

Boosting Nigeria-India Investment Relations

The Indian Prime Minister, Narendra Modi, recently paid a state visit to Nigerian President, Bola Ahmed Tinubu. The two leaders reached an agreement to strengthen the current investment and trade relations between the two countries. Specifically, their objective was to revitalize the current investment ties in the fields of energy, telecommunications, and industrialization. Consequently, BACITI has conducted an analysis of the current investment positions of the two countries, exploring further areas of benefits and offering important policy implications.



Foreign Inflows between India and Nigeria

Nigeria-India relations have a long history dating back to Nigeria's pre-independence period. This tie is particularly enhanced by sharing similar features, including a substantial young demographic, similar former colonial masters, and classification as developing countries. Between 2000 and Q2 of 2024, Nigeria's total investment inflows to India, primarily in the form of equity, amounted to over \$16 million, whereas India's inflows to Nigeria were significantly higher. According to Q1 and Q2 2024 figures, foreign inflows from India to

Nigeria slightly fell from \$0.52 million to \$0.34 million in Q2 2024. This figure represents the total amount for investment inflows that comprise foreign direct investment, foreign portfolio, equity, and other investment inflows. By the same standard, Nigeria's outflow to India (equity only) in the same period rose from \$0.03 million to \$0.45 million in Q2, 2024. This represents about a 93% rise, as the inflow from India fell by 53%.

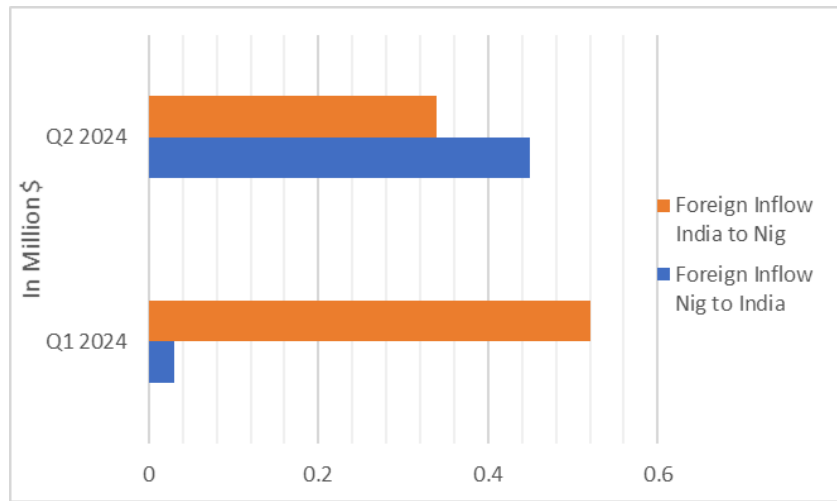


Figure 1: Foreign inflows between Nigeria and India

Top Investing Countries for India and Nigeria

The population strengths of the two countries ultimately make them attractive investment destinations. Consequently, it is unsurprising that leading advanced nations are found among countries patronizing the two countries. In Q2 2024, Singapore, Mauritius, the Netherlands, the USA, Japan, and the UAE emerged as the leading investors in India, while the UK, the Netherlands, South Africa, Mauritius, the UAE, and the US were reported for Nigeria.

