

**ALFRED NOBEL UNIVERSITY**  
**DEPARTMENT OF GLOBAL ECONOMIC**

**QUALIFICATION WORK OF BACHELOR**

“THE DEVELOPMENT AND IMPLEMENTATION OF THE  
INTERNATIONAL INVESTMENT PROJECT:  
A RESTAURANT BUSINESS IN NIGERIA”

Forth year student, group IER 16 Eng

in specialty 292 “International economic relations”

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**ALFRED NOBEL UNIVERSITY  
DEPARTMENT OF GLOBAL ECONOMIC**

First (bachelor) level  
Specialty 292 International economic relations

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“ \_\_\_\_ ” \_\_\_\_\_ 20\_\_ p.

**TASKS  
for qualification work**

\_\_\_\_\_ Afolabi Ibrahim Faridah Olajumoke \_\_\_\_\_  
Student's last name, name

1. **Topic “THE DEVELOPMENT AND IMPLEMENTATION OF THE INTERNATIONAL INVESTMENT PROJECT: A RESTAURANT BUSINESS IN NIGERIA”**

2. Supervisor Zadoia A., Doctor of Science, Full Professor  
(last name, initials, scientific degree, academic status)

Approved by order of " \_\_\_\_ " \_\_\_\_\_ 20\_\_\_\_, No \_\_\_\_\_

3. Deadline for submission of work completed by the June, 1 2020

4. Target installation and baseline data \_\_\_\_The purpose of the work is to develop and implement an international investment project using a restaurant business.\_

The main sources of evidence includes: Journals on Nigeria investment climate

National bureau of statistics journal

The Global Economy web site.

The World Bank data.

Journals on the Business Sphere.

5. Content of the work (**list of questions to be developed**):

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What are the factors that attract customers to the most competitive restaurant brands on the market?

What influence the investment Environment.

What is the investment attractiveness of the investment project.

What are the determining factors of setting up a business restaurant in Nigeria

What are the financial analysis of the investment project

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Conclusions made based on the result of the investment attractiveness analysis

6. Date of issue of the assignment \_\_1.02.2019\_\_\_\_\_

7. Calendar of work execution

no	Name of the stages of qualification work	The deadline for the work stages	
		according to the plan	in fact
1.	Define the topic of the work and coordinate it with the supervisor	March,2 2020	
2.	Development of work plan and approval by its supervisor	March,10 2020	
3.	Preparation of the first section	April, 1 2020	
4.	Preparation of the second section	April, 15 2020	
5.	Preparation of the third section	May, 15 2020	
6.	Submission of completed work	June, 1 2020	
7.	Preliminary work defense	June, 10 2020	
8.	Thesis defense	June, 22-25 2020	

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## SUMMARY

This work presents an idea of investment in a modern restaurant business in Nigeria. Such an investment needs a devotion of significant time and resources to investigate and analyze the economic and investment climate, the current market situation and business location potential of the site of such a proposed project.

However, limited information is available on the relative importance of various site selection factors for restaurants in Nigeria. The main objective presented in this thesis is the measurement of the feasibility, viability and financial potentials of a proposed modern day restaurant idea in Nigeria. To achieve this, this thesis is going to first identify the problems encountered in the process of making an investment in such a project as the one being examined here (a modern day restaurant), then offer some solutions based on the feedbacks from field research. The bulk of the reported issues encountered in making such an investment in Nigeria were collated from opinions and feedbacks from interviews conducted with stake-holders in the business (restaurant owners and financial-experts business analysis and realtors) and the others from published literature / studies.

The other objective of this thesis is to identify and rank the importance of the factors that influence the Nigerian restaurant industry by conducting an online questionnaire. The results of this study will serve as a guide to establishing a prospective modern day restaurant in Nigeria.

This thesis is going to include detailed and comprehensive structure on the idea of a restaurant business, how it adds value to the Nigerian investment market, financial potentials and other pros and cons.

***Keywords: Restaurant business, Nigerian Investment Market, Research, Issues, Feasibility,***

## АНОТАЦІЯ

У роботі обґрунтовується ідея інвестування у сучасний ресторанний бізнес у Нігерії. Така інвестиція потребує виділення значного часу та ресурсів для дослідження та аналізу економічного та інвестиційного клімату, поточної ситуації на ринку та потенціалу розташування бізнесу на місці такого запропонованого проекту.

Прийняття рішення щодо інвестування ускладнюється обмеженою інформацією що факторів, які визначають умови ведення ресторанного бізнесу у Нігерії. Основна мета, представлена в цій роботі, - це вимірювання доцільності, життєздатності та фінансових можливостей запропонованої ідеї сучасного ресторану в Нігерії. Щоб досягти цього, у роботі спочатку визначаються проблеми, що виникають у процесі інвестування в такий проект, а потім пропонуються деякі рішення, засновані на відгуках з місць. Основна частина повідомлених питань, що виникають при здійсненні такої інвестиції в Нігерію, була зібрана з думок та відгуків від інтерв'ю, проведеного із зацікавленими сторонами в бізнесі (власники ресторанів та бізнес-аналіз фінансових експертів та ріелторів) та інші з опублікованої літератури / досліджень .

Інша мета даної дипломної роботи - виявити та класифікувати значення факторів, що впливають на індустрію ресторанів Нігерії шляхом проведення онлайн-анкети. Результати цього дослідження послужать керівництвом щодо створення потенційного сучасного ресторану в Нігерії.

***Ключові слова: ідея, ресторанний бізнес, Нігерійський ринок інвестицій, дослідження, проблеми, технологічність***

## LIST OF SYMBOLS AND ABBREVIATION

ABBREVIATION & SYMBOL	MEANING
AU	African Union
AFDB	African Development Bank
EU	European Union
ECOWAS	Economic Community of West African States
EDC	Enterprise Development Centre
ECI	Economic Complexity Index
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
INTERPOL	International Police
MOWCA	Maritime Organisation of West and Central Africa
NAM	Non Allied Movement
OPEC	Organisation of Petroleum Exporting Countries
OIC	Organisation of Islamic Countries
OEC	Observatory of Economic Complexity
PPP	Purchasing Power Parity
UN	United Nations
WTO	World Trade Organisation

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## INTRODUCTION

Nigeria is blessed with abundance of natural and human resources. It is estimated that the country (which is commonly referred to as the Giant of Africa) has about 61 mineral resources, the country has experienced a positive economic performance significantly even before the advent of colonization. Over 90 per cent of Nigeria's foreign receipts are accounted for by oil and because of the volatility of oil prices, the real GDP of Nigeria was N69,023.93 billion in 2015. Besides, because of the tenuous nexus between the oil sector and the rest of the local economy, unemployment is high, poverty is prevalent and security is a current challenge. The key reasons for this situation is the inadequate capital and technical know-how required to tap from the abundant unemployed resources.

The economy of Nigeria is a middle-income, mixed economy and emerging market, with expanding manufacturing, financial, service, communications, technology and entertainment sectors. Nigeria's economy is ranked 27<sup>th</sup> –largest economy in the world in terms of nominal GDP, and the 22<sup>nd</sup> –largest in terms of purchasing power parity. (KPMG, 2015) Nigeria has the largest economy in Africa; its re-emerging manufacturing sector became the largest on the continent in 2013, producing large proportions of goods and services for the sub-continent of West-Africa and Africa. (CEIC, 2019) As of 2019, Nigeria's debt: GDP is 16.075 %.

The aim and purpose of this thesis is to develop an investment project, a restaurant business in Nigeria (Abuja). The development of a modern restaurant that caters for the food needs of the people while at the same time operating in a stable,

productive and profitable manner is not easy but, such is the goal of this thesis. But, how does a potential restaurant owner develop such a model restaurant business that fit the description above?

There are certain fundamental factors to be defined when developing such a successful business, these are: the aim of the business, purpose and objectives, and the target market. The aim and purpose of this restaurant business is ultimately to make profit; through the development of a modern restaurant that caters for the food needs of the people while at the same time operating in a stable, productive and profitable manner. There are four main restaurant objectives that any potential owner needs to consider to run a successful business:

Serving quality and affordable foods: more and more restaurants are making the switch to eating organic food that is locally grown in Nigeria. A lot of people are changing according to societal and seasonal changes.

Focus on atmosphere and ambiance: there is more to running a successful restaurant than just serving great food. Having a good atmosphere and ambiance is among important restaurant goals since it helps attract customers and leave them a huge impression on their overall dining experience. The right atmosphere leaves guests feeling relaxed throughout their meal and lends itself to generate repeating customers.

Knowing the target market: another one of the aims and objectives of food service revolves around knowing your target market. Choosing the right concept, finding the right location and attracting the appropriate demographic all are important factors that will determine whether or not the restaurant fails or not. The target market for this restaurant idea are:

The Youths, Ceremonies, Corporate Specials and Families.

Managing customer relation: it is impossible to please every customer that ever walk through the front doors of your restaurant, but knowing how to appease even the most irritated customer will help spread positive word-of-mouth about your business. Make sure to train staff on how to properly engage your customers, which will differ depending on your target market.

To satisfy this needs, an online research was developed in order to acquire enough information regarding the business, the behavioural pattern of the consumers and the market forces. The potential customers were asked the following questions:

What type of dishes would they prefer in a modern restaurant?

Which modern restaurant currently provide the best of these dishes in Nigeria (Abuja)?

