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Effect of business on economic development in Nigeria

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The study examines the effect of the businesses in Nigeria on the economic development of the country. This is with the desire to examine its ability to achieve the desired objectives in the country (Nigeria). Business has contributed to changes in the level of development in the country through generation of employment; direct creation of wealth and reduction of poverty by contributing to the Nigeria Gross National Product (GNP) and GDP. Also, it contributes to provision of: technical innovation and competition for better services and meeting needs of other businesses by providing products or raw materials needed for other businesses to survive. The increase in economic output recorded in third quarter of 2013 was as a result of increases recorded in agriculture, hotels and restaurants, building and construction and telecommunications sectors of the economy. The contribution of the non-oil sector in the third quarter of 2013 was due to benign weather conditions that led to bountiful harvests in the agricultural sector, increased investments by local and foreign investors and the positive macroeconomic environment. The report however identified the privatization of the power sector, agricultural transformation initiative among factors to drive the country's growth. The study made recommendation for further development.

Keywords: Business; Economic Development, Employment, Gdp, Privatization

INTRODUCTION

Business has the characteristics of being involved in transfer or exchange of goods and services, as well as human activity directed towards the acquisition of wealth, which will lead to growth by increasing the National income. Apart from this, business has the aims and objectives of earning profit, manufacture goods and or render services to the society, involving payment of taxes regularly to generate income for the government, provide job opportunities for the public, improve the standard of living of everybody in the country thereby resulting in sustained growth or development.

In terms of size, the private sector in the Nigerian economy is substantial. There are two components: the organized private sector and the informal sector. The organized private sector comprises public limited liability companies, private limited liability companies and partnerships, whereas the informal sector consists of peasant farmers, petty traders and artisans.

Nigeria, which was one of the richest 50 countries in the early 1970s: the sixth largest exporter of oil, turned to become one of the 25 poorest countries at the threshold of the twenty first century; and also there is Poverty in Nigeria in the midst of plenty. Nigeria is among the 20 countries in the world with the widest gap between the rich and the poor (Igbuzor, 2006). The World Bank in its 2001 report titled 'Attacking poverty' proposed a strategy for attacking poverty in three ways: promoting opportunity; (by Encouraging effective private investment; Getting infrastructure etc); facilitating empowerment and enhancing security. All which are to increase business in the country.

Nigeria, an Oil-rich country has been restricted by political instability, corruption, inadequate infrastructure, and poor macroeconomic management, but in 2008 began pursuing economic reforms. Lack of infrastructure

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and slow implementation of reforms are key impediments to growth in Nigeria. The government is working toward developing stronger public-private partnerships for roads, agriculture, and power. Nigeria's financial sector was hurt by the global financial and economic crises, but the Central Bank governor has taken measures to restructure and strengthen the sector by imposing mandatory higher minimum capital requirements (Nigeria Economy Profile, 2013).

National Economic Empowerment and Development Strategy (NEEDS), was launched in 2003 as a major initiative to reposition the economy of Nigeria in order to meet the multifaceted challenges confronting the economy. The NEEDS is a home-grown economic programme targeted towards achieving a stable, predictable and sustainable macroeconomic environment; non-inflationary and non-oil GDP growth. It is a medium term strategy which aims at poverty reduction, wealth creation, employment generation and value re-orientation. It is a nationally coordinated framework of action in close collaboration with the State and Local governments (with their State Economic Empowerment and Development Strategy (SEEDS) and other stakeholders. The vision is to consolidate on the achievements in 1999-2003 and build a solid foundation for the attainment of Nigeria as the largest and strongest African economy. The NEEDS encompasses important structural reforms designed to enhance the transparency and accountability of public sector policies and institutions. The process was expected to address many of the deep-rooted macroeconomic and structural challenges in order to restore stability and promote rapid and sustainable economic growth (development). The NEEDS document implemented was to create conducive environment for business and foreign investment so as to ensure a government sector cum private sector partnership for growth. In particular, it focused on the provision of basic services, empowering Nigerians and encouraging the private sector to become the engine of growth of the economy. The empowerment was focus on the areas of health, education, the environment, integrated rural development, employment, youth development and so on as well as a weapon to reduce poverty and underdevelopment in the country.

Weak infrastructure has been a driver of rising cost of doing business in Nigeria. In order to tackle this problem, government embarked on massive rehabilitation and construction of new infrastructure reinforced by the privatization and deregulation policy for increased participation of the private sector in infrastructure development.