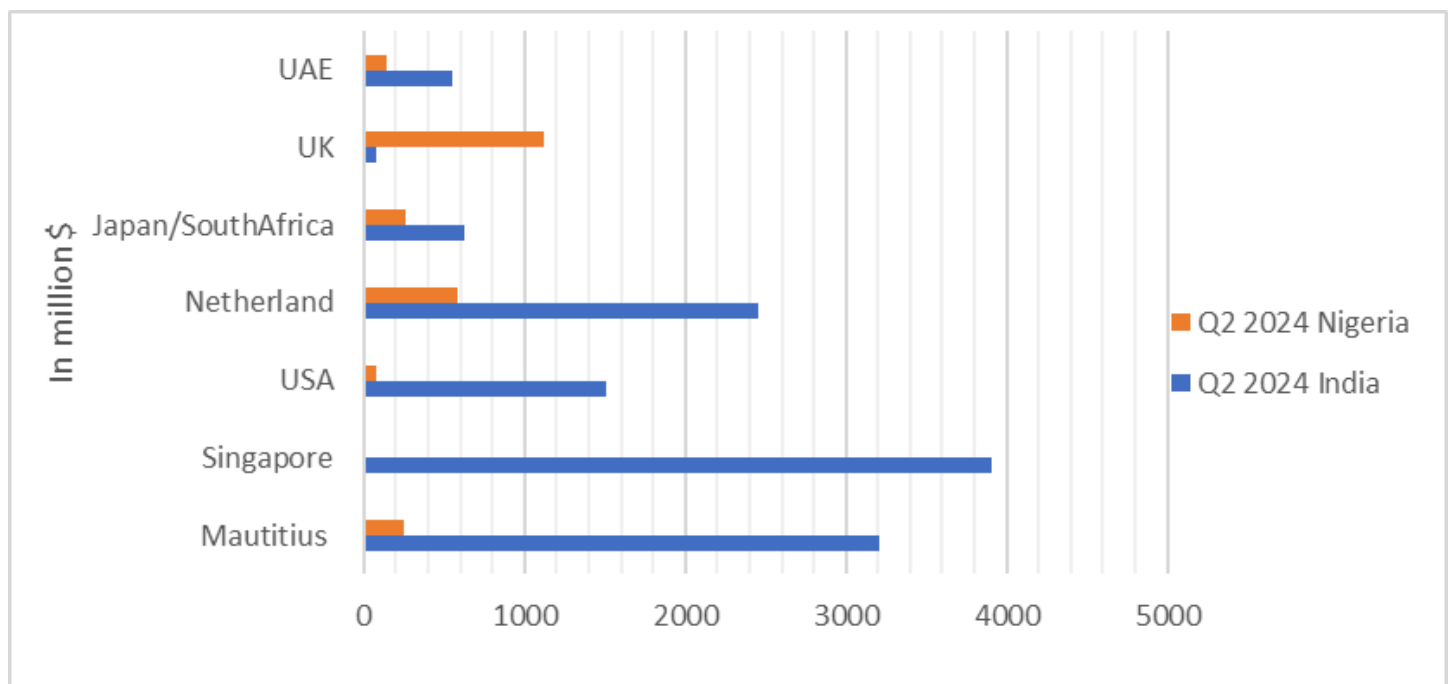


Figure 2: Top Investing Countries in India and Nigeria [Q2 2024]

“Nigeria’s outflow to India rose by about 93%, while inflow from India fell by about 53% in Q2 2024.”

India attracted a greater volume of investment than Nigeria. In Q2 2024, Mauritius's inflow to India amounted to \$3,212 million, whilst Nigeria's inflow was significantly smaller at \$251 million. This trend was typical across these countries, with the exception of the UK and South Africa, which favor investment inflows to Nigeria over India.

Top Investing Sector in India

Recent foreign investment opportunities predominantly target significant sectors in India. Services, computer software, telecommunications, the automobile industry, construction, and trading largely comprise these sectors. Recently, the non-convertible energy sector has begun to gain momentum. In Q2, 2024, this sector received significant foreign inflows of \$1037 million. As for other initially mentioned sectors, services received \$3994 million in Q2, computer software \$2745 million, telecommunications \$455 million, and automobiles \$390 million.