What are the price range charged for dishes by the most competitive restaurants in Nigeria (Abuja)?

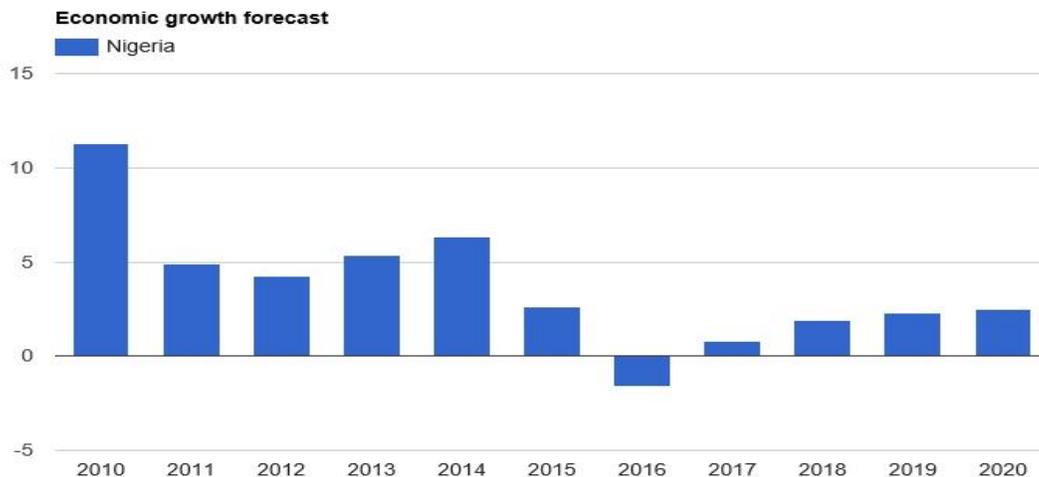
What are the factors that attract customers to the most competitive restaurant brands on the market?

This thesis in section one, is discussing the analysis of the Nigerian economy as a whole taking us through the GDP, the labour force and the unemployment rate of the economy, the inflation rate and the Nigerian tax system. While, section 2 is about the place and role of Nigeria in international relations, the export and import activity of Nigeria for the last 10 years. Section 3 is looking into the establishment of the restaurant idea, the analysis of the investment project sphere,(market), the competitive landscape and the investment attractiveness. The conclusion is about the results of the analysis carried out in the investment project discussed, and it effects on the country's economy now and in the future.

## SECTION 1

### ANALYSIS OF THE NIGERIAN ECONOMY

Nigeria is blessed with abundance of natural and human resources. It is estimated that the country (which is commonly referred to as the Giant of Africa) has about 61 mineral resources, each of which has the capacity to sustain the economy. Unfortunately, these resources are largely lying latent and the economy is mono-culturally dependent on petroleum for its survival. Over 90 per cent of Nigeria's foreign receipts are accounted for by oil and because of the volatility of oil prices, the economy suffers when there is a glut in the international oil market. Besides, because of the tenuous nexus between the oil sector and the rest of the local economy, unemployment is high, poverty is prevalent and security is a current challenge. The key reasons for this situation are the inadequate capital and technical know-how required to tap from the abundant unemployed resources. The Nigerian economic growth has shown significant fluctuating trend between 2010 - 2020.



**Fig. 1.0. Nigeria economic growth forecast**

**1.1 GDP: Nigeria**

The economy of Nigeria is a middle-income, mixed economy and emerging market, with expanding manufacturing, financial, service, communications, technology and entertainment sectors. Nigeria’s economy is ranked 27<sup>th</sup> –largest economy in the world in terms of nominal GDP, and the 22<sup>nd</sup> –largest in terms of purchasing power parity. (KPMG, 2015) Nigeria has the largest economy in Africa; its re-emerging manufacturing sector became the largest on the continent in 2013, producing large proportions of goods and services for the sub-continent of West-Africa and Africa. (CEIC, 2019) As of 2019, Nigeria’s debt: GDP is 16.075 %.

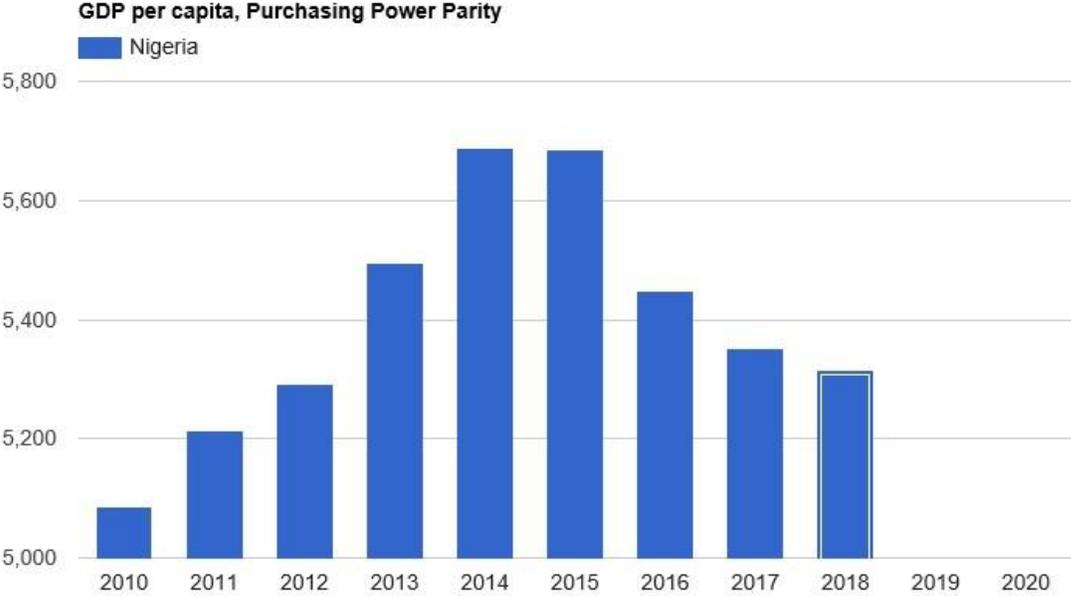
The graph below shows the trend in the Nigerian GDP over the last ten years. The GDP rose steadily between its lowest value of 5,085.41 (2010) and the 10 year highest figures of 5,687.59 (2014) and 5,685.93 (2015), then had a steep two year decline from 2016 (5,448.91) to 2018 (5,315.82). There is no data available for 2019 and 2020 as at the time the World Bank database was accessed (01/05/2019).

Figure 1: Nigeria's GDP estimates by year.

Nigeria GDP	Last	previous	highest	lowest	Unit
GDP growth rate	5.59	9.23	10.59	-13.97	Percent
GDP annual growth rate	2.55	2.28	19.17	-7.81	Percent
GDP per capital	2396.30	2412.40	2563.90	1145.80	USD
Foreign direct investment	909.54	1150.51	3084.90	314.44	USD Million

Crude oil production	1780.00	1742.00	2475.00	675.00	USD Million
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The Gross Domestic Product (GDP) in Nigeria was worth 410 billion US dollars in 2019, according to the data above and the graph below, the GDP value of Nigeria represents 0.34% of the world economy. Source: (Trading economics, 2020)



Source: TheGlobalEconomy.com, World Bank

**Fig. 1.1. Nigerian GDP between (2010-2020)**

## 1.2 The Nigerian Labour Force

Human resources is vast in Nigeria, but so also is the unemployment. As the country continues its transition towards the diversification of its economy from over-reliance on crude oil revenues, a strong private sector is expected to play a major role in the potential future employment of its youth. The idea being presented in this thesis will offer as its objectives; a great opportunity of employment to some of the unemployed youth, provision of potential contribution to Nigeria's revenue via business taxation, a potential source of nourishment to the population, and ultimately, yield considerable financial gains for the investor. The Nigerian labour force grew progressively from 2010-2020.

