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Foreign Direct Investment Environment in Nigeria: A survey of the Mobile Telecommunication Companies.



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TURUN AMMATTIKORKEAKOULU THESIS

This Thesis will be highlighting the Investment environment in Nigeria and how the oil industry has dominated FDI inflows to Nigeria since the 1970s and as a result investment in the non-oil sectors has been very low until the past few decades.

The problem statement is that although there have been recent improvements in the political regime and investment policies and reforms; the business environment in Nigeria in the light of foreign investors is still a far cry behind in the improvement of its competitiveness compared to western countries and emerging economies.

The Thesis reveals another lucrative industrial sector in the Nigerian economies which is the Mobile Telecommunications industries having a very high accelerated growth in the region and as well reveals the potential investment opportunities and a way to stimulate and maintain sustainable growth in this sector.

The paper makes some recommendations based on its findings in areas and sectors that needed critical attention especially in implementing reforms that welcomes investors and as well creating enabling environment to enhance optimum use of its natural resources and stimulate the domestic economy besides excessive dependency on oil revenue.

KEYWORDS: Foreign Direct Investment; Mobile Telecommunication Companies, Investors, Government; Environment, Natural resources.

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List of Abbreviations

NEPZA	: Nigerian Export Processing Zone Authority
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Product
OECD	: Organization for Economic Cooperation and Development
SMEs	: Small and Medium Size Enterprises
TNC	: Transnational Corporation
GON	: Government of Nigeria
UNCTAD	: United Nations Conference on Trade and Development
WTO	: World Trade Organization
TNCs	: Transnational Corporations
SSA	: Sub Saharan Africa
NEEDS	: National Economic Empowerment and Development Strategy
EFCC	: Economic and Financial Crime Commission
NIPC	: National Investment Promotion Commission
BPE	: Bureau of Public Enterprises
CBN	: Central Bank of Nigeria
SOEs	: State-Owned Enterprises
NCC	: Nigerian Communication Commission
NITEL	: Nigerian Telecommunications
NLC	: Nigerian Labour Congress
UNCITRAL	: United Nations Commission on International Trade Law
CET	: Common External Tariff
NEPA	: National Electric Power Authority
NOTAP	: National Office of Technology Acquisition and Promotion
FTZ	: Free Trades Zones
IPP	: Independent Power Producers
MNE	: Multinational Enterprise
WDAS	: Wholesale Dutch Auction System
M&A	: Mergers & Acquisitions
NSE	: Nigerian Stock Exchange

1.0 Introduction

The population of Nigeria is estimated to be about 150 million. This implies that it has the potential and a huge opportunity to providing a cheap labor to investors seeking low cost business environment. Moreover, its soil is rich in natural resources like Oil, and rare earth metals to mention a few and a potential market for investors coming to do business in this region.

Although there are substantial evidences to attract foreign investors into the Nigerian economy, there are also counter forces discouraging investors from coming in as well. These counter forces include issues like the poor investment reforms, poor basic and high tech infrastructures, down to corruption and ethnic violence in different regions of the country.

The idea behind this research is to give the readers a clear understanding of the foreign direct investment environment in Nigeria and to examine whether the incentive reforms for investors as well as the productive pools of resources could just be sufficient enough to attract investors into the Nigerian business environment.

The significance of the research is that, it will creates a perspective for readers and investors, looking at the foreign direct investment environment in the Nigerian economy and as well cross examines the findings with existing theories considering some of the key FDI indicators and reforms undertaken to attract investors in the light of modern globalization.

To streamline and narrow down the context of the research; attention will be focused on a selected Mobile Telecommunication Industries currently operating in Nigeria. With this purpose in view, the FDI environment as well as the incentive reforms will be evaluated, interpolated and juxtaposed in line with the online survey to substantiate findings as well as recommendations on what could be done to improve the investment environment.

1.1 Proposed Thesis Topic:

- Foreign Direct Investment Environment in Nigeria- A Survey of the Nigerian Mobile Telecommunication companies.

1.2 Research Questions:

- Is the FDI Environment in Nigeria considering the Incentive reforms for Investors and the productive pool of resources sufficient to stimulate the Nigerian economic growth?
- What would you recommend to enhance the investment climate in Nigeria?

1.3 The research relevance

Some of the relevancies of this research are that, it would provide a useful insight into the foreign investment environment in Nigeria thereby serving as a term of reference when making policy that would improve the investment environment. Also the findings could contribute to future academic research with regards to FDI in Nigeria and as well as a term of reference to further researchers on this topic.

1.4 How the research is arranged

The research is arranged in a way that, the 1st chapter explains the introduction, the research questions, the relevance of the research and how the research is patterned and arranged. The second chapter talks about earlier studies and secondary information on the foreign direct investment in general and the investment trends in Nigeria as well as the specific mobile telecommunication sector in Nigeria. In the 3rd chapter, I will be discussing the research methodology; while in the fourth chapter I will be talking about the data analysis and the results from the quantitative online survey. Finally in the last chapter, I will make conclusions about my findings, discussions, as well as recommendation and the path for future research.

2.1 Literature Review and Definition of Terms

This chapter presents the literature review on pasts and recent studies on Foreign Direct Investment. The main and primary purpose is to determine how FDI impacts on a country's economic growth. It shows what previous researchers have discovered in this area and on this topic. Also, I will summarize what the earlier studies say regarding FDI theories and their implications on economic growth at the end of the review.

2.2 Operational Definitions

According to Econterms (2011), "Foreign Direct Investment (FDI) has been defined as a part of a country's national financial accounts. It represents investment of foreign assets into domestic structures, equipment, and organizations" (www.economics.about.com, 2011 [4.3.2011, 13:28]).

According to Drucker (1997), "Transnational Corporation (TNC) has been defined as corporations that differ from a traditional MNC in that they do not identify themselves with one national home. Whilst traditional MNCs are national companies with foreign subsidiaries" (www.docs.google.com, 2011, [30.05.2011, 11.25]).

According to Oxford press (2009), "TNCs has been defined as corporations that spread out their operations in many countries sustaining high levels of local responsiveness" (www.oup.com/uk, 2011, [30.05.2011, 10.32]). Also according to Schemerhorn (2009) "an example of a TNC is Nestlé who employ senior executives from many countries and try to make decisions from a global perspective rather than from one centralized headquarters" (www.books.google.co.uk, 2011, [30.05.2011, 10.30]).

2.3 FDI Theories

According to Jones et. al (2006), "the theory of FDI started to evolve in the 1960s, on the attempt of Hymer's work trying to give the studies of Foreign Direct Investment a unique position and his resultant findings on the international operations of national firms are now one of the corner stones theories of foreign direct investment" (Jones et. al 2006, p42). According to Helled (2011) "Hymer's theory on FDI was centered on micro economics aspect because he concentrated on overseas manufacturing of firms rather on international trade" (Helled, 2011, p 5).

Also according to Jones et. al (2006) in the same book cited "Caves (1982) adapted Hymer's theory of entry barriers and firm specific assets and embedded them into the transaction costs and

the internationalization theories which explains the all the costs involved in transacting businesses across national boundaries” (Jones et. al 2006, p32).

According to Moosa (2002, p23), “the theories of FDI were simply categorized as theories that concern perfect markets; imperfect markets; other theories and those based on the other variables”. The author also stated that “factors determining foreign direct investment could also be divided into macro (aggregate demand) & micro (price, demand and supply) factors”. He concluded that the most revealing reason why foreign direct investments take place across borders is because of profit making (Moosa, 2002, p23).

According to the website of the institute of working futures (2011), “the Market Imperfections theory of FDI suggests that foreign direct investment is an alternative option to exporting if the hurdles to a firm exporting its products and services abroad are too costly to make profit. Some of these hurdles include tariffs, voluntary export restraints and quotas; thus most firms will rather choose to embark on licensing and FDI activities rather than just exporting” (www.marcbowles.com, 2011, [27.05.2011. 13.06]); while according to the website of United States Agency for International Development Bureau for Africa, “the Perfect Market theory of FDI stems from perfect market theory of free trade that uses market equilibrium tools” (www.usaid.org, 1998, p8).

