

Nigeria's Business Environment: Issues Challenges and Prospects

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Abstract

Business as part of man's activities thrives in conducive and sustainable environment. Conducive and sustainable environment depends on the availability of infrastructure put in place by the government. Nigeria's business environment in the recent years has been coloured with fear and uncertainty leading to collapse of some business outfits particularly, the small scale industries and the relocation of the big ones to other countries. This paper examined business environment in Nigeria with focus on the challenges of Nigeria's business environment. It also analyzed the prospects for business in Nigeria. The paper adopted qualitative approach using content analysis to source its information. The paper concluded that Nigeria's business environment is characterized by uncertainty policy instability and lack of necessary infrastructure. And suggested that adequate infrastructure be provided to enable business thrive in Nigeria.

Keywords: Business, Environment, Business Environment, Nigeria, Industry, Investment, Infrastructure.

Introduction

There is a symbiotic relationship or interdependence between business and environment. Business cannot operate in a vacuum, it needs environment. Environment also determines the nature, types, success and failure of any business.

Bello (2011) opined that there is growing international evidence that a sustainable business climate in which entrepreneurship and private investment is encouraged within the ambiance of sound government policies is essential for the promotion of rapid and sustainable development.

According to him, globalization has created a multiplicity of linkages and interactions between people, nations and economic governance institutions which have widened and dictated the direction and scope of flow of capital among economies (Bello, 2011).

Business environment entails social political, cultural and economic factors or conditions that are capable of affecting the life, growth and development of business outfit or venture. This conditions ranges from customer's choice, changes to government policies.

Business as social institution, is faced with challenges of social considerations which focus on specific issues that has to do with activities and transactions with employees, customer shareholders, suppliers e.t.c social consideration include protecting the health and safety of the general population, preventing harm to the natural environment, developing and deploying ethical standards and practices, meeting cultural and social norms, balancing interest of the business with the interests of the society and being a proactive entity (Rainey, 2008). Political consideration also plays vital role in the determination of success or otherwise of business. Political and regulatory changes are often the traces of the social and economic conditions and issues. These have direct impact on the functioning of business.

In Nigeria, businesses have packed up, staggered, collapsed, and relocated as a result of unfavourable conditions of the environment. Based on this, the paper assesses the challenges of Nigeria's business environment. The paper is divided into six parts. Part one is the introduction part two carefully analyses the basic concepts that are fundamental to the work. Part three discusses the Nigeria's business environment, while part four explains the challenges facing business in Nigeria. Part five highlights the prospects for business in Nigeria. And part six concludes.

The Concept of Business

People are continuously engaged in one activity or the other so as to meet their daily needs. In this process, either directly or indirectly, we are involved in business. This is because these activities are essentially designed to satisfy our unlimited wants. Therefore, business has become part and parcel of human existence in particular, and global world in general.

Business is described as a want satisfying entity, it exists to provide satisfaction irrespective of its size (Adeusi and Kolapo, 2006).

Mohddeeb (2011) defined business as an economic activity, which is related with continuous and regular production and distribution of goods and services for satisfying human wants. He opined that all of us need food, clothing and shelter, we also have many other household requirements to be satisfied in our daily lives. We meet these requirements from the shopkeeper. The shopkeeper gets from wholesaler, the wholesaler gets from manufacturer all of them involved in this distribution process are doing business and they can be regarded as business fellows.

Stephenson (2011) sees business as the regular production or purchase and sales of goods undertaken with the aim of making profit and acquiring wealth through the satisfaction of human wants.

Business refers to a form of activity conducted with an objective of making profits for the benefit of those on whose behalf the activity is conducted (Dicksee, 2011).

To Henry (2011) it is human activity directed towards producing or acquiring wealth through buying and selling of goods.

Basically, the word business connotes continuous production and distribution of goods and services with the aim of making profits under unpredictable market situations.

The Concept of Environment

Webster New Collegiate Dictionary defines the environment as the aggregate of all the external conditions and influence affecting the life and development of organisms.

