

## **Nigerian Business Environment Daunting: Challenges and Suggested Solutions**

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### **Abstract**

Nigerian Business Environment is characterized by lingering structural bottlenecks pervaded by overdependence on oil, comatose infrastructure, low capacity utilization, unemployment, import dependence, poor regulatory environment and low corporate governance practice. Nigeria must take corrective measures and design a very compact economic, social, political, technological, regulatory including internal business architecture to overcome the identified business environment challenges if her dream of becoming one of the 20 industrialised countries by 2020 would come true.

**Keywords:** Nigerian, Business, Environment, Challenges.

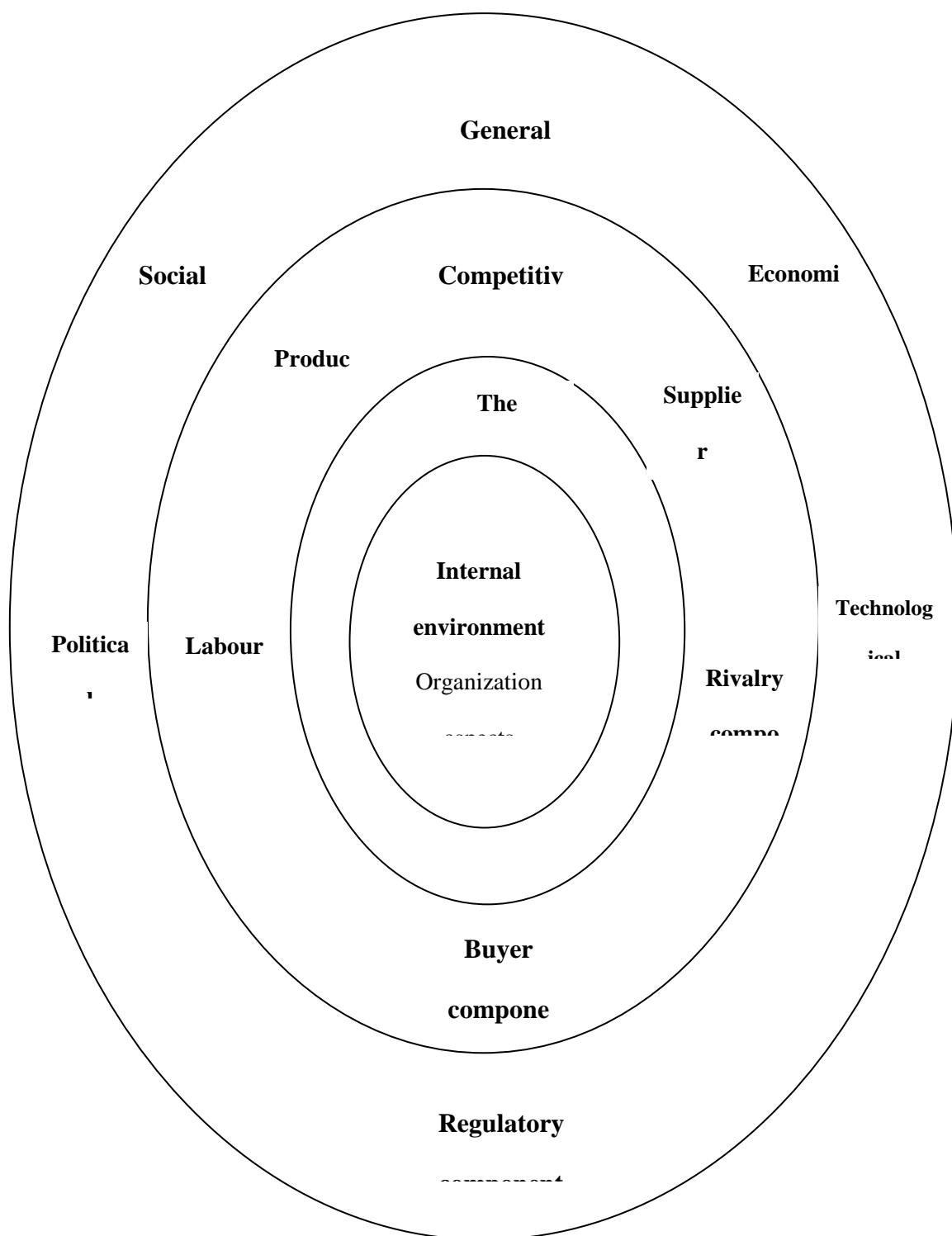
### **Introduction**

Kolade, Ohabunwa, Utomi (1999) lamented on the depressed state of Nigerian economy and agreed that Nigeria has not learnt much as she has continued to follow the familiar road. Ohabunwa was specifically agonized on the de-industrialization of Nigeria. In other words, rather than Nigeria getting industrialized, industries are leaving Nigeria and no country has developed without industries. Nigeria will be living in a fool's paradise if she thinks she would be among 20 world economies without industries. Itsede (2001) cited in Obisi (2003) asserts that for some years now Nigerian economy has had a lackluster performance. Real Gross Domestic Product (GDP), which stood at 2.4 and 2.7 percent in 1998, and 1999 respectively, had risen only marginally to 2.8 percent in 2000. From an average exchange rate of N83.8 to us\$1.00 in 1998, the local currency had exchanged at an average of ₦102.02 in 2000, indicating a depreciation of 21.74 percent between 1998 and 2000.

Itsede further explains that for the third consecutive year, industrial value added trended downwards, declining by 0.8 percent in 2000 even as the Nigerian economy grappled with, among others, the lingering structural bottleneck evidenced by the continued preeminence of the oil sector, derelict infrastructure, low capacity utilising, high unemployment and pandemic poverty, import dependence and pervasive corruption. Itsede would be more disappointed today because the statistics today is further worse on all the fronts and even exchange rate has further plummeted against the dollar as it hovers around ₦150 to \$1.

Oshiomlale (2010) explains that more than 70% of Nigerians live below \$1 and that the rate of mortality is among the highest in the world while the average life expectancy of Nigerians is 43 years.

NACCIMA (2010) avers that Nigeria faces hard times if she fails to diversify her revenue base from oil sector through serious and proactive encouragement of non-oil exports. According to NACCIMA, Nigeria will be very sorry if she loses her current oil demand as a result of new technological development.