According to Findlay (1978) cited by Anura (2006, p25), argues that “FDI activities accelerates the degree of industrial activities in the host countries because it results into the technology transfer activities and as well diffuse hidden knowledge that was available in the parent country to the host country” (Anura, 2006, p25). This could simply be interpreted to mean that FDI has a positive impact on economic growth of the host countries.

Also, according Hanson (2001) cited by Anura (2006b, p25) “puts to doubt the fact that FDI activities would lead to favorable outcomes toward host countries economic growth and conclude that the end effects are too insignificant and weak on the side of the host country” and as well cited Gorg and Greenwood (2002) to conclude that “the after effects of FDI to host countries are usually unfavorable” (Anura, 2006b, p25). This also implies that FDI activities do not usually yield positive results on the economic growth of host countries.

According to Blomstermo et al (2003, p36-53 & Edgar 2003, p261) cited by Wikipedia (2011), “the Uppsala Model or theory of FDI is a theory that describes how multinational companies and firms gradually accelerate their business activities by first gaining experience from the domestic market before they move to foreign market”. This means that they start their foreign operations from

neighbors that have similar cultural clusters and understanding as well as in same geographical locations before they eventually spread their activities to more further countries abroad (www.wikipedia.org, 2011 [27.05.2011, 13:31]).

It implies also that the quest for FDI activities by these firms stimulate more knowledge for the companies and investors wanting to seek international markets for their corporate activities. Thus it has a positive effect on economic growth because as a firm acquires more knowledge about the neighboring market opportunities and cultures of other countries, that extra knowledge stimulates innovative activities and thus saves cost in the long run and hence more profit and growth.

Moreover, Jones et. al (2006, p36) concluded the review of FDI theories by saying that, “the recent studies and theories of FDI are now explaining and giving answers to ‘why’ FDI occurs as well as to ‘where’ it will occur and their impact on economic growth”. The author cited the Dunning eclectic approach “in which a firm will only invest in an investment environment that would fulfill and satisfies the three FDI criteria of O (Ownership); L (Locational) and I (Internationalization) factors” (Jones et. al 2006, p36).

Table 1: Summary of the Eclectic theory criteria of FDI

Ownership Advantages	Locational Advantages	Internationalization Advantage
<ul style="list-style-type: none"> ▪ Size of the firm ▪ Technology and trademarks ▪ Management systems ▪ Access to spare capacity ▪ Economies of scale ▪ Access to market & Knowledge ▪ Risk diversification & opportunities 	<ul style="list-style-type: none"> ▪ Distribution of inputs & market ▪ Costs of labour, materials & transportation ▪ Government policies & intervention ▪ Commercial & legal Infrastructure ▪ Language, Culture & Customs 	<ul style="list-style-type: none"> ▪ Minimum research & monitoring cost ▪ Protection of product ▪ Avoidance of tariffs ▪ Price discrimination ▪ Avoidance of property right legal cost

Adapted from Jones et.al (2006), Original source: Dunning (1981).

According to Fischer (2000, p22) the table below summarizes the major foreign direct investment theories from 1960 till 1994.

Table 2: Summary of major FDI Theories, 1960-1994.

Theory	Authors	Unit of Analysis	Functional base/ Discipline	key Issues
<ul style="list-style-type: none"> ▪ TNCs and Market Imperfections 	Hymer (1960) & Kindleberger (1969).	American TNCs.	Economics and International Business.	Reasons for TNC competitiveness & Internationalization.
<ul style="list-style-type: none"> ▪ Oligopolies and FDI 	Krickerbocker (1973), Vernon (1974), Graham (1978).	American & European TNCs.	Economics and International Business.	Oligopolistic market structures and FDI strategies.

▪ Bargaining Power Theory	Gilpin (1975) Rothgeb (1989, 1991).	TNCs and Government.	Political Sciences	Government-TNCs interactions, Investment dependence and political conflict.
▪ Internationalization	Buckley and Casson (1976, 1981), Rugman (1985).	TNCs	International Business.	Transnational, vertical and horizontal integration.
▪ Flying geese	Kojima (1978), Ozawa (1995).	Japanese TNCs	International Economics.	Economic development through inbound FDI.
▪ Eclectic Paradigm	Dunning (1981)	TNCs in Industrialized countries.	International Economies.	Company and Country –specific determinants for FDI.
▪ Investment Development path.	Dunning (1981, 1986, 1993), & Narula (1994).	Industrialized and emerging economies.	International economies.	Classification of countries according to their net outward investment position.
▪ Competitive advantage of nations	Porter (1990).	TNCs in industrialized countries.	International business, Economics.	Competitiveness of countries and industries.
▪ International product cycle	Vernon (1996).	American TNCs	Economics, Marketing.	FDI and trade flows, impact of technology and product life cycle on International business development.

Source: (Fischer Paul, 2000, p22).

According to Miria Pigato (2001) in a recent publication on the emerging determinants of foreign direct investment activities, the paper noted and highlighted that “besides macro, natural resources, strong domestic markets and political factors” that were once considered to be the major determinants of foreign investment, other factors like: “a welcoming investment regimes, low transaction costs; sustainable investors networks; institutional support facilities and services, human capital as well as high tech infrastructures” are gaining the way to attracting investors than ever (Miria Pigato, 2001).

This implies that foreign investors are seeking Greenfield investment environment that reflects those indicators mentioned above to enhance their productivity. Thus any country and government policy maker that could implement a welcoming FDI regime and improves on its productive pool of resources stands the chance of attracting investment opportunities than those that do not.

Summary of the reviewed FDI theories and their implications

The theories above highlight findings that could offer investors and policy makers worldwide a convincing platform for increasing and improving on their investment reforms and stimulate their economic growth through FDI activities. This is because; they could provide a rational for investors and policy makers if they are sufficiently analyzed and the assumptions behind them are sufficiently implemented in line with the local business and investment environment while at same time enhancing on their national productive pool of resources especially in developing countries (Fischer, 2000b, p42).

Finally, it could be concluded that a welcoming FDI regime still remains fundamental and cornerstones to attracting investors especially for most developing countries like Nigeria. This is because modern investors are seeking those regions and locations that are viable and willing to enforce suitable competition laws, transparent rules for private and public businesses with sustainable incentive frameworks and productive pool of resources to stimulate their economic growth.

2.9 The Nigerian Foreign Direct Investment Environment

2.9.1 Definition of FDI in Nigeria.

“In the Federal Republic of Nigeria, foreign direct investment (FDI) is defined as investment undertaken by an enterprise that is either wholly or partly foreign-owned” (UNCTAD, 2008).

According to the Central Intelligence Agency, “the stock of foreign direct investment (FDI) in Nigeria (home) was estimated to be \$67.23 billion as of 31st December 2010 and \$61.23 billion as of 31st December 2009” (www.cia.gov, 2011).

2.9.2 Path of Investment reforms in Nigeria

According to the United Nation Conference on Trade and development (2009), the Nigerian indigenization reforms began in the year nineteen seventy two. The central idea was that overseas participation was limited to only about sixty percent involvement. This implies restricted foreign investors from fully investing in the Nigerian economy. Recently in Nineteen ninety five, the economy became more liberalized that allows foreign investors up to a hundred percent participation excepting a few sectors that include arms, drugs and the petroleum industries (UNCTAD, 2009, p4).

2.9.3 The Investment reforms in Nigeria

Until nineteen ninety five, the Nigeria economy has been closed to foreign investment in almost all business activities. In order to open up the economy to attract investors into the Nigerian economy, there have been reforms and policies over the past decades to stimulate the Nigerian investment environment.

According to the official website of Central Intelligence Agency (2010), the Government of Nigeria (GON) continues to solicit foreign direct investment and has implemented various reforms to attract it. Some of these reforms include improvement in “legal framework; the privatization and commercialization Act of 1999; the Telecommunication Act of 2001 to issue licenses to existing and prospective service providers; the conversion and transfer policies to enhance the foreign exchange market; efficient dispute settlement system; performance requirements and incentive framework” etc. Other areas where the Nigerian government is working tirelessly to stimulate the economy includes, the visa requirements and residence permits for expatriates; right to private ownership and Establishment; transparency of the regulatory system; business taxation; efficient capital market and portfolio investment; efficient banking systems; efficient free/foreign trade zones; corporate social responsibility, fighting corruption and availability of highly skilled labour just to mention a few (www.state.gov, 2010).