National Council on Privatisation was set up to ensure proper implementation of the privatization programme. The policy of deregulation of major sectors of the economy which had been putin place since the Structural Adjustment Programme (SAP) in 1986 was sustained. Consequently, the communication sub-sector was the first to beprivatized with the licensing of many global system for mobile (GSM) communication which led to the telecommunication business revolution (Soludo, 2007). The deregulation of the downstream oil sector enhanced private sector participation and put an end to the incessant fuel crises that plagued the economy.

Thus, with the various steps taken by the government this study therefore examines the relationship between business and economic development in Nigeria to see the effect of the businesses in Nigeria on the economic development of the country. This is with the desire to examine its ability to achieve the desired objectives in the country; Nigeria.

The paper is organized into five sections section 1 provides the introduction; section 2 the literature review; section 3 describe the methodology; section 4 discusses the results; while the final section provides the conclusion and recommendation.

LITERATURE REVIEW

Many scholars have written on the concept of unemployment and other factors in Nigeria hindering development as well as the major issues of concern for economic development of the country. This study is considered necessary to examine the important effects of business on economic development.

Business: According to William et al. (2005) Business could be defined as an activity in which different persons exchange something of value whether goods or services for mutual gain or profit. Business involves risk which is possibility of loss or gain as a result of investing capital. Risk is the chance an entrepreneur takes of losing time and money on business that may not be profitable. In reality, risk taking is the critical element for improving our standard of living which may have important effects on the growth and development of a country. According to him, the business activities could be grouped into: **Education**: Computer training centers, Primary Schools, Secondary Schools, Universities. Colleges, Music Schools, Computer Hardware Dealers; **Emergency**: Ambulance Services, Emergency Rescue, Fire Brigade, Hospitals; and **Entertainment:** Art Galleries, Night Clubs, Cinema Hall, Live Bands, Fashion **(**Fashion Designers, Modeling Agencies, Boutiques, Clothing Accessories, Barbing Salon) and Agriculture, hotels and restaurants, building and construction and telecommunications sectors of the economy). William et al. (2005)

Concept of Economic Development: Economic development could be viewed simply as implying increased output, greater efficiency in output generation and changes in the technical and institutional arrangements by which it is produced and distributed.

According to Olajide (2004) Economic development is the process whereby the real per capita income increases over a long period of time. Also, Dudley Seers (1982 cited in Olajide, 2004) however sees development from the standpoint of what has been happening to poverty, unemployment and inequality over time. Where there is reduction in the three variables in an economy from high level, then the country could be said to be experiencing development (Olajide, 2004). The consideration of economic development emphasised the sources of growth.

Economic development generally refers to the sustained, concerted actions of policy makers and communities that promote the standard of living and economic health of a specific area. Economic development can also be referred to as the quantitative and qualitative changes in the economy. The actions can involve development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy and other initiatives.

Economic development differs from economic growth. Growth on a general term could be confined to increase in output (per unit of input) while development implies increase in output together with a change in technical and institutional arrangement involved in production. Growth can take place without development but, a nation cannot achieve economic development without having achieved economic growth. Thus, economic growth is a subset of economic development as economic development is not purely an economic phenomenon. According to Tejvan (2011), in economics, Economic growth is an increase in real GDP which means an increase in the value of goods and services produced in an economy. The rate of economic growth measures the annual percentage increase in real GDP. In the long run, economic growth is determined by factors which influence the growth of Long Run Aggregate Supply (LRAS) (the PPF of the economy). If there is no increase in LRAS, then a rise in Aggregate Demand will just be inflationary (Tejvan, 2011). LRAS can be influenced by:

Levels of infrastructure: Investment in roads, transport and communication can help in reducing firms' costs and expand production. Without the needed infrastructure it may be difficult for firms' competitiveness in the international markets. The lack of infrastructure is mostly a factor holding back some developing countries like Nigeria.

Human Capital: Human capital refers to the productivity of workers which will be determined by levels of education, training and motivation. Increased labour productivity can assist the efficiency of firms and enable them to take on more sophisticated production (Tejvan, 2011).

Development of Technology: In the long run development of new technology is a key factor in enabling improved productivity and higher economic growth.