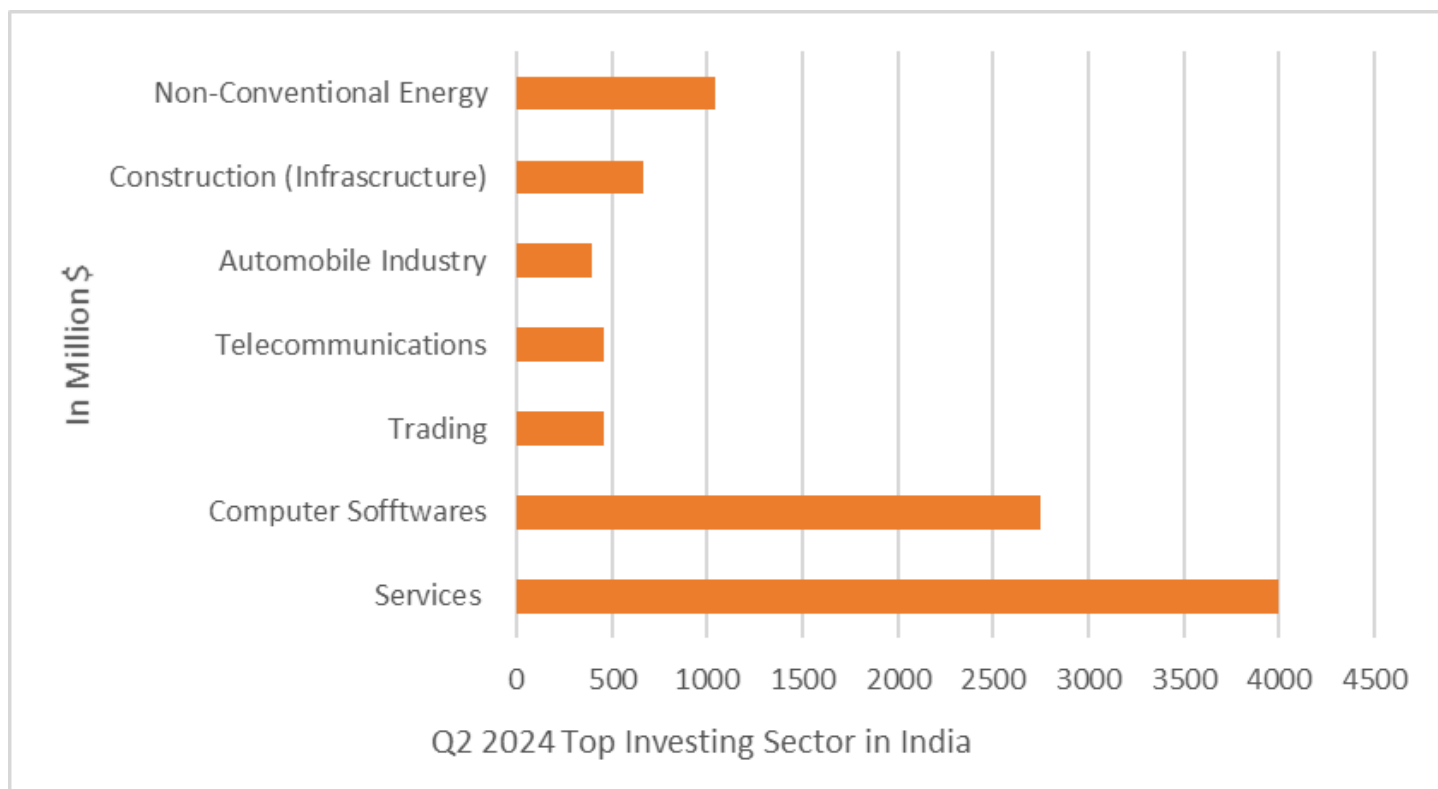


Figure 3: Top Investing Sectors in India [Q2 2024]

Top Investing Sector in Nigeria

Nigeria, like India, possesses several promising sectors that draw foreign investment. In the second quarter of 2024, the banking sector leads with total investment inflows amounting to \$1,124 million, followed by the production/manufacturing sector with inflows of \$624.7 million. The trading and telecommunication sectors ranked third and fourth, with inflows of \$569.2 million and \$113.4 million, respectively. Notable inflows were recorded in the agricultural, financing, securities, and electrical sectors.