2.9.4. Foreign Direct Investment Trends in Nigeria

2.9.4.1 Size and Growth

According to UNCTAD (2009) the Foreign Direct Investment inflows to Nigeria is mainly concentrated in the oil sector and highly influenced by its price at the international market as well as the Nigerian national reforms and policies in this sector. It was noted that as of nineteen seventy, a year before Nigeria became a member of the Organization for the Petroleum Exporting Countries (OPEC), the foreign direct investment inflows was about \$205million. This figure by nineteen seventy five had risen to \$470million. Also, the investments inflows also responded proportionally in the same line with the attractive fiscal policies for private sector investors in oil and gas sectors that followed in nineteen eighty six (UNCTAD, 2009, p8).

2.9.4.2 Nigerian Privatization and FDI

According to UNCTAD report (2009) the Nigerian government has implemented two rounds of privatization policies since the 1980s. The first one was between nineteen sixty eight to nineteen ninety three and the second round came into force when Nigerian returned to civilian rule in nineteen ninety nine. However, it was noted that during the first privatization round, foreign investors were restricted from participation in almost all sectors except Oil. The idea of the second privatization was to improve the Nigerian investment environment and make it more open and attractive to foreign investors (UNCTAD, 2009, p9).

2.9.4.3 FDI by Sector and Country of Origin

According to UNCTAD report (2009), the foreign direct investment in the oil sector amounted to only ten percent of total inflows in the early nineteen seventies. This implies that FDI activities were mainly concentrated in other sectors like commerce and that the main constituents of the Nigerian exports were in other sectors like agricultural products. Also, the report says that majority of the investors in the Nigerian environment had been from those countries where the oil barons had originated from. For example, The Royal Dutch Company Shell from the Netherlands, Total Oil from France and ENI from Italy as well as Exxon Mobil, Texaco and Chevron from the United States of America (UNCTAD, 2009, p13).

2.9.5 Investment in the Major Service sectors.

2.9.5.1 Telecommunications

According to the UNCTAD report (2009, p 18) FDI has made a remarkable influence on the growth of the Nigerian Mobile Telecommunication since the launching and licensing of the Global System for Mobile (GSM) in the year two thousand and one. The report noted that within the first two years of issuing licensing certificates to Econet, Zain formally Celtel and MTN for two hundred and eighty five million dollars each, they had had over 2.2 million subscribers of which MTN alone had invested more 3 billion dollars to date and Zain has pledge another 2 billion dollars. Thus there has been a remarkable impact of Foreign Direct Investment under competition conditions in the Nigerian mobile telecommunication industries (UNCTAD, 2009, p18).

2.9.5.2 Power

According to UNCTAD report (2009), steady Electricity and Power generation have been a major setback on Nigerian business competitiveness and quality of life. This has mainly been due to the unreliable, frequent power outage and shortages that hurt business operations. However the report noted that there have been improvement and privatization reforms in process in the past few years to a number of independent power producers to help generate adequate power for both private and public business activities (UNCTAD, 2009, p19).

2.9.6. Summary

In conclusion, it could be said that the Nigerian government is making concerted effort besides the oil industry to stimulate the investment environment and attract foreign investors to the Nigerian economy in different sectors and ways. These cover the major and key services sectors of which the Nigerian Telecommunication is one of the accelerated growing; power which will provide stable and reliable electricity generation and as well making transport and logistics networks competitive and reliable for investors.

2.9.7 The Industrial Analysis – The Nigerian Mobile Telecommunications.

According to Isaac Fadeyibi (2011) in the article, Industrial Analysis of the Nigerian Mobile Telecoms; the Telecommunication industry has been experiencing accelerated growth in a way that makes it to be considered as one of the most lucrative industry in the region. This sector sprung up as a result of the deregulation process to allow private investors to participate in the industry. As a result of this deregulation, new upstart investors came into existence from nowhere. These include the South African MTN giant, the Nigerian Globacom, celtel, Starcomm etc to mention a few (Isaac Fadeyibi, 2011).

2.9.7.1 Market

According to the website of biz tech Africa (2011), “the Nigerian mobile telecommunication industry is been reported to have contributed about eight percent to the Nigerian’s GDP which make it the 3rd largest contributor as of the end of the year 2010” (www.biztechafrika.com, 2011, [30.05.2011, 17.36]).

Also, according to the website of enze articles (2011) the Nigerian Telecommunications market is mainly in three divisions of urban, semi-urban, and rural market area. It is estimated that the Urban Telecommunication density is approximately sixty five percent; the semi urban forty five percent while the rural areas cover more or less of fifteen percent of the telecommunication density.

The offers in the market are mainly Global System for Mobile Communications and the Code-Division Multiple Access which is a spread spectrum technique that spreads the bandwidth of the data uniformly for the same transmitted power (www. ezinearticles.com, 2011, [30.05.2011, 17:40]).

2.9.7.2 Leading Actors in the Industry

According to the website of loyokezie (2011), the summary of the leading actors of the mobile telecommunication companies in Nigeria published by the Nigerian Communication Commission is as follows:

Table 3: Quarterly summary of the Nigerian active Telephone users in 2010.

Operators	March 2010	June 2010	Sep. 2010	Dec. 2010
MTN	33, 300,000	34,550,000	36,530,000	38,683,520
Globacom	17,175,826	17,190,980	17,604,838	19,627,415
Celstel	15,087,314	15,201,746	15,551,849	15,834,243
M-Tel	258,520	258,520	258,520	258,520
EMTS	2,868,802	4,108,465	5,417,393	6,791986
Subtotal (GSM)	68,690,462	71,309,711	75,362,600	81,195,684
Starcomms	1,673,620	1,266,438	1,274,623	1,149,380
Visafone	2,767,843	2,699,898	2,598,433	2,555,876
Multilinks	2,164,023	1,908,976	1,718,812	1,454,704
Reliance Telecom	1,058,816	958,599	939,153	939,145

Source: www.loyokezie.com/wp-content/uploads/2011/03/ncc-telecoms-report-2010.png

2.9.7.3 Success and growth rate in the Telecom sector

According to the website of African telecoms news (2011), “the total number of mobile subscribers in Nigerian as on 31st December 2010 was 87.3million active users having a penetration rate of about fifty five percent” (www.africatelecomsnews.com, 2011, [30·05.2011, 16.30]). This implies that the Nigerian mobile telecommunication industry is experiencing accelerated growth as one of the leading telecommunication industry in Africa. Also according to the same website of African telecoms news (2011), it is expected that the total number of active mobile users in the Nigerian market will rise to about thirty percent from eighteen million users as of the year 2005 to about Ninety million at end of the year 2011 with an equivalent penetration rate from fourteen percent to about sixty one percent (www.africatelecomsnews.com, 2011, [30.05.2011, 16.37]).

3.0 Methodology of the Research

In this chapter, I will be discussing how the research was design using a quantitative approach. I will be explaining also the dependent and independent variables that I used during the research as well as how they relate to the research questions and their outcomes to achieve the purpose and objectives in view.

3.1 Research Design

This research was mainly divided into the primary and the secondary collection of information and how they support each other to reach a final conclusion. The secondary information include all the reviewed publications in the literature review in chapter two while the primary information cut across the online survey sent to the employees of the selected major telecommunication companies in Nigerian in a structured format to allow the respondent say their opinion about the same questions. They were structured in a way that spans around the key indicators (general and specific) that influence foreign direct investment environment in general; and specifically in the major Mobile Telecommunication companies currently operating in Nigeria.

The research questions are:

- Is the FDI Environment in Nigeria considering the Incentive reforms for Investors and the productive pool of resources sufficient to stimulate the Nigerian economic growth?
- What would you recommend to enhance the investment climate in Nigeria?