**Source:** Kolade (1999) *Human Resource and Business Environment in the New Mienium*, HRDB, University of Lagos

The lamentations of the authors above, worrisome as they are, have now been compounded by the latest monster capable of doing incalculable damage to the Nigerian business environment which is insecurity.

Any business environment that is bedeviled by insecurity would not attract investors talk less of foreign investment which Nigeria dearly needs now. Investment flight and apathy plaguing Nigerian business environment must be halted through deliberate well thought out policies and strategies with out which Nigerian would remain poor.

### **Contradictions in the Nigerian Business Environment**

Manufacturing or the real sector all over the world has been and would always be the engine of development and industrialization but in Nigeria, manufacturing has taken a back seat while banking took the center stage and today Nigerian Banks are hemorrhaging and the real sector that should have supported the bank need rehabilitation. So the contradictions remains and Nigerian businesses are worst off. All over the world today, oil companies are making money but in Nigeria, the finance minister is stating that NNPC a mega oil corporation is insolvent. If it is true in an economy that is dependent only on oil, then Nigerian economy would be in dire straits which would further ravage the much need confidence Birmsack (2010) writes that economic reality in Nigeria is at variance with the official data. According to him, official data in Nigeria recorded 8.15 percent non oil sector growth while oil sector grew by 3.21 percent. Identifying telecom as the fastest growing, Birmsack maintained that business proxies from growth trend repudiate claims of robustness of the economy. He further explains that weak sector linkages may have muted the feel and impact of string nominal growth. He avers that the proxies were divergent and did not validate the growth numbers as accordingly prosperity could not be disguised.

### **Management of Business Environment**

Generally the management of any nation's business environment is evolved out of the desire to open up the domestic market to global patronage. It is adopted by the desire and need to free all the existing and future human organizations within the national frontiers from forces inimical to their existence and growth. Thus globalization of any business starts from the management of the environment in which that business operates with the single objective to optimize its internal and external resources.

### **Meaning of Business Environment**

Like every other aspects of business management, the environment in which the business operates must be managed and this is possible only when the organization has actually identified what constitutes its business environment.

