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**FRAMEWORK FOR ENTERING THE NIGERIAN MARKET**

**Focus on the Agricultural sector**

**Thesis**

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**ABSTRACT**

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<p>The aim of the research was to provide a Framework on how Finnish company can enter into Nigeria market, with analysis on the Agricultural sector, overview background of Nigeria, typical Finnish product and risk peculiar to Nigeria, and strategy to use in penetrating the Market.</p> <p>The author's objective is to create a framework document that can acts as guide for any Finnish company intending to go into Nigeria market and to provide detailed information needed to effectively operate in the market.</p> <p>The research was written based on information extracted from updated public sources, as well as personal experience in respect to the researcher's knowledge. Quantitative research methodology was selected; secondary data collection was selected for collect data and information.</p> <p>The conclusion is drawn out from the general summary of all the chapters and holistic conclusion that links all the ideas together.</p>		
<b>Key words</b> Agriculture, Finnish company, and Nigeria		

## CONCEPT DEFINITIONS

AGRA:	Alliance For Green Revolution In Africa
APP:	Agricultural Promotion Policy
CAC:	Corporate Affairs Commission
CAMA:	Companies and Allied Matters
CBN:	Central Bank of Nigeria
CIA:	Central Intelligent Agency
ECA:	European Credit Agency
ECOWAS:	Economic Community of West Africa States
EFF:	European Franchise Federation
EPA:	Economic Partnership Agreement
FDI:	Foreign Direct Investment
FMARD:	Federal Ministry of Agriculture And Rural Development
GDP:	Gross Domestic Product
GNI:	Gross National Income
IFAD:	International Fund for Agricultural Development
INEC:	Independent National Electoral Commission
MFBS:	Micro Finance Banks
MFI:	Micro Finance Institutions
NACRDB:	Nigeria Agricultural Cooperative And Rural Development Bank
NAPEP:	National Poverty Eradication Program
NGO:	Non-Governmental Organisation
NIRSAL:	The Nigeria Incentive Based Risk-Sharing System For Agricultural Lending
PPP:	Purchasing Power Parity
PUR:	Permanent Until Review
ROI:	Return on Investment
RUFIN:	Rural Finance Building Program
SMEs:	Small Medium Enterprises
STR:	Subject to Regulation
WTO:	World Trade Organisation

**ABSTRACT**  
**CONCEPT DEFINITIONS**  
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## 1 INTRODUCTION

Nigeria is a nation of over 180 million people, which means it is blessed with arable land, forests, water, oil and gas, solid minerals, livestock and great tourist potentials. Many of these economic sectors have been barely exploited, which signifies there is tremendous potential for investment in Nigeria. The economy of Nigeria is experiencing challenging times as a result of the fall in oil price, it acts as an opportunity to set the economy firmly on the path of true diversification, sustainable economic growth and shared prosperity.

One of the major focus of the new government in diversifying the economy is on agriculture through their policy of Agricultural Promotion Policy (APP) with priority in the improvement in domestic production of rice, wheat, maize, fish, dairy milk and soya beans. To achieve this goal, the government is willing to partner with and support willing private investors by creating an environment that is stable, safe and competitive. Due to this need highlighted by the government, I decided to create a framework on how a Finnish company could enter the market.

Objectives, relevance and research questions

The objective of the research is neither to conduct a market evaluation nor to point out the importance and future relevance of Nigeria in the world economy. In fact, this work is a theoretical study on market strategy, which can serve as a reference for Finnish agricultural manufacturing firms that wants to enter the Nigerian market. Furthermore, the research attempts to deliver a comprehensive picture of this market, with intention of elaborating on whether it is nice to invest in Nigeria. Yet, the focus lies on the framework for strategy formulation and the proposals will be made afterwards.

Agricultural machinery is highly needed by farmers to achieve the desired need of domestic production; Finnish companies are known for quality and this serves as a trust for individuals and even farms. The need for machinery is on the upward trend as ability to achieve the production domestically can only be attained with the use of machinery.

The aim of these researches is to highlight geographical regions and typical farms that may yield attractive prospects for Finnish company. The information is then used to formulate a market strategy for

Finnish companies in the Nigerian market. In addition, proposals will be made and future scenarios presented which are augmented by personal view.

Based on the introduction and the introduction of the topic- giving a perspective of the situation in Nigeria- the following two research questions are being raised.

- Is the Agricultural market in Nigeria a suitable market for Finnish company to invest in?
- Which recommendations are for a market entry mode and distribution network can be given when entering the Nigerian agricultural market?

Out of these research questions, a sub question is derived

- Can Nigeria serve as an entry port to the West-Africa market for Finnish companies?

### Structure of the topic

After having presented the objective and relevance of the topic as well as the research questions, the researcher will introduce the structure of the study. Accordingly, to strengthen the arguments that will be highlighted in the conclusion, the research is divided into three parts. The first part consists of theoretical results selected from secondary research, based on the theory an analysis of it is done to build the second part of the research and conclusion. Summarizing parts one and part two makes up the third and final part of the research and the conclusion.

In the following, the framework of the study is illustrated. It is arranged bottom up, with each element adding additional information to complete the picture. To achieve this, it takes a look at the fact about the agricultural sector in Nigeria, the body(ies) controlling the sector and potential market for the machinery, this gives Finnish company an idea how the market operates and market to focus attention on.

After going through the fact about the intended sector, the next is take a look at the history and current economic situation of Nigeria and moreover, to gain an insight into the market situation in order to understand the ideas that the strategy proposes. Moreover, an economic overview and facts about the sector provides information about Nigeria, the productivity level in Nigeria and potentials markets. Various factors will be taken into consideration such as market size and regulations by the controlling body.

The fourth chapter focuses on the Finnish product in respect to their function and technical information, risks handling with respect to going into foreign market by a Finnish company and strategy formulation of doing business in Nigeria. This gives a Finnish company an idea of the typical risks

peculiar to going into the Nigeria market and how it can be handled and the information on how to start a business in Nigeria, hiring foreign workers and obtaining credit. All the information enables a firm to plan of any problems it might encounter in Nigeria.

The fifth chapter focuses on the strategic mode of market entry combined with possible distribution network, the essence of this is to analyze all possible marketing entry modes and distribution that could be utilized when going into Nigerian market. The final chapter 6 creates a discussion from ideas gotten from chapter 2-5 to draw out a discussion and conclusion based on a theoretical research carried out.

#### Description of material

The materials needed to carry out this research are gathered from statistical publications from the World Bank, Central Intelligent Agency, and the commonwealth etc. the mentioned institutions have comprehensive data published periodically which are necessary to answer the research questions.

#### Description of method

For this research, quantitative research methodology is selected, secondary data collection is selected on collect data and information. To attain the objective of this research, secondary data will be collected from books and publication on the subject market as well as publications from the World Bank and Central intelligent agency. A comprehensive analysis of the policies, macroeconomic variables will be used to create a framework opportunity for Finnish company on how to enter the Nigerian market.



## **2 FACTS ABOUT THE AGRICULTURAL SECTOR IN NIGERIA**

Agriculture remains the paramount sector in the rural areas of Nigeria creating employment for about 60% of the workforce. The variety of climatic conditions, richness of soil types and water resources, and the high population density delivers great potential for animal, crop, fish, and tree production. In the 1960s and up to the early 70s, Nigeria's agriculture blossomed with the country being one of the world's highest producers of cocoa, palm oil, and groundnut. In the meantime, agriculture has deteriorated in importance. (Sence Agric.)

However, through the policy of Agricultural transformation agenda the present government is taking huge steps towards an active sustainable improvement of the agricultural sector with position to curb the imminent food insecurity, economic issues and unemployment. The government intends to realize these by encouraging private sector participation, take in labor via the intensification of agro-processing operations and by taking advantage of the foreign earnings that could ensue from the exportation of agricultural product.

There is gross underutilization of the resources and factors of production in Nigeria agro sector where both efficiency and effectiveness are below par. Figure 1 describes the typical underused resource in Nigeria based on projection. Where the effectiveness analyzes the ability of an input to be transformed to an output while the efficiency lay emphasis more on how well the input is converted to output in terms of productivity. (Sence Agric.)

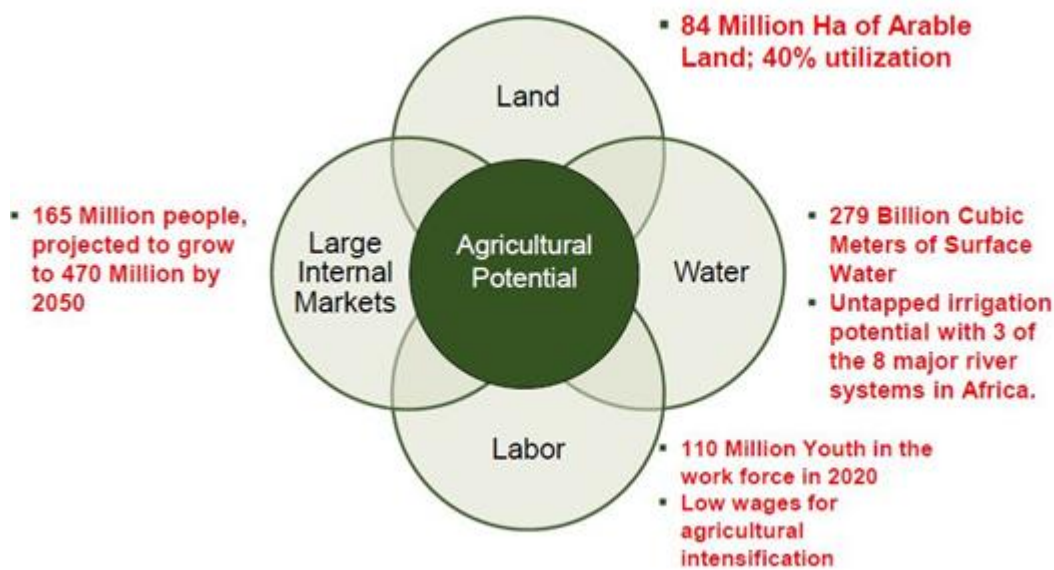


FIGURE 1. Underused resource in Nigeria (Adapted from Sence agric)

## 2.1 Controlling agricultural body in Nigeria

The Federal Ministry of Agriculture and Rural Development (FMARD), is the ministry in the federal republic of Nigeria that oversees agricultural research, agriculture and natural resources, veterinary research and forestry in the whole of Nigeria. FMARD was established in 1966, it has the responsibility of optimizing agriculture and integrating rural development for the revolution of the Nigeria economy, with a position in achieving food security and position Nigeria as a net food exporter for social economic development. (FMARD 2016a.) FMARD carry out lots of programs for the betterment of the entire populace. The programs are in line with achievement of the goals set out for the ministry and it is explained in the subsequent paragraph.

### 2.1.1 Staple crops processing zones

This program focuses on attracting private sector agribusiness to established processing plants in zones of high food production, to process commodities into food products. This would be made possible by government by putting in appropriate fiscal, investment and infrastructure policies for staples crops processing zones. In order to encourage private sectors to invest in the sector the government will ena-

ble this by putting in place appropriate fiscal, investment and infrastructure policies for staple crop processing zones. The policies are stated below:

- Tax holidays for food processors that locates in these zones
- Tax breaks on import of agricultural processing equipment
- Supportive infrastructure, mostly complimentary investment by the government in roads, logistics storage facilities and power.
- Staple crops processing zone will link farmers' in-group to food manufacturing plants.
- Develop agricultural investment code, in partner with the ministry of finance and ministry of trade and investment and CBN (CENTRAL BANK OF NIGERIA). (FMARD 2016b.)

### **2.1.2 Nigeria incentive based**

The Nigeria Incentive based Risk Sharing system for Agricultural Lending (NIRSAL) is a new innovative medium targeted at de-risking lending to agricultural sector. It is formulated to provide the singular transformational and one bullet solution to eliminate the seeming problem in Nigeria's agricultural lending and development. CBN in August 2010 engaged the Alliance for Green Revolution in Africa (AGRA) to establish NIRSAL, this program is a strategy to tackle both the agricultural value chain and agricultural financing value chain. The goal of the program is to initiate an agricultural industrialization process via production and processing of the greater part of what is produced to boost economics earnings across the value chain. (FMARD 2016c.)

### **2.1.3 Rural finance institution building**

The Rural Finance building program (RUFIN) is a loan agreement of US\$27.2 million between the International Fund for Agricultural Development (IFAD) and the federal government of Nigeria. The main objectives of the program are to develop and strengthen Micro Finance Banks (MFBs), other based member based Micro Finance Institutions (MFIs), by intensifying the access of the rural populace to the services of these institutions to widen and enhance agricultural productivity and micro small rural enterprises. RUFIN's aim is to alleviate poverty with a particular focus on the rural poor and especially women, physically challenged and the youth.

The program is being implemented along with four (4) participating institutions, which are the Central Bank of Nigeria (CBN), the National Poverty Eradication Program (NAPEP), Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB), and the Federal Department of Cooperatives (FDC). (FMARD 2016d.)

## **2.2 Potential market for agricultural machineries**

After having identified and analyzed the agricultural sector in Nigeria and the programs carried out, the next important phase to defining a suitable market is to determine specific market in Nigeria that yield the best prospects. Two different variables will determine the decision-making. These are the major Nigeria farms and the strongest regions. Consequently, this will then lead to establishment of the target market as well as farms for agricultural machinery. (Erikson 2009, 25.)

### **2.2.1 Major Nigerian farms**

Prior to the inception of crude oil, agriculture was the backbone of Nigeria's economy, during this period the country's economy blossom: food was available and affordable. People hence, were not go hungry, otherwise in rare cases caused by critical condition. In the oil boom era, the country and its people shifted their focus from agriculture to oil and gas. As a result, graduates of agricultural science, soil science, agricultural extension and agricultural economics looked for white-collar jobs in banks and similar good lucrative jobs.

However, most people do not know that those that decide to stay in agriculture are making millions of Naira as their product now grace both local and international markets. This gives an absolute signal that agriculture is perhaps more viable than other sectors and this indicates that a good investment plan in agriculture is not a futile effort. Detailed information will be discussed in subsequent paragraphs on top farms in Nigeria and their owners. (Abah & Paul 2014.)

### **2.2.2 Olusegun Obasanjo farm (Obasanjo Farm)**

Chief Olusegun Obasanjo is not only a retired army officer, former head of state and politician, he is also a farmer. He owns the Ota farm; it is also called Obasanjo farms. The large farm opened formally on the eighth of October 1979, a week after Obasanjo handed over power to a civilian administration on 1<sup>st</sup> of October 1979. At the starts, the farm took up as temperance enterprises limited (Farming venture). It later became Obasanjo farms Nigeria limited.

The farm indeed took off in grand style, indicating that the Nigeria's former president meant serious business. This probably depicts the growth, expansion, sustainability and consolidation experienced in the evolution of the farm, considering how it started and where it is now.