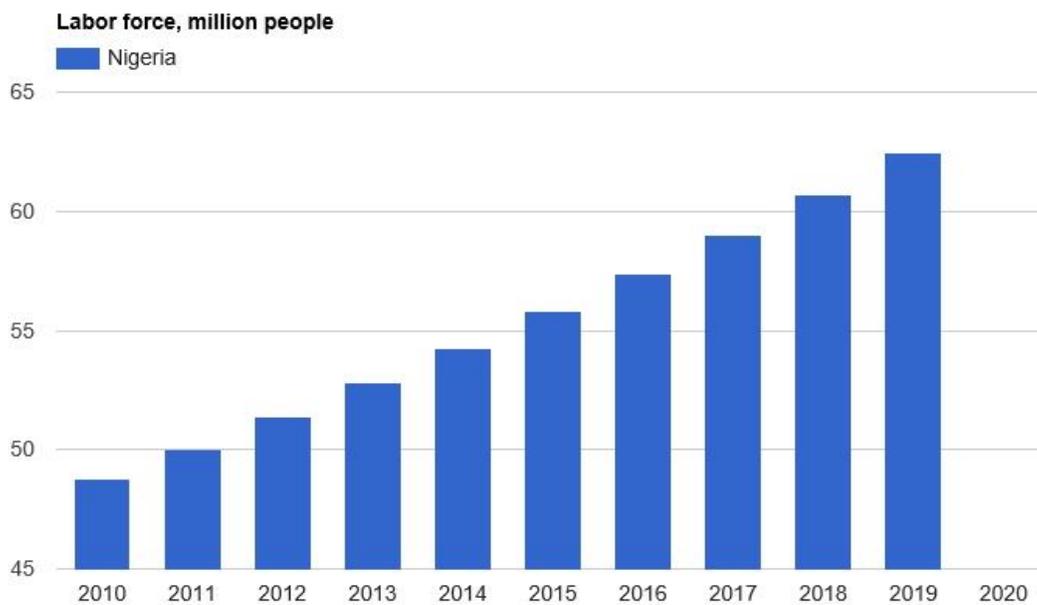


Fig. 1.2a Nigerian Labour Force

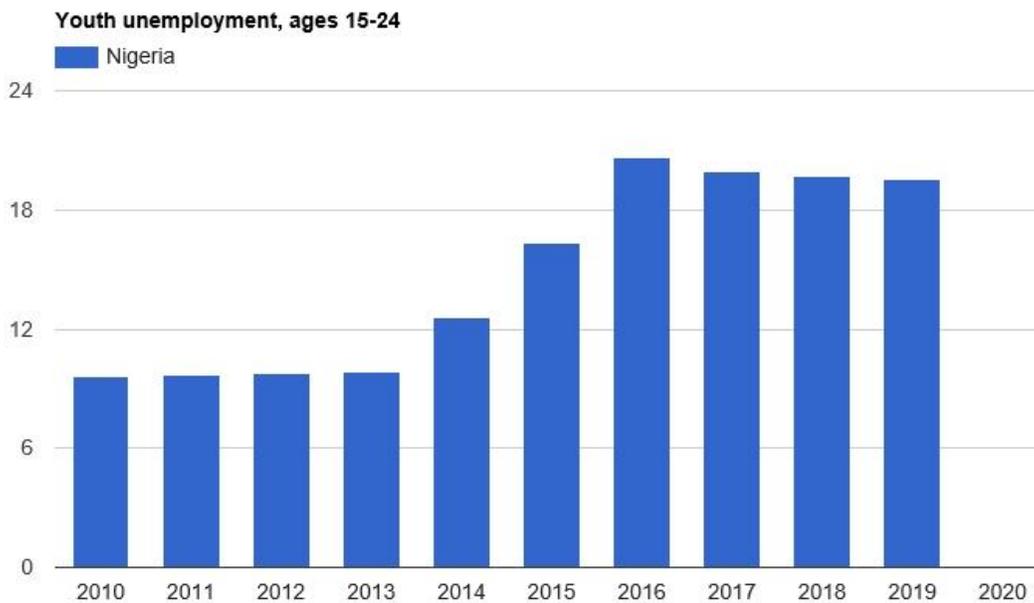


Fig. 1.2b. Nigerian Youth unemployment (15-24 years) figures 2010-2020

### 1.3 The annual inflation rate in Nigeria

Inflation is a major concern to global economists, and likewise in Nigeria, it affects people from all walks of life. It refers to the measure or rate by which the cost of goods and services rises and purchasing power declines. As prices increase, monetary value decreases; prompting consumers to spend less on goods and services.

The annual inflation rate rose for the sixth straight month to 12.2% in February of 2020 from 12.1% in the previous month. The rate was the highest since April of 2018, amid the continued impact of borders closure and also the recent hike in VAT tax rate to 7.5% (Trading economics, 2020). Food inflation increased further to 14.9% from 14.85% in January, reaching the highest level since March of 2018

(Trading economics, 2020). Additional upward pressure came from prices of clothing & footwear (10.14% vs 10.08%); transport (9.43% vs 9.35%); housing & utilities (7.81% vs 7.78%); furnishings (9.39% vs 9.23%); education (8.93% vs 8.87%); alcoholic beverages, tobacco & Kola (9.85% vs 9.81%); communication (8.15% vs 8.06%); recreation & culture (8.46% vs 8.30%); restaurants & hotels (8.66% vs 8.49%) and miscellaneous goods & services (9.45% vs 9.30%) (Trading economics, 2020). On a monthly basis, consumer prices were up 0.79%, after increasing 0.8% in the previous month (Trading economics, 2020). The reported Nigerian inflation figures involving Food, furnishings, alcoholic beverages, and the prices of restaurants and hotels will be of very of particular interest and consideration in the business analysis and projection planning of proposed restaurant project in order for the business to be successful.

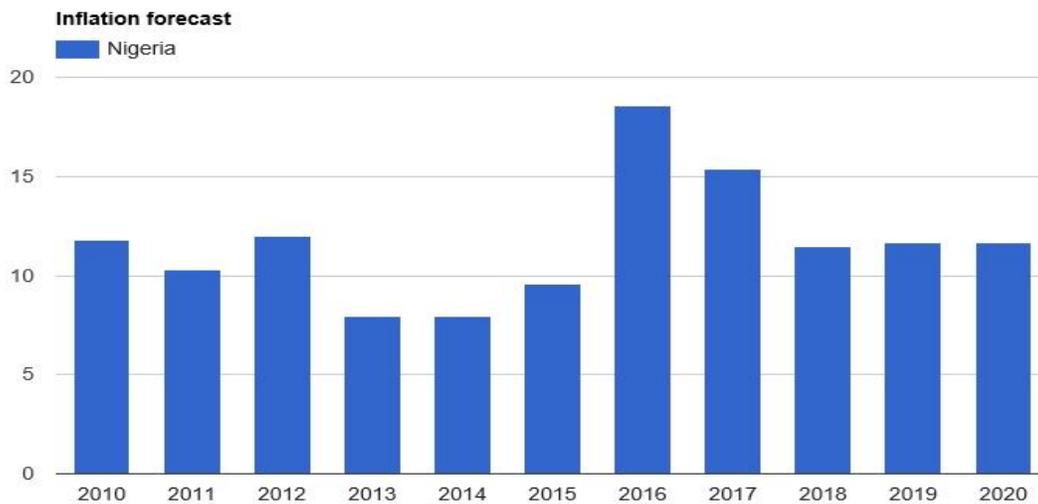


Fig. 1.3 Inflation trends between (2010- 2020) in Nigeria.

### 1.3.1 The Impact of Inflation on the Investment Environment in Nigeria

A budding number of theoretical literatures provide explanation on the inflation investment nexus. Firstly, in endogenous growth theory, the growth rate depends on the rate of investment return and inflation has a dampening impact on the rate of return (Nelson, 1976) (Eugene F. Fama, 1977) (Sangmok Choi, Bruce D. Smith and John H. Boyd, 1995). Inflation reduces capital accumulation and hence decreases the growth rate. Secondly, inflation creates uncertainty in the financial markets and increases the risk associated with the investment which translates into lower economic activities.

(Nwokoye, June, 2015) studied the investment-inflation growth performance nexus in Nigeria between (1980 - 2006.) Using the OLS technique, the study revealed that inflation has a significant deleterious impact on growth at the 10 % level, while that of gross capital formation, it is positive and significant at the 1 % level. This result (though did not consider threshold effects) further demonstrate that a 1 % increase in inflation will lead to a reduction in economic growth performance by 0.1 %. Likewise, the report suggest a 1.0 % change in investment (GCF) is discovered to bring about 0.3 % unit increase in economic performance. His report concluded that increased investment would trigger consumption, labour productivity, output and economic performance due to knock-on effect; because it will reduce capital flight. His report further recommended the adoption of both supply-side policies and demand-management policies to reduce inflation in order to propel economic growth in the short-run and long-run.

## 1.4 The Effect of Taxes on Investment Environment in Nigeria

The Nigerian Personal Income Tax Rate is a tax collected from individuals and is imposed on different sources of income like labour, pensions, interest and dividends (Uchime Helen Nkem, 2019). The benchmark that was used referred to the Top Marginal Tax Rate for individuals. Revenues from the Personal Income Tax Rate are an important source of income for the government of Nigeria. Taxation has a long run relationship with domestic investment in Nigeria, personal income tax and Gross Domestic Product have non-significant negative effects on domestic investment in the long-run.

(Adeosun, 2020) In Nigeria, in as much as you work, run a company or you are a freelancer, you are expected to pay tax revenue. The tax in Nigeria are collected by the Federal Inland Revenue service (FIRS). Tax payment is a paramount aspect of any business in Nigeria which cannot be ignored or misunderstood. The various types of tax that exist in Nigeria constitute mainly of companies tax (CIT), withhold tax (WHT), value added tax (VAT), petroleum profit tax (PPT), personal income tax (PIT), stamp duties (SD), tertiary educational tax (EDT), and many others to be mentioned.

### 1. Companies Income Taxes (CIT)

This is one of the major and the most important tax collected by the FIRS. It is a 30% tax charged on profits made by registered companies dealing business in Nigeria. This involves all sources of income generated of the company. All profits made by these companies in their business activities outside Nigeria is exempted from CIT. According to the Act of the FIRS, This tax must be paid to FIRS not later than three months from the commencement of the company's year assessment. New companies are relied upon to document returns within 18 months from the date of amalgamation or not later than six (6) months after the end of its

bookkeeping period, whichever comes first. In like style, existing organizations must document returns inside six (6) months from the finish of the bookkeeping year. A company is charged reduced tax when they make losses, have no expense payable or the tax payable is not exactly minimum tax.

2. Value Added Taxes (VAT): This is a utilization charge paid on product and rendered services. All things considered, the weight of VAT is borne by the last buyer. Not at all like CIT, VAT, is chargeable on merchandise delivered both inside and outside Nigeria. Nonetheless, there are products that are explicitly excluded from VAT installment by the VAT Act, e.g non-oil trades. For the most part, the standard rate for VAT is 5% every taxable business owner is required to report for their VAT monthly.

