOCIAL SCIENCES CARITAS**

**UNIVERSITY, AMORJI-NIKE, ENUGU.**

**AUGUST, 2012**

**APPROVAL PAGE**

This is to certify that Uche Margaret O. is an undergraduate in the Department of Banking and Finance with Reg No.: BF/2006/045 and has satisfactorily completed the requirements for the award of Bachelor of Science (B.Sc) degree in Banking and Finance.

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## CERTIFICATION

I, Uche Margaret O. an undergraduate student of Banking and Finance with the REG No: BF/2006/045, have submitted this project report for the award of B.Sc degree in Banking and Finance. This project report is my original work and has not been submitted in part or in full for any degree or diploma in this university or any other institution.

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*Student's Name*

.....  
 Date

We certify that this project report has been successfully defended and accepted for the award of the degree of Bachelor of Science (B.Sc) in Banking and Finance.

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 (Head of Department)

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 Date

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**Dr. J.U.J Onwumere**  
 (External Examiner )

.....  
 Date

## **DEDICATION**

This work is dedicated to the Almighty God, the creator of heaven and earth. It is equally dedicated to my beloved parents Mr and Mrs Uche Jacob and to my beloved friends Temitope, Ajuma, Lizy, Beryl Nonye, Omowale, Gbenga , Angela, Onyinye, Mekoba and all my room mates.

May the good Lord bless them abundantly. I love you all.

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Finally, I wish to express my sincere gratitude to my brother and sisters, Emmanuel, Blessing, Juliet, Uche and John and most especially to my beloved Uche Juliet who supported me both morally and financially.

I will not forget to give thanks to my parents for supporting me especially my daddy in this educational career.

In conclusion, I commend, the staff of first banks of Nigeria Onitsha for their co-operation friendliness. May the good Lord bless you all. Amen.

## **ABSTRACT**

The primary objectives of this study was to examine how the financial institution export finance in Nigeria using First Bank of Nigeria Plc Onitsha branch as a case study. In carrying out this study, I used survey method in which I used the questionnaire to collect data. The target population was the staff of first bank of Nigeria Plc Onitsha Branch from which a sample of 80 was drawn. I used research questions and formulated research hypotheses. The relevant literature was reviewed for the study. The data were collected, presented analyzed and hypotheses tested using chi-square. At the end of the study a number of recommendations were made for further studies and on how to improve the Nigeria financial export in Nigeria and how to encourage the institutions for expansion and modernization.

## TABLE CONTENTS

Cover Page:.....	i
Title Page:.....	ii
Approval Page:.....	iii
Certification:.....	iv
Dedication:.....	v
Acknowledgements:.....	vi
Abstract:.....	vii
Table of Contents.....	viii

### CHAPTER ONE: INTRODUCTION

1.1 Background of the Study:.....	3
1.2 Statement of Problems:.....	4
1.3 Purpose of the Study:.....	6
1.4 Significance of the Study:.....	7
1.5 Research Questions:.....	8
1.6 Formulation Hypothesis :.....	9

1.7	Limitation of the Study:.....	10
1.8	Definition of Terms :.....	11

## **CHAPTER TWO: LITERATURE REVIEW**

2.1	Mexim Annual Statement of Account of 1999	
	Foreign Sources .....	16
2.2	Sources of Finance For Export .....	18
2.3	The role of Financial Institution .....	18
2.4	Factors Militating Against Export Finance:.....	20
2.5	Historical Background to Export Financial In Nigeria:.....	21
2.6	Policy Instrument:.....	23
2.7	Duty Draw Back/Suspension Manufacture in Board Scheme ...	26

## **CHAPTER THREE: RESEARCH METHODOLOGY**

3.1	Area of the Study :.....	33
3.2	Population of the study:.....	33
3.3	Sample and Sampling Technique:.....	33
3.4	Instrument for Data Collection :.....	34

3.5	Validation of the Instruments.....	34
3.6	Distribution and Retrieval of the Instrument:.....	35
3.7	Method of Data Collection and Analysis:.....	35
3.8	Analysis:.....	37

#### **CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS**

4.1	Finding and Discussion of Finding Questionnaires	
	Distribution.....	38

#### **CHAPTER FIVE**

5.0	Summary of findings, conclusions and Recommendations:.....	46
5.1	Summary of Findings:.....	46
5.2	Conclusion:.....	47
5.3	Recommendations:.....	48
	Appendix:.....	50
	Questionnaire :.....	51
	Bibliography :.....	55

**CHAPTER ONE**  
**THE ROLE OF FINANCIAL INSTITUTIONS IN EXPORT FINANCING IN**  
**NIGERIA**

**INTRODUCTION:**

Financial institutions are organizations which deal basically in money.