The farm started with two layer houses containing 100,000 birds each and five broilers of 12,000 each, in addition to two feed mills of three tons per hour each. The large farm, which has up to 7000 workers started with four bulldozer operators.

Currently, the Ota Farms make up to 34 million Naira daily, it has branches in Ibadan and Igbo Ora, Oyo state. The earnings are quite much, the farm has played a significant role in the development of agriculture and food production, and it is located in the South West region of Nigeria. (Abah & Paul 2014.)

### **2.2.3 Abdulsalami Abubakar (Maizube Farms)**

The importance of General Abdul Salami Abubakar (rtd) in Nigeria and beyond is not just successful military career but the fact that he willingly handed over power to a democratically elected government in 1999 to bring about the fourth republic. He has a stake in the agricultural sector of Nigeria, being the owner of Maizube Farm limited, which is helping to cater for the needs of Nigerians today.

Maizube Farms Limited is located at km 26, Minna-Bida road, Minna, Niger state, where general Abubakar is from. The 500-hectare multi-product has both livestock and crop sections and today, it is one of the stable sources of crop and animal product upon which Nigerians depend for food and other uses. It is located in the North Central region of Nigeria. (Abah & Paul 2014.)

#### **2.2.4 Murtala Nyako (Sebore Farms)**

Vice Admiral Murtala Nyako (rtd), the executive governor of Adamawa state may be known from the political scene to numerous people, however he is one of the most successful Nigeria farmers today. Not many know that he is the owner of Sebore farms in Mayo-belwa, Adamawa state.

Nyako was a born cattle owner, due to his mother allocation of cows for her offspring before birth. Thus he started what has metamorphose into an integrated commercial farm today as a cattle farm, he started a sustainable cross breeding program of his local cattle with fascinating superior sires in 1990 with very satisfying result. Nyako also diversify into the production of horticultural crops and his first commercial export of muskmelons to Europe using a chartered aircraft, took place in January 1990.

He owns the biggest mango farm in Nigeria, emanating to his popular nickname as Baba Mai Mangoro (BMM). Fascinating mangoes from his mango orchard of about 50,000 trees were first exported to Europe in 1993. The farm is currently associated with the modern production of dates, passion fruits and bananas, pasture development breeding of boer goats and farming. The farm is located in the North-East region of Nigeria. (Abah & Paul 2014.)

#### **2.2.5 Usman Dantata Jnr (Anadariya Farms)**

Usman Dantata Jnr is a young enterprising man and he is the President/CEO of Anadariya farms. the big poultry farm, which is sited in Tiga, Bebeji local government area of Kano state, the idea was initiated by the late business expert of Kano, Alhaji Usman Sansui Dantata of the Dantata dynasty, in the early 1960's. Anadariya farms blossom well in poultry production. For instance, it was noted for transporting poultry birds to Saudi Arabia twice a week using a Boeing 747 plane.

Nevertheless, after decades of activity, the firms undergo some challenges and its operations stopped. Recently, Dantata Jnr came on board and injected viability in the large farm. Dantata Jnr's resource of experience and in combination of relevant knowledge may have been the reason for his decision to expand the services and operation of the farms to include a hatchery, production of broilers and layers, the production feeds and processing and sale of poultry products. The farms yield above 3000 broilers weekly and it is one of Nigeria's most diverse farms, with his increasing, and numerous agricultural activities. It is located in the North-West region of Nigeria. (Abah & Paul 2014.)

### **2.2.6 Sir Joseph I.A Arumemi- Ikhide (Ojemai Farms)**

Ojemai Farm Holding Limited is another modern farm with a high level of activity and having great impact within the nation's agricultural sector. The farm is located in Edo state and owned by sir J.I.A. Arumemi-Ikhide, which was initiated in 1984 with a focus on livestock production. It started as a local producer of pork and turkey meat. However, as the years went by, and business expanded on the farm, there was a need for widening of scope and operations.

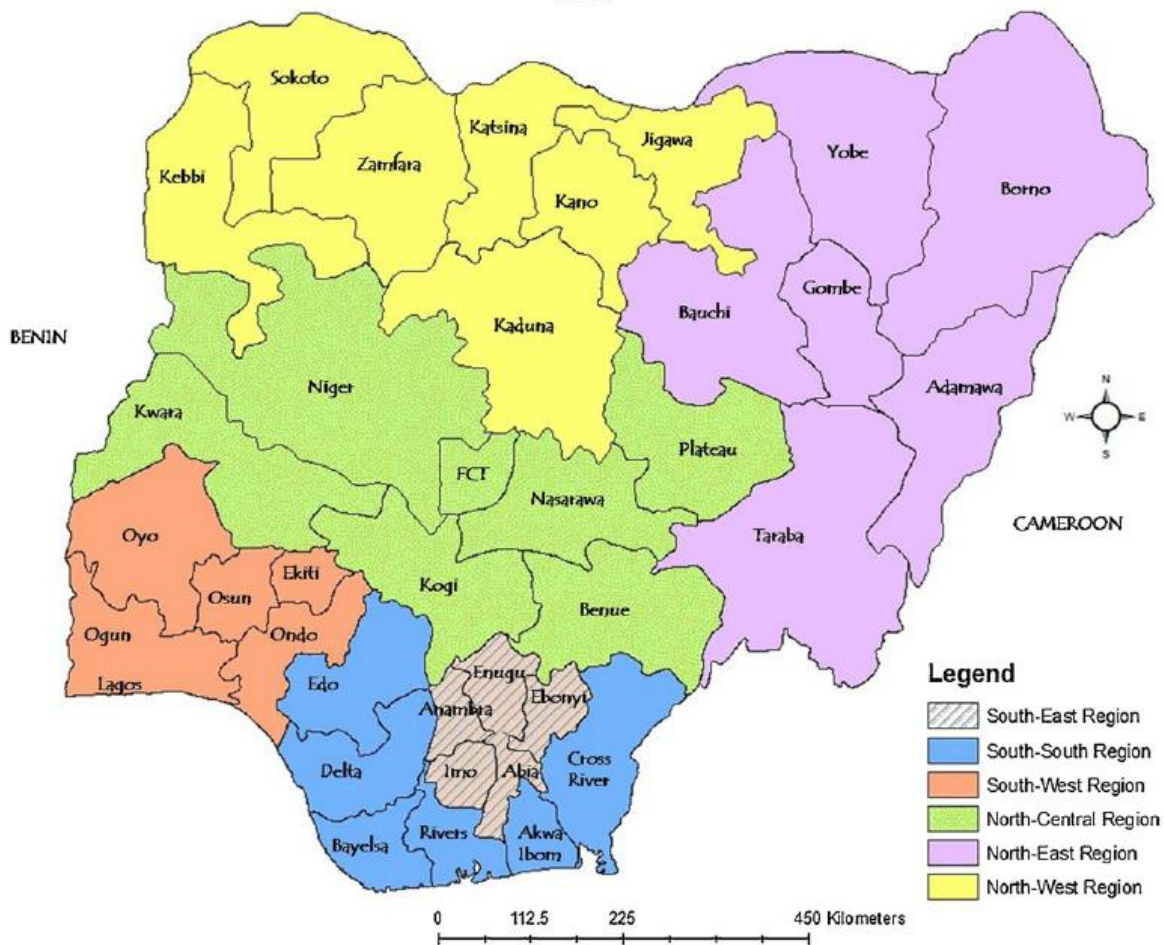
It led to a new focus in the production of broiler, catfish, fish fingerling and other forms of animal produce. The farm has grown to become one of the biggest farm in Nigeria and it is located in the South-South region of Nigeria. (Abah & Paul 2014.)

### **2.2.7 Regions in Nigeria**

The Federal Republic of Nigeria is divided into six geopolitical zones and is one the most ethnically diverse countries. There are over 250 ethnics groups, with the Hausa-Fulani, Yoruba and Igbo making up 70 percent of the entire population. (The Commonwealth 2016.)

The six political zones comprise of North Central, North East, South East, North West, South West and South-South. Each of these regions are made of various states, based on similar culture, ethnic group. This was carried out in order to ensure that the government would be able to effectively allocates resources across the whole country.

Picture 1 shows the description based on state and location on the map of Nigeria. North Central is made up the following states (Benue, FCT, Kogi, Kwara, Nasarawa, Niger and plateau). While North East is made up of (Adamawa, Bauchi, Borno, Yobe, Gobe and Taraba), South East is made up of ( Abia, Anambra, Ebonyi, Enugu and Imo). North West is made up of (Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto and Zamfara). South West is made up of (Ekiti, Lagos, Ondo, Osun, Oyo and Ogun) and South South is made up of ( Akwa Ibom, Cross-river, Delta, Edo, Rivers and Bayelsa). All the states make up the 36 states of the Federal Republic of Nigeria. (Federal government of Nigeria 2016a.)



PICTURE 1. Map of Nigeria showing the six (6) geopolitical zones (adapted from Research gate)

### 2.2.8 Commodities peculiar to each zone

One of the shortfalls the oil and gas industry faces is the lack of adequate refining facilities in the country. This forces the producers to export Nigeria's crude oil for refining. The refined product is sent back to Nigeria as "breadcrumbs" with low monetary value than would have been if it had been refined within the shores of Nigeria.

The agro-sector in Nigeria also has its own share of this ailment with its over dependence on importation of commodities that are capable of being grown and processed in the country. This has an adverse effect by creating unemployment, reducing house-hold income, impairing affordable domestic food supply. The contribution of the agro-sector to the economy could be better.



As a result of this, a huge investment has been opened for private sector participation in achieving the unified goal. Figure 2 shows a mini-classification of some agricultural produces merge with zones of best yield. (Sence Agric.) This reveals how the country can utilise its inbuilt comparative advantage.

### Target commodity value chains for investments by zones



FIGURE 2. Mini-classification of some agricultural produce matched against zones of best yield (modified from Research gate)

### 2.3 Legal structure for business

It is important to understand the legal system and types of business entity present in a country before investing as this gives a frontier understanding of what to avoid, how to avoid and what is most needed in order to have an effective and efficient operation. Therefore, basic understanding on issues regarding to laws used in Nigeria, business entity forms available for the establishment of business.

The Nigerian legal system is derived from English law; it is applicable in Nigeria by credits of its colonisation by the British. The laws consist of common law, doctrines of equity, statue of general application in force in England since January 1<sup>st</sup>, 1990 and English law made before 1<sup>st</sup> October, 1960 and elongating to Nigeria. The law in Nigeria has developed via legislation passed by the Nigeria legislature, application of customs and traditions in customary law as well as judicial antecedent.

The Companies and Allied Matters act cap C20, laws of the federation of Nigeria 2004 (“CAMA”) is the paramount legislation that coordinates the affairs of Nigerian companies. CAMA provides in section 54 that in order to do business in Nigeria, a foreign investor must incorporate a separate entity in Nigeria, and until the entity is so incorporated. It shall not have a place of business or an address for service of documents or processes in Nigeria for any grounds other the receipt of notices and other documents as a matter preparatory to incorporation under CAMA”. (Udo & Bello 2013, 1-2.)

## **2.4 Business entity allowed in Nigeria**

Business in Nigeria can be initiated based on the company structure recognised under CAMA and their most important features are explained below:

Private company limited by share – A private limited liability company has a different legal personality from its owners with permanent succession, a common seal and the capacity to sue and be sued its own name. a private company limited by shares must have a minimum of two (2) and maximum of fifty (50) shareholders. (Udo & Bello 2013, 2.)

Private company limited by guarantee – A private company limited by guarantee is appropriate where a company is to be formed for enhancing commerce, art, science and religion. The income and property are to be applied solely towards the enhancement of its object, and no portion is to be paid directly or indirectly to the members unless as permitted by law. The liability of the members is limited to such amount as the members may respectively undertake to contribute to the assets of the company in a situation where the company wind up. Upon winding up of the company, its remaining assets are not to be shared but shall be transferred to a company limited by guarantee with peculiar objectives. (Udo & Bello 2013, 2.)

Public company limited by shares – A public company limited by shares also has a different legal personality from its owners with permanent succession, a common seal and the capacity to sue and be sued in its own name. However, there is no maximum to number of shareholders in a public company limited by shares. (Udo & Bello 2013, 2.)

Unlimited Liability Company – the liability of the members of an unlimited liability company is unlimited. This denotes that debtors can look to the members of the company for settlement of their debts in a situation where the company cannot pay its debts. (Udo & Bello 2013, 1-2.)

## 2.5 Registration of the business

After the business structure is allowed and recognised by CAMA in Nigeria, the next process is the registration of the business. The process starts with choosing of name for the proposed company and conducting an availability search at the Corporate Affairs Commission (CAC- Nigeria company registry) to confirm if the particular name is available and reserving it if it is available. Secondly, a memorandum and articles of association (M/A) for the company must be prepared.

The law stipulate that every company must have at least two shareholders and two directors. It is allowed for one shareholder to hold the bulk of the shares in the company with the second shareholder holding only one share. The M/A will be submitted to the CAC together with the following document:

- A statement of the authorised share capital of the company and return of allotment of shares (form CAC 2 in Appendix 1)
- Evidence that the stamp duty payable in respect of this shares capital has been paid. stamp duty payable is 0.75% of the authorised share capital of the company (a company limited by guarantee only pays a nominal stamp duty- ((NGN) 500
- A statement of the particulars of the initial directors of the company, of which there must be at least two (form CAC 7 in Appendix 2)
- A notice of address of the registered office of the company (Form CAC 3 in Appendix 3)
- A declaration, sworn to by a lawyer, confirming that all matters before the registration of the representative office have been compiled with (Form CAC 4 in Appendix 4)

Thirdly, filing fees (1% of the share capital, and 2% in the case of public companies) must be paid to the Registrar General of companies. Finally, if the application is approved, a certificate of incorporation will be issued. (Udo & Bello 2013, 3.)

### **3 ECONOMIC OVERVIEW AND BACKGROUND OF NIGERIA**

Selecting the best way to enter is not an easy task, There is no universal strategy that fits all product, companies and markets. However, in order to develop an appropriate strategy, a thorough background study of the target market needs to be carried out to base the decision on facts. Therefore, an economic overview of Nigeria is necessary before going into depth with the a particular market entry strategy. In the following the historical and political background of the country, including Economic Community of West Africa States (ECOWAS) is discussed in order to get a clear picture of the country and its neighboring countries. (Erikson 2009, 7.)

#### **3.1 ECOWAS**

ECOWAS was established on May 28 1975 through the Treaty of Lagos, it is a fifteen (15) member regional group with a mandate of promoting economic integration in all fields of activity of the consulting countries. Member countries making up ECOWAS are Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal and Togo. Picture 1 shows the location of each West Africa countries. (ECOWAS 2015a.)

Picture 2 shows the map of West Africa countries and ECOWAS countries are considered one of the pillars of the African economic community. ECOWAS was primary set up to stimulate the idea of collective self-sufficiency for its member states. As a trading union, it also meant to create a single, large trading bloc through economic cooperation. (ECOWAS 2015a.)