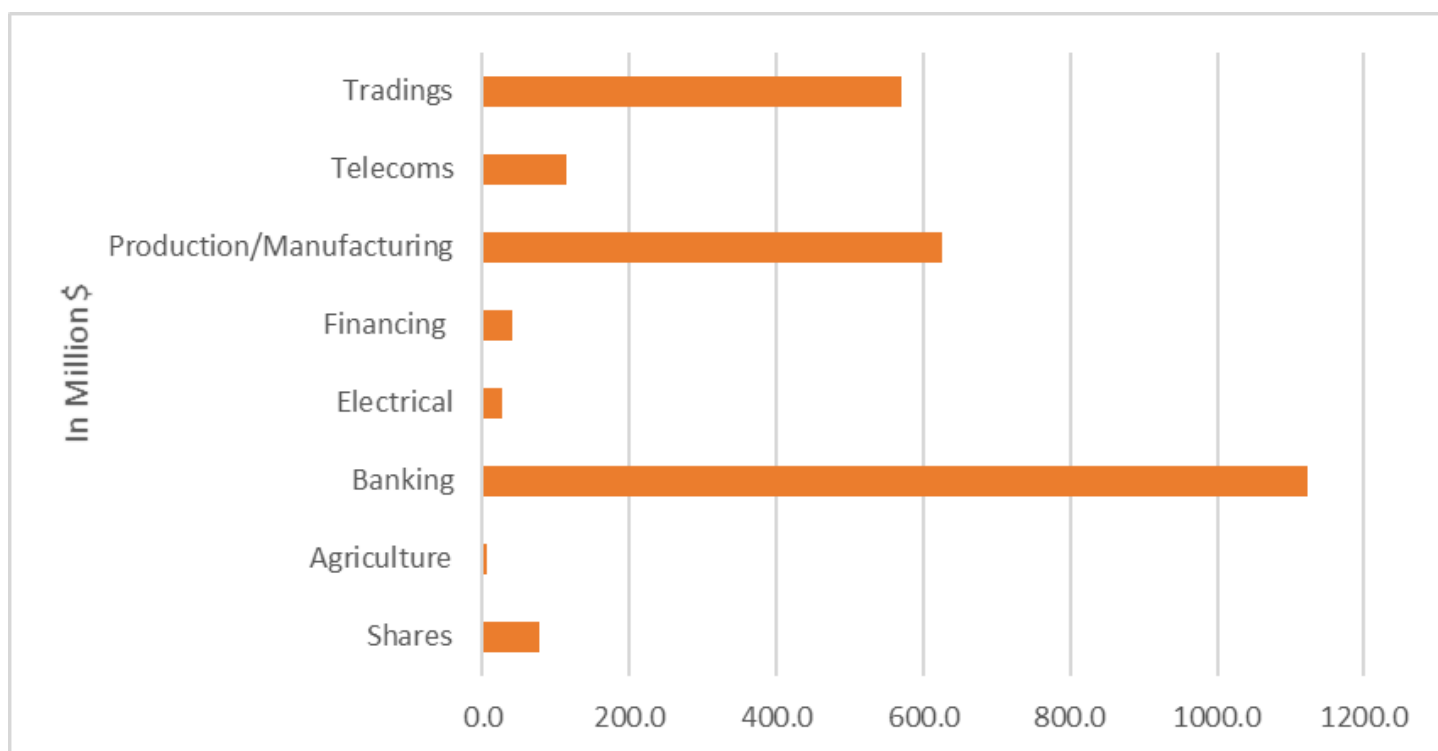


Figure 4: Top Investing Sectors in Nigeria [Q2 2024]

Top Investing States in India

Perhaps due to the presence of infrastructural facilities and other factors that facilitate investment activities, some states in India receive more foreign inflows than others. In India, Maharashtra received the highest inflows to the tune of \$8486 million in Q2 2024. The next state was Karnataka, and the inflow was only \$2285 million. Delhi and Telangana come next, with inflows of \$1293 million and \$1081 million, respectively. Other states are Gujarat [\$1020], Tamil Nadu [\$998 million], and Haryana [\$697 million].