They constitute the financial framework of an economy. Financial institutions help to pool savings and excess liquidity from millions of individuals and firms within the country and make them available to those who need them for various purposes.

Financial institutions include commercial bank (Joint stock banks) discount houses, the central bank, saving banks, development bank (BOI), insurance companies, hire purchase companies, the national providence fund, the stock exchange building etc.

Before the introduction Nigeria export- import bank (NEXIM) in Nigeria as at 1999 the commercial banks were generally referred to retail bankers, while merchant banks were known as wholesale bankers.

However the two operate and offer almost the same services that any line of demarcation is now rather fussy- one can only say that the distinguishing factor between the two sectors of the banking industry is that the commercial banks are members of the central bank of Nigeria (CBN) clearing house, While the merchant bank are not members of the Central Bank clearing house.

Another contentious factor is the licence granted merchant banks to take companies to capital market which the Nigeria stock exchange denied the commercial licensed them to do so, the introduction of the universal banking system of divide effect. A trader could approach either commercial or merchant bank for financing facility for his transactions. They can provide both short and long term facilities and can design any product which meets any requirements of customers.

The Nigeria export-import bank (NEXIM) was established in 1988 but commenced operations in January 1991. The bank was established to provide mainly short term financing for exporters who need working capital to buy hair activities. Among the function of the banks is the maintenance of a foreign exchange revolution fund which

is to be made available as loans to exporters who need to export machineries, raw materials and spare parts to satisfy export orders. It can also consider loans involving domestic trade which are likely to assist exports.

### **1.1. BACKGROUND OF THE STUDY**

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 collect export proceedings.

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 STATEMENTS OF PROBLEMS

It is regrettable that despite their various funding mechanism and incentives put by financial institutions to stimulate the growth of export in relative contribution to the economy is still very low because of this low return, financial institutions face the risk of non-payment of loan and advance given to export.

Firstly, the problems of policy stability it is needless to formulate a beautiful policy on export only to be discontinued, shortly, example the re-introduction of regulatory guideline in domiciliary account was disincentives to the exporter. This was reverse later by central bank of Nigeria (CBN) circulated in September. After much pressure recently Nigeria export and import only provide fund and transfer the risk to other banks. Another problem is that Nigeria exporters who ventures into foreign market do not avail themselves with the information relating to import countries such as culture, regulation and wealth this result in low returns those by increase the risk being faced by the financial institution that finances them. The Nigeria through the activities of some of its citizen has activities of

some of its citizen has developed a negative business image both at home and abroad the poor included.

Accommodation for a period of 3 days to 50 days, while long term credit usually related to a period of more than 5 years. The exporters need pre-shipment finance for security the raw material and other input required for the execution of an export also ranging from the shipment of goods to foreign countries the credit is therefore regards as a loan granted to finance goods on the bases of

1. Letter of credit open in favour of exporter by overseas. Imports bank.
2. Insurance of ware House Company. The duration of such credit provided by the past does not usually exceed 12 days post shipment credit is a loan or advance granted or any other type of credit, provided by the bank to an exporter of goods from the date of export proceeds within today. The main types of advance for post shipment are negotiated form of export bill drawn with confound export contract will order.

The Nigeria export and import bank (NEXIM) provides both long and short term credit through commercial and merchant bank to support export from non oil product

- a. Advance fee fund syndromes popularly called 419
- b, Cheating
- c. Supplying of poor quality product
- d. Manipulation of words and document

The practice sign through illegal export of goods especially to neighbouring west African Countries which cannot be over worked as a in habited factor. In view of there problems counters in financing export.

### **1.3 PURPOSE OF THE STUDIES**

The purpose of this research work is as follows:

- i. To study the modalities adopted by export that need export assessing
- ii. To determine the economy polices finance and their effectiveness on the export business
- iii To ascertain the problems encountered by the financial institutions in export production finance.