3.4 The Population

The population sample of this research includes all the major mobile telecom companies including MTN the South African leader, Zain formerly Celtel and Globacom etc currently operating in Nigeria. There are eleven (11) telecommunication companies in this population sample. Others include M-Tel, NITEL (Transcorp), Etisalat, Visafone, Multilinks, Starcomms, Zoom/Reltel and others - a dummy included in the sample to cover those not mentioned in the list.

The responses from the online survey of these companies was collated, inter/extrapolated and juxtaposed to ascertain the objectives of this research and also to see how they correlate or deviate with the primary and secondary information on the FDI environment in Nigeria .

3.5 The Sample size

To collect the required data, a total of ten (10) online surveys were sent by emails to the required Telecoms companies allowing any of their employees the opportunity to respond to the survey anonymously. However, a total of 56 respondents were received from six (6) of the telecommunication companies. Thus the survey has a response rate of 54.54%.

3.7 The Online-Survey Design

The Survey comprised of two parts. The part one requesting the respondents' response for this research on the general indicators with regards to FDI environment and inflow to Nigeria. The second part consists of determinant factors affecting the specific Mobile & Telecommunication Industries in Nigeria measured from "poor" to "excellent".

3.8 Time span and schedule

The process of this thesis began in earnest in September 2010. It is expected to be ready at the end of March 2011. This means a span of about six (6) months. It involves choosing an appropriate and interesting topic and writing a research proposal that is related to ones field of study and specialization and getting one's supervisor to give feedback and recommendations. Afterwards the main work began in earnest including data mining, sourcing, and collation as well as contacting and sending the online survey abroad to the Mobile Telecommunications employees in Nigeria for response.

3.9 Dependent and Independent Variables

In this research, it is identified that, the independent variables, are the main factors affecting FDI environment itself in Nigeria (dependent variable) which include: "grants & subsidies; tax holidays; investment tax credits, depreciation allowances, trade tariff and quotas, foreign exchange restrictions; work permits; export processing zones.

Other independent variables that I used in the research include, transparency; business costs; suppliers network and clusters; support institutions and technical services, human capital and low cost infrastructures. These key variables mentioned above formed the basis for the analysis of the research at this level. They were taken from the emerging determinants of FDI as recommended by Miria Pigato 2001 publication in his/her analyses. They were the key indicators on which the survey of the Mobile Telecommunication companies in Nigeria was based" (Miria Pigato, 2001).

3.10 Validity and Reliability

The Validity refers to the accuracy or truthfulness of the measurement. All assessments of validity are subjective opinions based on the judgment of the researcher and respondents. However, in this research the questions were structured in a way that avoids ambiguous interpretations but concise and to the point. Also attention was given to literature searches to help establish the validity of this report.

Reliability is closely related to repeatability. This means that if a measurement that yields consistent results over time, then it is said to be reliable. When a measurement is prone to random error, then it lacks reliability. In this report, it is obvious that the theories behind the literatures concur with the universal theories of FDI as well as the respondents understand the asked questions. Also, the final result is coherent within the context of the research. Thus this paper's reliability is justified in my opinion.

3.11 Assumptions

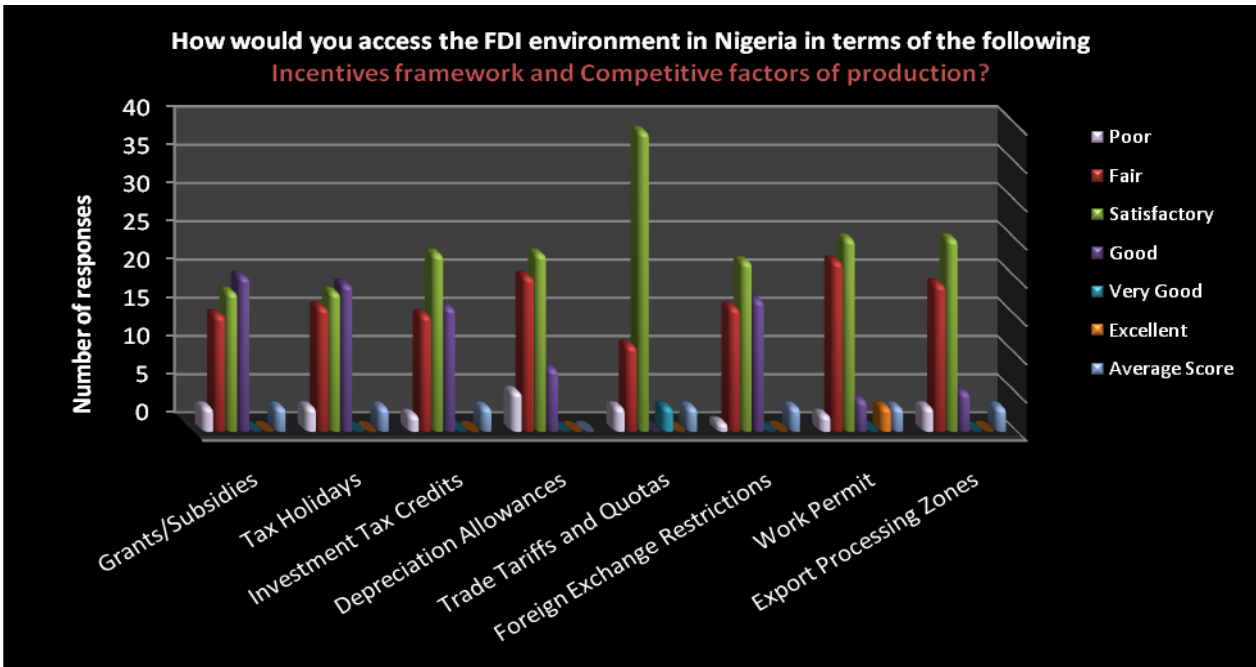
The most obvious assumption in this research is that the sample chosen represents the population of the Mobile Telecommunication companies operating in Nigeria. Another assumption is that the instrument has validity and is measuring the desired constructs as well as the respondents have answered the questions to the online survey truthfully. These were the basic assumptions that underlie this research.

3.12 Limitations

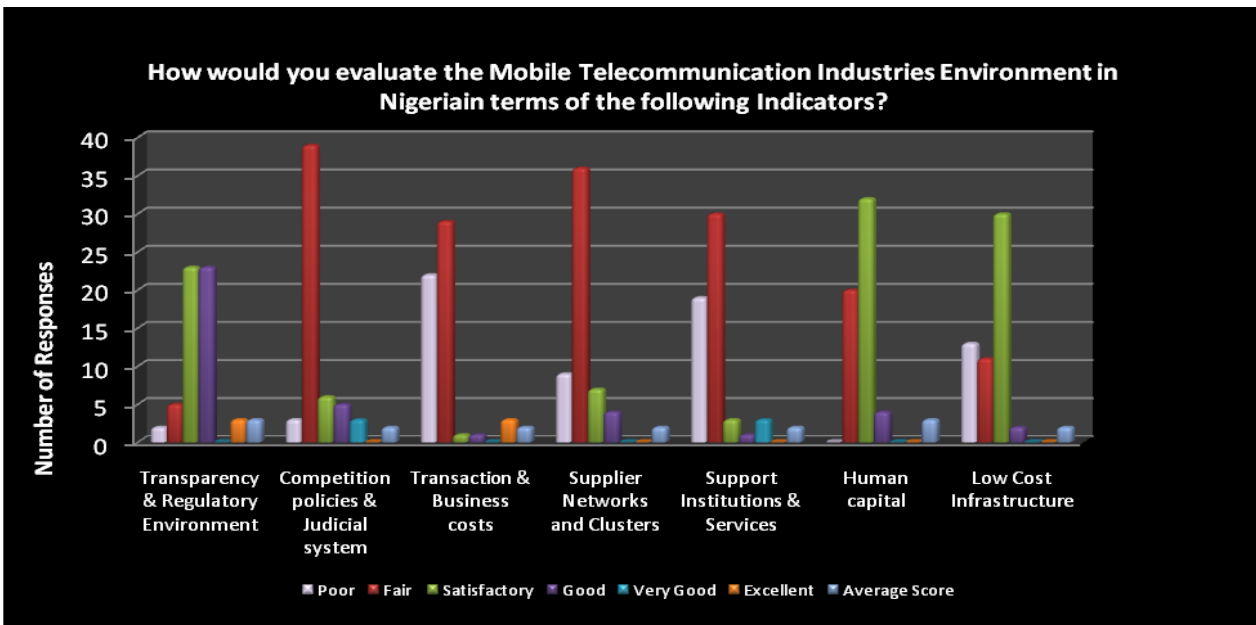
It was nearly impossible to get responses from the employees of this companies holding strategic positions and as a result it was mainly indirect contacts through who knows who as this would degrade the quantity and quality of the survey; thus the researcher should have a local network and starts the information gathering on time else it would be very discouraging while abroad due to time and distance factor.