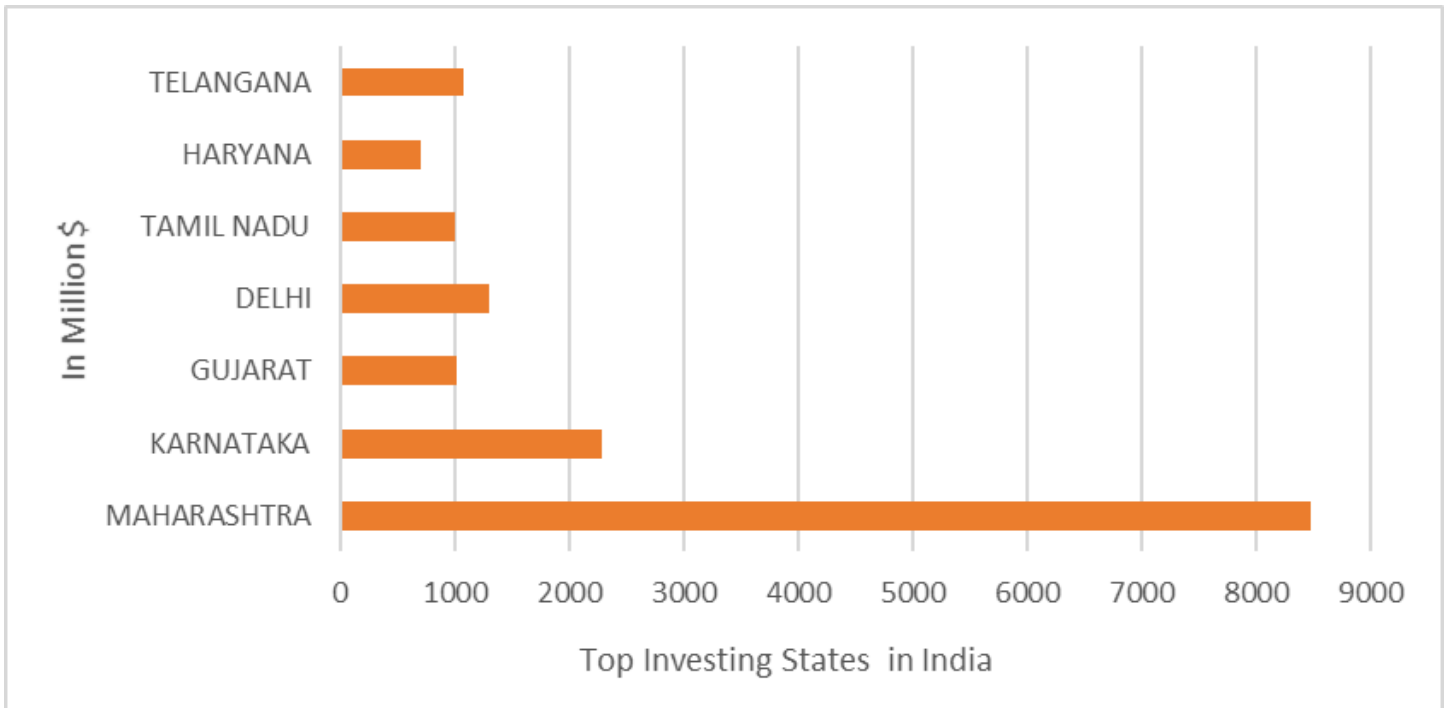


Figure 5: Top Investing States in India [Q2 2024]

Figure 6 illustrates the leading states in Nigeria regarding investment. Foreign inflows are predominantly evident in two states: Lagos and Abuja. In the second quarter of 2024, Lagos experienced total inflows amounting to \$2503.4 million, whereas Abuja's total inflow reached \$1170 million. Additional states include Abia, Akwa Ibom, and Ogun, which recorded inflows of \$150.1 million, \$39.1 million, and \$27.1 million, respectively.