- iv. To examine the prospective of export financing in Nigeria
- vi. To ascertain the extent to which oriented industries benefited from export financing.

#### **1.4 SIGNIFCANCE OF THE STUDY**

The research work on the role of financial Institutions in export financing 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. **MANUFACURERS:** 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 large 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 into the problems and the prospect of institution the export finance and the recommended ways to improve on it.

### **1.5 RESEARCH QUESTIONS**

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

### **1.6 FORMULATION HYPOTHESIS**

HO: Export financing does not have prospect in Nigeria

- HI: Export financing have prospect in Nigeria
- HO: Modalities are not adopted by financial institution is assessing goods for export.
- HI: Modalities are adopted by financial institution in assessing goods for export.
- HO: Financial institutions in export financing in Nigeria does not encounter Problems.
- HI: Financial institutions in export financing in Nigeria encounter problems.
- HO: Export oriented financial institution has not affected financial industries to an extent.
- HI: Export oriented financial institution has affected finance industries to an extent

#### 1.7. **SCOPE OF THE STUDY**

The scope of the study is very wide it focuses on the roles of financial institution in export financing in Nigeria. As a result of this, the researcher has consulted with several reviews on the issues of the roles of financial institution in export financing in Nigeria which are appreciated for employees at a particular point in time. It also serves

as a useful guide to organizations. In their future decision making process on training related issues, knowledge of private sectors.

#### 1.8. **LIMITATION OF THE STUDY**

For the nature of the research work the researches Intended to limit its work because of the time of this research work the economic 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 witnessed some months 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 USED

1. **EXPORT ORIENTATION GOODS:** Goods produced with the sales intention of exporting them to countries in order to generate foreign exchange.
2. **FOREGIN EXCHANGE:** Currency of other countries reserved in a given country.
3. **PRE-SHIPNAMENT AND POST SHIPMENTS:** This is a loan granted to any credit granted by the bank to exporter of the date of extending the credit before and after shipment of goods to the date off receipt of exporter proceeds within 60 days.
4. **BALANCE OF PAYMENT:** The relationship between a countries payment is form of a statement of income and a statement account on the international account

## **CHAPTER TWO**

### **LITERATURE REVIEW**

The Nigeria banking industry consist of inter-related institutions and agencies that provide a number of services to the nations economy these include

1. Central bank of Nigeria
2. Nigeria deposit insurance corporation (NDIC)
3. Development banks

Central bank of Nigeria (CBN) was established in 1959 and since then it has been responsible for monitoring the affairs of the country's banking industry the apex bank, it has assisted the evolving of a financial system for the country especially in the capital market.

Apart from issuing notes and coins the central banks is also responsible for the policies and programmes. It manages Nigeria foreign exchange and other international financial system as a bank to the commercial bank and issue out to them from time to time to guide lines the number of other financial institution and bank created serious problem with the sector.

They includes the liquidity problems, capital in adequacy in competent came well. Banks are not components, some of the existing decrease could not handle adequately some of these problems resulting from incompetents Banks staff. This leads to the promulgation of the central bank of Nigeria decree No 24 Bank and other financial institution degree gave the central bank the following responsibility.

1. The decree made central bank of Nigeria solely responsible for the granting of the licenses to both banks non-bank financial institution.
2. The decree also made provision for penalties including imprisonment and erring bank director's officers and employee and staff for the series of relation of banking law and regulation.
3. The decree specially made monetary and banking policies formulate the responsibility with the federal ministry of financial
4. The decree prohibits a person from been a director of more than one bank and empower the central bank of Nigeria to scrutinize all persons nominated to serves as directors

5. Empowers the central banks of Nigeria to handle any distressed bank in any way it seems necessary. This provision complements the provision of the Nigeria deposit insurance corporation degree of 1988.

**B. NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC)**

The deposit is simply an arrangement whereby deposit ability of banks is insured such that in event of failure the depositor could be rein-bursed for the money they deposited.

The scheme is specially designed to prevent the occurrence of the chains of bank failures and important advantage of protecting depositors of insolvent banks.

The Nigeria's deposit insurance corporations were established in 1988 in response to imminent collapse of the banking system. It is a regulation in charge with the following responsibilities.