4.0 Results

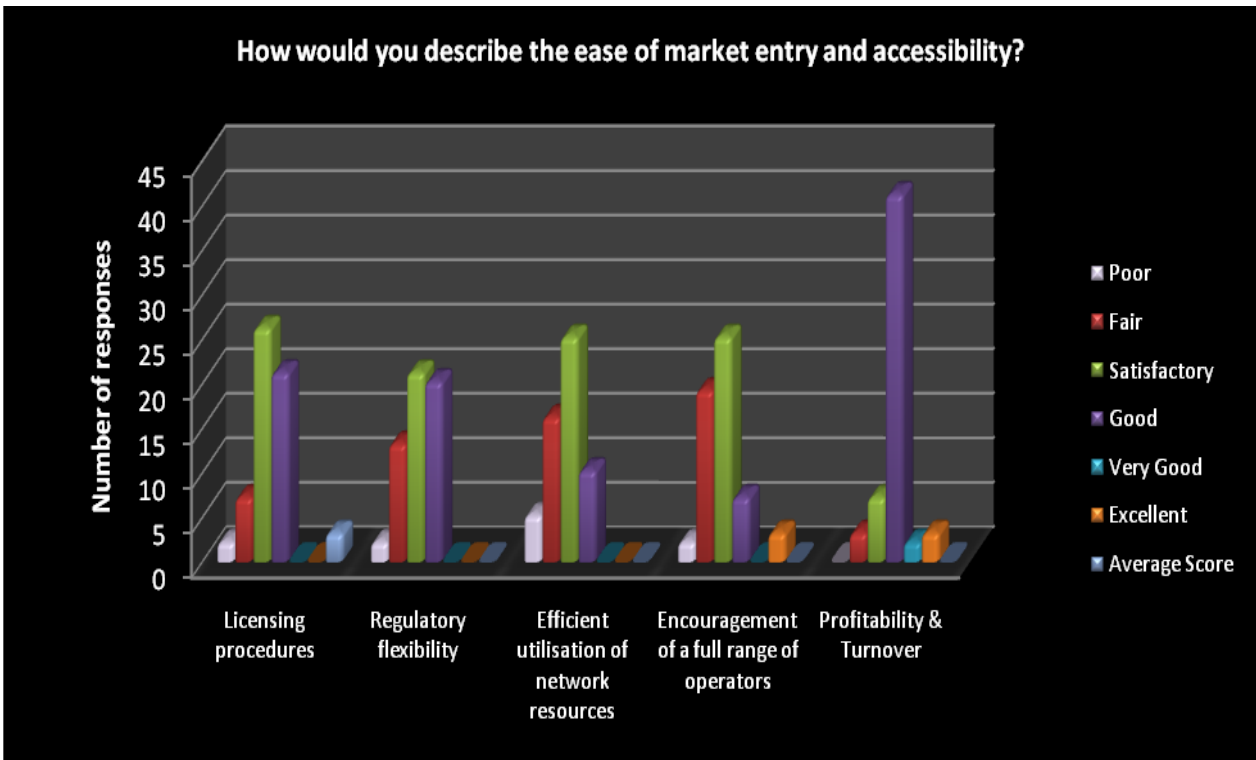
Question 1: How would you access the Foreign Direct Investment Environment in Nigeria in terms of incentive framework and competitive factors of production? (figure 1).



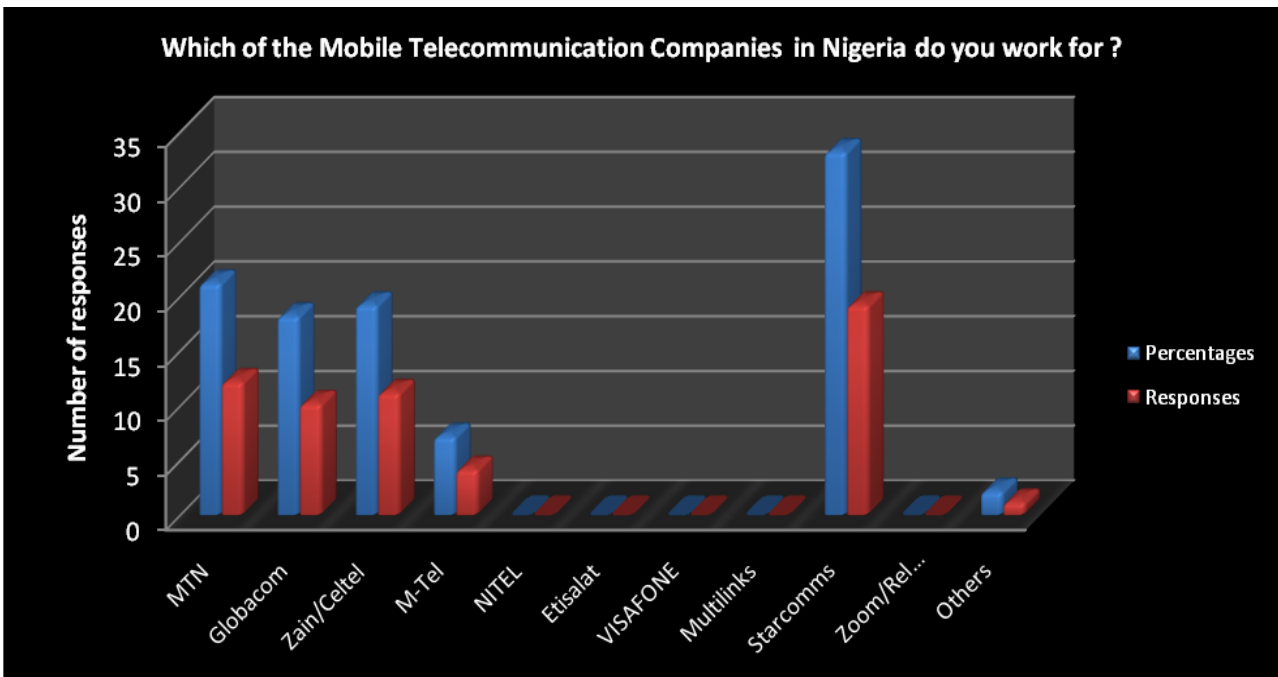
Question 2: How would you evaluate the Mobile Telecommunication Industries Environment in Nigeria (figure 2).