Adeniyi (1986) defines environment as the outer physical and biological systems in which man and other organisms live in a wholly albeit, a complicated one with many interacting components. On his part, Abrahams (1971) sees environment as the sum total of all external conditions influencing the growth and development of an organism. These factors or conditions could be physical, biological, social and cultural.

Common to the views expressed above is the external conditions which influence the continued existence of man and its activities. From the foregoing, we can talk of the physical environment, which include all aspects of geographical and ecological nature such as weather, climate, atmosphere, water, soil e.t.c. economic environment such as business policies formulated by government; political environment such as the political decisions undertaken by the government and social or cultural environment, which include the norms, values, beliefs e.t.c that influence the development and activities of man (Oluya *et al*, 1998).

The Concept of Business Environment

Business environment can be simply understood as the combination of all environmental conditions and influences that are capable of affecting or influencing business activities.

Obiwuru *et al* (2011) defines the environment of business as the aggregation of the pattern of all the external and internal conditions and influences that affect the existence, growth and development of the business. According to them, opportunities and threats are associated with external environment of a business while strengths and weaknesses are associated with internal environment of the business. Some of these factors will be discussed in the subsequent part of this paper.

Nigeria's Business Environment: An Overview

Nigeria is a country blessed with abundant resources. It is expected that every necessary infrastructure needed to drive the economy are put in place to enable business and all other economic activities thrive accordingly. But unfortunately, in the contemporary Nigeria, the most critical infrastructure needed to drive the economy are conspicuously absent. Power (Electricity) supply is poor, roads are bad, policies are unstable and insecurity unabated. This picture clearly depicts unfriendly business environment.

Although, Nigeria has a population of over 120 million and present a wonderful climate for investment, there are 36 states, with federal capital territory, 744 local government headquarters as well as several other cities and big towns, each with substantial population, but, business opportunities, which serves as hallmark of big cities has remain precarious in most of these cities. There are lot of factors that shape business environment. Obiwuru *et al* (2011) identified the following factors;

Technological factors:- This include research and development activity, technological incentives and the rate of technological change. They can determine barrier to entry, minimum efficient production level and influence outsourcing decisions. Technological shifts can affect costs, quality and stimulate further invention, innovation and competition.

Ecological factors:- These include environmental aspect such as weather, climate, and climate change, which may affect industries like tourism farming and insurance. Growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.

Legal factors: Included in this component are discriminatory law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products. **Political factors:** This is described as the

extent and level of government direct and indirect intervention and influence on businesses in an economy. In particular, political factors include the following areas; tax policy, labour law, environmental law, trade restrictions, tariffs, incentives and political stability. It may also involve goods and services which the government provide or has intention to provide or not to provide.

Economic factors:- These are economic growth, interest rates, exchange rates and the inflation rate. These factors have influence on the operation and determination of businesses. For instance, interest rates affect the costs of exporting goods and the supply and price of imported goods in an economy.

The last but not the least factor is the social factors, which is the cultural aspects. These aspects include health consciousness, population growth rate age distribution, career attitudes and emphasis on safety nets. According to them, trends in social factors affect the demand for a company's productions and how that company operates.

Apart from these factors, other factors such as financial sources, image and reputation, information system, required skills and professionals e.t.c also affect business environment. Many of these factors are present in Nigeria and capable of affecting businesses.

Challenges of Nigeria's Business Environment

There is no country in the world that is completely free from challenges either in business economy or politics. The truth of the matter is that such challenges may vary from country to country or society to society. And challenge also depends on the nature and type of business in question. In Nigeria, several factors affect business environment, these factors make Nigeria's business environment unfriendly and unsafe for investment. These are identified below;