3. Withholding Taxes (WHT): WHT returns must be filed on the 21st day of every subsequent month. Failure to file on the due date attracts N25,000 fine for the first month of default and N5,000 for every other month the failure continues.

(Trading economics, 2020) The Personal Income Tax Rate in Nigeria remains at 24 percent. Personal Income Tax Rate in Nigeria arrived at the midpoint of 24.00 percent from 2011 until 2016, arriving at an untouched high of 24.00 percent in 2012 and a record low of 24.00 percent in 2012. The Nigeria Personal Income Tax Rate is ranging between 7% to 24%. In Nigeria, the Personal Income Tax Rate is a tax gathered from people and is forced on various types of income like work, pensions, dividends and profits. The benchmark we use alludes to the Top Marginal Tax Rate for people. Incomes from the Personal Income Tax Rate are a significant source of revenue for the legislature of Nigeria

Table 1.0

Nigeria tax rate

Nigeria Taxes	Last	Previous	Highest	Lowest
<u>Corporate Tax Rate</u>	30.00	30.00	30.00	30.00
<u>Personal Income Tax Rate</u>	24.00	24.00	24.00	24.00
<u>Sales Tax Rate</u>	7.50	5.00	7.50	5.00

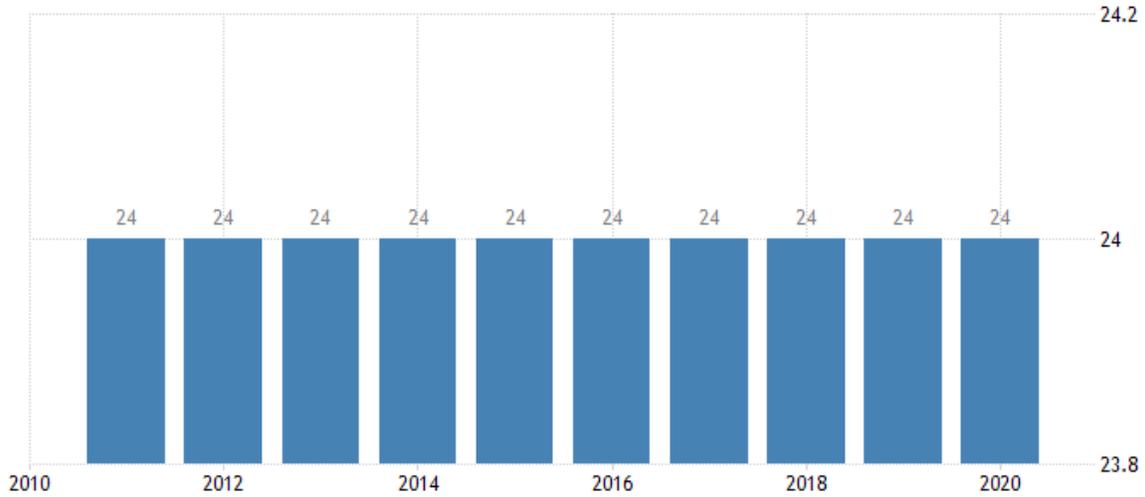


Fig. 1.4 Nigeria tax rate

Compared to Nigeria, (Kingsley N. Ashibogwu, 2018) Australia has a very complicated tax system due to its federal structure, the corporate tax rate in Australia is between 28.5%- 30%, the income tax is between 0%-47% and the VAT is between 0%- 10%. While Nigeria tax rate is between 7%-24%. The United Kingdom and Nigeria have similar tax systems. Nigeria produces a tons of income a lot of revenue from company income tax rate when compared with the UK. The rate income to benefit of business is 34.8 percent if there should arise an occurrence of Nigeria while in UK it is 30%. In spite of the fact that the two

nations generate a great deal from tax compared with some different nations in the rundown. financial specialists in the nation. Coherently, is can be derived that despite the fact that the tax rate is low yet there are numerous interest in the nation, tax revenue will increment and development will increment in same manner.

financial specialists in the nation. Coherently, is can be derived that despite the fact that the tax rate is low yet there are numerous interest in the nation, tax revenue will increment and development will increment in same manner.

As far as I know, lately there have been changes in the tax system of Nigeria. Separate tax rates have been raised. Explain why this happened and what consequences it will have. Some of the recent changes in the Nigerian tax system include E-Filing service and the E-Tax pay solution, and the taxpayer's identification number which has been effective since 2008, its main purpose is to operate a more efficient and more transparent tax system in order to maximize and have a more organized way of tax collection. Before the changes tax collection was done manually in Nigeria and it always slow down the process and it is time consuming. But with this changes tax collection will be done using the electronic service channel provided. And payment can be done online from various locations for the comfort of the citizens.

## SECTION 2

### THE PLACE & ROLE OF NIGERIA IN INTERNATIONAL ECONOMIC RELATIONS

The economic riches of a country have a bearing on the management and projection of its interests and core values in the international scene. A diverse range of economic determinants including investment, trade, currency, labour force etc. can all influence the level of the activity of states in the international system. There are numerous evidence of the connection between the national economy of a country and the role played by such a country in global politics and economics. Post-independence, Nigeria has developed a far-reaching influence in Africa; recording its most significant increase in influence between 1970-1980, as a result of its rapid economic development and relative political stability during that period.

Sub-regionally, (Adetula, 2014) Nigeria has a harmonious relationship with its neighbours on the west coast of Africa. (Victor, 2012) It has been a major catalytic agent in the pursuit of regional economic development and cooperation. Nigeria was pivotal in the creation of The Economic Community of West African States (ECOWAS). (African Development Bank Group, 2013) (Akinterinwa, 2014) ECOWAS as a body of 16 West African countries aim to harmonise trade and investment practices between the member states, and eventually establish a common customs union within the sub-region. (Akinterinwa, 2014) (Eze, 2010) Nigethe civil war in Liberia by providing the bulk of soldiers in the ECOWAS peacekeeping force deployed there in 1990.

In today's global economic scene, (International Monetary Fund, 2007) Nigeria is taking lead in the articulation of the perspectives of developing nations on the need for changes in the existing world international economic order. (Dibua, 2013) To

be relevant in the economic global village, countries need multinational alliances and bilateral partnerships. (Dibua, 2013) (Akinterinwa, 2014) Nigeria is a member of many international organisations e.g. The UN, WTO, IMF, World Bank, AfDB, INTERPOL, OPEC, ECOWAS, AU, MOWCA, NAM, OIC etc. (Alade, 2020) Nigeria's image has suffered some image issues on the international business sphere.

But the IMF (International Monetary Fund , 2020) suggest that recent developments in Nigeria is improving investment confidence among the investors, suggesting that the country is once again on the rise. (National Bureau of Statistics, 2014) (The Economist, 2014) The recent rebasing of the economy has helped to push Nigeria's GDP to the top of Africa's GDP table, and its economy the largest on the continent; with South Africa occupying the second spot. Its major trading partners are: The European Union (EU), the United States, India, Brazil, and China. Nigeria's large population size, natural resources, economy and general influence in global affairs have increasingly continued to attract significant attention in academia and the international investment sphere.

## 2.1 Export and Import activity of Nigeria over the last 10 years

According to the OEC (Simoes, 2020), Nigeria is ranked the 124<sup>th</sup> most complex economy and the 49<sup>th</sup> largest export economy in the world. Nigeria realised \$46.8B from its exports and spent \$34.2B on imports, yielding a positive balance of \$12.7B in 2017. In the same year, its GDP was \$375B and the GDP per capita was \$5.87K.

(Simoes, 2020) Nigeria's chief exports are Crude petroleum (\$35.6B), Petroleum Gas (\$6.47B), Refined Petroleum (\$774M), Cocoa Beans (\$660M) and Rough

Wood (\$321), using the 1992 revised Harmonised system (HS) classification. The country's top imports are Refined Petroleum (\$6.27B), Passenger and Cargo Ships (\$1.73B), Cars (\$944M), Wheat (\$1.35), and Raw Sugar (\$549M).

(Simoes, 2020), The top destinations for the country's exports are the United States (\$6.68B), India (\$8.25B), Spain (\$4.54B), the Netherlands (\$2.3B) and France (\$2.81B); while the Nigerian top import countries of origin are Belgium-Luxembourg (\$3.03B), China (\$9.6B), South Korea (\$2.18B), the United States (\$2.04B) and the Netherlands (\$2.83B).

As of 2017 Nigeria had a positive trade balance of \$12.7B in net exports. As compared to their trade balance in 1995 when they still had a positive trade balance of \$6.96B in net exports. The blue line indicates the exports while the red line indicates imports.