- i. Responsibility of issuing bank deposit
- ii. Ensuring save and sound bank practice through effective supervision and examination and assisting the banks when the needs arise. It assist the central bank in formulating polices.

iii. Bank of commerce and industry established in 1973. The federal Government of Nigeria citizens own it 60% and 40% respectively.

iv. Urban development Bank (U.D.B) it was established in 1993 and was meant to cater for urban house, minimum of 10 houses mass transit scheme, market development and other urban infrastructure

c. **DEVELOPMENT BANKS:**

The failure of both commercial and merchant banks to provide enough financial assistance to meet the development aspirations of the nations, the government to intervene by established a number of development banks.

This was meant to assist the development of special sectors of the economy the development banks presently existing in Nigeria includes.

i. **FEDERAL SAVING BANK:** This was incorporated in 1974 its main objective is to mobilize and small save out over the country and invest out the money in short term. Money market investments. In this deposit of money on account was the lowest all over the country.

ii. **FEDERAL MORTGAGE BANK:** It was established in 1977 with the Federal Government and central bank of Nigeria holding 60% and 40% shares respectively this form the equity ownership of a bank. This primary functions to mortgage institution in Nigeria for the purpose of building houses. Let our or sale at a reasonable rate to the public.

iii. **BANK OF COMMERCIAL AND INDUSTRY:** This was established in 1973, the federal government of Niger citizens own it 60% and 40% respectively.

iv. Urban Develop bank (U.D.B) it was established in 1993 and was meant to carter for Urban house, minimum of 10 houses mass transits scheme, market development and other urban infrastructure.

## 2.1. **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 SOURCE OF FINANCE FOR EXPORT CHART

### SHORT TERM FINANCE

### MEDIUM FINANCE

Commercial Bank and Merchant bank,	Commercial and Merchant bank
Acceptance house and discount houses	Development bank
confirming houses and export finance house finance house	Confirming houses and export finance house Finance house
factoring companies	leasing
specialized institutes	Specialized agencies
internal source	External sources

Sources: Field survey 2012

## 2.3. 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.

## **2.4 FACTORS MILITATING AGAINST EXPORT FINANCE**

Some major factors that could be the discouragement 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 rates 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 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 less 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.

## **2.5. 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 or 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

## **2.6 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 NO, 81 of 1986. The decree brought 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, formicary account with bank in Nigeria. However under the current exporters are allow to turn 100% of their export proceeds they shall open foreign currency domicillary 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 domicillary account maintained by each exporter should be founded only by bone- oil export proceed and operate separately from, its fund other source and domicillary 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 of initial expenses.

- a. Export market 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 cover part of the cost involved in any part of the cost involved in any part related activities. Exporters are therefore, to meet the major part of such cost.

Export expansion guarantee fund. This fund is to provide cash for exporters who have exporters who have exported 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 approved for exporters 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 who have repatriation must be satisfy by the central bank of Nigeria.

## **2.7 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. APPRICATION 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 industrials 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 CREDIT 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 FINANCE**

Export requires finance to carry out export order and the appropriate financial requirement depends largely on the duration

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 by the exported needs to meet orders of short term nature ranging from one twelve months. It is essential in traditional products, where the practice of finance entrustment stipulated that credit must be liquidated with in 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 export operation.

This is only feasible where the value of order is low for companies, medium and long term finance could be scarce 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 quicker the transaction and eliminate delay and difficulties associated with bank financing

**b. BUYER FINANCE**

Buyer finance is the system where by 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.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

The methodology adopted was designed in a way to enhance easy data collection from targeted respondents as regards to the role of financial institutions in export financing in Nigeria using first bank of Nigeria PLC as the case study.

The research method adopted is the survey method. According to Osuala, in survey research a sample chosen from a large and small population is studied to ascertain the frequency, distribution and introduction of sociological and psychological variables. Surveys are conducted at a single point in time which data collection is completed in a short time as possible usually in single year. The data collected from the sample selected at the point in time would be used to descriptively compare the distribution of the variables. In large population so as to make inferences of what is obtainable in the large population.

### 3.1 AREA OF THE STUDY

With the content of this work, the researcher focused on the financial institution in report financing in Nigeria with particular reference to first bank of Nigeria PLC Iweka Onitsha

### 3.2 POPULATION OF THE STUDY

The population of this work is the staff of first bank of Nigeria PLC, Iweka Onitsha the number of staff is 100 and as such the population used for the study is 100 workers.