- **Power Supply:** There is insufficient energy generation and distribution in Nigeria. Electricity is the life wire of any manufacturing company particularly, large scale industries which use automation of different kinds. The supply of electricity in Nigeria is poor to the extent that companies are forced to quit business in Nigeria and relocate to other African countries. This is because, alternative power supply increases overhead cost of doing business, which is capable of affecting the overall purpose of doing business (Uffot, 2009).
- **Poor Transportation Network and Connectivity:** Nigeria roads are bad, some of the roads that link one town to the other are not motorable. Movement and delivery of goods is slow and sometimes unsafe on the Nigeria roads. Incessant accident, breakdown of vehicles are common features on Nigeria roads. This discourages investors and limit business opportunity.
- **Insecurity:** There is high level of insecurity in the country, particularly, in the Northern zone where (BokoHaram) has become a threat to business activities. No investor will be willing to invest where his investment is not secured. Many companies in the Northern part of the country have stopped operation due to "Boko Haram" scourge.
- Another factor that affect Nigeria's business environment is multiple tax system. There is multiplicity of taxes by tiers of government which makes the cost of doing business higher the necessary.
- Also, unpredictability of government policies. Government policies are not stable in Nigeria, every government comes with his own policies, some good policies can be inconclusive, some jettisoned for political reason, while some are abandoned for

selfish interest of those in power and government. This attitude breeds perpetual fear in the minds of investors.

Bello (2011) also identified the following factors as major challenges of Nigeria's business environment;

- Lack of synergy among agencies of government, existence of obsolete practices, inadequate empowerment for agency responsible for investment promotion, facilitation and coordination for support of favourable business climate, prohibitive cost of land, transferability of land titles, land securitization, weak trade and business facilitation mechanism, poor economies of integration among industries low entrepreneurial capacity, lack of appropriate technologies by SMEs, Decline national values and educational standards, high incidence of corruptions among officials of government, poor quality of graduates of higher institutions, weak national value re-orientation, insufficient mechanism for public private dialogue.

According to Bello (2011), these challenges have resulted to growing unemployment and increasing poverty incidences, decline industrial activities, low industrial capacity utilization, declining international ranking of the economy, declining foreign direct investment (FDI) inflow and inability to attract major TNC's in the non-oil sector.

Prospect for a Conducive Business Environment in Nigeria

It is an indisputable fact that business needs a conducive environment to thrive. Nigeria is blessed with both human and material resources that can adequately provide this conducive environment. But unfortunately, the managers of these resources have made business environment in Nigeria unfriendly for prospective investors. In order to make business and investment attractive in Nigeria, the following suggestions are put forth;

One, the government should increase and improve power generation capacity to ensure that electricity is regularly supplied to every nook and cranny of the country. This will attract investors and assure them of good and profitable business and investment.

Two, the major and minor roads in the country should be repaired for effective movement of goods from one place to the other so as to enhance safe and quick delivery of goods and services.

Three, the government should improve on security. Security is very important to human existence, business activities cannot be carried out in an environment that is not secured. Government should assure the prospective investors of protection of lives and properties by putting adequate security in place. Fear of being attacked by unknown groups at any point in time must be erased from people's mind and psyche particularly, the potential investors. Peace is needed for investment.

Four, government should ensure policy stability and continuity. Since government work cannot finish, policies that emanate from government should also be a continuous process, policies that are obsolete can be reviewed and updated to meet up with the current challenges. The idea of somersaulting or abandoning policies by the government for political and selfish reasons must be frowned at government policies must be predictable for investor so as to create enabling environment for business.

Others are; good management of the economy, the economy should be well managed by the elected managers. Investment cannot thrive in crippling economy. Also, there must be enabling legal and regulatory environment to avoid multiple system of tax by different tiers of government. Access to financial services is also very important. Prospective investors should be able to access credit facilities and other financial services without much

encumbrances. Another issue is the entrepreneurial culture. This culture must be encouraged and developed. There must be education, training and lifelong learning, social justice and social inclusion, good governance and respect for universal human rights and international labour standards.

Conclusion

This paper has discussed and analyzed extensively the issues, challenges and prospects of Nigeria's business' environment. The paper has demonstrated the importance of business and investment to any society, and those factors that can inhibit the growth and sustenance of business within a defined environment. It was made known in this paper that Nigeria's business environment despite its prospect, is characterized by challenges of various kind, which range from lack of infrastructure such as poor electricity supply, poor road, network e.t.c., Insecurity, multiple tax system, inadequate financial service, corruption to policy instability. To evolve a conducive business environment in Nigeria, the paper insist on the faithful implementation of the suggestions made above.

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