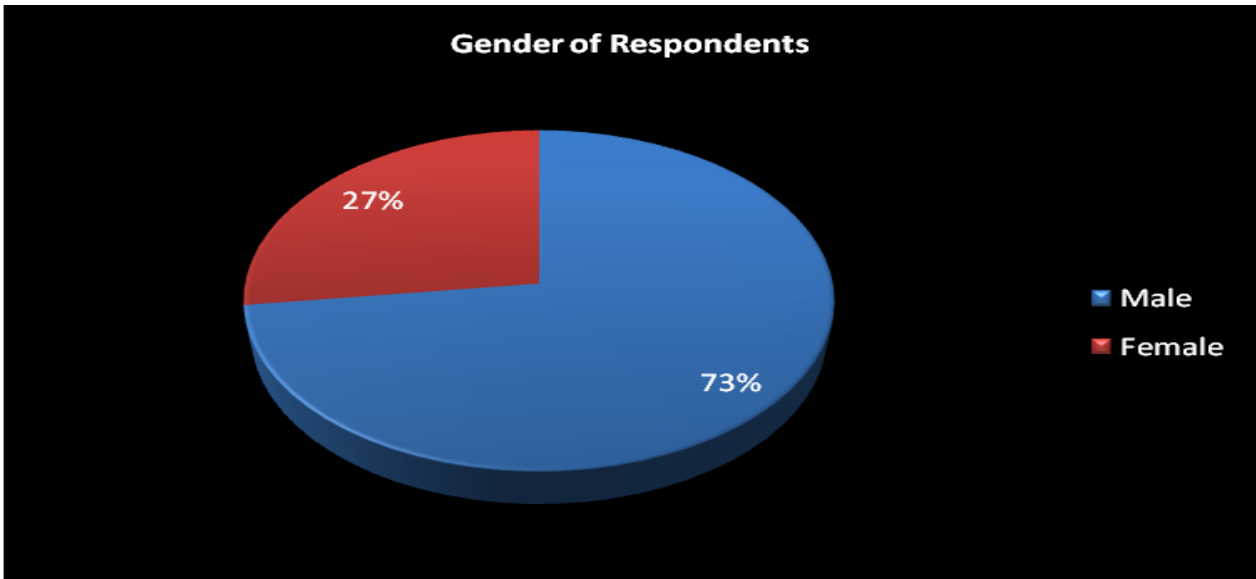
Question 3: How would you describe the ease of market entry and accessibility? (figure 3).



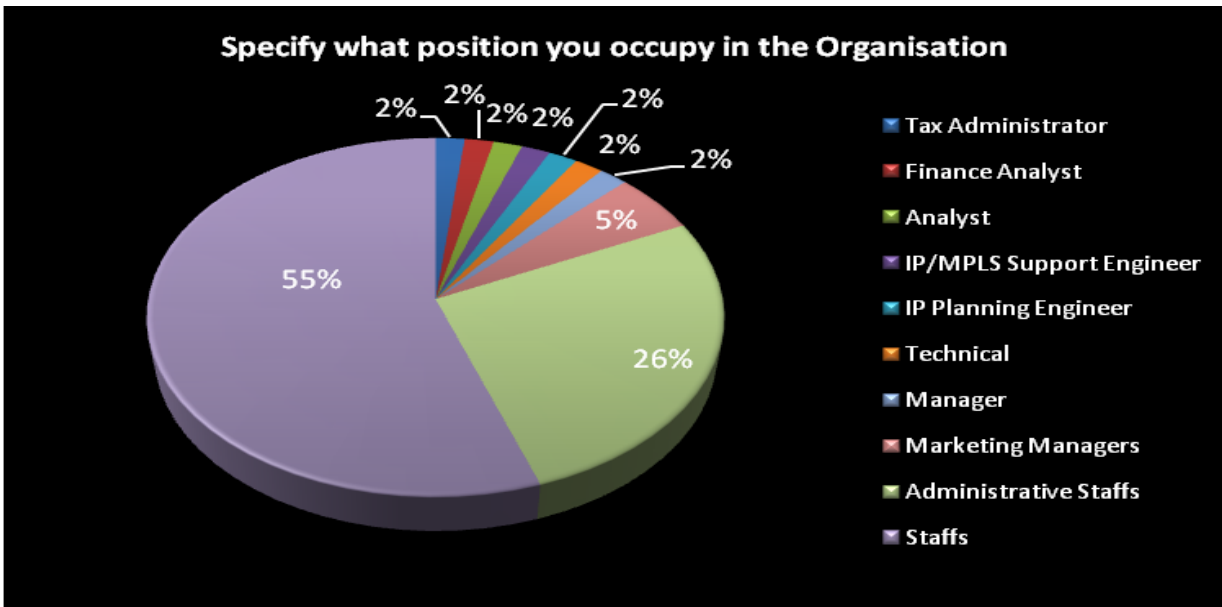
Question 4: Which of the Mobile Telecommunication Companies in Nigeria do you work for? (figure 4).



Question 5: Specify your gender (figure 5)



Question 6: Specify what position you occupy in the Organization (figure 6).



4.1 Data Analysis

In order to analyze the data of the survey, the profiles of the respondents were already given in the results section above.

However, the following inference could be deduced according to the respondents' answers to the survey questions:

1) *How would you assess the Foreign Direct Investment Environment in Nigeria in terms of incentive framework and competitive factors of production?*

According to the results from figure 5 above, the following deductions could be deduced:

- a. *Grants/Subsidies*: There were 56 responses of which 35.71% think that the grants and subsidies were good enough to attract FDI into Nigeria, while 32.14% says is satisfactory, 26.79% think it fair, and 5.36% think is poor. The average score was 49.64% meaning that the business environment in this aspect is sufficient to attract FDI all other things being equal.
- b. *Tax Holidays*: 33.93% of the respondents think that the Tax Holidays were good enough to attract FDI into Nigeria, 32.14% think it satisfactory, 28.57% think it fair, while 5.36% think it poor. The mean score was 49.17% meaning that the business environment in this aspect is sufficient to attract FDI into Nigeria all other factors being equal.
- c. *Investment Tax Credits*: 28.57% of the respondents think that the Investment Tax credits were good enough, 32.14% think it satisfactory, and 28.27% think it fair, while 5.36 think it poor. The mean score was 49.17% inferring that the business environment in this regard is sufficient to attract FDI into Nigeria all other factors being equal.
- d. *Depreciation Allowances*: 14.29% of the respondents think that the Depreciation Allowances in Nigeria to Investors is good enough, 41.07% think it satisfactory, 35.71% think it fair, while 8.93% think it poor. The mean value was 43.50% meaning that the business environment in this aspect is fairly sufficient to attract FDI into Nigeria all other factors being equal.
- e. *Trade Tariffs & Quotas*: 5.36% of the respondents say that the Trade Tariff and Quotas is very good in Nigeria, 69.64% think it satisfactory, 19.64% think it fair, while 5.36% think it poor and inadequate. The mean value was 46.67% meaning the business environment in this regard is fairly sufficient to attract FDI into Nigeria all other factors being equal.

- f. *Foreign Exchange Restriction*: 30.36% of the respondents think that the Foreign Exchange Restriction in Nigeria is good enough for investors, 39.29% think it satisfactory, 28.57% think it fair, while 1.79% think it poor and inadequate. The mean value was 49.67% meaning that business environment in this aspect is sufficient to attract FDI into the Nigeria economy all other factors being equal.
- g. *Work Permit*: 7.14% of the respondents think that the Work Permit in Nigeria is good enough for investors, 44.64% think it satisfactory, 39.29% think it fair, while 3.57% think it poor and inadequate. The mean value was 46.17% inferring that the business environment in this regard is fairly sufficient.
- h. *Export Processing Zones*: 51.79% of the respondents think that the Export Processing Zones in Nigeria are good enough for investors, 8.93% think it satisfactory, 33.93% think it fair, while 5.36% think it poor and inadequate. The mean value was 51.17% inferring that the business environment in this regard is sufficient enough to attract FDI into the Nigerian economy all other factors being equal.

In summary, the overall average/mean value for all the indicators combined was 48.15% or 0.48 correlation coefficient. This implies that the business environment in terms of the afore mentioned indicators in Nigeria is "fairly sufficient on" a scale of "0 to 1" correlation scoring 0.48, with "1" indicating excellent and '0' implying negative unfavorable FDI environment.

2. How would you evaluate the Mobile Telecommunication Industries Environment in Nigeria?

According to the results from figure 6 above, the following deductions could be deduced:

- a. *Transparency & Regulatory Environment*: 5.36% of the respondents think that the business environment in this regard in Nigeria is excellent, 41.07% think is good enough, 41.07 think is satisfactory, 8.93% say is fair, while 3.57% think is poor and inadequate. The mean value was 56.83% meaning that the business environment in Nigeria in this regard is sufficient enough to attract FDI into the Nigerian economy all things being equal.
- b. *Effective Competition Policies & Judicial System*: 5.36% of the respondents say that the business environment in this aspect in very good to investors, 8.93% think it good, 10.71% think it satisfactory, while 69.64% think it fair and 5.36% think it poor and inadequate. The mean value was 39.83% implying that the business environment in Nigeria in this regard is low and insufficient to attract FDI into the Nigerian economy all other factors being equal.