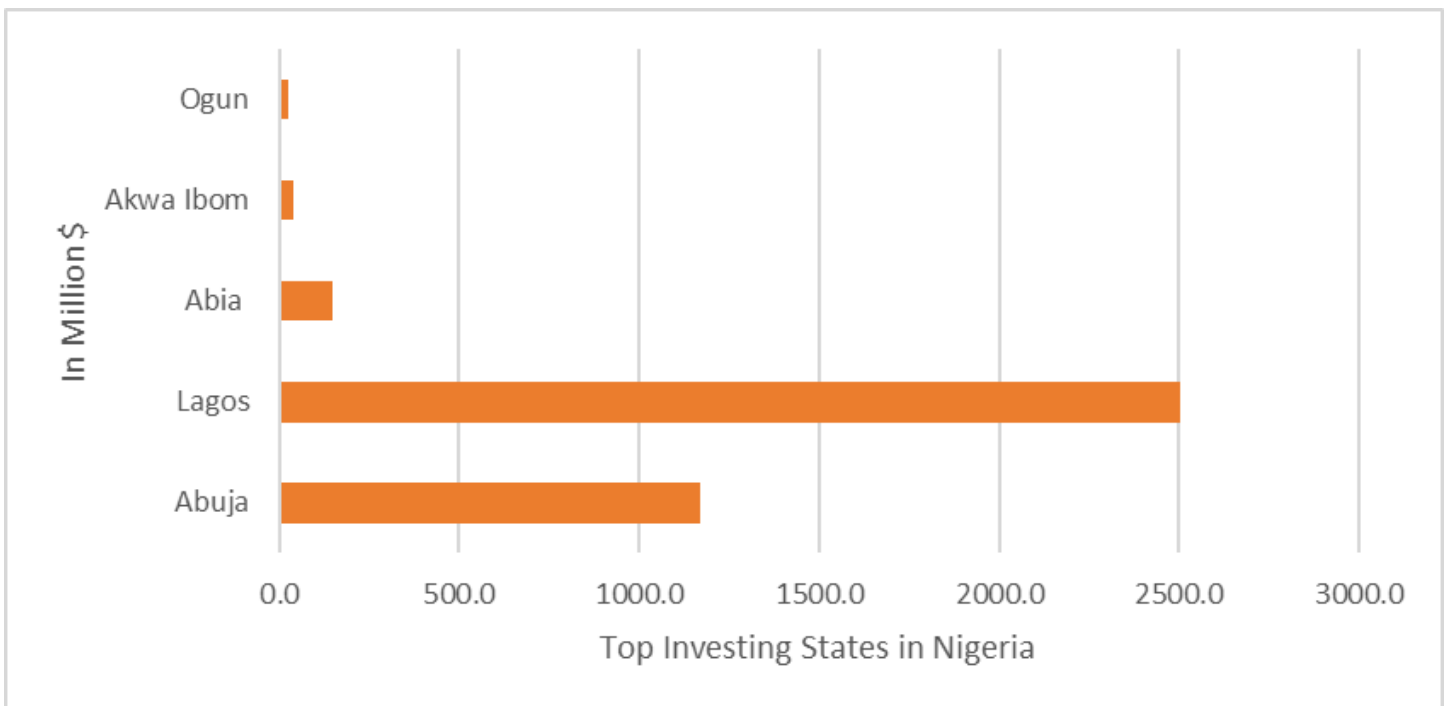


Figure 6: Top Investing States in Nigeria [Q2 2024]

BACITI Insights

Promote bilateral relations	Prioritize mutual investment	Address investment inequality
<i>Nigeria and India should promote bilateral investment relations by highlighting sectors that offer promising returns to potential investors. India must enhance direct investment in sectors such as energy, telecommunications, automobiles, computer software, and construction, while Nigeria may pursue indirect investment in India through equity investment.</i>	<i>The two countries exhibit comparable top investing nations within their respective domains; therefore, it is suggested that they adopt similar terms in their engagements with these nations to optimize their advantages. We encourage prioritization of mutual investment in critical areas such as agriculture and infrastructure development.</i>	<i>It is noted that foreign inflows in the two countries exhibited a bias favoring specific states. This does not facilitate uniform development among all states. There is a necessity to promote the distribution of investments across states, potentially through strategic policies and infrastructural advancements in regions that presently attract minimal or no investment inflows.</i>

Bashir Adeniyi Centre for International trade and Investment
of

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