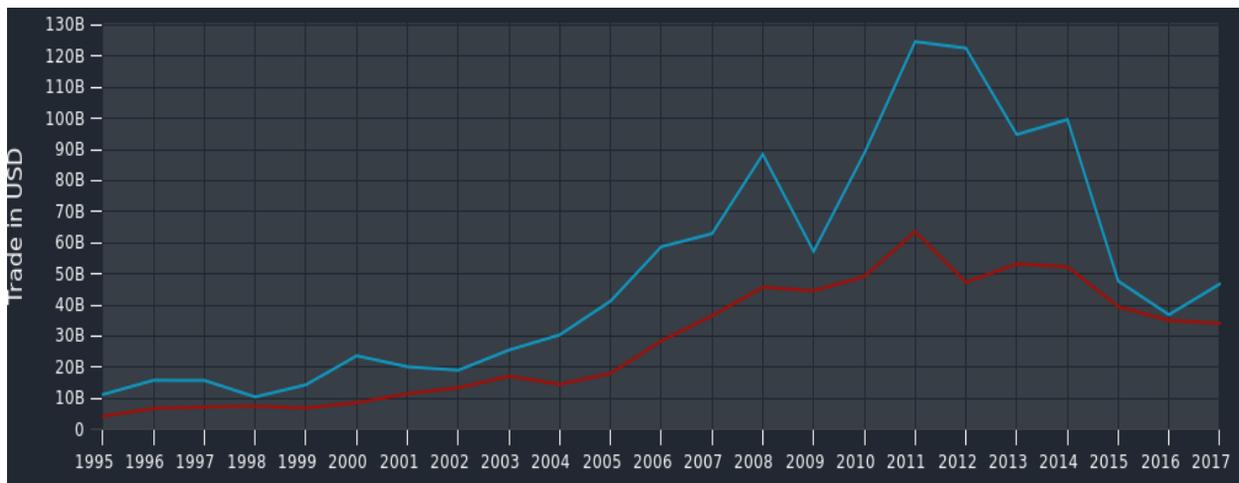


Fig. 2.1 Export and Import activity of Nigeria over the last 10 years

Nigeria exports an average product of \$504 million annually, rough wood of about \$333 million annually and Nigeria exports other notable products like cocoa butter, rubber, rolled tobacco e.tc among many other products. (Pines, 2019), Nigeria imports lots of finished products from various parts of the world some of which are, packed medications (\$955 million), cars (\$80 million), telephones (\$745 million), rubber tires (\$309 million), motorcycles (\$447 million), raw sugar (\$406 million), rice (\$302 million) and palm oil (\$199 million), even though Nigeria's main source of revenue is crude oil they still import refined petroleum as it is listed among the top 5 Nigeria's import commodity.

Nigeria needs to develop more and advance from exporting just raw materials and start exporting their own individual produce, Nigeria is fully depending on crude oil as their main source of income revenue, whereas they can venture into exporting of agricultural produce, gold mining because as we all know Nigeria is richly endowed with vast agro and mineral resources, their dependency on crude oil alone will not only bring down the country's economy by also add an a disadvantage in their investment credibility, it will affect the country's inflation rate in the future when there is a drop in the oil price.

Agro and mineral resources are yet to be fully tapped in Nigeria for the benefit of its citizenry, part of which we have agricultural and solid mineral resources like cash-crops, grains, fisheries, cassava, oil seeds, zinc, iron, precious stones, different spices, Gems e.tc

(CEIC, 2017) Nigeria's NG: Balance of Payment (BOP): Current Account: Balance information was accounted for at 10.381 USD bn in Dec 2017. This records an expansion from the past number of 2.714 USD bn for Dec 2016. Nigeria's NG:

BOP: Current Account: Balance information is refreshed yearly, averaging 1.203 USD bn from Dec 1977 to 2017, with 41 perceptions. The information arrived at an unsurpassed high of 36.529 USD bn in 2005 and a record low of - 16.019 USD bn in 2015. Nigeria's NG: BOP: Current Account: Balance information stays dynamic status in CEIC and is accounted for by World Bank.

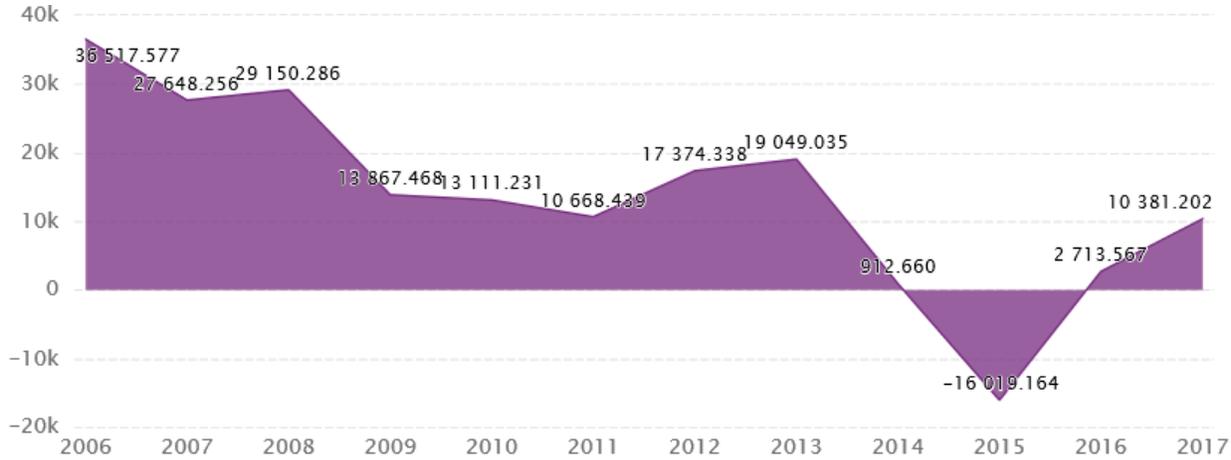


Fig. 2.1 Nigeria Balance of Payment

2.2 The scope and main directions of foreign direct investment in Nigeria

As indicated by the UNCTAD 2019 World Investment Report, (Nordea, 2020) Nigeria is the third host economy for FDI in Africa, behind Egypt and Ethiopia. The nation is among the most encouraging shafts of development in Africa and draws in various speculators in the division of hydrocarbon, vitality, structures and so on. The nation experiences the impacts of the oil counter-stun. As indicated by the UNCTAD, FDI streams to Nigeria totalled to USD 1.9 billion in 2018, and demonstrated an abatement contrasted with the earlier year (USD 3.5 billion of every 2017) under the impacts of severity measures. Evaluated at USD 99.6 billion of every 2018, the entire supply of FDI speaks to 25.1% of the nation's GDP. A portion of the fundamental putting nations in Nigeria incorporate the USA, China, United Kingdom, the Netherlands and France.

(CEIC, 2019) Nigeria's Foreign Direct Investment (FDI) enrolled a development equivalent to 0.4 % of the nation's Nominal GDP in Dec 2019, contrasted with a development equivalent with 0.4 % in the past quarter. Nigeria's Foreign Direct Investment: % of Nominal GDP information is refreshed quarterly, accessible from Mar 2010 to Dec 2019. The information arrived at an untouched high of 2.5 % in Dec 2012 and a record low 0.3 % in Dec 2018. CEIC ascertains Foreign Direct Investment as % of Nominal GDP from quarterly Foreign Direct Investment and quarterly Nominal GDP. The Central Bank of Nigeria gives Foreign Direct Investment in USD. The National Bureau of Statistics of the Federal Republic of Nigeria allocates Nominal GDP in the country's currency, at essential costs. The Central Bank of Nigeria normal market currency exchange is utilized for money changes. In the most recent reports of Nigeria, Current Account recorded a shortfall of 7.0 USD bn in Dec 2019. Foreign Direct Investment (FDI) expanded by 495.4 USD mn in Dec 2019. Nigeria's Direct Investment Abroad extended by 378.9 USD mn in Dec 2019. It Foreign Portfolio Investment downgraded by 6.0 USD bn in Dec 2019. The nation's Nominal GDP was accounted for at 129.1 USD bn in Dec 2019.

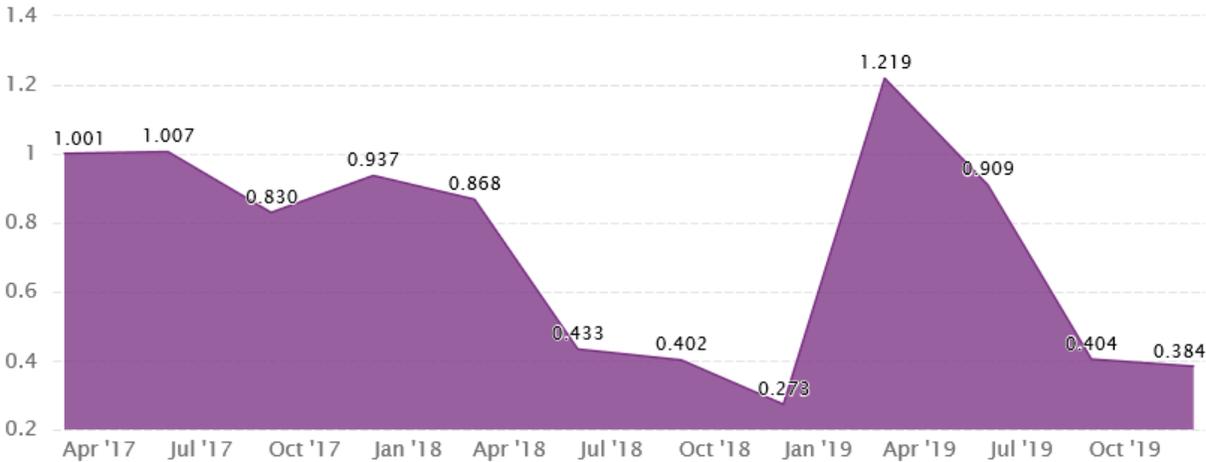


Fig. 2.2 Nigeria Foreign Direct Investment: % of GDP

The foreign direct investment in Nigeria is directed towards extractive industries but of recent there has been a diversification into the manufacturing sector. The diversification of the FDI into the manufacturing sector appraises the background and the beginning of FDI inflows to Nigeria. According to (UNCTAD), inflows of the FDI into the country totalled \$1.9 billion in 2018. The Nigeria of today does not only serve as a recipient export country of foreign investment but is also an active investor in foreign and developed countries like United State of America, China, United Kingdom, the Netherlands, France e.tc. It is an active investor mainly because it want to diversify the country's economy away from oil to the manufacturing industry.