### 3.3 SAMPLE AND SAMPLING TECHNIQUE

A sample size 80% staff of first bank of Nigeria PLC Iweka Onitsha were randomly used for the purpose of the study. The sample size was derived as follows.

$$n = \frac{n}{1+N(e)^2}$$

Where n = sample size

n = The population

E = allowable error 5% or 0.05

Subsisting value

$$N = \frac{100}{1+100 (0.5)^2}$$

$$N = 80$$

### **3.4 INSTRUMENT FOR DATA COLLECTION**

This research work draw data from each source that is primary and secondary data.

#### **PRIMARY SOURCE**

QUESTIONNAIRE and oral interview were used as primary data. Questionnaires were administered and oral interview were conducted to financial managers.

#### **SECONDARY SOURCE:**

The researches also collects data from text books, journal and unpublished materials like class not books.

### **3.5 VALIDATION OF THE INSTRUMENT**

In accordance to the project audience, the research questionnaire has been properly administered critically by the supervisor before distribution to the public and personal visitation for interview was inclusive.

### 3.6 DISTRIBUTION AND RETRIEVAL OF THE INSTRUMENT

Personal interview was conducted and questionnaires were distributed therefore, thirty persons served questionnaire from the exporting section, ten from finance department a total of thirty Questionnaires were administered and twenty eight were retrieved.

### 3.7. METHOD OF DATA COLLECTION ANALYSIS

The data collected from the respondent were analyzed using chi-square calculated using the test of hypothesis. Chi-square test is always one tail test. The  $\chi^2$  distribution is unimodal and rightskewed, although the skewness became smaller as degree of freedom increase. If the expected and the observed frequencies exactly agree, the test statistics ( $\chi^2$ ) would be zero. This is used to determine whether there is any significant difference between the observed and expected theoretical frequencies obtained from a distribution. Chi square can be defined as the sum difference between observed and expected frequencies. This can as will be defined as

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

Where O = Observed frequency

E = Expected frequency

The O, which represents the observed frequency is the number of responses state down,

While E While is expected frequency = (Row) (Column) Grand

total O-E = The absolute value or deviation between frequencies

$(O-E)^2$  The deviation squared<sup>3</sup>

E and weighted.

$(O-E)^2 =$  Sum of the deviation

E Square and weighted.

### **DEGREE OF FREEDOM**

One of the greatest vital features of the chi-square distribution is the degree of freedom. This may be defined as the element that determines precisely which chi-square distribution applies in a given case. In chi-square table, the table of freedom (DF) is calculated as  $(DF) = (R-1) (C-1)$  Where R = the number of row in the table

Where C = The number of row in the column in the same table

### **3.8 ANALYSIS**

Data for this study was collected by means of questionnaires and interview. The researcher went to Bundle field I and flour mill in Enugu, Anambra to collect the questionnaires out of 200 copies of questionnaires distributed out to the administration and personal section of the manufacturing industry only one hundred and sixty copies were collected out of the number. It was found out during editing that ten of its was not properly field. These were discovered and only one hundred and fifty copies were left for analysis.

Infact, the research was left for analysis of constraints in the course of data collection both. Financially and other wise as well as time consumption.

## CHAPTER FOUR

### 4.0 DATE PRESENTATION AND INTERPRETATION

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

### 4.1 FINDING AND DISCUSSION OF FINDING QUESTIONNAIRES DISTRIBUTION.

No Distribution 80	No Returned 80
-----------------------	-------------------

**SOURCE: FIELD SURVEY, 2012**

#### QUESTION 1

What do you regard as export finding?

Options	Frequency	% g response
Transition between contribution	39	48.75
Financial support towards exportation	41	51.27
Total	80	100%

Sources: field survey 2012

From the above table, 39 questionnaires out of 30 that were distributed supports export financing to be transaction between countries while 41 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	% of response
Not	50	100%
Not always	30	37.5%
Total	80	100%

Sources: Field survey 2012

Table 4.4

Some individuals and paratactic believes that financing presented above did not carry out obligations as expected. This is represented in the data above as 48.75%. but some firm disagree that financing institutions are the heart of the export financing in the above, it is 20%.