Other Factors that Can Affect Growth in the Short Term (Tejvan, 2011) are: **Commodity Prices-** A rise in commodity prices such as a rise in oil prices can cause a shock to growth. It causes SRAS to reduce leading to higher inflation and lower growth; **Political Instability-** which can provide a negative shock to growth; **Weather-** the exceptionally cold weather can lead to a shock fall in GDP and **Interest rates-** while higher interest rates can have negative effect on growth by reducing borrowing and same effect as lower government spending (tight fiscal policy); High economic growth can be caused by relatively low real interest rates, Rising wages and rising consumer confidence (Tejvan,2011). Economic growth is an increase in real GDP. It means an increase in the value of goods and services; it is one aspect of the process of economic development.

Development has to do with and improving human welfare which essentially involve increasing the amount of goods and service available to people. The more the output produced the more the wealth and benefit. Development is therefore basically about increasing the volume of business turnover, i.e. the volume of production for sale.

Role of Business: Economists expect business companies to improve the economy by improving the quality of goods and services produced through competition, thereby contributing to Gross National Product (GNP) and a country's level of economic development is determined by its GNP. Also, businesses are expected to encourage Innovations by seeking to improve their Products and services (William et al., 2005; Karen, 2008)

METHODOLOGY

The statistical analysis in this study relied on secondary data from the National Bureau of Statistics (NBS) and Statistical Bulleting of Central Bank and World Bank information on the growth rate of the economy provided in Tables 1, and 2.The study also used survey research design through a survey of some of the business companies in Nigeria. The survey of the business companies revealed some of the established businesses in the country with specific examples mainly from Lagos State being the business headquarter of Nigeria

FINDINGS

According to Akinbogun (2003) many small-scale businesses or ceramic enterprises like ceramic industry,

Table 1. Nigeria Gross Domestic Product (GDP)

Year	GDP- per capita (PPP) 2012 US dollars	GDP- real growth rate	GDP - per capita	Inflation
2009				12.5%
2010 est.	$2,600	8%	$2,500	13.7%
2011 est.	$2,700	7.4%.	$2,600	10.7%
2012 est.	$2,800	7.1%	$2,700	11,2%
	GDP - composition by sector (2012)	GDP - composition by sector (2011)		
Agriculture	30.9%	35.4%		
Industry	43%	33.6%		
Services	26%	31%		

GDP - composition by sector: http://www.gfmag.com/gdp-data-country-reports/207-nigeria-gdp-country-report.html#axzz2u6RA1ORmhttp://www.indexmundi.com/nigeria/economy_profile.html(2013)

Table 2. List of Nigerian states by GDP

Rank	State	PPP GDP (2010; in millions of USD)	Rank	State	PPP GDP (2010;in millions of USD)	Rank	State	PPP GDP (2010; in millions of USD)
1	Lagos	US$74,674[3]	13	Ondo	US$8,414	25	Enugu	US$4,396
2	Rivers	US$21,073	14	Osun	US$7,280	26	Bayelsa	US$4,337
3	Delta	US$16,749	15	Benue	US$6,864	27	Zamfara	US$4,123
4	Oyo	US$16,121	16	Anambra	US$6,764	28	Kwara	US$3,841
5	Imo	US$14,212	17	Katsina	US$6,022	29	Taraba	US$3,397
6	Kano	US$12,393	18	Niger	US$6,002	30	Kebbi	US$3,290
7	Edo	US$11,888	19	Borno	US$5,175	31	Nassarawa	US$3,022
8	AkwaIbom	US$11,179	20	Plateau	US$5,154	32	Jigawa	US$2,988
9	Ogun	US$10,470	21	Sokoto	US$4,818	33	Ekiti	US$2,848
10	Kaduna	US$10,334	22	Bauchi	US$4,713	34	Ebonyi	US$2,732
11	Cross River	US$9,292	23	Kogi	US$4,642	35	Gombe	US$2,501
12	Abia	US$8,687	24	Adamawa	US$4,582	36	Yobe	US$2,011

http://en.wikipedia.org/wiki/List_of_Nigerian_states_by_GDP From Wikipedia, the free encyclopedia

glass industry and textile industry among others, are facing difficult times. The survey of small-scale ceramic enterprises established in south-western Nigeria from 1960 to 2004, examined against the business environment in Nigeria revealed that the problem was due to the unfavourable economic environment in terms of the facilities available for production and types of wares produced.