- c. *Transaction and Business Costs*: 5.36% of the respondents think that is excellent, 1.76% thinks it good, another 1.76% thinks it satisfactory, 51.79% think it fair; while 39.29% think it poor and inadequate. The mean value was 31.33% meaning that the business environment in this regard is still very low and insufficient to attract FDI into the Nigerian economy all other factors being equal.
- d. *Suppliers Network and Clusters*: 7.14% of the respondents think that the business environment in this regard is good enough for investors, 12.50% think it satisfactory, 64.29% think it fair, while 16.07% think it poor and inadequate. The mean value was 35.17% inferring that the business environment in this regard is still low and insufficient to attract FDI into the Nigerian economy.
- e. *Support Institutions and Technical Services*: 5.36% think it very good for investors, 1.79% think it good, 5.36% think it satisfactory, while 53.57% think it fair and 33.93% think it poor and inadequate. The mean value was 31.83% implying that the business environment in this regard is still very low and insufficient to attract FDI into the Nigerian economy all other factors being equal.
- f. *Human Capital*: 7.14% of the respondents think it good enough for investors, 57.14% think it satisfactory while 35.71% think it fair. The mean value was 45.17% meaning that the business environment in this regard is fairly sufficient to attract FDI into the Nigerian economy.
- g. *Low Cost Infrastructure*: 3.57% of the respondents think it, good enough for investors, 53.57% think it satisfactory, 19.64% think it fair, while 23.21% think it poor and inadequate. The mean value was 39.98% meaning the business environment in this regard is fairly low and still insufficient to attract FDI into the Nigerian economy.

In summary, the overall average/mean for all the indicators in this regard was 39.98% or 0.40 correlation coefficient approximated to the nearest whole number. This implies that the FDI environment in Nigeria in terms of the listed indicators above is low and insufficient on the scale of "0 to 1" with "1" indicating excellent and '0' implying negative unfavorable FDI environment on a scale of "0 to 1" correlation.

3. How would you describe the ease of market entry and accessibility?

According to the results from figure 7 above, the following deductions could be deduced:

- a. *Licensing procedures*: 37.50% of the respondents think that the business environment in Nigeria in this regard is good enough for investors, 46.43% think it satisfactory, 12.50% think it fair, while 3.57% say is poor and inadequate. The mean value was 53% meaning that the business environment in this aspect is sufficient enough to attract FDI into the Nigerian economy all other factors being equal.
- b. *Regulatory flexibility*: 35.71% of the respondents say that the business environment in this aspect is good enough for investors, 37.50% think it satisfactory, 23.21% think it fair, while 3.57% say that is poor and inadequate. The mean value of the respondents was 50.83% meaning that the business environment in this aspect is sufficient enough to attract FDI into the Nigerian economy all other factors being equal.
- c. *Efficient Utilization of network resources*: 17.86% of the respondents say that the business environment in this regard is good enough for investors, 44.64% think it satisfactory, 23.21% think it fair, while 3.57% say that the business environment in this aspect is poor and inadequate for investors. The mean value of the respondents was 45.17%, meaning that the business environment is fairly sufficient to attract FDI into the Nigerian economy all other factors being equal (*Ceteris Paribus*).
- d. *Encouragement of micro finance Investors*: 5.36% of the respondents think that the business environment in this regard is excellent for investors, 12.50% think it good enough, 44.64% think it satisfactory, 28.57% think it fair, while 8.93% think it poor and inadequate for investors. The mean value of the respondents was 48% implying that the business environment in this aspect is fairly sufficient to attract FDI into the Nigerian economy all other factors being equal (*Ceteris Paribus*).
- e. *Profitability & Turnover*: 5.36% of the respondents say that the profitability and Turnover in the Mobile Telecommunication Industries in Nigeria is excellent to investors, 3.57% think it very good, 73.21% think it good enough, 12.50% think it satisfactory, while 5.36% of the respondents think it fair to investors. The mean value for all the respondents in this regards was 65.17%, meaning that the Profitability and Turnover in the Mobile Telecommunication Industries in Nigeria is sound and sufficient enough to attract FDI into the Nigerian economy all other factors being equal (*Ceteris Paribus*).

In summary, the average/mean value for all the indicators combined on the ease of market entry and accessibility was 52.43% or 0.52 on a scale of 0 to 1 with "1" indicating excellent and '0' implying negative unfavorable FDI environment. This implies that the business environment in this regard is sufficient enough to attract FDI into the Nigerian economy.

4. *Which of the Mobile Telecommunication Companies in Nigeria do you work for?*

According to the results in figure 8 above, 21.1% of the respondents work for MTN, 17.5% Globacom, 19.3% Zain/Celltel, 7.0% M-Tel, while 33.3% work for Starcomm and 1.8% others.

5. *Specify your gender:*

According to the results from the survey in figure 9 above, 73.2% of the respondents were males while 26.8% are females.

6. *Specify what position you occupy in the Organization:*

According to the results from the survey in figure 10 above, 55% of the respondents were staffs, 26% were administrative staffs, 5% were marketing managers, 2% were Tax administrators, 2% Finance analyst, 2% Analyst, 2% IP/MPLS Support Engineer, 2% IP Planning Engineer, 2% Technical Department and 2% Manager.

5.0 Conclusions

According to the results of the survey, I found out that on the general business environment, the Nigerian economy has made some improvements on FDI indicators like: Grants/Subsidies; Tax Holidays Investment Tax Credits; Depreciation Allowances; Trade Tariffs & Quotas; Foreign Exchange Restriction; Work Permit; and Export Processing Zones but they are still fairly sufficient to attract FDI into the economy all other factors being equal.

Moreover, on the specific Mobile Telecommunication sector, the FDI environment in the Nigerian economy is still very low and insufficient in terms of FDI indicators like: Transparency & Non Discriminatory Regulatory Environment; Effective Competition Policies & Judicial System; Transaction and Business Costs; Suppliers Network and Clusters ; Low Cost Infrastructure; Human Capital; Support Institutions and Technical Service; Human Capital and Low Cost Infrastructures according to the result of the survey.

However the Mobile Telecommunication sector has made outstanding and landmark growth in FDI indicators like licensing procedures; profitability & turnover according to the result of the survey. This implies that the investment reforms in this area is in line with what earlier literatures had said about the recent improvements in the Nigerian FDI regime to attract investors and stimulate the domestic economy. These were the highlights and summaries based on the findings from the respondents to the survey.

5.1 Discussion

According to the result of the primary findings, I would conclude that they support the secondary and existing information on the general and specific FDI environment in the Nigerian economy.

Earlier reports in the literature reviews suggested that the Nigerian government since the inception of the democratic rule in 1999 has been making significant steps in improving the investment environment in the Nigerian economy but they are still fairly sufficient to attract FDI compared to well developed economies of the world. This concurs with the result and findings of the survey.

Moreover, existing reports on the Mobile telecommunication industries suggests that, the industry is experiencing accelerated growth and has been regarded as one of the fastest growing in Africa besides the Oil and Gas, especially in Profitability and Turnover. According to the result and findings of the survey, this also justifies that assertion.

Finally, the results supports the Dunning Eclectic theory of (OLI) which combines both the Macro and Micro FDI theories elements that foreign direct investment activities have positive effect on the economic growth of a country. This is reflected in the fact the foreign direct investment in the Nigerian Mobile Telecomm has made the industry the third largest contributor to the Nigerian GDP as earlier mentioned in the literature reviews.

The result turned out the way they did especially in the Mobile Telecommunication Industries because most of the respondents are staffs, employees and stakeholders in this sector. Thus they have the day to day knowledge and information in this sector.

Also, on the general FDI environment in Nigeria, the result would be different if for example the same questions were asked to members of the public sectors especially those working directly on FDI policies for the federal republic of Nigeria. The results would be different because people's opinions are different as they would be in better position to say whether there are improvements or not on the FDI regimes.