### 2.3 The Nigerian Investment Environment

(Okonko-Iweala, 2014) It is a common knowledge even to the people who observe the African continent that there are very few countries with the huge economic potentials of Nigeria. The country is richly endowed with abundance of human and natural resources. With a population of over 170 million people, Nigeria has an internal market that has no rival within the African continent. Apart from the advantage of high purchasing power which human endowment gives the country, Nigeria actually has one of the most highly trained work forces in Africa.

The solid minerals in Nigeria range from precious stones to the various industrial minerals for a wide range of industries as construction, pharmaceuticals, food processing, and other forms of manufacturing.

Despite the huge resource base of the country, Nigeria has not been able to achieve a high level of economic growth, nor has it been able to attract a high

level of Foreign Direct Investment (FDI) commensurate with its economic potentials. In his assessment of the Nigerian investment environment, Mr. Yuichi Ishimaru (Ishimaru, 2020) identified the following factors as major obstacles to economic growth and the flow of FDI to the country:

- 1. Dependence on the oil sector, which accounts for 95% of foreign currency income and 80% of the national budget.
- 2. National budget deficit and foreign debt caused by free-spending economic policies under past military junta regimes.
- 3. Inadequate infrastructure.
- 4. Corruption.
- 5. Unstable regulatory and institutional environment.
- 6. Crime and other security concerns
- Other problems raised by investors in respect of the Nigerian investment environment include: multiplicity of approving agencies, high interest rate, and so on.

Despite all the highlighted problems, Nigeria has made headways in reforms and this has helped to improve the business image and confidence of the investors both locally and internationally.

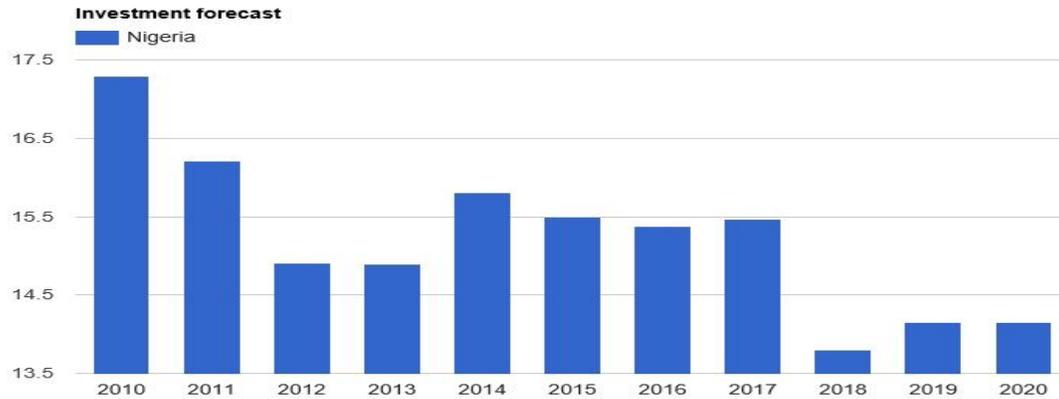


Fig. 2.3 Nigerian investment forecast

Nigeria's vision of 2020 is a striking want to be among the main twenty economies by the end of 2020. The economy has posted amazing development figures since 2003 driven by higher oil costs and a progression of home-developed, monetary changes. The nation is presently immovably headed straight toward middle salary status. This Investment Climate Analysis is based on a 2,300 firm study and gives proof based on suggestions intended to help the vision 2020. According to the reforms Nigeria's (World Bank, 2020) ranking on the World bank annual doing business index 2020, Nigeria ranked from 169<sup>th</sup> to 145<sup>th</sup> place out of 190 economies in the world and the country is looking to rank as one of the first 20<sup>th</sup> economies of the world

## SECTION 3

### **THE DEVELOPMENT OF AN INTERNATIONAL INVESTMENT PROJECT: THE ESTABLISHMENT OF A RESTAURANT BUSINESS IN NIGERIA (ABUJA)**

(Edon, 2017) A local population of about 195 million people in Nigeria makes the restaurant business a very lucrative one to explore. This extremely large number of individuals living in just one country proves that starting a restaurant business in Nigeria is a great business idea, and should be taken advantage of by anyone looking for a profitable small business idea to start-up.

This is largely as a result of the insatiable worldwide demand for food, which doesn't just make it a highly profitable business for budding entrepreneurs, but also one of the best recession proof business ideas to explore.

The demand for food worldwide has no respect for social classes. Both the rich and poor have to feed, and as such, must spend money on food. A majority of the small and middle class citizens patronise mini-roadside restaurants also known as "Mama Put" or "Bukka" in Nigeria, for their daily meals. While a bulk of the upper middle class and rich, spend more time on high-class fast food restaurants.

Starting a restaurant business in Nigeria offers great business prospects, but unfortunately, even when an investor have great ideas with good potentials and a good business plan, it is hard to find banks that will back the idea up with capital loans, and also give you other assistants for the business to grow. It is a very difficult thing to get an investment loan in Nigeria for a start-up business because commercial banks in the past don't favour granting loans for investment in start-up

business. The banks favour investment in matured businesses with established positive cash flow. The restaurant business does not have the glamour of most technology start-ups, hence it does not greatly attract financial guarantees from banks. Therefore, an investor's best bet is to raise capital initially either via family or friends.

If luck is on the investor's side, a business partner with capital may join-up and bring in extra financial capital as per resources to invest in the restaurant project. For the proposed project, the plan will be to try and raise most of the capital from family or close friends. If they decline, they will be offered shares or equities in a business partnership business.

Only a few lucky start-up business owners get the privilege of being nurtured by the banks through the Enterprise Development Centre (EDC) for more entrepreneur skill on how to grow their businesses.

Another thing that must be added is that, the few banks that are keen to lend business capital to small businesses (e.g. FBN), often seek proof of guaranteed alternatively sourced funds first before they can offer support. Banks in Nigeria don't play the four runner game but they have fixed interest exclusively in supporting businesses with a proven track record of success. This is a major difficulty faced in establishing small scale businesses in Nigeria, especially in the restaurant market.

### 3.1 Analysis of the restaurant market in Nigeria (Abuja)

Nigeria is a country with over 73 million population. Many urban people now opt to eat some of their meals outside the home. To meet the demand, many small

restaurants known as ‘Bukkas’, have mushroomed all across Nigerian cities to serve this working population. These restaurants generally serve Nigerian traditional meals either in open-air areas or in low-cost small rudimentary dining buildings. Meals are relatively cheap and as a result they have gained a loyal following among the Nigerian urban masses. Indeed, (Nwokoye, June, 2015) the size of the informal fast food sector is estimated at \$600 to 750 million a year. The global food delivery market is expected to grow to 11.4 percent by 2024, and 2020 will be a catalyst year that could drive that number up.

The main idea of this restaurant is a modern day restaurant that will be situated in the capital city of Nigeria called Abuja. The varieties of dishes include the local dishes, the continental dishes and Asian cuisine. The target market for this restaurant idea are:

1. The Youth
2. Ceremonies.
3. Corporate Specials
4. Business People
5. Family.

In a developing society with striving economy like Nigeria, the influence of private sector businesses will be immense in the goal to achieve a vibrant, and stable economy. Such businesses like the one being proposed in this thesis will form part of a driving force to drive the Nigerian economy into the future.

The business idea being explored in this thesis is a modern day restaurant that will be situated in the capital city of Nigeria called Abuja. The main menu will be the typical Nigerian delicacies, with varieties of other dishes like the continental dishes and Asian cuisine. The global food delivery market is expected to grow to

11.4 per cent by 2024, and 2020 will be a catalyst year that could drive that number up.

The research result showed that 50% of those surveyed prefer African dishes to European dishes, while 20% of the survey prefer European dishes, while 20% of those surveyed prefer English dishes, and 10% of the population prefer Asian dishes.

The survey also showed that SPICE restaurant Abuja currently provides the best dishes in Nigeria.

According to the survey, the percentage of people who patronized these competitive restaurants are 50% of the rich class and 50% of the middle class population.

The survey also showed that 20% of the competitive brands attract customers using ambiance, and 30% of the people are attracted due to the quality of foods being provided, and 50% is attracted due to good customer care.

Based on an interview with Mr Richard Cole (a food retail business analyst) (Cole, 2020) the following are the reported problems faced in the management of a restaurant business;

- The price competition
- The location accessibility
- Unforeseen circumstances like natural disaster
- Seasonal changes.

The interviewed analyst provided some potential solutions (see below) and also reported that the biggest problem with start-up restaurant businesses in Nigeria are market penetration and market competition.

Table. 3.1

Potential problems in starting a restaurant business in Nigeria (Abuja) and postulated solutions according to food retail business analyst (Mr Richard Cole).