Integrated economic activities are presumed in the area that has a combined Gross Domestic Product (GDP) of \$734.8 billion, revolving around but are not limited to industry, transport, telecommunication, agriculture and financial issues but as well as cultural matters. (ECOWAS 2015a.)



PICTURE 2. Map of West Africa countries (Adapted from Compare Infobased Ltd, 2016)

### 3.1.1 History

Prior to the advent of ECOWAS, the combine territory was known as West Africa. From a regional view point, it was made of combination of states that had appeared from different colonial experiences and administrations which largely defined the boundaries of the 15 states domiciled in the state. The region's cultural, linguistic and ecological diversity present a combined of both challenges and opportunities for the integration process and the longing to combine forces politically and economically has always been recognized as a step forward in the desire to generate co-prosperity in the area. (ECOWAS 2015b.)

In respect to this regard, the first effort at integration dates back to mid-19<sup>th</sup> century with the creation of CFA franc that merged the francophone countries of the region into single currency union. Then in 1964, Liberian president William Tubman suggest an economic union for West Africa leading to an agreement which was signed in 1965 by four states of Cote d'Ivoire, Guinea, Liberia and Sierra Leone. (ECOWAS 2015b.)

Nevertheless, nothing substantial emerge from these until 1972 when Nigerian head of state Gen Yakubu Gowon and his Togolese counterpart Gnassingbe Eyadema visited the region as a sign of backing the integration idea. All thanks to the draft that came out from their efforts as they formed the basis for the emergence of the treaty of Lagos in 1975 in which ECOWAS was formed. The treaty of Lagos was at the initial stage limited to economic policies but emerging political events led to its revision and thereafter the expansion of scope and powers in 1993. (ECOWAS 2015b.)

### **3.1.2 Economic role of ECOWAS**

The west Africa-European union negotiations of an Economic Partnership Agreement (EPA) was concluded on 30 June 2014 with the initialing of an agreed text by chief negotiators. In July 2014, the economic community of West Africa states (ECOWAS) heads of state approved the EPA and opens it up for signature by member states. In present 13 out of 16 West Africa states have signed the agreement excluding only Gambia, Nigeria and Mauritania. (ECOWAS 2016, 1)

The regional agreement covers trade in goods and development cooperation. It contains rendezvous clauses for future negotiations with regards to trade in services and other trade related issues (ECOWAS 2016, 1)

The summary of the agreement as related to topic of discuss main features include the following:

- ✓ Duty free quota free access into EU for all imports from west Africa
- ✓ Asymmetric and gradual opening of West Africa market to EU goods. West Africa committed to liberalize 75% of import from the EU over a period of 20 years.
- ✓ Commitment by the EU and its member states to refrain from the use of export subsidies for agricultural product exported to West Africa.
- ✓ Support for agricultural policies to strengthen agricultural sectors and ensure food security.

- ✓ Rendezvous clause to continue negotiations on trade in services and other trade issues. (ECO-WAS 2016, 2).

## **3.2 The country Nigeria**

The Federal Republic of Nigeria is the world's thirty-second largest nation judged by its geographical size, exceeded only by Niger, Mali and Mauritania in the region of West Africa. It is about six times the size of Georgia, slightly more than twice the size of California. It borders Benin (809 Km), Cameroon (1975 Km), Chad (85 Km) and Niger (1,608 Km). About 50 percent of the total population, which counts 186 million in the CIA World Factbook (2015) states, is concentrated in the major cities like Lagos, Kano, Ibadan, Abuja, Port Harcourt, and Benin City. (CIA 2016.)

### **3.2.1 History of Nigeria**

Nigeria is often regarded as the Giant of Africa. It is the most populous country in Africa and largest area in the West Africa states. Nigeria was an early twentieth century colony that gained its independent in 1960. A country of great diversity due to large ethnic, linguistic, and religious group that resides within its border is also a country that has an historical past.

The history of the people that make up the present states dates back over 2,000 years ago. The earliest archeological finds were of the Nok, who inhabited the central Jos plateau in between the Niger and Benue Rivers within 300 B.C and 200 A.D. various number of states or kingdoms with which modern ethnics groups can be identified existed before 1500. There are three most dominants regional groups, where we have the Hausa in the Northern Kingdoms of the Savana, the Yoruba in the West and Igbo in the South. (workmall.com. 2002)

Roused by the instability created by the Yoruba wars and by activities of other European powers, Britain moved discreetly but inexorably toward colonial control of the lower Niger basin. In decades that follow its eradication of slave trade, British diplomacy wove a fabric of treaties with kings and chieftains whose cooperation was use in reducing the traffic. British focus also dictated periodical armed involvement by the Royal Navy and by the Royal Niger company constabulary to check the flow of slaves to the coast, to defend legitimate commerce, and to maintain peace. Furthermore, the

missionaries cried out for preservation and backing in marking out slavery and other primitive practices related with indigenous religions. (workmall.com. 2002.)

Prior to becoming a democratic nation in 1999, Nigeria was under military rule for 16 years. This fact contributed a major part to the country political history. Moreover, a new constitution was adopted in 1999 and a peaceful conversion to civilian government was completed. (workmall.com 2002.)

### **3.2.2 Economic environment**

Nigeria is widely regarded as one of the leading economic power in Africa due to its cheap labour and its abundance of natural resources. In line with the April 2014 “Statistical Rebasing” exercise, Nigeria has come out as Africa’s largest economy, with 2015 GDP valued at \$1.1 trillion. Oil has been a prominent source of income and government revenue since early 70s.

Following the 2008-2009 global financial crises, the banking sector was proactively recapitalised and regulation improved. Nigeria’s economic growth within the last five years has been propelled by growth in agriculture, telecommunications, and services. However, economy diversification and strong growth have had little impact in the life of Nigerians, with over 62% of the total population still living in extreme poverty. (CIA 2016.)

Due to lower oil prices, GDP growth in 2015 decline to around 3% and government revenue declined, also the non-oil sector also contracted as a result of uncertainty in economic policies. However, the new government has constituted a cabinet of economic ministers, which include various technocrats, also has plans to increase transparency and diversify the economic from over-dependence on oil and enhance fiscal management. The new government is working to create stronger public private partnership for roads, agriculture and power the medium-term outlook for Nigeria is positive, if provided oil outputs stabilise and oil prices recovers. (CIA 2016.)

Notwithstanding, much lower oil prices will continue to cause strong challenges for public finance at all levels of government during the year, and will also appear a major hindrance on the ability of the of the new Federal government to initiate some of its ambitious programs. (The World Bank Group 2016c.)



### 3.2.3 Political environment

The Federal Republic of Nigeria is going through various governmental reforms since the election of the current president Muhammadu Buhari in 2015. These reforms were implemented with the approval by 360 seat chambers of Honourable (the lower house) and the 109-seat senate (upper house). The country can now claim a stable, proactive and more than two political parties represented in the lower house. Fortunately, there is practically no political instability at the moment. (Erikson 2009, 15).

Nigeria can be considered as been politically stable, because its fifth consecutive national elections were held in April and won by an opposition party which were deemed as fair and relatively peaceful by international and national elections monitors. If the success of 2015 election were to be compared to the post-election violence that occurred in 2011, then Nigeria can be classified as being a stable country. The success of the election is attributed both Independent National Electoral Commission (INEC) and leadership of the presidential candidates. The main interest of the new government lies on tackling corruption, job, unemployment security and the economy. (The World Bank Group 2016c.)

The country has bilateral tax agreements with a number of countries including Belgium, Canada, France, the Netherlands, Pakistan, Philippines, Romania, South Africa, and the United Kingdom. Furthermore, The Trade Liberalisation Scheme (ETLS) under the ECOWAS in regional body and a member of World Trade Organisation (WTO) in the multilateral. (Udo & Bello 2013, 11.)

### 3.2.4 Macroeconomic data

The population of Nigeria counted 186.1 million people in 2016, with an annual growth rate of 2.44 % (CIA 2016). It is the eighth most populated country in the world, only exceeded by China, India, European Union, United states, Indonesia, Brazil and Pakistan.

In the last two years 2013-2014, the real GDP growth was above the global average of 3.8% except in 2015 when it was 2.7% according to the world Factbook (2016). This shows that the economy grew at a weak pace in 2015. At the same time, the inflation rate increases to 9%, which proves the reforms carry out by the government were not fully successful.

In a worldwide ranking of 229 countries- considering even the smallest of all economies- Nigeria's GDP per capital at Purchasing Power Parity (PPP) ranks with US\$ 6,100 only 112nd (CIA 2016). This needs to be put in contrast with economies such as US with US\$ 55,800 and France with US\$ 41,200 the PPP is a theory focus on two exchanges rates, deriving the purchasing power of different currencies in a nation, supposing that identical products and services in different countries should cost the same.

The GDP per capital (PPP US\$) is estimated by taking the value of all final goods and services manufactured within a nation and dividing it by the average population, on the focus of the purchasing power parity juxtapose with the US economy. Otherwise stated, it is the price of the same product, given in US\$, in different countries. It offers predominant measurement of the living standards in different economies than the estimation of the real GDP amount and this is mostly desired to the previous method. (Erikson 2009, 16.) Keys indicators important for the analysis of the economic situation of Nigeria are stated in TABLE 1.

In Nigeria, the total labor force for 57.27 million Nigerians in 2015, with concentration of labor force by occupation in the agricultural sector (70%). The unemployment rate in Nigeria is 23.9% evaluated over 15 million people of the entire labor force. (CIA 2016.)

This link us to Nigeria's socio-economic problems- explained in subsequent chapter- which it experiences due its huge size. An astonishing literacy rate of about 59.6% for the entire population in 2015, this partially explains the unemployment rate by itself.

TABLE 1. Key economic indicators of Nigeria (modified from CIA 2016)

Key economic indicators	Value
GDP(purchasing power parity) 2015	\$1.092 Trillion
GDP (real growth rate) 2015	2.7%
GDP (per capita) 2015	\$6,100

(continues)

TABLE 1. (continues)

GDP (composition by sector) 2015	
(Agriculture)	20.9%
(Industry)	20.4%
(Services)	58.8%
Inflation (2015)	9%
Unemployment (2011)	23.9%

### 3.2.5 Social inequality

Despite its vast natural resources and its high growth potential, this gigantic country faces numerous problems. One big problem is Nigeria's social inequality, which preclude large parts of the population from economic progress. Nigeria has one of the world's most equal distributions of wealth. This can be seen from the country's population below poverty estimated as 70% in the year 2010 (CIA 2016). The Gini coefficient in 2009 was measured at 0.43 (The World Bank 2016), which represent one of the world's highest income inequalities- in comparison, Finland for instance has a Gini index of 0.28. (The World Bank Group 2016b.)

Leadership failure is part of the major problem facing Nigerians; stunted social-economic and political development is the failure of the citizens insisting on defending their votes during election and voting the right people into public office. (James 2014).

### 3.2.6 Level of governance indicators and corruption

As a result of the federal structure of the political system, companies operating in Nigeria have to deal with numerous ranges of regulatory agencies. The level of corruption is seen as particular high during the entry of starting the business. Regulation and taxation are subject to changes depending on the government in power, which makes it difficult for a company to do business in Nigeria without supporting from inside. However, it is important to know most of those hurdles are now been eliminated based on the new government fight on anti-corruption.

The World Bank institute in corporation with other units of the World Bank Group support countries in enhancing governance and controlling corruption (The World Bank Group 2016d). The worldwide governance indicators projects analyses various factors and evaluate them in form of ranking of over 200 countries during period of 1996-2015 (the higher the country, the better the country is rated). The following dimensions were considered for the ranking process:

- Voice and accountability
- Political stability and absence of violence
- Government effectiveness
- Regulatory quality
- Rule of law
- Control of corruption

This ranking only signifies a selected of the World Bank. In fact, the aggregate indicators combine the views of a large number enterprise, citizen and expert survey responses in industrial and developing countries. This are focus on over 30 individual data sources produced by numerous of survey institutes, think tanks, Non-Governmental Organization (NGO), International organizations (The World Bank Group 2016d.)

The country's percentile rank indicates the rank of the country among all other countries in the world. Where 0 corresponds to the lowest and 100 to the highest rank and the colors of the graphic denotes the percentile rank in comparison with the rest of the world.

As illustrated in Figure 3, within two of the six dimensions seen in international context Nigeria average ranking more than 20%. In comparison with the regional average Sub-Saharan Africa, Nigeria is below in almost all six categories. Only within the voice and accountability that it equals with the regional body. Consequently, this signifies that Nigeria's political risk is categorized as less stable than the rest of Sub- Sahara Africa. A factor that lead to less of attracting of investors and companies.

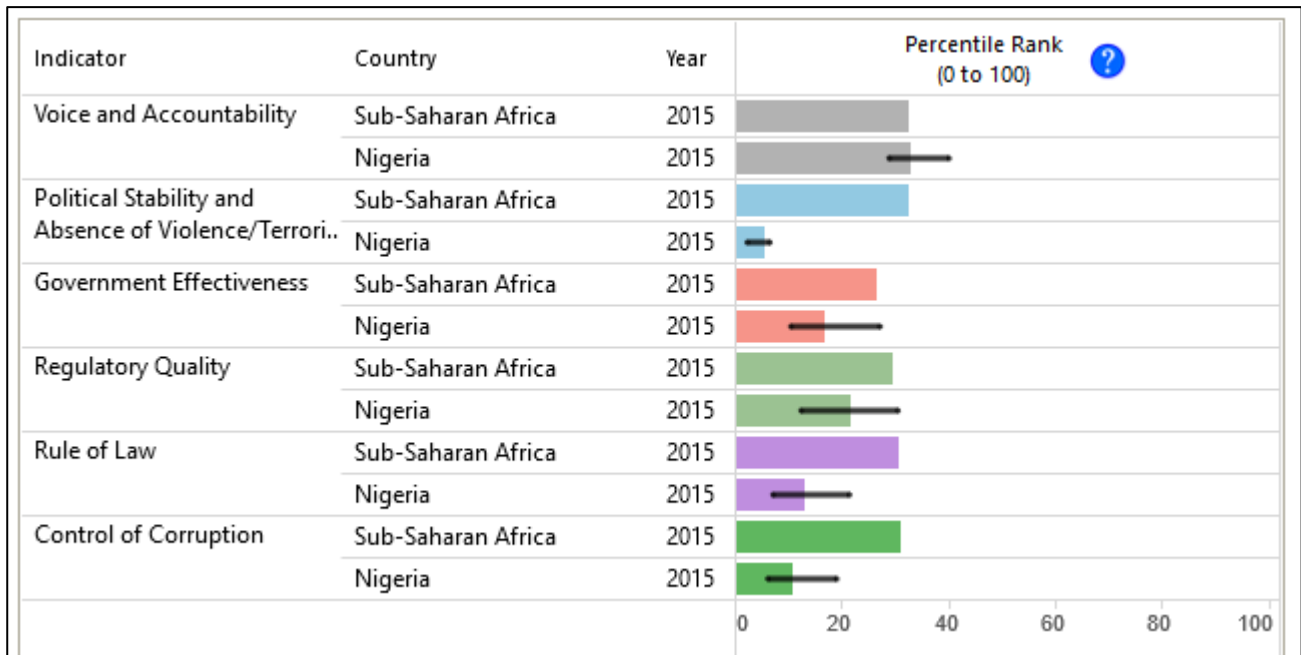


FIGURE 3. Comparison with regional average in Sub-Sahara Africa (modified from The World Bank Group 2016 d)

However, it is important for investors and companies to know that Nigeria is currently undergoing a lot rebuilding, with higher potentials in the end when all policies are fully implemented.