Thus this represents the views of the respondents from the Mobile Telecommunication industries and may possibly be subjective and not the real trend invoke as far as the Nigerian general FDI environment is concerned.

5.2 Recommendations

Finally, it could be recommended that a welcoming FDI regime still remains fundamental and cornerstones to attracting investors especially for most developing countries like Nigeria. This is because modern investors are seeking those regions and locations that are viable and willing to enforce suitable competition laws and transparent rules for private and public businesses with sustainable incentive frameworks and productive pool of resources to stimulate their economic growth.

According to the results and the findings, the survey still suggests that there have not been significant improvement and reforms to spur the Nigerian investment environment in terms of FDI indicators like Grants/Subsidies; Tax Holidays Investment Tax Credits; Depreciation Allowances; Trade Tariffs & Quotas; Foreign Exchange Restriction; Work Permit; and Export Processing Zones.

This is also true for other FDI indicators like Transparency Environment; Effective Competition Policies & Judicial System; Transaction and Business Costs; Suppliers Network and Clusters ; Low

Cost Infrastructure; Human Capital; Support Institutions and Technical Service; Human Capital and Low Cost Infrastructures.

The way forward for the Nigerian economy would be to continuing on policies that stimulate its productive pools of resources and incentive reforms to spur the economy to growth besides the oil and gas, as well as a welcoming FDI campaign that appeals to foreign investors seeking Greenfield and locations to optimize their productivity and minimize cost (Miria Pigato, 2001).

On the Industrial analysis, the Telecommunication industry is doing very well from the survey respondents' point of view. However to maintain sustainable growth in the industry, the regulatory body (NCC) still has to respond to the demand and supply pull to make the industry more competitive in day to day regulatory issues and as well as giving incentives to creative and innovative activities to make the industry as competitive as those in the western countries.

5.3 Directions for future research

This research provides a useful insight with regards to the Foreign Direct Investment Environment in Nigeria in general and specifically on the Mobile Telecommunication companies in its simplest form, within the basic scope of the research, time and resources allotted to it.

An advanced research could be undertaken by going deeper and exploit the potentials and opportunities available for other investors and as well use more advanced research tools which are beyond the scope of this research to ascertain better results and findings. However, this does not mean that work is not reliable or insufficiently done but provides rooms for future research and improvements since this is a very broad, interesting and elaborate research topic.

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APPENDIX A:

Results for: Copy of Foreign Direct Investment Environment in Nigeria: A Survey of the Mobile Telecommunication Companies

1) How would you access the Foreign Direct Investment Environment in Nigeria in terms of incentive framework and competitive factors of production?

	Poor	Fair	Satisfactory	Good	Very Good	Excellent	Responses	Average Score
Grants/Subsidies,	3 (5.36%)	15 (26.79%)	18 (32.14%)	20 (35.71%)	0 (0.00%)	0 (0.00%)	56	2.98 / 6 (49.67%)
Tax Holidays,	3 (5.36%)	16 (28.57%)	18 (32.14%)	19 (33.93%)	0 (0.00%)	0 (0.00%)	56	2.95 / 6 (49.17%)
Investment Tax Credits,	2 (3.57%)	15 (26.79%)	23 (41.07%)	16 (28.57%)	0 (0.00%)	0 (0.00%)	56	2.95 / 6 (49.17%)
Depreciation Allowances,	5 (8.93%)	20 (35.71%)	23 (41.07%)	8 (14.29%)	0 (0.00%)	0 (0.00%)	56	2.61 / 6 (43.50%)
Trade Tariffs and Quotas,	3 (5.36%)	11 (19.64%)	39 (69.64%)	0 (0.00%)	3 (5.36%)	0 (0.00%)	56	2.80 / 6 (46.67%)
Foreign Exchange Restrictions,	1 (1.79%)	16 (28.57%)	22 (39.29%)	17 (30.36%)	0 (0.00%)	0 (0.00%)	56	2.98 / 6 (49.67%)
Work Permit,	2 (3.57%)	22 (39.29%)	25 (44.64%)	4 (7.14%)	0 (0.00%)	3 (5.36%)	56	2.77 / 6 (46.17%)
Export Processing Zones,	3 (5.36%)	19 (33.93%)	5 (8.93%)	29 (51.79%)	0 (0.00%)	0 (0.00%)	56	3.07 / 6 (51.17%)
								2.89 / 6 (48.15%)

2) How would you evaluate the Mobile Telecommunication Industries Environment in Nigeria

	Poor	Fair	Satisfactory	Good	Very Good	Excellent	Responses	Average Score
Transparency & Non discriminatory Regulatory Environment,	2 (3.57%)	5 (8.93%)	23 (41.07%)	23 (41.07%)	0 (0.00%)	3 (5.36%)	56	3.41 / 6 (56.83%)
Effective	3	39	6 (10.71%)	5 (8.93%)	3	0	56	2.39 / 6












competition policies & Judicial system,	(5.36%)	(69.64%)			(5.36%)	(0.00%)		(39.83%)
Transaction & Business costs,	22 (39.29%)	29 (51.79%)	1 (1.79%)	1 (1.79%)	0 (0.00%)	3 (5.36%)	56	1.88 / 6 (31.33%)
Supplier Networks and Clusters,	9 (16.07%)	36 (64.29%)	7 (12.50%)	4 (7.14%)	0 (0.00%)	0 (0.00%)	56	2.11 / 6 (35.17%)
Support Institutions & Technical Services,	19 (33.93%)	30 (53.57%)	3 (5.36%)	1 (1.79%)	3 (5.36%)	0 (0.00%)	56	1.91 / 6 (31.83%)
Human capital,	0 (0.00%)	20 (35.71%)	32 (57.14%)	4 (7.14%)	0 (0.00%)	0 (0.00%)	56	2.71 / 6 (45.17%)
Low Cost Infrastructure,	13 (23.21%)	11 (19.64%)	30 (53.57%)	2 (3.57%)	0 (0.00%)	0 (0.00%)	56	2.38 / 6 (39.67%)
								2.40 / 6 (39.98%)

3) How would you describe the ease of market entry and accessibility?


	Poor	Fair	Satisfactory	Good	Very Good	Excellent	Responses	Average Score
Licensing procedures to ease market entry and operations;	2 (3.57%)	7 (12.50%)	26 (46.43%)	21 (37.50%)	0 (0.00%)	0 (0.00%)	56	3.18 / 6 (53.00%)
Regulatory flexibility to address market and technological developments;	2 (3.57%)	13 (23.21%)	21 (37.50%)	20 (35.71%)	0 (0.00%)	0 (0.00%)	56	3.05 / 6 (50.83%)
Efficient utilisation of network resources so that individual networks may be used to provide a broad range of ICT services;	5 (8.93%)	16 (28.57%)	25 (44.64%)	10 (17.86%)	0 (0.00%)	0 (0.00%)	56	2.71 / 6 (45.17%)
Encouragement of a full range of operators, including large scale and micro entrepreneurs;	2 (3.57%)	19 (33.93%)	25 (44.64%)	7 (12.50%)	0 (0.00%)	3 (5.36%)	56	2.88 / 6 (48.00%)
Profitability & Turnover;	0 (0.00%)	3 (5.36%)	7 (12.50%)	41 (73.21%)	2 (3.57%)	3 (5.36%)	56	3.91 / 6 (65.17%)

3.15 / 6
(52.43%)

4) Which of the Mobile Telecommunication Companies in Nigeria do you work for?

		Percentage Responses	
MTN		21.1	12
Globacom		17.5	10
Zain/Celtel		19.3	11
M-Tel		7.0	4
NITEL		0.0	0
Etisalat		0.0	0
Visafone		0.0	0
Multilinks		0.0	0
Starcomm		33.3	19
Zoom/Reltel		0.0	0
Others		1.8	1

5) Specify your gender

		Percentage Responses	
Male		73.2	41
Female		26.8	15
		Total responses:	56

6) Specify what position you occupy in the Organisation

(The last five responses are given)

- Staff
- Staff
- Staff
- staff
- staff