<p>The price range</p>	<p>A lower price range different from the price range of the competitive restaurant will attract customers</p>
<p>The location accessibility</p>	<p>The accessibility of the location of the restaurant needs to be accessible and easy to locate to attract customers</p>
<p>Unforeseen circumstances</p>	<p>Unforeseen circumstances like natural disaster can affect a restaurant business for example this COVID-19 pandemic is a very good example of unforeseen circumstances. Investors should have emergency business funds set-aside to cater for such occurrences.</p>
<p>Seasonal changes</p>	<p>An investor should prepare for the seasonal changes in demand by making necessary adjustments to balance the business accounts.</p>

	More sales are recorded during holiday season, and less during Ramadan and Lent periods.
Market penetration and market competition.	Customer friendly price promotions and business adverts on mass media.

### 3.2 The business Plan

The business Plan for the proposed modern city restaurant include purchases and sales forecast, cash flow forecast, a projected profit or loss account and balance sheet for at least three years. These are of most interest to the banks or other financial institutions from which capital securities will be sought. These will serve as the blue-print for the management of the business. There are different modes of operation of a restaurant business in Nigeria, these are:

1. Delivery only method
2. Pick up only method
3. Fast food & drive through method
4. The Combined-methods system with a sitting restaurant area.

(Edon, 2017) The global food delivery market is expected to grow to 11.4 percent by 2024, and 2020 will be a catalyst year that could drive that number up. Restaurant owners in Nigeria have started to incorporate more mushrooms and plant-proteins (pea protein, lentils, spirulina) into their dishes as many diners are choosing healthy, meat alternatives. Adapting and incorporating to new trends will be a great quality to imbibe in the business. Versatility is very crucial for the survival of new restaurant businesses in order to keep in touch with the market leading competitors.

### 3.2.1 Competitive landscape

Most restaurant owners don't take the time to prepare a business plan, or worse yet, a detailed competitor analysis before opening a new business. They are of the attitude of "wait and see," which usually always leads to failure and poverty. A fundamental part of any business plan is finding something that will establish how you can differentiate your restaurant from all the others. Basically, there are 3 kinds of competitors that should be taken into account:

1. **Direct Competitors:** Direct competitors are restaurants that are very similar to yours. They sell the same restaurant cuisine, operate under the same service model and appeal to the same target market. A few examples of direct competition are: blue cabana restaurant and café, cilantro Abuja. This is because they are examples of modern day restaurants exactly like the idea that is being presented in this Thesis.
2. **Occasional Competitors:** Provide food or products which differ slightly to yours or they are situated in a different location.
3. **Indirect Competitors:** Indirect competitors are harder to spot. They can sell different types of cuisine or operate under a different service model. But these businesses are competition because they cater to the same target market. While indirect competitors might not offer the exact same meals, they are still vying for the same hungry guests.

The competitive landscape includes:

- Compile a list of competitors by neighbourhood
- Indicate whether they are a direct or indirect competitor

- Determine neighbourhoods that have a market gap which your restaurant can fill
- Refine your restaurant's offering to match and exceed local competition

### 3.2.2 The Business Projection / Project Development Plan

The Project Development plan for the proposed modern city restaurant include carrying out a field research to source information and satisfy documentation requirements from current stake holders in the business (restaurateurs), Business Analysts, Abuja City planning council, Abuja Chamber of Commerce. This will help with the following:

- Identification, acquisition, certification and structure development permission of a prime location for optimum patronage in Abuja
- Information about consumer behaviour, restaurant business climate & trade union
- Projection of a purchases and sales forecast, cash flow forecast, a projected profit or/and loss account and balance sheet forecast for at least three years
- Certification of permission to carry out business and render restaurant services
- Business Taxation information

The Business Projection plan is of particular great interest to the banks or other financial institutions from which capital securities will be sought. This will give them confidence in the proposed business and also serve as a proof that the

business owner(s) are organised and responsible, and that the business will be well managed and operated.

Table 3.2.2

Field Research Source of Information & Information requested

Information / Documentation Source	Information / documentation received
Current stake holders in the business (e.g. restaurateurs)	Information about consumer behaviour, restaurant business climate & trade union
Business Analysts	Projection of a purchases and sales forecast, cash flow forecast, a projected profit or/and loss account and balance sheet forecast for at least three years.
Abuja City planning council	development permission of a prime location for optimum patronage in Abuja. Identification, acquisition, certification and structure
Abuja Chamber of Commerce	Certification of permission to carry out business and render restaurant

	services. Business Taxation information.
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### 3.2.3 Proposed Mode of Operation of the Business

There are different modes of operation of a restaurant business in Nigeria, these are:

5. Delivery method
6. Pick up method
7. Fast food method
8. The main restaurant sitting idea.

As a start-up restaurant, the delivery system will be key in launching the brand. The global food delivery market is expected to grow to 11.4 percent by 2024, and 2020 will be a catalyst year that could drive that number up. Restaurant owners in Nigeria have started to incorporate more mushrooms and plant-proteins (pea protein, lentils, spirulina) into their dishes as many diners are choosing healthy, meat alternatives. Adapting and incorporating to new trends will be a great quality to imbibe in the business. Versatility is very crucial for the survival of new restaurant businesses like the one being proposed in order to keep in touch with the market's leading competitors.

The food delivery sales system also carries a good advertisement opportunity due to its potential to bring the brand to the customers' doorstep via the branded food products and business awareness leaflets. Food Vouchers could be offered through these leaflets as a form of promotion to entice the customers to visit the restaurant. All things being equal, if the quality of the product is as enticing as advertised, the customers will not only offer more business opportunities via repeated-patronage of the delivery service, but will be more likely to visit the foods' source (The restaurant) also.

### 3.2.4 Competitive landscape

It was reported that many new modern restaurant businesses in Nigeria often fail because the owners don't take the time to prepare:

1. A business plan
2. A detailed competitor analysis before opening a new business

The importance of a good business projection plan to a new modern restaurant business has been covered in the recent subsection (see 3.2.2 above). Part of a good business projection plan involves carrying out research about stake holders in the market (these are the providers of the competition in the market). Many new modern restaurants neglect this important process and instead hinge their luck on the infamous "wait and see" approach; which in reported cases leads to failure, bankruptcy or outright foreclosure. A fundamental part of any business plan is finding something that will establish brand uniqueness, some distinct brand signature cuisine, service or patent appeal that differentiate the restaurant from all the others. This helps a business stand out from the crowd.

### 3.2.5 Some good practises for new restaurant businesses in Competitive Landscape

Some good practices to help establish the proposed modern Nigerian restaurant business in the competitive landscape include:

- Compilation of a list of competitors in the market (especially those at close proximity to the location of the restaurant)
- Threat identification: whether they are a direct or indirect competitor
- Determination of neighbourhoods that have a market gap which the new restaurant business can easily claim and establish dominance in
- Strategic design of the new restaurant's offering to match and exceed local competition

### 3.2.6 Rationale for the idea of establishing a restaurant business in Nigeria (Abuja)

As stated earlier, (Edon, 2017) Nigeria is a country with over 73 million urban population. Many urban dwellers prefer to eat outside the home which creates high

demand. To meet the high demands, more restaurant businesses are springing up all across Nigerian cities to serve this working population.

The desire of the progenitor of this project is to take advantage of this readily available demand by establishing a modern day restaurant that will be situated in the capital city of Nigeria called Abuja. Abuja is a centrally located mega city that bring together people from different parts of Nigeria and beyond, so the idea is for the restaurant to serve a varied menu of local Nigerian and international delicacies. The varieties of dishes include the local dishes, the continental dishes and Asian cuisine.

### Calculation of investment requirements

Table 3.3 (Calculation of investment requirements)

Number	ITEM	Amount(naira)
1	Rent for 1 month	267,000
2	Office down payment	150,500
3	Registration of restaurant	20,000
4	Legal consultation	50,000
5	Advertising expenses	60,000
6	Decoration of the restaurant	20,000
7	Kitchen instruments	180,000
8	Chairs 20pcs (5000 naira)	100,000

9	Tables 10pcs (5000 naira)	50,000
10	Eating plates 30pcs (4000 naira)	120,000
11	Cutleries 30pcs (2000 naira)	60,000
12	Microwave 2pcs (25000 naira)	50,000
13	Fridge	70,000
14	Cleaning company per month	20,000
15	Electricity bills per month	45,000
16	Big bins 5pcs (1500 naira)	7500
17	Computers	40,000
18	Freezer refrigerator	100,000
19	The cost of staff development	50,000
	Total cost	1,460,000

#### Expenditures:

In opening a restaurant, 14 people will be employed;

- 2 chefs
- 4 servers also known as waiters
- 1 sous chef

- 1 receptionist or cashier
- 2 Representatives from the cleaning company
- 2 dishwashers
- 1 kitchen manager

Table 3.4 (Expenditures)

	<b>Job position</b>	<b>No of people</b>	<b>Wage, GBP per month</b>	<b>Total, GBP/month</b>
1	Chefs	2	25,000	50,000
2	Waiters	4	15,000	60,000
3	Sous chef	1	30,000	30,000
4	Cashier	1	10,000	10,000
5	Cleaner	2	5,000	10,000
6	Dishwasher	2	10,000	20,000
7	Kitchen manager	1	20,000	20,000
	<b>Total payroll</b>	<b>14</b>		<b>200,000</b>

Table 3.5 (Expenditures)