### QUESTION3

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

Options	Frequency	% of response
Government policy and environment	46	57.5
Distress banks	24	30
Poor responses by the public	10	12.5
Total	80	100%

Source field; 2012

Table 4.5

57.5% accepts government policy and environment as factor that is capable of hindering export finance in Nigeria while 30% believed that hindrances are due to distressed bank. From the table above the public has very little effort to hindrance in export financing 12.5%

**QUESTION 4**

Options	Frequency	% of response
Yes	40	60
No	19	13.75
Partially	21	26.25
Total	80	100%

Sources: Field survey 2012

**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 13.75% 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 no t role in export financing.

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

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

Options	Frequency	% of response
Yes	59	73.75
No	21	26.25
Total	50	100%

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)<sup>2</sup>

Deviation squared weighted  $\frac{(O-E)^2}{E}$

Chi-square calculation ( counting only )

Option	O	E	O-E	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
Yes	59	50	9	81	1.62
No	21	50	29	841	16.82
				X <sup>2</sup>	18.44

Calculated chi-square ( X<sup>2</sup>) cal =  $\frac{(O-E)^2}{E} = 18.44$

Critical value of x<sup>2</sup> at 5%=6.5

### DECISION RULE

Reject the null hypothesis if x<sup>2</sup> calculated is greater than x<sup>2</sup> 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.

TABLE

Options	Frequency	% of response
Yes	56	70
No	24	30
Total	80	100%

### **TEST THROUGH STATISTICS**

Chi-square with 95% confidence level and 5% significant zero level

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

$$R = T$$

Calculation of expected value

$$100\% = 50\%$$

$$D.F = (R-1) (C-1)$$

$$(2-1) (2-1)$$

$$1.1 = D$$

TABLE:

Chi-square calculation (continuance)

Option	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> E
Yes	100	50	50	2500	50
NO	50	50	0	0	0

$$X^2 = 30$$

The critical value of  $x^2$  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

### 5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This project details with the role of financial institution in export finance in Nigeria a case study of first bank plc.

Chapter one is the beginning of this project. The main problem identified in export financing 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 in the method adopted by the researcher in collecting data and how the researcher intended to analyzed the data. Also include 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 nexim and also problem of export finance.

## **5.1 CONCLUSIONS**

From the foregoing, the researcher concludes by saying that there has been a growing interest in export financing 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 to 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

## **5.2 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 co-operate objective and traditional function will also help in achieving balance 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 neighboring0 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 found, the locally produced goods and it has become very expensive due to inadequate finance from relevant institutions. It is therefore important to recommend that governments should devise means as of given assistance like subsidy and all other kind of encouragement so as to reduce the cost of local processed goods.

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

**APPENDIX**

Department of Banking and Finance  
Caritas University Amorji Nike  
Enugu State  
June, 2012.

Dear Sir/Madam,

This research is being undertaken by Miss Uche MARGARET .O. A final year student of the above mentioned department in partial fulfillment for the award of B.S.C in banking and finance.

Please as part of academic programme, I am conducting a research survey to find out “THE ROLE OF FINANCIAL INSTITUTION IN EXPORT FINANCING IN NIGERIA”. 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,

Uche Margaret

## QUESTIONNAIRES

1. What do you regard as export financing?

i. Transactions between countries

ii. 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?

- a. Government policy and environment
- b. Distressed banks
- c. Poor response by the public

7. What are the problems encountered by the financial institution in export product.

- a. ....
- b. ....
- c. ....

8. What are the modalities adopted by the financial institutions in assessing goods for the export.

- a. ....
- b. ....
- c. ....

9. Does Government support financing?

- a. Yes  No  Partially.

10. What effort did the government make to encourage export financing?

- a. ....
- b. ....
- c. ....

11.If number “a” is yes, his effective, have there effort been?

a. ....

b. ....

c. ....

12.To what extent has the export oriented industry be finance by financial institution?

a. ....

b. ....

c. ....

13.Are there prospects to expertise financing in Nigeria?

Yes  No  Not always

14.If yes, what are the prospects of export financing in Nigeria?

a. ....

b. ....

c. ....

15.How can export financing improve in Nigeria?

a. ....

b. ....

c. ....

16 Of what importance has export financing has been to the country?

- a. It will help diversity foreign exchange and revenue based.
- b. It helps Nigeria exporters to complete favourable.

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