## 4 FINNISH PRODUCT AND EXPORT FINANCING

Previous chapters have created the theoretical framework for the topic. The following section develops the product portfolio as well as the possible export financing rendered by the Finnish government and finally the strategy formulation of doing business in Nigeria.

This chapter's focus is on the analysis of three Finnish brands based on their product portfolio, function as well model of usage. Furthermore, detailed explanation of risk exporting agency function to business intending to go out will be discussed and the strategic formulation of doing business in Nigeria is discussed.

### 4.1 Product portfolio

In order to be successful, a company needs to have a portfolio of products with different growth rates and different market shares. The portfolio configuration is defined as a function of the balance between cash flows. High growth products needs cash inputs to grow while low growth should develop excess cash. Figure 4 shows a typical description of the classification of product. Cash flow of a product is determined by the following four rules:

- Margins and cash acquired are related to market share. High margins and high market share are aligned to each other.
- Growth needs cash input to finance added assets; the added cash needs to hold share is related to growth rates.
- High market share must be earned or bought. Buying market share needs a supplementary increment of investments.
- No product market can grow indefinitely. Payoff from growth must emerged when the growth reduces. The payoff is cash that cannot be reinvested in that product.

Products with high market share and slow growth rate are “**CASH COW**”, behaviorally, they develop large amounts of cash, in excess of the reinvestment needed to maintain share. The excess gained from them need not to be reinvested in the product. For instance, if the rate of return exceeds the growth

rate, the cash cannot be reinvested indefinitely, except by depressing returns. (The Boston Consulting Group.)

Products with low market share and slow growth rate are “**DOG**”, this may show an accounting profit, however, the profit must be reinvested to maintain share, leaving no cash throw off, product is primarily worthless otherwise depressing returns. (The Boston Consulting Group.)

Low market share, high growth products are the “**QUESTION MARKS**”. They mostly need far more cash than generated. Lack of cash supply leads to fall behind and die, moreover when cash are supplied they only hold their share and are still pets when the growth stops. Question mark requires huge added cash investment for market share to be purchased. (The Boston Consulting Group.)

The high share, high growth product is the “**STAR**”. It nearly always shows reported profits. However, it may or may not develop all of its own cash. If it stays a leader, however, it will become a large cash generator when growth declines and its reinvestment requirement decrease. (The Boston Consulting Group.)

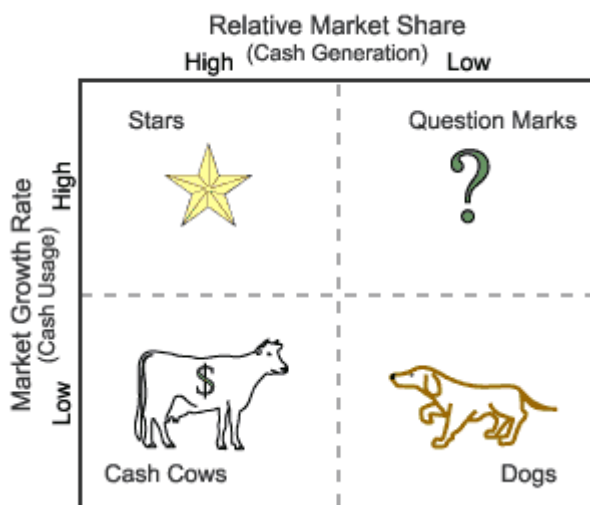


FIGURE 4. BCG growth share matrix (Modified from quickMBA.com 2010)

### **4.1.1 Junkkari Oy**

Junkkari Oy is a Finnish supplier of agricultural and forest machines that markets, design and manufacture machines for transportation, forestry and sowing. It is located in Finland's south Ostrobothnia, Ylihärmä, close to Kauhava, and the company is part of the MSK group Oy. (Junkkari b.)

Junkkari Oy's roots reach deep into the development of Finland's agriculture. Cooperation with the agricultural machine trade and farmers has stretched for three generations. Its fundamental principle of listening to the experiences of customers and farmers is still in the business. (Junkkari b.)

Junkkari's product design and production management represent the very latest in the field and it is the first Finnish designer and manufacturer of agricultural machineries to receive the ISO 9001 certificate. The company also has the ISO 14001 environmental certificate. (Junkkari b.)

The features of Junkkari's products have developed with the users' needs in mind and the basic version of the company's product series fills the needs of smaller farms. While the highly automated models respond to the requirements of large farms. (Junkkari b.)

### **4.1.2 Product of Junkkari**

Junkkari has a wide range of seed mills and combo drills. Completely new S-, M- and D series are available in 3.0 and 4.0 meter working widths. The difference between the three series stems from the frame and coulter construction. Customers are allowed to choose the suitable coulter system and then the best hopper option for their needs. Furthermore, they are allowed to choose between different control units and other options to develop the right tools for their needs. For the purpose of this research, the focus portfolio will be on the company's S300. (Junkkari a.)

#### **Combo Drill Junkkari S300**

The new S-series follows the popular Simulta T- and ST models. Conventional wedge shaped disc counter has been updated to a new level. S-series is primarily designed for traditionally cultivated soils and coulter durability and placement precision has been improved by new inventions. S-series now



allows the placing of fertilizer together with the seed into the same row. Picture 3 shows a pictorial view of the machine. However, the traditional system with separate fertilizer coulters is also available and they are also offering completely new fertilizer disc coulters. (Junkkari a.)

The other features of the machine are completely new. Both seed and fertilizer rate adjustment are carried out by changing the axle speed steplessly with the gear box. The drive is supplied by the land wheel and new metering devices secure the precise feeding also for small seeds (Junkkari a). Technical specification of the machine is attached in Appendix 5, which shows the technical information required for the operation of the machine and typical function attached to it.



PICTURE 3. Junkkari S300 (adapted from Junkkari a)

#### 4.1.3 Avant Tecno

Since 1991, the company Avant Tecno has manufactured over 45,000 loaders at their manufacturing plant in Ylöjärvi, Finland. Innovative product development and unique design are Avant core competencies and more than 190 various kind of attachments makes Avant a multi-functional loader. The company's loaders and attachment are being actively built based on customer's feedback and customer's orientation is important to them in order to succeed in tough competition. All loaders are manufactured in their modern and highly automated production plant in Ylöjärvi, Finland, while quality control

is accurate along production process and all loaders are tested carefully before delivery. (Avant Tecno Oy 2015a).

#### **4.1.4 Product of Avant Tecno**

The focus of product for the purpose of this research will be on the company's attachment portfolio with focus on the farming machine 600 series. Avant loaders can take care of the all physically challenging jobs on farm that use to be previously done manually, also a lighter job are done faster and easier than before. (Avant Tecno Oy 2015c.)

Avant has the best tipping load and lifting power in its size category, which makes the machine a versatile tool for all work at farms. The machine is powerful enough to lifts heavy loads of more 1000 kilos, at the same time it is compact enough to fits into tight spaces and even be used in indoors. (Avant Tecno Oy 2015c.)

#### **AVANT 600 series Loaders (AVANT 640)**

The 600 series is the combination of power and maneuverability with a driving speed as high as 22 km/h. It has a high flow auxiliary hydraulic which runs almost any attachment and great maneuverability that makes it work in tight situations. Picture 4 shows a pictorial view of the loader machine Avant 640. The machine has a telescopic boom as standard, all cab options available and also A/C in the cab DLX (640.) Technical specification of the machine is attached in Appendix 6 which shows the technical information required for the operation of the machine and typical function attached to it (Avant Tecno Oy 2015b.)



PICTURE 4. AVANT 640 Loader (adapted from Avant Tecno Oy 2015b)

#### **4.1.5 Sampo Rosenlew Ltd**

Sampo Rosenlew Ltd is a family owned company that employs approximately 400 people and a turnover of 92 million euros. It was established in 1991 via a management buy-out, while business operation started on his current premises in 1853 by Oy. W Rosenlew Ab. The business started by shipping timber, then gradually diversified into agricultural machineries, combine harvester was launched in 1957 and it gradually became the most successful product in the product range. (Sampo-Rosenlew Oy 2013b.)

The home of the corporation is located in Pori, where combined harvesters and forest harvesters are manufactured. The company also subcontracts its equipment and expertise to other industrial corporation. Its recent success is fully based on the idea of local assembly; in practice, they develop local agriculture and food productions. The company also employs local people. (Sampo-Rosenlew Oy 2013b.)

#### 4.1.6 Product Sampo Rosenlew

The company has various range of the combined harvester ranging from Comia range to 300 ranges. However, for the purpose of this research the focus will be on Comia range (C10). These ranges represent combined harvester designed to meet the modern standard, it is created not only to cope with challenging northern conditions but also to withstand hot conditions in the south. They are used for harvesting of both rice and wheat in different conditions around the world. (Sampo-Rosenlew Oy 2013a.)

##### Combine harvester (Comia C10)

The well received Comia C10 has been reinforced with two capacity harvesters, it represents modern harvester design and features and these are only available in Sampo-Rosenlew. Picture 5 shows a pictorial view of the Comia C10 machine, it describes how the machine looks in terms of physical features. Features peculiar to this machine are, wide tables, big grain tanks, large separator surfaces and most especially effortless cleaning. The cabin's operator ergonomic designed based on customer feedback result in pleasant harvesting. Technical specification of the machine is attached in APPENDIX 7, which shows the technical information required for the operation of the machine and typical function attached to it. (Sampo-Rosenlew Oy 2013a.)



PICTURE 5. Comia C10 (adapted from Sampo-Rosenlew Oy 2013a)

#### 4.1.7 Conclusion

The product in the portfolio was chosen in respect to need in the Nigeria market. All three products serve different and most important functions needed in Nigeria's agricultural sector. This can be analysed from their functions.

Junkkari S300 is an efficient machine used in the sowing of seed, while Sampo-Rosenlew Comia C10 is typical for harvesting and AvantTecno's Avant 645 is highly useful for loading. Figure 4. Describe a BCG growth/share matrix, the horizontal axis of the figure measures the relative share of market controlled by the company. This is the company's market share, divided by the market share of the largest rival in the market, expressed as a ratio. For a market leader, the relative market share is greater than 1.0, since it has greater market share than its nearest rival. While a market follower, the relative market share ratio is less than 1.0.

In respect to this, the researcher assumes only three competitors in the market according to the companies mentioned above. A presumed sales, market share and relative market share is illustrated in Table 2. Relative market shares mean a company's product share of the market divided by the share of their largest competitors. As it can be seen from Table 2 Junkkari has a high market share signifying that it will be the market leader while Sampo-Rosenlew comes second as the largest competitor and Avant is the lowest in the market. Assumption with regards to the possible relative market share and market in the Nigeria market is based on the focus on the agricultural sector of Nigeria. The focus is more on the domestic production of food and based on the functions of each company's product. The researcher drew out a conclusion that the market could be predicted in these ratios.

TABLE 2. A presumed sales, market share and relative market (modified by the Researcher)

Competitors	Sales (M €)	Market share %	Relative market share
Junkkari (S300)	High	High	High
Sampo-Rosenlew Ltd (Comia C10)	Medium	Medium	Medium
AvantTecno (Avant 645)	Medium	Medium	Medium
Industry total	Large	Large	

Market growth rate means the annual rate of growth of the market in which a company is competing, and might be quite different from the rate of growth of a company's Strategic Business Unit (SBU). Figure 4. BCG growth/share Matrix vertical axis measures the growth rate of the market in 'real terms', which signifies that the growth rate is measured after account has been taken of any general inflationary effect. Since there is lack of financial information, a presume market growth is formulated based on the nature of requirement.

The market growth rate for Junkkari's S300 is expected to grow beyond 10% because sowing of seed is assumed to occur daily in Nigeria agricultural sector therefore, market growth rate for the product is high. Sampo-Rosenlew's Comia C10 is expected to have a low market growth because harvesting of crops is done annually therefore; the market growth rate for the product is low. Avant 645 is expected to have a low market growth because loading of seed to farms are done daily and use for loading of harvested crops annually.

Figure 5 shows The presume profit and time period for all three product on life cycle. Junkkari's S300 is classified as having a market growth rate as well as high relative market share. While Sampo-Rosenlew's Comia C10 is placed as having a medium relative market share but low market growth rate and Avantecno's Avant 645 is classified as having a medium relative market share and a low market growth rate.

The classification done in Figure 5 shows that Comia C10 is assumed a strong product in stable markets, they are expected to be substantial net generators of cash, which can be invested in growth business. S300 is classified as a product that nearly shows profit, it may or may not develop all of its own cash except it remains a leader in the market and it becomes a large cash generator when growth decline and reinvestment requirement decreases. Avant 645 is also placed as a strong in a stable market, presume to be a substantial net generator of cash and reinvested back into growth business.