NO	Name	Amount(Naira)	Data
1	Salary	200,000	Monthly
2	communal payment	1900	Monthly
3	Basic products	24,333	monthly
4	Rent	267,000	monthly
5	Other costs	15,000	Monthly
6	Accounting outsourcing	20,000	Monthly
	Total	528,233	Monthly
	528,233 X 12	6,338,796	Yearly

Expenditures

Expenditures (NAIRA)	Year		
	1	2	3
Salary	2,400,000	2,500,000	2,550,000
Communal payments	11,800	15,000	20,000

Basic products	292,000	300,000	310,000
Rent	3,204,000	3,255,000	3,330,000
Other costs	50,000	55,000	60,000
Accounting outsourcing	20,000	25,000	30,000
<b>Total</b>	<b>5,977,800</b>	<b>6,150,000</b>	<b>6,300,000</b>

Table 3.6 (Estimated revenue)

No	Specific cuisines	Expected number of orders per week	Price (NAIRA)	Total per month	Total per Year
1	African dishes	50	10,000	500,000	6,000,000
2	Asian dishes	25	10,000	250,000	3,000,000
3	English breakfast	30	15,000	450,000	5,400,000
4	European dishes	15	3,500	52,500	630,000
5	Ukraine dishes	10	7,500	–	75,000
	<b>Total</b>			<b>1,252,500</b>	<b>15,105,000</b>

Estimated revenue

Table 3.6 cont

Revenue of sale (naira)	Year		
	1	2	3
African dishes	6,000,000	6,100,000	6,150,000

Asian dishes	3,000,000	3,050,000	3,100,000
English breakfast	5,400,000	5,450,000	5,490,000
European dishes	630,000	640,000	645,000
Ukraine dishes	75,000	80,000	85,000
Total	15,105,000	15,320,000	15,470,000

Table 3.7 (Investment attractiveness)

Indicators	0	Year		
		1	2	3
Investment (Naira)	1,460,000	--	--	--
Revenue of the sale (Naira)	--	15,105,000	15,320,000	15,470,000
Expenditures (Naira)		1,132,875	1,149,000	1,160,250
Profit before taxations, (Naira)	--	5,977,800	6,150,000	6,300,000
Tax 15% (Naira)	--	7,994,325	8,021,000	8,009,750
Net profit, (Naira)	--	1,199,1489	1,203,150	1,201,463

Below are the calculations of performance indicators, such as:

Inflation rate in Nigeria in 2020 = 12.26%

Predicted inflation rate in 2021 = 12.9%, and in 2022 =12.00%

Interest rate = 13.5%

Risk = 10%

- $i_{2020} = (1+0.1226)*(1+0.135)*(1+0.0.1) = 1.1226*1.135*1.1 - 1 = 0.4015$
- $i_{2021} = (1+ 0.129)* (1+ 0.135) * (1+ 0.0.1) = 1.129*1.135*1.1 - 1 = 0.4095$
- $i_{2022} = (1+ 0.12)* (1+ 0.135) * (1+ 0.0.1) = 1.12*1.135*1.1 - 1 = 0.398$
  
- 1 year –  $1/(1+0.4015) = 0.7135$
- 2 year –  $1/((1+0.4015)*(1+0.4095)) = 0.5063$
- 3 year –  $1/((1+0.4015)*(1+0.4095)*(1+ 0.398)) = 0.3621$

Table 3.8 (Results of calculated performance indicators)

Year	Inflation forecast
1	0.7135
2	0.5063
3	0.3621

The achieved results from the quantitative analysis above forecasts the following inflation projections (inflation index) for the next three years, 0.7135 in the first year, 0.5063 in the second year and 0.3621 in the 3<sup>rd</sup> year.

Table 3.9 (Final calculations)

Year	Investment, Naira	Net profit naira	Amortization Naira	Cash flow naira	Discount Rate	Investments	Cash flows
0	1,460,000					1,460,000	
1		6,795,176	55,340	6,850,516	0.7135		4,887,843.2
2		6,817,850	56,340	6,874,190	0.5063		3,480,402.4
3		6,808,580	57,340	6,865,920	0.3621		2,486,149.6
Total	1,460,000	20,422,606	169,020	20,590,626		1,460,000	10,854,395

Table 3.10 (Present value, Index Of profitability and Payback period for the investments)

Year	Discounted cash flow	Investment	Present value	Index profitability	Payback period
0		1,460,000			
1	4,887,843.2	1,460,000	3,427,843.2	3.35	0.30

2	3,480,402.4	1,460,000	2,020,402,4	2.38	0.40
3	2,486,149.6	1,460,000	1,026,149.6	1.70	0.60
<b>total</b>	10,854,395				

In this analysis above, the initial investment of 1,460,000 naira, as shown in table (3.1) gives a detailed explanation on the investment idea of a modern day restaurant business in Nigeria. Table 3.11 shows that if an initial investment of 1,460,000 is made on the proposed business, the profit after 1 year will be greater than the cash flow at the end of the second year. This could be as a result of spending on updating equipment and their maintenance or/an increase in the cost of production. This is expected especially with the forecasted inflation figures calculated above. It is also evident that if the same amount is invested in the third year, there will be a further significant reduction in the cash flow due to reduced monetary value as a result of the factors given earlier.

Regardless of all the mentioned factors, the business is generally still very attractive. This is confirmed by the index of profitability during the considered years being equal to 1. The good profit value projected for the business will enable the investment value made in the first year to be realised within the first three months and the third year investment (with same investment figures as the first year) to be related within six months of operation (*ceteris paribus*).

Hence, it can be concluded that the proposed investment is attractive because the projected range of profit during the years of investment examined is more than double the value of the invested amount and with the added advantage of a short payback period.

## CONCLUSION AND PROPOSAL

Nigeria continues to diversify its economy away from oil by developing a competitive manufacturing sector, which is hoped will help the country's integration into the ranks of global value chains and uplift of productivity. (Groupe Societe Generale, 2020) The recent merger of trade, industry and investment under the hospice of the Federal Ministry of Industry, Trade, and Investment shows Nigeria's will to improve its trading and investment environment. Widespread corruption, political instability, lack of transparency and poor quality infrastructure are limiting Nigeria's FDI potential.

This thesis has documented that the biggest problem with start-up restaurant businesses in Nigeria are market penetration and market competition. The location accessibility, Unforeseen circumstances like natural disaster, Seasonal changes and Bureaucratic problems (in terms of licensing and processing of business ownership applications are the other major issues facing investors in the restaurant business. It is still currently not easy to secure financial capital loans for start-up businesses in Nigeria.

In relation to the aforementioned hindrances, the following three proposals are put forward to help other investors who are interested in starting a similar restaurant business in the future:

A good market research prior to the commencement of the business to gain insightful knowledge of the market is highly advised. This will lay the foundation for a solid business plan and also to better prepare the investor for the seasonal nature of the business. With this advantage, getting established in the high-end restaurant market sphere will be much easier.

Unforeseen circumstances like natural disaster can affect a restaurant business for example this COVID-19 pandemic. Prospective Investors should have emergency business rescue funds set-aside to cater for such occurrences.

An investor should instinctively prepare for the seasonal changes in demand by making necessary adjustments to balance the business accounts. More sales are normally recorded during holiday season, and less during Ramadan and Lent periods. Knowing how to manipulate the dynamics of the business around these factors will help to avoid a financial business emergency.

On the positive side, (World Bank, 2020) Nigeria is now ranked 131<sup>st</sup> in the world for ease of doing business. This is an improvement from the previous rank of 146<sup>th</sup> in 2019. Nigeria has also improved significantly in the provision of services required for establishment of new businesses in areas like; speed of processing of construction permits application, electricity grid-line connection, property registration and contract enforcement which are essential for the timely opening of such businesses as the one explored in this thesis.

Decades ago, Nigerians had only a handful of indigenous modern day restaurants that are locally owned businesses (especially those that serve local Nigerian dishes) to have their outings at. (Nwachukwu, 2019)The majority of Nigerians think local when it comes to food and nourishment source, but it is also evident that they have shown an enviable appreciation for the modern and classy design of the oriental Asian and European style restaurants, as well as the elegant presentations of their dishes. These features has helped to woo over many Nigerian patronisers of those foreign owned brands over the locally owned restaurants.

The idea presented in this thesis may help bridge this gap, by offering the best of the modern architecture of the foreign brands while also meeting the local Nigerian cuisine demands at the optimum presentation quality. Even though this idea has a potential to excite both the local and foreign market, the progenitor of this thesis understands the realism that the choice of patronage still solidly resides with the customers; they will have to ultimately make the decision to either embrace and support the initiative being explored by this modern day restaurant business idea or maintain the status quo. Although, the quantitative analysis forecasts inflation projections (inflation index) of 0.7135 for the first year, 0.5063 in the second year and 0.3621 in the year; the body of evidence provided by the Attractiveness of Investment Project calculations (Table 3.1-3.11) suggest that the proposed business idea has the potential to be successful in an economic environment like Abuja (Nigeria).

## APPLICATION

The methods of research, results, and opinions of experts, academic theories, the proposals and personal conclusions of the progenitor of this thesis are adaptable and applicable to various fields of business establishments. They will be of most help and significance to start-up businesses in the economic climates similar to that of Nigeria or in Nigeria. However, as the principles of business are universal, these outcomes reflected here should / could offer some guidance in other economic climates also.

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