The privatization and deregulation policies encouraged trade and investment as well as promoting growth of the economy. For instance, the liberalization of the service sector yielded significant results. The total number of hotel beds nearly tripled, from 12,900 in 1999 to 37,528 in 2003. Room occupancy rate also increased, from 71 percent in 1999 to 82.5 percent in 2003. The number of visiting foreign nationals nearly tripled, from 1,392 to 3,897, with an annual growth rate averaging 30.0 per cent in 2002 and 2003.

Examples of business Companies are ‘’CORPORATE PLUS STANDARD COMPANY’’ found in: Alimosho, Lagos, Nigeria with products like**:** Computer Hardware and Accessories, Printers / Binders rendering services like: Branding of any kind of gift item, handle sales of its equipment; ‘’MARKETING COMMUNICATIONS COMPANY’’ located in**:** Ikoyi, Eti Osa, Lagos, Nigeria producing**:** Female clothes, female shoes, male clothes; rendering services like**:** Advertisement services, brand reviews, event coverage and reportage. Also in Ikeja Area Office, Ikeja, Lagos, Products are: Accounting Outsourcing, Accounting Software Dealer, Grass cutting machine and rendering services like**:** Bank Reconciliation, Book Keeping services, computerization of accounting systems. In Dolphin Estate, Eti Osa, Lagos, Nigeria, providing Services like**:** Business Advisory Services, Business Representative, Human Resources Management Agency And Recruitment; In Victoria Island, Eti Osa, Lagos, Products are: Office Furniture, and Services provided are: Conference Rooms, Corporate Event Planning And Management, Virtual Office. **In** Ikeja, Lagos, we have Services like: Estate Management, Investment, Multi-Level Marketing; Also **In** Bariga, Shomolu, Lagos, Nigeria where Products are: Cement Sales with Services: Cooperative Society, Sales And Marketing, Travel Agency, Food: Bakery, Ice Cream Shops, Pizza Outlets, Restaurants, Fast Food Joints. Also located in Victoria Island, Lagos Island, Lagos, Nigeriaare**Products:**Computer Hardware, Microsoft Arc Touch Mouse with Services: Business Consultancy Services.

DANGOTE GROUP is one of the most diversified business conglomerates in Africa with a hard - earned reputation for excellent business practices and products' quality with its operational headquarters in the bustling metropolis of Lagos, Nigeria in West Africa. The Group's activities encompass Cement - Manufacturing, Packing & Distribution.

Because Lagos state has so many of these business companies it has been able to contribute more to the Nigerian GDP as presented in table 2. The survey also revealed that most graduates go to Lagos for employment because of the business companies there.

The National Bureau of Statistics (NBS) data showed that GDP growth rate was 6.81 per cent as at the third quarter of 2013. While the growth rate of the non-oil sector stood at 7.95 per cent as at the third quarter of 2013, the highest quarterly growth as at the end of September 2013 (Table 1).

The increase in the economic output recorded in the third quarter of 2013 was confirmed to be as a result of increases recorded in the agriculture, hotels and restaurants, building and construction and telecommunications sectors of the economy. The contribution of the non-oil sector in the third quarter of 2013 was due to benign weather conditions that led to bountiful harvests in the agriculture sector, increased investments by local and foreign investors and the positive macroeconomic environment.

The report however identified the privatisation of the power sector, agricultural transformation initiative among factors to drive the country's growth. It noted that the privatisation of the power generation and distribution companies owned and operated by the Power Holding Company of Nigeria (PHCN) had set the tone for the eventual turn-around and increased growth in the output potential of the Nigerian economy in the medium-to-long term.

EFFECT OF BUSINESS ON ECONOMIC DEVELOPMENT IN NIGERIA

Business or entrepreneurship has played very important role in economic development in Nigeria and also forms the backbone of National development in Nigeria. The organized private sector, even when it was small in size, is the source of technological advancement in the economy. The large informal segment, on the other hand, employs an estimated 70-80 per cent of the labour force and represents a major source of capital formation, particularly in the rural areas. It also provides a cheap source of low level technical manpower to the organization. Some of the developmental roles played by business in the economy of Nigeria are as presented in tables 1 and 2 which could be summarized as presented below.