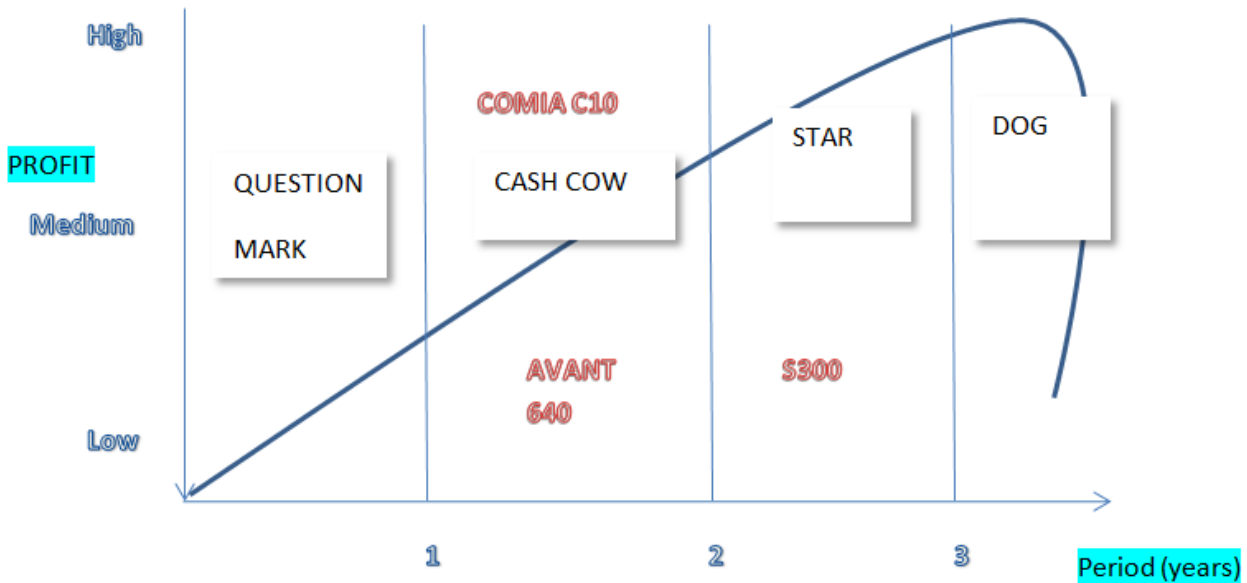


FIGURE 5. The presume profit and time period for all three product on life cycle (created by researcher)

Finally, another vital factor also is that all the companies in the product portfolio operate globally with all three operating in Africa, AvantTecno and Junkkari operates in the South of Africa while Sampo-Rosenlew operates in the north of Africa. This makes them all a lucrative business for Nigeria as a medium for West Africa market.

## 4.2 Exporting risks

It is important to know that various risks come with going international for any business, however a company that intends to go abroad needs not to fear. This part of the research focus on the body in charge of managing such risks and finance in Finland. Focus will be on the possible ways of managing, typical export finance given to companies and finally the intended country's risks classification policy.

#### **4.2.1 Finnvera brief**

Finnvera is a specialized financing company owned by the state of Finland and it is the official Export Credit Agency (ECA) of Finland. The company provides financing for the start, growth and internationalization of enterprises and guarantees emanating from exports, it strengthens the operating potential and competitiveness of the Finnish enterprises via offering loans, domestic guarantees, export credit guarantees and other services related with the financing of export. (FINNVERA g.)

Finnvera shared the risks included financing with other providers of financing, guarantees are given against political or commercial risks related with the financing of exports. Political risks are classified as risks that emanate from the economic or political situation in a country where a Finnish company has customers, while the commercial risk relates to either to the buyer or to the buyer's bank. (FINNVERA g.)

Its operation is conducted by the industrial and ownership policy goals laid down by the state, part of the goals is increasing the number of starting experience, enabling financing for changes encountered by Small Medium Enterprises (SMEs), internalization and exports and the promotion of enterprise growth. However, subsequent paragraphs will focus on the operation of Finnvera with regards to Exports since the research is based on how a Finnish company can enter into the Nigeria market. (FINNVERA g.)

#### **4.2.2 Export credit guarantee operation**

Finnvera seek to safeguard the competitiveness of Finnish enterprises in export markets by offering them export and project financing at rates comparable to those offered by their main commercial rivals to their export companies. Finnvera's clientele is constituted by both companies, domestic and international banks and financial institutions. (FINNVERA e.)



## **Risks to be covered within the operation**

In granting export guarantee, countries are grouped into eight categories. The grouping is focused on methods used by export credit agencies and on country risk assessment. Numerous factors depict the determination of the country category; assessment of the country's ability to manage its external liabilities, expectation of the future trend of the country's economy, political stability and legislative framework. However, there may be considerable differences between individual countries, even within the same category. Risk taking is therefore based on Finnvera's country-specific guarantee policy. (FINNVERA e.)

## **Political risks to be covered**

Political risks are related either to the country of a foreign buyer or borrower, or a third country that can cause the exporter, investor or financier to have a credit loss. Political risks include restrictions on transfer of the credit currency, rescheduling of debts, expropriation, and war. A sovereign risk is caused by an entity that represents the whole faith and credit of state. In most cases this is the ministry of finance or central bank. When only the political risks involved is covered by Finnvera, commercial risks related by the buyer, the borrower or the guarantor are not covered. Political risks are evaluated by continuously following the credit worthiness of the countries with political risk, the term political risks are defined as all factors which influence the country's economy, international relation and internal stability. (FINNVERA e.)

Political risks may be generated as a result of long history of events, or may emanate from internal or external economic and political shocks. These are evaluated according to the following mechanism:

- Vulnerability (size of the economy and dependence on imports/export)
- Domestic and foreign policy (international relations, efficiency of the administration and political structure and continuity)
- Economic growth potential (structure of the economic, natural resources and export composition)
- Economic policy (macroeconomic factors, credibility of economic policy and budget deficits)
- Indebtedness and financing (balance of payment, external debt and availability of financing).

(FINNVERA e.)

## **Commercial risks to be covered**

Commercial risks emanate from foreign banks, companies or project companies. Typical commercial risks include the buyer's, borrowers or guarantor's insolvency or unwillingness to pay its debt.

Commercial risks are evaluated based on the following factors:

- ✓ Export transaction/project
- ✓ Line of business
- ✓ Financing
- ✓ Risk sharing/coverages
- ✓ Securities
- ✓ Environment aspects
- ✓ Buyer's country
- ✓ Other aspect involved, if any. (FINNVERA e.)

### **4.2.3 Guarantees available to exporters**

It is important for exporters to take into account commercial risks related to their customers and political risks peculiar to the countries in which the customers operate. However, providing credit can make the business easier and this means that the seller should prepare for credit risks by seeking export guarantees via Finnvera.

The granting and pricing of export guarantees mainly depend on the creditworthiness of the customer and country in which the customer operates. The next part of the research will lead us into the risks guarantee peculiar to the exporters.

### **Credit risk guarantee**

A credit risk guarantee insures the exporter against credit loss related to an export transaction, it covers the risk due to cancellation of the delivery contract prior to delivery. The guarantees can be granted for individual export transaction or for continuous deliveries. (FINNVERA d.)

It can be used for export transactions with a short-term or long term credit period, the cover percentage is normally 75-90%. Finnvera as an official export credit agency can't guarantee with a risk period of less than 2 years (manufacturing period +repayment period) to all EU market except Greece including Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and USA. However, The EU commission has granted a temporary exemption to provide short term export guarantees for export to Greece until 30 June 2017. (FINNVERA d.)

In case of so called "marketable risk countries", the EU rules on transaction with a risk period of under two years only apply to conventional credit insurances for covering buyers risks, not guarantees for bank risks. If the payment method is a letter of credit and the guarantee used is a letter credit guarantee or some other guarantee where the risks applies to a bank. Finnvera may, under the risk sharing mechanism considers granting a guarantee for the said countries. (FINNVERA d.)

### **Export receivables guarantee**

This guarantee is intended for short term exports to countries with political risks, through this guarantee an exporter can insure their receivables from a foreign buyer against credit losses. The guarantee covers commercial risks emanating from the buyer and political risks arising from the buyer's country. (FINNVERA f.)

This guarantee cover commercial risks related with the buyer and the political risk of the buyer's country and cover percentage is normally 75-90%. An exporter can also use the export receivables guarantee as security for a credit by transferring the right indemnity to the bank (FINNVERA f.)

Finnvera as an official export credit agency can't guarantee with a risk period of less than 2 years (manufacturing period +repayment period) to all EU market except Greece including Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and USA. However, The EU commission has granted a temporary exemption to provide short-term export guarantees for export to Greece until 30 June 2017. (FINNVERA f.)

In case of so called "marketable risk countries", the EU rules on transaction with a risk period of under two years only apply to conventional credit insurances for covering buyer's risks, not guarantees for bank risks. If the payment method is a letter of credit and the guarantee used is a letter credit guarantee

or some other guarantee where the risks applies to a bank. Finnvera may, under the risk sharing mechanism considers granting a guarantee for the said countries. (FINNVERA f.)

#### 4.2.4 Country classification

The country classification policy described is indicative only. Finnvera reserves the right to set the additional conditions regarding any particular country, buyer or bank as well as change the percentage of cover for a transaction. Finnvera assumes no liability to issue a guarantee to any specific transaction. (FINNVERA c.)

Table 3 shows the country classification and map of Nigeria. Since the research is focus on entry Nigeria market, Nigeria's country classification will be analyzed. Based on the classification, Nigeria is measured to be C with reference to the country's policy. This signifies that the country has a restrictive country policy. Within the class, it is rated as having 6/7 which means currently Nigeria is a high risks country, while the special conditions state that with risk period less than 2 years: corporate, bank and sovereign risks by case with ILC recommended. However, risks period of 2 years or more: specific financing structure mitigating country or counterparty risks is required. (FINNVERA c.)

TABLE 3. Country classification and map of Nigeria (adapted from FINNVERA. 27<sup>th</sup> October 2016)

Country:	Nigeria
Country Policy:	C
Classification:	6/7
Special conditions:	Risk period less than 2 years: Corporate, bank and sovereign risks case by case. ILC recommended. Risk period 2 years or more: Specific financing structure mitigating country or counterparty risks required.
Capital:	Abuja
Area:	923,768km <sup>2</sup>
Population:	173,600,000
GNI Per Capita:	2,760 USD
Currency:	NGN
Senior Adviser:	Outi Homanen, 029 460 2722
Senior Adviser:	Maria Frosterus, 029 460 2627

#### **4.2.5 Guarantees available to buyers**

The success in competitive bidding is most times the sum of many factors. When customers also ask for financing, this can be turned into a competitive edge and Finnvera can share the risk by granting a buyer credit guarantee or a bill of exchange guarantee to the importers bank. It can prove to be the decisive factor.

##### **Buyer credit guarantee**

A buyer credit guarantee is a security to the lender in case of a credit risks caused by a foreign buyer, the buyer's bank or country. The exporter receives payment in cash for goods sold on credit, while the credit risks are transferred from the exporter to the lender and further to Finnvera. The guarantee covers commercial risks and political risks, while the coverage will be decided on a transaction basis and it can be up to 95% for commercial risks and 100% for political risks. (FINNVERA b.)

A buyer credit guarantee can be used for numerous medium/long-term credit arrangements include buyer credits for individual transactions, bank-related and project related credit lines, ship financing, also including leasing and forfaiting. The guarantee can also be used for short-term exports, if the buyer provides the exporter with a transferable credit instrument e.g. bill of exchange or promissory note as payment. (FINNVERA b.)

This guarantee can be granted to domestic and foreign financial institutions, Finnvera as an official export credit agency can't guarantee with a risk period of less than 2 years (manufacturing period +repayment period) to all EU market except Greece including Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and USA. However, The EU commission has granted a temporary exemption to provide short-term export guarantees for export to Greece until 30 June 2017. (FINNVERA b.)

In case of so called "marketable risk countries", the EU rules on transaction with a risk period of under two years only apply to conventional credit insurances for covering buyer's risks, not guarantees for bank risks. If the payment method is a letter of credit and the guarantee used is a letter credit guarantee or some other guarantee where the risks applies to a bank. Finnvera may, under the risk sharing mechanism considers granting a guarantee for the said countries. (FINNVERA b.)

## **Bill of exchange guarantee**

Bill of exchange guarantee secures the lender against credit risk emanating when the lender purchases a bill of exchange from the exporter. The guarantee aids the exporter to arrange bank financing for an export transaction by transferring risks associated with the buyer, the buyer's bank or the buyer's country to Finnvera. (FINNVERA a.)

The bill of exchange guarantee applies to situations where an exporter has granted a foreign buyer credit for purchasing Finnish goods and the buyer has accepted the payment terms and bill of exchange as the debt instrument. With the security provided by the guarantee, the exporter can sell the bill of exchange without recourse to a bank and improve liquidity by converting receivable to cash. Finnvera issues guarantees of less than 2 million euros without security requirements and using a simplified process, documentation and a predictable pricing model. Furthermore, Finnvera collects on bills of exchange in various countries. The simplified guarantee can also be applied to larger export transactions if the credit is low. (FINNVERA a.)

## **4.3 Framework for strategy formulaton**

Implementing the strategy is about the creation of necessary tactics to actualise the explicated goals. The goals related to the topic of the research have been formulated in the previous chapter. The focus lies on a strategy formulation for agricultural machinery in the Nigerian market. In this context, a framework will be provided under which a company can designed its own specific market entry strategy.

### **4.3.1 Starting the business**

According to the latest *doing business report* by the World Bank (2016), taking into account various indicators for business start-up by using set of data from 190 economies all over the world: Nigeria ranks 169 for economies of the ease of doing business. Nigeria is far off from its neighbouring countries, Niger (150), Benin (155), Cameroon (166) except Chad (180). The first rank in the indicator goes New Zealand. In the category of business start -up Nigeria Ranks on place 138, Niger, Benin, Came-

room shows a slight better than before with rank 88,57 and 149 respectively with only Chad performing low with a place on 182 (The world Bank Group 2016a.)

In total, it requires 8.7 procedures to start a business in Nigeria, it takes 25.2 days and cost 31.0% Gross National Income (GNI) per capital. Good practice economy such as Denmark takes only 3 days to start a business. The steps involved for opening a business are listed in the following:

1. Reserve a unique company name
  2. Prepare the requisite incorporation documents and pay the stamp duty
  3. Sign the declaration of compliance (Form CAC 4 in Appendix 4) before a commissioner for oaths
  4. Register the company and pay fee
  5. Make a company seal
  6. Register for income tax and VAT
  7. Register for personal income tax PAYE at the state tax office
  8. Register business premises with the Lagos state government and pay the business premises levy (World Bank Group 2016.)
- (For more details since Appendix 8)

#### **4.3.2 Hiring a foreign worker**

The federal ministry of interior controls the employment of a foreign worker. Employers must seek the consent of the ministry in order to employ foreign workers by applying for an “expatriate quota”. The quota allows a company to employ foreign nationals in particularly approved job designations as well as specifying the validity period of the designations stated on the quota. (Robert 2015.)

Two types of visas may be granted, depending on the duration of stay. For short-term assignment, an employee must apply for and receive a temporary work permit, allowing the employee to perform some specific tasks. The temporary work permits are a single-entry visa, and it expires after three months. (Robert 2015.)

There are no value limitations on short-term visas, foreign nationals who meet the conditions for grant of visa may apply for as many short-term visas as required. For long assignments, the employer should

apply for a “Subject-To-Regulation” visa (STR). To apply for an STR, an employer applies for and obtains an expatriate quota. The expatriate quota explains the positions in the company that will be occupied by expatriate staff. After arrival in Nigeria, the employee will need to validate his or her visa by applying for a work and residence permit. (Robert 2015.)

The Nigeria government has a policy of encouraging the employment and trainings of Nigerians and therefore the renewal of a quota position is most times depending on a showing that a Nigerian has been appointed to understudy the expatriate. However, it is possible for companies with foreign equity participation to obtain a “Permanent Until Review” (PUR) quota. This will normally be given in respect of chief executives of such companies. A fee payable in convertible foreign currency is charged for granting or renewal of PUR quotas. (Udo & Bello 2013, 16.)