The environment of any business outfit comprises its "aggregate surrounding" defined as all elements within and outside the organization that are relevant to its survival, growth and prosperity. Those elements that are outside the organization are called external environment while those within the organization are called internal environment. Both the internal and external environment produce the "coping needs" for the organization and they assist the organization in the process of coping with the environmental forces that might threaten organizational goal attainment and survival.

The external environment is defined as all elements outside an organization that are relevant to its operation. It provides the organization with its necessary inputs such as raw materials, money labour, and energy and transforms them into finished products or service and then returns them back to the external

environment. The quantity and quality of the outputs are provided to the organization by the external environment.

On the other hand, the internal environment consists of the organization's managers and work force which is the labour component.

### **Challenges Facing Nigerian Business Environment**

Kolade (1999) identified the following challenges.

- Economic component
- Social component
- Political component
- Technological component
- Regulatory component
- Product component
- Supplier component
- Rivalry component
- Labour component
- Competitive component
- Buyer component

The entire above are referred as external component. Kolade also identified other challenges which he calls organization/internal, i.e. organization aspects, marketing aspects, financial aspects, personnel aspects and production aspects. Sanusi (2009) identified poor corporate governance, MAN (2010) complains of inadequate long-term financing hindering real sector growth, Schimillen (2010) charges Nigerian government to come up with a well contrived regulatory business frame work in order to attract foreign investors.

Again MAN (2010) cries aloud that Nigerian business environment has come under the heavy yoke of multiple taxation and it is capable of crippling businesses. In a well documented survey, MAN found that;

- 119 different taxes and levies are being imposed by various tiers of government across the three states as against only 39 approved by taxes and levies (Approved list of collection) Act 1998.
- From the 119 taxes and levies, 27 constitute taxes while the remaining 92 are levies.
- Numbers of taxes paid by companies in the three pilot states are Lagos 27, Ogun 21 and Oyo 26.
- Numbers of levies paid by companies in the three states are: Lagos 76, Ogun 66 and Oyo 69.
- The numbers of taxes that were duplicated are: Lagos 31, Ogun 8 and Oyo 6.
- The numbers of levies that were duplicated: Lagos 45, Ogun 17 and Oyo 15.
- Numbers of taxes paid by the companies interviewed at road blocks are: Lagos 20, Ogun 11 and Oyo 6.
- Outside the 39 approved taxes and in the approved list of collection Act 1998, the interview revealed that 10 unapproved taxes in Lagos, 7 in Ogun and 10 in Oyo state are paid respectively.
- Outside the 39 approved taxes and levies in the Approved list of collection Act 1998, the interview revealed that 51 unapproved levies in Lagos, 48 in Ogun and 45 in Oyo are paid.
- The study also revealed that taxes and levies constitute between 10% - 50% of cost of production in the three pilot states.

The implication is that it will be very difficult for Nigerian Businessess to come out successful out of the ordeal of the above disturbing picture painted by MAN Nigerian business will not win competitive advantage in the global economy because it is realing under the heavy yoke of multiple taxation.

### **Suggested solutions**

Nigerian organizations should pay special attention to all the challenges identified by Kolade (1999) and overcome them. For example every business to survive must be ahead of its competitors and remains strategic. Businesses today are driven by technology. Before people drive technology but reverse is the case as technology is driving people. Any business environment without high technology would continue to straggle. In the same vein, organizations to overcome business environment challenges must take care of their supply chain, and ensure continuous availability of its products, be regulatory compliant resolve all their labour problems, win and retain its customers, be socially responsible, overcome all economic difficulties and successfully tackle political difficulties and bottleneck and above all resolve its internal aspects of challenges which could be organizational, marketing, financing, personnel and production.

No business environment is an island unto itself. The government and the business community and the society must come together and take the following steps to give the much needed adrenalin to Nigerian business environment.

- Effective security in Nigeria.
- Sustainable fiscal policy and elimination of policy summersault.
- Tackle energy problems.
- Adequate infrastructure.
- Progressive Regulatory framework.
- Resolve poor corporate governance.
- Sustainable and enduring tax reform.
- Adequate long-term financing.
- Wipe out corruption in all its ramifications.
- Accurate Information/Data on the true state of economy.

### **Conclusion**

Nigeria and Nigerians especially the government must provide confidence building strategy and reorient all security apparatus and take positive steps to reposition businesses in Nigeria if her dream of becoming one of the twenty industrialized countries by 2020 as actions should speaks louder than words.

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