Employment Generation: Employment is created by businesses weather small, medium or large scale for the citizens of Nigeria. Now the employment is created by both private and government businesses unlike the pre-independence era when government was the major employer. Thus businesses in Nigeria have helped to reduce the rate of unemployment in the country and thereby helped the businesses to achieve their aims and objectives. The ''Dangote Group'' is the largest industrial conglomerate in West Africa and one of the largest in Africa. It generated revenue in excess of US$2 billion in 2011. The group is one of the leading diversified business conglomerates in Africa. It employs in excess of 21,000 people (http://en.wikipedia.org).

Direct Creation of Wealth and Reduction of Poverty: Business has helped in Contributing to the Nigeria Gross National Product (GNP) which is the total monetary value of all goods and services produced in a country within a particular year by increasing output of goods and services. Since a country's level of economic development in determined by its growth rate from GNP it has contributed to economic development of the country (Table1).Statistics show that the incidence of poverty using the rate of US $1 per day increased from 28.1 percent in 1980 to 46.3 percent in 1985 and declined to 42.7 percent in 1992 but increased again to 65.6 percent in 1996. The incidence increased to 69.2 percent in 1997. The 2004 report by the national Planning Commission indicates that poverty has decreased to 54.4 percent (Igbuzor, 2006). For Example, DANGOTE GROUP is one of the most diversified business conglomerates in Africa with a hard - earned reputation for excellent business practices and products, it is the largest industrial conglomerate in West Africa and one of the largest in Africa it generated revenue in excess of US$2 billion in 2011.

Provision of Technical Innovation: Innovations have been initiated by establishment of businesses that will bring new ideas to the country and also engineered by businesses seeking to improve their products and services. These innovations have brought tremendous improvement in the economy of Nigeria for example there is reform in the Nigeria banking with the introduction of computer and internet services by certain business units.

Provision of Competition for better services: Competition helps in better performance of various Business units. In the banking and education system, many units there have created competition among them for better performance. The competition has helped in improving the quality of goods and services produced by these sectors and thereby improved the economy.

Meeting Needs of other Businesses: Businesses provide for each other. Certain business render services, provides products or raw materials needed for other businesses to survive. This has indirectly helped in promotion of business establishment in Nigeria and the economy at large.

According to report the non-oil sector of the Nigerian economy was the main driver of the country's real Gross Domestic Product (GDP) growth in 2013; also report has indicated that ongoing reforms in the key sectors of the economy also aided output of the non-oil sector as stated by FSDH Merchant Bank Limited. The National Bureau of Statistics (NBS) data revealed that GDP growth rate stood at 6.81 per cent as at the third quarter of 2013 while the growth rate of the non-oil sector stood at 7.95 per cent which is the highest quarterly growth as at the end of September 2013.

The increase in the economic output recorded in the third quarter of 2013 was as a result of increases recorded in the agriculture, hotels and restaurants, building and construction and telecommunications sectors of the economy. The contribution of the non-oil sector in the third quarter of 2013 was due to benign weather conditions that led to bountiful harvests in the agriculture sector, increased investments by local and foreign investors and the positive macroeconomic environment.

CONCLUSION:

Business has contributed to changes in the level of development in the country and the business companies in each state of the country determine the contributions of states to GDP of the country. Thus business in Nigeria has been able to achieve the expected target. It can even perform better if better conditions are provided as motivation for entrepreneurs.

RECOMMENDATION

There is need for the country to invest more on electricity supply because, it is pointed out that the supply of adequate and consistent electricity in the country would help to galvanize activities in both the formal and informal sectors of the economy.

We expect GDP to grow further during 2014 there is therefore the need for import substitution policy and other fiscal measures of the federal government aimed at encouraging the development of the agriculture sector and agro-allied activities to boost output of the sector.

Also Nigerian Government should pursue the goal of helping Nigerian entrepreneurs through motivation. To make it happen, there is need for a thorough business plan—and plenty of patience as suggested previously in 2008. Also, the Entrepreneurship Education course which is a new course in the university system should be supported by the government by providing a king of support for the graduates to put what they have learnt into practice.

To increase production there must be investment, in production, plant and infrastructures which is impossible without capital. Therefore it is necessary to borrow within the country, seek aid, save from earnings, and welcome foreign investment. Capital is regarded as the key to development and the best way to accumulate capital is to export to rich countries. It is crucial to facilitate growth of export capacity. The more that production increases the more the tax income the government will have to spend on education, health, welfare, public facilities, and the environment.

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