### **4.3.3 Obtaining credit**

According to World Bank “firms consistently evaluate access to credit as among the greatest barriers to their operation and growth” (Erikson 2009, 69.) There are several main mechanisms that can facilitate access to credit and improve its allocation; credit information systems, borrowers, and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view and consider a potential borrower’s financial history either positive or negative when assessing risk and they allow borrowers to create a good credit history that will promote their access to credit. (World Bank Group 2016, 80.)

The World Bank’s business report illustrates these factors in form of indexes that have been measured and compare with other countries. Globally Nigeria is ranked at 44 for obtaining credit among 190 countries, Best practices economy is New Zealand in this context. Specifically, for both factors that have been considered (legal rights and credit information) countries like United Kingdom and Kenya performed better than Nigeria, while India was equal and Nigeria performed better against South Africa. Figure 6 shows how Nigeria and comparators economies rank on the ease of getting credit.



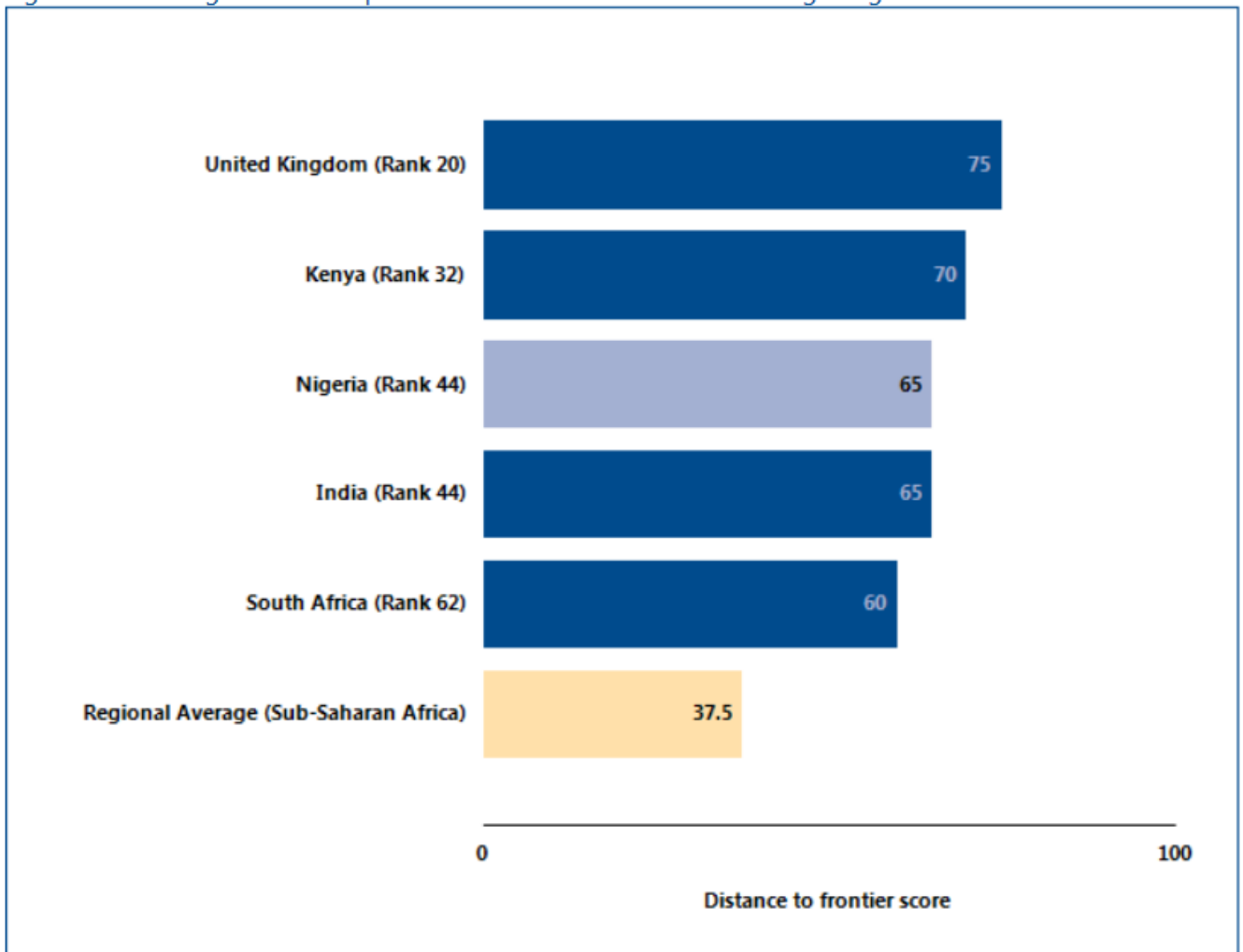


FIGURE 6. How Nigeria and comparable economies rank on the ease of getting credit (adapted from World Bank Group 2016, 81)

## **5 STRATEGIC MODE OF ENTRY AND DISTRIBUTION NETWORK**

This chapter is divided into two parts with focus on the entry modes a Finnish firm can use in entering the Nigeria market and designing options for a distribution network. Firstly, the analysis has been done on the product portfolio and possible strategy formulation of entry Nigeria market. The most frequent modes of foreign market entry are exporting, licensing, joint venture and sole venture. In respect to Agarwal and Ramaswani the factors that determine the decision making in this process can be categorized into three classifications. One is the ownership advantages of a firm, the second is the location advantage of the market and the third one is the internalization advantages of integrating transaction. (Erikson 2009, 52.)

Secondly, discussion regarding distribution network choices from the manufacturer to the end consumer. This will expatiate more the typical distribution a firm can choose to use after deciding on the modes of entry to its end customer.

### **5.1 Mode of entry**

Exporting is the only entry mode that allows the production of a commodity in the home country, therefore utilizing only low resource development. Also at the same time, the control and foreign market presence is also very low and opposing entry mode is acquisition or wholly-owned subsidiaries, which needs high resources development as well as offering high control and foreign market presence. Figure 7 explains further difference among the market entry modes.

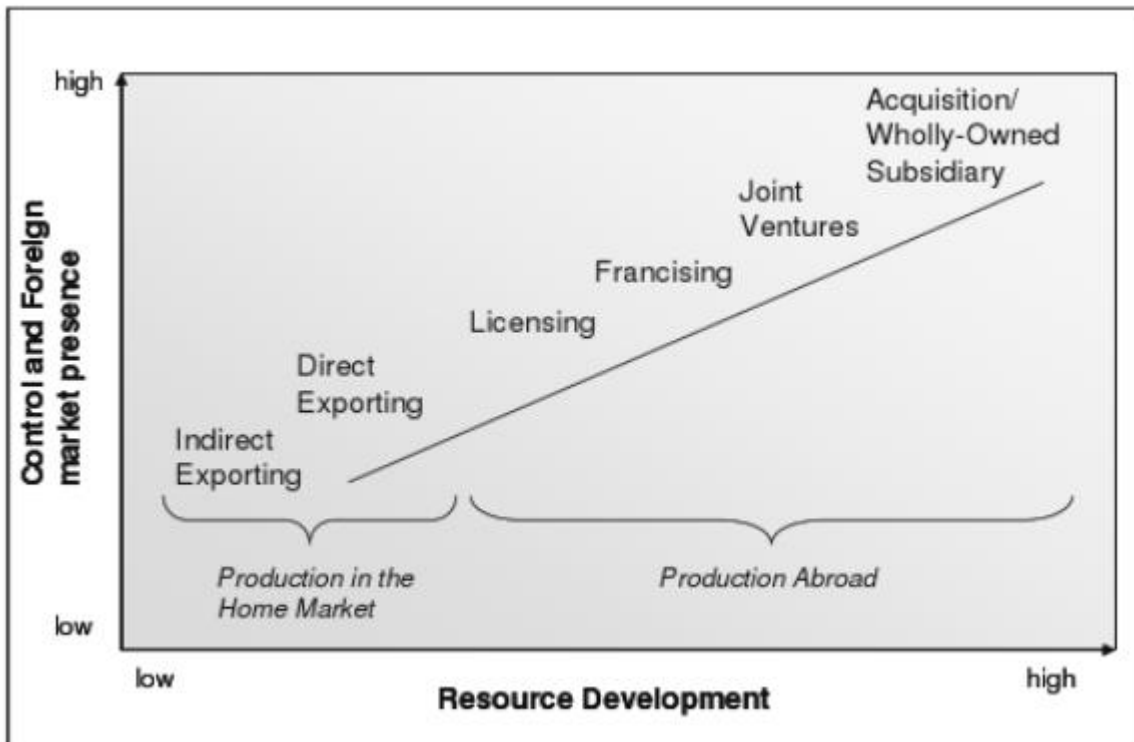


FIGURE 7. Market entry alternatives (adapted from Erikson 2009, 53)

### 5.1.1 Exporting

Exporting is the marketing and direct sale of domestically produced goods in a different country. Exporting is a conventional and established method of reaching foreign markets and it comes in two different forms namely direct exporting and indirect exporting. Direct exporting is used for a reasonably accessible market and product is directly promoted to the client through direct marketing and communication channels. However, indirect exporting is normally used to enter new markets, to sell a product a company enters into an agreement with a distributor, trading house or an agent. These middlemen provide support to sell the product in the target market. (Erikson 2009, 53.)

Table 4 shows the advantage and disadvantage that comes with using exporting. Since exporting does not require that the goods be produced in the target country, there is minimized risk and investment via the use of existing facilities and a fast speed of market entry. Nevertheless, trade barriers and tariffs as well as transportation all add costs and the company disposes of only limited access to local information. (Erikson 2009, 53.)

TABLE 4. Advantage and Disadvantage of using Exporting mode (Modified from QuickMBA.COM 2010)

Mode	Conditions Favoring this Mode	Advantages	Disadvantages
<b>Exporting</b>	Limited sales potential in target country; little product adaptation required Distribution channels close to plants High target country production costs Liberal import policies High political risk	Minimizes risk and investment. Speed of entry Maximizes scale; uses existing facilities.	Trade barriers & tariffs add to costs. Transport costs Limits access to local information Company viewed as an outsider

### 5.1.2 Contractual mode

Contractual mode of market entry is an agreement between the companies situated in two different countries are long-term, nonequity associations. These include licensing, franchising and joint venture (Erikson 2009, 53.)

#### Licensing

Licensing permits a company in the target country to use the property of the licensor, such property can come in any of the following forms: trademarks, patents and production techniques (quickm-ba.com.) The company, the licensee, pays a royalty or a fee that permit it to use the intangible property, fees varies from 5% to 25% of the wholesale price. It is mostly used by manufacturers who want to enter foreign markets in which they do not have any expertise (Erikson 2009, 54.)

Furthermore, Table 5 shows the advantage and disadvantage that comes with using the licensing mode of market entry. Licensing has similar advantage as exporting, also including the benefits of delivery a high Return On Investment (ROI) in a comparatively short amount of time. However, there are also two disadvantage aspects that needs to be considered which are the licensee may become a competitor

and the lack of control over the use of assets and limited period of license validation that lead to problem for the licensor (Erikson, 2009, pg.54.)

TABLE 5. Advantage and disadvantage of using Licensing mode of market entry (modified from QuickMBA.com 2010)

<b>Licensing</b>	Import and investment barriers	Minimizes risk and investment.	Lack of control over use of assets.
	Legal protection possible in target environment.	Speed of entry	Licensee may become competitor.
	Low sales potential in target country.	Able to circumvent trade barriers	Knowledge spillovers
	Large cultural distance	High ROI	License period is limited
	Licensee lacks ability to become a competitor.		

## Franchising

European Franchise Federation (EFF) defined Franchising as “a mode of distributing goods or services based on a network or independent partners” (European Franchise Federation). A franchise agreement denotes the intangible and tangible goods the franchisee achieve an exclusive control over, as well as the extent to which the franchisee will be aided by the franchisor. Mostly, national or international advertising, training and other support services are made available by the franchisor in the franchise agreement.

## Joint venture

Joint venture is defined as when two or more parties enter a temporary partnership or conglomerate. The agreement involves both parties agreeing to share profit, loss and control as well as risks, it is usually formed when opening a new markets and for the developments of new technologies that would otherwise not be financially feasible. However, some cases might involve having government restriction on foreign ownership, but this can be overcome with a joint venture.

Furthermore, Table 6 shows the advantage and disadvantage that comes with using the joint venture market entry mode. The local company can provide skills, resources, distribution network and its brand name and in general, there will be a combination of resources of the two companies. Therefore, it leads to less investment as compared to exporting or licensing.

Nonetheless, there are also disadvantages of a joint venture, which come due to dilution of control. It is difficult to manage and despite the low cost of investment, it contains more risks than exporting or licensing. A situation when knowledge spills over the acclaim partner might become a competitor. (Erikson 2009, 54.)

TABLE 6. Advantage and disadvantage of joint venture mode of market entry (modified from QuickMBA.com 2010)

<b>Joint Ventures</b>	Import barriers	Overcomes ownership restrictions and cultural distance	Difficult to manage
	Large cultural distance		
	Assets cannot be fairly priced	Combines resources of 2 companies.	Dilution of control
	High sales potential	Potential for learning	Greater risk than exporting a & licensing
	Some political risk	Viewed as insider	Knowledge spillovers
	Government restrictions on foreign ownership	Less investment required	Partner may become a competitor.
	Local company can provide skills, resources, distribution network, brand name, etc.		

### 5.1.3 Foreign direct investment

Foreign direct investment (FDI) is defined “as the direct ownership of facilities in the target country” (quickmba.com). This entails the transfer of resources including capital, technology and personnel. Direct foreign investment can be made via the acquisition of an existing entity or creation of a new enterprise.

Direct ownership provides a high degree of control in their operations and ability to better know the consumers and competitive environment. Nevertheless, FDI requires a high level of resources and a high degree of commitment (quickmba.com.) Furthermore, it reduced the risks of knowledge spill over and the company can be viewed as an insider. Specialized skills can be initiated in a better way and political risk is kept low. However, FDI carries a higher risk than the other entry modes as it requires more resources and commitment by the management and local resources may be hard to manage.

## **5.2 Distribution network**

After various kinds of market entry modes have been identified and discussed, the next part of the research will be on the possible distribution network a firm could utilize. In considering distribution between any pair of stages, such as supplier to manufacturer serving its customers through distribution network, a number of options apply. Decisions regarding the designing of a distribution network are made of several key points. They are to consider whether the product should be delivered to the customer location or picked up from a pre-arranged site or should the product flow through intermediary. (Sunil & Peter 2016, 86)

The decision regarding the two questions is based on the firm's industry and six distinct distribution networks designed that may be used to move the product from factory to customer. Subsequent paragraph will highlight more on the design options for distribution network.

### **5.2.1 Manufacturer storage with direct shipping**

With this option, the product is shipped directly from the manufacturer to the end customer, avoiding the retailer (who takes the order and initiates the delivery request). The option is also regarded as drop shipping. The retailer carries no inventory, information flows from the customer, through the retailer, to the manufacturer, and product is shipped directly from manufacturer to customers.

Drop shipping as a huge advantage due to ability to centralize inventories at the manufacturer, which can aggregate demand across all retailers that it supplies. Therefore, the supply chain is able to provide a high level of product availability with lower levels of inventory.

However, drop shipping has a problem with regards to the ownership structure of the inventory at the manufacturer. If specified portions of inventory at the manufacturer are assigned to individual retailers, there is little benefit of aggregation even though the inventory is aggregated physically. Benefits of aggregation are attained only if the manufacturer can assign at least a portion of the available inventory across retailers on an as needed basis. (Sunnil & Peter 2016, 86-87.)

### **5.2.2 Manufacturer storage with direct shipping and in-transit merge**

In contrast to drop shipping, under which each product in the order is sent directly from its manufacturer to the end customer, In-transit merge joins pieces of the order coming from different locations so the customer gets a single delivery.

Peculiar to drop-shopping, the ability to aggregate inventories and postpone product customization is a significant merit of in-transit merge, it allows companies to hold all their inventories at the factory. The approach has more benefits for products with high value whose demand is difficult to forecast, mostly if product customization can be postponed. Notwithstanding an increase in coordination is required, in-transit merge decreases transportation cost relative to drop-shopping by aggregating the final delivery. (Sunnil & Peter 2016, 88-89.)

### **5.2.3 Distributor storage with carrier delivery**

In this option, inventory is held not by the manufacturer at the factories, but by retailers in intermediate warehouses, and package carriers are used to transport products from the intermediate location to the final customer. Compared to manufacturer storage, distributor storage needs a higher level of inventory because of a loss of aggregation, from the perspective of inventory distributor storage makes sense for product with moderately higher demand.

Postponement of product differentiation can be implemented with distributor storage in some instances, but it does require that the warehouse develop some assembly capability. However, distributor storage requires much less inventory than a retail network and the transportation cost is moderately lower as compare with those for manufacturer storage. Due to the possibility of using an economic mode of



transportation (truckloads) can be used for inbound shipments to the warehouse, which are closer to the customer.(Sunnil & Peter 2016, 90-91.)

#### **5.2.4 Distributor storage with last mile delivery**

Last mile delivery refers to the retailer delivering the product to the customer's home instead of using of package carrier. The local distribution center is in charge of delivering needed parts to a set of dealers and makes multiple deliveries each day. In contrast to package carrier delivery, last mile delivery requires the distributor warehouse to be much closer to the customer.

Due to the limited radius that can be served with last mile delivery, more warehouses are needed compared to when package delivery is used. It requires high levels of inventory than the other options excluding retail stores because it has a lower level of aggregation. Analyzing from inventory perspectives, storage with last-mile delivery is best fits for moderately fast-moving items that are needed quickly and for which some of the level of aggregation is beneficial.

As compared to other distribution network, transportation costs are highest for last-mile delivery, mostly when delivering to individuals. The high cost of transport is due to package carrier's aggregate delivery across many retailers and is able to get better economic of scale than are available to a retailer intending last-mile delivery (Sunnil & Peter 2016, 92-93.)

#### **5.2.5 Distributor storage with customer pickup**

In respect to this option, inventory is stored at the manufacturer or distributor warehouse, but customers place their orders online or on the phone and then travel to designated pickup points to collect their merchandise. Inventory cost making use of this option can be kept low, with either manufacturer or distributor storage to exploit aggregation.

Transportation cost is lower than for any solution using package carriers because significant aggregation is possible when delivery orders to the pickup site, it allows the use of truckload or less than truckload carriers to transport orders to the pickup site.

However, facility cost are high if new pickup site have to build and a solution of using existing sites can lower the additional facility costs (Sunnil & Peter 2016, 94-95.)

### **5.2.6 Retail storage with customer pick up**

In respect to this option, it is often seen as the most conventional type of supply chain, inventory is stored locally at retail stores. Customers walk into the retail store or place an order online or by phone and pick it up at the retail store.

Local storage increases inventory costs due to lack of aggregation, for fast-to very-fast-moving items. Nevertheless, there is marginal increase in inventory, even with local storage. Transportation cost is much lower than with other options due to inexpensive modes of transport that can be used to replenish product at the retail store.

Facility costs are high because many local facilities are required and a minimal information infrastructure is required if customers walk into the store and place orders. Good response times can be achieved with this system as a result of local storage (Sunnil & Peter 2016, 97.)

## 6 DISCUSSION AND CONCLUSION

The last chapter of this research is divided into two parts, firstly focus will be laid on suggested recommendations to a Finnish company on how to enter the Nigeria market with ideas on analysis from each of the previous chapter of the research. Secondly, the conclusion will be indicated with a view of what the research intends to handle and the level it has been able to achieve it.

### 6.1 Discussion

Nigeria is one of Africa's most attractive destinations for investors, besides from the diverse natural resources it is endowed with disposes of a huge human capital with trained and qualified professionals readily available at competitive costs in the employment markets. Investors will also be encouraged by the array of investment incentives they can utilize in the agricultural sector; it will not take for investors to discover that it is a market characterized with high return on investment. The robust support from reliable financial institutions and government agencies makes Nigeria's environment a choice to make. (Federal Republic of Nigeria 2016b.)

Investment carried out in Nigeria is protected based on the legal investment that provides solid assurance related to the protection of investment. Nigeria government provide guide against Nationalization or expropriation of an enterprise and the compulsory disposition of an investor of his/her capital of an enterprise whether fully or in partially. (Federal Republic of Nigeria 2016b.)

Another very important fact as regard to this research is the Bank of Agriculture owned by the federal government comprising of the Federal Ministry of Finance 60% and Central bank of Nigeria. This bank offers three loan schemes which are important for investors to know and they are;

- Small holder loan scheme: subsidized credit scheme for small farmers and enterprises
- Large scale or investment loan scheme: for medium and large scale farmers and enterprises: that requires a proper investment appraisal by the burrower
- On lending scheme: provision of wholesale credit to other on lending agents. (Federal Republic of Nigeria 2016b.)

The focus of the research was based on how a Finnish company can enter into the Nigeria market with focus on the agricultural sector. The research started in chapter 2 with analysis on the fact of the agricultural sector in Nigeria, through this analysis was done on the typical underutilization of the Nigeria agro industry. Focus was on agricultural potential about land, water, labor and the large internal market. An estimated projection of the population of 165 million currently is projected to grow to 470 million by 2050. This projection signifies that Nigeria is a big market for any company to invest in.

Chapter 2.1 of the research was to highlight the body in charge of agricultural activities in Nigeria, with focus on what are the policies put in place to encourage investors. Important aspect of the policy is the STAPLE CROP PROCESSING ZONES, this program has a policies of offering tax breaks for food processors in the crop processing zone and tax break on the import of agricultural processing equipment and this policy are quite good for investors as they can be easy to utilize to reduce the menace of tax in exporting their product.

Chapter 2.2 of the research was to highlight potential customers of Finnish machinery. This part of the research explains the owners of each firms and operation carried out in them. Through this a Finnish company that manufactures machinery can easily know its potential customer based in the zone they are located.

Part of chapter 2.2 was also to highlight Nigeria based on how it is divided, the research shows the regions in Nigeria and this is important because for a company to enter a new market it needs to understand the country based on how it is divided. Succeeding parts of the research in correlation of the previous part because this analyzes agricultural commodities that are peculiar to each zone in Nigeria. This will enable a Finnish firm to know which region to focus on when deciding target market based on the function of the machinery. Chapter 2.3 of the research focus on the typical form of business entity allowed in Nigeria, with detailed analysis on how it can be registered based on the entire required requirement.

Chapter 3 of the research was focused on analyzing the overall economic overview of Nigeria and background, the chapter started with a background analysis on the regional body Nigeria belongs to. This is important as it enables a company to know the kind of economic benefit it could garnered from investing in the country within its regional body. Chapter 3.1 provides information regarding the regional body, ECOWAS was highlighted with a look on the history and the economic roles it plays for its members.

The important aspect drawn out from this is the economic partnership the region has with the European Union. It is called the Economic Partnership Agreement which if fully signed, will enable firms from Europe to trade easily in West Africa market based on the summary of the agreement.

Chapter 3.2 of the research is detailed analysis on Nigeria, looking at the history, economic environment, political environment, macroeconomic data, social inequality and level of governance indicator. All the factors are necessary for a company to know before going into Nigeria Market, however, most the data analyzed shows that Nigeria is not currently performing well. An important note from the research is that in the microeconomic data, it could be seen that the agricultural sector is the second composition of the entire GDP with a percentage of 20.9%, which shows that agriculture is vital in Nigeria.

Another vital part is the level of governance indicators and corruption, Nigeria, in relation to the World Bank analysis of six parameters, Nigeria performed better in voice and accountability and performed below its regional body in all other part as shown in Figure 3. Nigeria is undergoing reformation due to its new government the long-term outlook is positive.

Chapter 4 of the thesis focus on the part relating to Finnish companies, the focus on this part was based on three Finnish companies who operate globally and has a product portfolio of agricultural machinery. The companies were chosen as a case study because all three machineries complement the agricultural project going on in Nigeria and they all operate already in Africa.

However, due to lack of detailed information regarding the finance of the company, assumption was done based on the researcher's experience regarding placing each product in the Portfolio. The three products of each company were classified based on their properties of usage with respect to Nigeria market. A firm that plans to go into a foreign markets needs to know that a lot of risks comes with going international.

Since the focus of the research is based on a Finnish company, risks managing body for firms going international was highlighted so that typical Finnish companies can know the kind of risks guarantee they could get by going International. The typical operation of the body was discussed and the type of risks guarantee they grant to companies and even their buyers is discussed. This part of the research is really sensitive, as analysis are carried out how risky a particular intended country his, however in this case Nigeria was classified as a high risks country as shown in Table 3.

The last part of this chapter focuses on the framework for strategic formulation in Nigeria, with focus on time it takes to start a business in Nigeria, hiring a foreign worker and obtaining a credit. These three formulations are necessary for a firm that intends to enter into the Nigeria as with this they could decide which kind of entry mode to use.

As shown in chapter 4.3.1, starting a business takes 25.2 days and Nigeria is ranked as 169 among 190 countries on the ease of doing business very high as compare to its neighbors. With that value, it means doing business in Nigeria at the moment is quite difficult but there is tendency for change in it as said earlier many reformations are taken place. Hiring a foreign worker in Nigeria is not much of a problem, as it goes with conventional requirement of expatriate visa known as quota. Obtaining credit is quite good with ranking place in 44 among 190 countries; however, among the best economy practice country it is quite high.

Chapter 5 of the research focus on the possible strategy mode of entry as distribution network, with analysis discussed on different entry modes and distribution networks. General recommendation based on summary of all the chapters is that Nigeria is a large market, agriculture is a booming sector with less of utilization and renewed focus by the government due to fall in oil price.

A Finnish company can utilize the market at the starting point by utilizing the exporting mode of entry due to the free importing tax of agricultural equipment into Nigeria for short-term plan. While in the long run a partnership in form of a joint venture can be used so as to be viewed as an insider so as to boost the trust for their product.

In the short-term plan, when the firm is using exporting the best distribution network will be to use the manufacturer storage with direct shipping since there is less need for storage inventory as agricultural machinery last long in the hands of the users. But for the long run when joint venture is used distributor storage with carrier delivery since there will be less need for the manufacturer to held inventories in their factories.

## **6.2 Conclusion**

Investing in Nigeria is a gateway for the West Africa market penetration for any company, due to huge impact the economy of Nigeria has on the region and Nigeria itself is large market where any investor will surely make profit. Investment in Nigeria might not be so beneficial now but it has the tendency of being in the long run for investors, the research has created an opportunity framework document that any Finnish company specializing in machinery can benefit from and any Finnish company can also utilize it for their benefit.

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CAC FORM 2.

**CORPORATE AFFAIRS COMMISSION**

FORM CAC 2

**STATEMENT OF SHARE CAPITAL AND RETURN OF ALLOTMENT**  
*Pursuant to Section 35 & 129*

Company Number

Company Name

**A. STATEMENT OF SHARE CAPITAL**

THE NOMINAL SHARE CAPITAL OF THE ABOVE NAMED COMPANY IS:

<input type="text"/>	<b>N</b>	<input type="text"/>
----------------------	----------	----------------------

AMOUNT IN WORDS

DIVIDED INTO

OF N

EACH

**B. RETURN OF ALLOTMENT OF SHARES**

Number of shares allotted payable in cash:

Nominal amount of shares so allotted:

Amount paid or due and payable on each share:

Number of shares allotted for consideration other than:

Amount to be treated as paid on each such share:

The consideration for which such shares have been allotted is as follows:

Dated this

day of

200



---

**Signature of Director**


---

**Name of Director & Tel. No.**

NAME AND ADDRESS OF SHAREHOLDERS				No. of Shares Allotted	Type of Shares
Name:					
Address:					
City		State			
P.O. Box		Email			
Name:					
Address:					
City		State			
P.O. Box		Email			
Name:					
Address:					
City		State			
P.O. Box		Email			

\_\_\_\_\_  
Signature of Director

\_\_\_\_\_  
Name of Director & Tel. No.

**Presented for filing by:**

Name: \_\_\_\_\_ Accreditation Number: \_\_\_\_\_

Address: \_\_\_\_\_

Tel. No. & E-mail: \_\_\_\_\_ Signature & Date: \_\_\_\_\_

## CAC FORMb 7.

# CORPORATE AFFAIRS COMMISSION



FORM CAC 7

## PARTICULARS OF PERSONS WHO ARE FIRST DIRECTORS OF THE COMPANY *Pursuant to Section 35*

Company Number

Company Name

### PARTICULARS OF DIRECTORS

1.

Surname:							
Other Names:				Age			
Nationality							
Residential Address							
		City:		State:			
P. O. Box		E-mail		Tel. No.			

**I consent to be a director of the above named company**

Signature \_\_\_\_\_

Date \_\_\_\_\_

2.

Surname:							
Other Names:				Age			
Nationality							
Residential Address							
		City:		State:			
P. O. Box		E-mail		Tel. No.			

**I consent to be a director of the above named company**

Signature \_\_\_\_\_

Date \_\_\_\_\_

3.

Surname:							
Other Names:				Age			
Nationality							
Residential Address							
		City:		State:			
P. O. Box		E-mail		Tel. No.			

**I consent to be a director of the above named company**

Signature \_\_\_\_\_

Date \_\_\_\_\_

4.

Surname:			
Other Names:			Age
Nationality			
Residential Address			
City:		State:	
P. O. Box	E-mail	Tel. No.	

**I consent to be a director of the above named company**

Signature \_\_\_\_\_

Date \_\_\_\_\_

5.

Surname:			
Other Names:			Age
Nationality			
Residential Address			
City:		State:	
P. O. Box	E-mail	Tel. No.	

**I consent to be a director of the above named company**

Signature \_\_\_\_\_

Date \_\_\_\_\_

6.

Surname:			
Other Names:			Age
Nationality			
Residential Address			
City:		State:	
P. O. Box	E-mail	Tel. No.	

**I consent to be a director of the above named company**

Signature \_\_\_\_\_

Date \_\_\_\_\_

7.

Surname:			
Other Names:			Age
Nationality			
Residential Address			
City:		State:	
P. O. Box	E-mail	Tel. No.	

**I consent to be a director of the above named company**

Signature \_\_\_\_\_

Date \_\_\_\_\_

**Note:**

- Directors include any person who occupies the position of a director by whatsoever name called. A body corporate should be represented by a natural person. This should be indicated. The name of the body corporate should be written in the space provided for surname while the name of the natural person should be written in the space provided for other names. The nationality, residential address and signature of the natural person should be provided in the respective spaces provided.
- If there is insufficient space on the form to provide any information required, please attach a separate sheet containing the information set out in the prescribed form

**Presented for filing by:**

Name: \_\_\_\_\_ Accreditation Number: \_\_\_\_\_

Address: \_\_\_\_\_

Tel. No. & E-mail: \_\_\_\_\_ Signature & Date: \_\_\_\_\_

## CAC FORM 3

## CORPORATE AFFAIRS COMMISSION



FORM CAC 3

## NOTICE OF SITUATION/CHANGE OF REGISTERED ADDRESS

*Pursuant to Sections 35 & 630*

Company Number

Company Name

**Section A**

The registered office of the above named company is situate at:

Number/Street Name	<input type="text"/>		
		P. O. Box	<input type="text"/>
City		State	<input type="text"/>

**Section B** (For change in Registered Office Address only)

The registered office of the above named company is now changed to:

Number/Street Name	<input type="text"/>		
		P. O. Box	<input type="text"/>
City		State	<input type="text"/>

\_\_\_\_\_  
**Signature of Director**\_\_\_\_\_  
**Signature of Secretary**\_\_\_\_\_  
**Name of Director & Tel. No.**\_\_\_\_\_  
**Name of Secretary & Tel. No.****Note:**

Where no house/plot number or street name, address must be described in sufficient Details for easy location

**Presented for filing by:**

Name: \_\_\_\_\_ Accreditation Number: \_\_\_\_\_

Address: \_\_\_\_\_

Tel. No. &amp; E-mail: \_\_\_\_\_ Signature &amp; Date: \_\_\_\_\_

## CAC FORM 4.

# CORPORATE AFFAIRS COMMISSION



FORM CAC 4

## DECLARATION OF COMPLIANCE WITH THE REQUIREMENTS OF CAMA

*Pursuant to Sections 35*

Company Number

I,

Name				
Address				
	City		State	
Telephone No.		Accreditation Number		

the Solicitor engaged in the formation of

**Do solemnly declare that all the requirements of the Companies and Allied Matters Act, 1990 in respect of matters precedent to the registration of the said company and incidental thereto have been complied with; and that I have taken reasonable steps to verify the information provided for the registration of the said company to be true and correct.**

**I make this solemn declaration conscientiously believing same to be true and in accordance with the provisions of the Oath Act.**

\_\_\_\_\_  
Deponent

DECLARED AT

THIS

DAY OF

20

Before me

\_\_\_\_\_  
Commissioner of Oaths/Notary Public



TECHNICAL SPECIFICATIONS	S 300
<b>Coulters</b>	
Soil preparation Coulters type Depth control Coulters durability Coulters pressure range Coulters pressure adjustment Pressure element Seed coulters, pcs Row spacing, seed Fertilizer placement S-tine fertilizer coulters Fertilizer disc coulters Fertilizer double disc coulters	Minimum or conventional tillage Single disc Wedge shaper coulters Good 5-30 kg Mechanical central adjustment Tension spring 24 12.5 cm Fertilizer coulters/seed coulters Option Option Option
<b>Hopper</b>	
Options Partition wall Sieves for fertilizer Sieves for seed Tarpaulin cover Metering device, fertilizer Metering device, seed Small seed box	Eco 2700 l/Plus 4200 l/Seed 2700l Adjustable (no wall in Seed version) Standard (not in Seed) Option Manual rolling/spring operated (Plus) Rifle feed, gearbox adjustment 2 studed wheels, gearbox adjustment Option
<b>Packer wheels</b>	
Tyre options Brakes	7.5 - 16/7.5 - 20 Option for 7.5-20
<b>Control unit</b>	
Options Tramlines for fertilizer Tramlines for seed Fertilizer remote control Seed remote control Precision farming solution	Classic/G-wizard/ISOBUS Option Option Option Option Option
<b>Options</b>	
Track marker, hydraulic Front packer, small Front packer, big 1-row leveler 2-row leveler 2-row s-tines Disc cultivator Calibration kit	Option Option Option Option - - - Standard
<b>Dimensions</b>	
Working width, cm Transport width, cm Transport height, cm Working height, cm Length, cm Weight, kg Power demand, kWh	300 300 225 185 520 2500 55-95 kW

## TECHNICATION INFORMATION OF AVANT 640

AVANT 630

AVANT 635

AVANT 640

NEW

## SPECIFICATIONS - AVANT 640



LIFT CAPACITY

**1100**

kg



ENGINE POWER

**37,5**

hp diesel



LIFT HEIGHT

**2,8**

m



SPEED

**22**

km/h

## SPECIFICATIONS

Length	2550 mm
Width	see table
Height	2035 mm
Weight	1420 + 170 kg
Standard wheels	26x12.00-12" Grass/TR
Transmission, drive	hydrostatic
Pulling force	1400 kp
Drive speed	11/22 km/h (2 speed)
Aux. hydraulics oil flow / pressure	66 l/min 200 bar
Turning radius inside/outside	900 / 2190 mm
Max. lifting height	2835 mm
Tipping load *	1000 kg
Max. breakout force / 50 cm	1250 kg
Engine make and type	Kubota V1505
Engine output (ISO Gross)	28 kW (37,5 hp)
Fuel	Diesel

\*) Load is measured at 400 mm from the attachment coupling plate, including attachment weight (70 kg) and with counterweights.

## WIDTH

Wheel size	Profile	Width
27 x 8.50 - 15 *)	tractor	1030 mm
23 x 10.50 - 12	tractor or grass	1130 mm
26 x 12.00 - 12	tractor or grass	1290 mm
320/60 - 12 HD	tractor	1290 mm
*) machine height increases by 13 mm		

## HEIGHT WITH CAB

Wheel size	23 x 10.50 - 12	26" wheels & 320/60-12	27 x 8.50 - 15
L Cab	2020 mm	2035 mm	2048 mm
LX Cab	2010 mm	2025 mm	2038 mm
DLX Cab	2030 mm	2045 mm	2058 mm
DLX with A/C on the roof	2166 mm	2181 mm	2194 mm

**TECHNICAL INFORMATION OF COMIA C10**

- 6-cylinder 238 hv Agco Power Tier 4 Final engine
- 5,10 metre cutting table
- Premium Plus cab
- Air conditioning
- ComVision threshing monitor
- Threshing cylinder with 8 rasp bars
- 6500 litre grain tank
- 6 four-step straw walkers
- CSP separation drum
- straw chopper 3900 rpm
- 650/65R38
- 480/65R24

<http://www.sampo-rosenlew.fi/en/products/combine-harvesters/comia-c10---c12/com.html>

**THE STEPS INVOLVED FOR OPENING A BUSINESS IN NIGERIA.**

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Reserve a unique company name</b></p> <p>The Corporate Affairs Commission (CAC) online system was launched on February 2nd, 2015. This platform enables online unique name reservation as well as enabling filing the incorporation forms for the entire registration process.</p> <p>Applicants can go to the CAC branch office in Lagos (either in Yaba or Alausa) to complete this procedure with the CAC accredited professionals, where the business founders submit Form CAC 1: Availability Check and Reservation of Name. Alternatively, they can complete the process online at: <a href="http://services.cac.gov.ng/">http://services.cac.gov.ng/</a>.</p> <p><i>Agency: Corporate Affairs Commission</i></p>	2 days	NGN 500 application form
2	<p><b>Prepare the requisite incorporation documents and pay the stamp duty</b></p> <p>To prepare the requisite incorporation documents, the business founders must complete the statutory forms, prepare and print the memorandum and articles of association, and have them stamped by the Federal Inland Revenue Service (FIRS).</p> <p>The stamp duty payable on share capital (ad valorem) is 0.75% and NGN 500 for each additional copy of Memorandum and Articles of Association stamped.</p> <p><i>Agency: Federal Inland Revenue Service</i></p>	7 days	0.75% stamp duty paid on share capital + NGN 500 for each additional copy of Memorandum and Articles of Association stamped (2 copies)

No.	Procedure	Time to complete	Cost to complete
3	<p><b>Sign the declaration of compliance (Form CAC 4) before a Commissioner for Oaths or a Notary Public</b></p> <p>The declaration by the barrister or solicitor engaged in the formation of the company may be sworn to before a Notary Public for a fee of NGN 4,000 - NGN 5,000 or at any of the recognized courts in the country (Magistrate Court, the State High Court, or the Federal High Court) before a Commissioner for Oaths for a small fee of NGN 500 usually chargeable by the respective courts.</p> <p><i>Agency: Notary Public</i></p>	1 day	NGN 500 at the court or NGN 4,000 - NGN 5,000 with a Notary Public
4	<p><b>Register the company and pay fees</b></p> <p>To register the company with the Corporate Affairs Commission (CAC), the following incorporation documents are submitted:</p> <ul style="list-style-type: none"> <li>• Form CAC 1: Availability Check and Reservation of Name.</li> <li>• Memorandum and articles of association, stamped by the commissioner for stamp duties (2 copies).</li> <li>• Form CAC 3: Notice of registered address.</li> <li>• Form CAC 4: Declaration of compliance.</li> <li>• Form CAC 7: Particulars of directors.</li> <li>• Form CAC 2: Statement of share capital and return of allotment of shares.</li> <li>• Form CAC 2.1: Particulars of the company secretary.</li> </ul> <p>Incorporation fees are:</p> <ul style="list-style-type: none"> <li>• Incorporation fees for a company whose share capital exceeds NGN 1,000,000.00 are NGN 10,000.00 for the first NGN 1,000,000.00 and NGN 5,000.00 for every additional NGN 1,000,000.00 or any part thereof.</li> <li>• NGN 500 incorporation forms.</li> <li>• NGN 3,000 for certified true copy of memorandum and articles of association.</li> <li>• NGN 2,000 for certified true copy of particulars of directors.</li> <li>• NGN 2,000 for certified true copy of particulars of shareholders.</li> <li>• NGN 2,000 for certified true copy of particulars of the company secretary.</li> </ul> <p>The payment of registration fees can be made at the bank desk at the CAC. The payment of statutory filing fees can now be processed online through Remita, an electronic payment platform. Upon making relevant payments online, the applicant is still required to verify these payments at the CAC in person.</p> <p><i>Agency: Corporate Affairs Commission</i></p>	10 days	see procedure details

No.	Procedure	Time to complete	Cost to complete
5	<p><b>Make a company seal</b></p> <p>Section 74 of the Companies and Allied Matters Act (CAMA) requires every company to have a common seal.</p> <p><i>Agency: Sealmaker</i></p>	1 day	NGN 4,000 - NGN 6,000
6	<p><b>Register for income tax and VAT</b></p> <p>The Federal Inland Revenue Service (FIRS) requires the applicant to complete tax registration forms for corporate income tax registration as well as VAT.</p> <p>The registration process requires submitting a completed tax office-issued application (taxpayer registration input form, TRIF/2006/001 COYS) and the following documents:</p> <ul style="list-style-type: none"> <li>• Completed FIRS questionnaire.</li> <li>• Memorandum and articles of association (copy).</li> <li>• Certificate of incorporation (copy).</li> <li>• Directors' names and addresses.</li> <li>• Tax advisor's name and address.</li> <li>• Letter of appointment of a tax adviser and corresponding letter of acceptance.</li> <li>• The date the company commenced business;</li> <li>• Names, addresses and mobile numbers of major promoters and the chairman of the company, including their email addresses;</li> <li>• Other sources of income of the chairman and the promoters of the company;</li> <li>• Name and addresses of the principal officers of the company including the chairman, managing director, legal adviser and accountant;</li> </ul> <p>To register, the company must submit the taxpayer registration input form in duplicate, and the original certificate of incorporation must be presented for review by the controller. Upon the completed taxpayer registration input form and all other documents being received, a tax reference number is allocated.</p> <p><i>Agency: Federal Inland Revenue Service</i></p>	1 day	no charge
* 7	<p><b>Register for personal income tax PAYE at the State Tax Office</b></p> <p>All employers shall register with the relevant state tax authority for income tax withholding.</p>	2 days (simultaneous with previous procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>The PAYE Regulations of 2003 made pursuant to the Personal Income Tax Act provides that all employers are to register with the Lagos State Board of Internal Revenue Tax Office nearest to the registered company address for the purpose of remitting income tax deducted from their employees. The employer must within 6 months of commencing a business deduct tax from emoluments of employees and remit the amount deducted to any of the designated collecting banks.</p> <p>The registration requirements are as follows:</p> <ol style="list-style-type: none"> <li>1. A copy of certificate of incorporation.</li> <li>2. List of staff and their annual salaries.</li> <li>3. Letter of application for registration.</li> <li>4. Corporate income tax and VAT tax reference number.</li> </ol> <p>Upon completion of registration, an Employer's Identification Number will be issued.</p> <p>An employer who fails or refuses to register commits an offence and is liable on conviction to pay a NGN 25,000 fine in addition to the payment of arrears of the tax due.</p> <p><i>Agency: State Tax Office</i></p>		
* 8	<p><b>Register business premises with the Lagos State Government and pay the business premises levy</b></p> <p>To register the company premises with the Lagos State Government, the entrepreneur heads to any nationalized commercial bank with some evidence of the business premises (utility bills, etc.) and pays the business premise levy to the account of the Lagos Inland Revenue Services (LIRS). The bank then issues a receipt bearing the Lagos State Government logo.</p> <p>Business premises in an urban area of Nigeria are required to be registered on the payment of a NGN 10,000 registration fee in the first year of registration (NGN 5,000 per annum as renewal registration fees in the subsequent years).</p> <p>For rural areas, the business premises registration fees is NGN 2,000 for the first year of registration (NGN 1,000 per annum as registration renewal fees for the subsequently years).</p> <p><i>Agency: Bank</i></p>	1 day (simultaneous with previous procedure)	NGN 10,000

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Procedures in light blue are for married women only.

<http://www.doingbusiness.org/~media/wbg/doingbusiness/documents/profiles/country/nga.pdf>