*ISSN: 2141-0143* *http://www.irdionline.com/africanarticle.html*

**African Journal of Management and Administration, Volume 6, Number 3, 2013**

# GOVERNMENT - BUSINESS RELATIONS AND MACROECONOMIC GROWTH IN NIGERIA.

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## ABSTRACT

*Government - business relations as a discipline can be anchored within the focus of political economy of nations. This paper investigates government - business relations in Nigeria between 2003–2011 as encapsulated in various economic reforms programmes of government. The objective of the paper is to examine how far government - business relations in Nigeria has accelerated or impeded economic growth between 2003 – 2011. The paper adopted the content analysis of library materials, publications, internet materials and other documented researches pertaining to the subject matter as its methodology. The paper found that even though some achievements had been recorded in the reform programmes resulting in macroeconomic stability and growth, a lot still has to be done by government in bridging infrastructural gap to stimulate sustainable growth, building strong institutions to promote businesses and fighting endemic corruption in the country. Paper recommends that government has to improve on the ease of doing business index in which Nigeria is ranked 133$^{rd}$ out of 183 nations in 2012. The security situation needs vigorous improvement and more ethical re-orientation is required to stem the tide of unethical business practices all of which adversely affect economic growth.*

***Keywords: Economic reforms, Strategic plans and Economic growth.***

## INTRODUCTION

Government - business relations as a discipline could be anchored within the focus of political economy of nations. Government – business relations is a deviation from the first theory of political economy which centers around "Laissez faire" capitalism. This theory proposes that there be little or no formal relationship between business and government. This theory is drawn from Adam Smith's theory of Natural Law in economic affairs. Adam Smith was naturally opposed to any government intervention in industry and commerce (Jhingan, 2006). The progression from Laissez fair capitalism or purely free market system to socialism has found a common ground in what is now called a "mixed economy".

A mixed economy is neither Laissez fair or socialist system but a combination of both. Under mixed economy, private enterprise is encouraged alongside government moderation of the market by monetary and fiscal instruments (Anyanwu et al 1997).

The Nigeria government has endorsed the mixed economic system as a model for economic growth and development with the private sector being the engine of growth of the economy. The Obasanjo Administration economic reforms policy (2003 – 2007) anchored on National Economic Empowerment and Development strategy (NEEDS) emphasized the policy thrust thus:

"The Government policy thrust is to develop and maintain adequate and appropriate infrastructure that is conducive to ensuing private sector driven economic growth and development, ensuring private sector participation in the process and creation of a competitive business environment" (National Planning Commission, 2004).

In this paper, the measure of economic growth would be represented by GDP growth rate in context with other macroeconomic indicators. The paper is divided into three parts: the introduction covering objectives of study, research questions and theoretical frame work. Analysis of the research questions in line with the objectives form the second part. The last section treats conclusion and recommendations.

As the methodology the paper uses secondary data generated from research papers and texts in the field of study, journal articles, Nigeria economic reviews and internet materials.

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**Government - Business Relations and Macroeconomic Growth in Nigeria.**

**OBJECTIVE OF THE STUDY:**

The broad objective of this paper is to examine how far government - business relations in Nigeria has accelerated or impeded economic growth between 2003 – 2011.

***Specific objectives include:***

To examine the relations between government and business in the context of polices, programmes and projects between 2003 – 2011.

To assess the extent these relations have improved macroeconomic growth in the country within the period of study.

To identify possible impediment frustrating macroeconomic growth in Nigeria.

**RESEARCH QUESTIONS:**

In line with above objectives the following research questions are formulated:

i. Which policies, programmes and projects of government involve business relations between 2003 – 2011?
ii. To what extent has government - business relations improved macroeconomic growth between 2003 – 2011?
iii. Which impediments frustrate macroeconomic growth in Nigeria?

**THEORETICAL FRAMEWORK:**

This study is anchored on the new public management theory which

Hughes (1998) sees as the new management approach in the public sector in response to the inadequacies of the traditional model of administration (Gemandzi, 2007). According to Hughes (1998), the new public management aims at the replacement of the traditional model of public administration. The new public management represents a transformation of the public sector and its relationship with government and the society. This new public management has been referred to by some experts as “Managerialism”, “Market – based public administration”, or entrepreneurial government” (Osborne and Gaebler, 1992).

**NIGERIA GOVERNMENT - BUSINESS RELATIONS POLICIES (2003 – 2011)**

Nigerian government -business relations policies could be located in the economic reform progammes of:

i. Obasanjo Administration (NEEDS) programme,2003 – 2007.
ii. Musa Yar Adua’s seven points agenda (May, 2007).
iii. Goodluck Jonathan’s transformation agenda (2011 – 2015).

**NATIONAL ECONOMIC EMPOWERMENT AND DEVELOPMENT STRATEGY (NEEDS) (2003 – 2007).**

After the successful transition to civil rule on May 29$^{th}$ 1999 the then President, Chief Olusegun Obasanjo, stated the need for reform because of the myriad socio – economic problems that engulfed Nigeria. According to the government, the economy was overburdened with problems such as energy crises manifested in widespread scarcity of petroleum products and erratic power supply, high fiscal deficits which threw macroeconomic fundamentals out of order, and a near total collapse of infrastructure and services (Bambale, 2011).

The economy was experiencing low industrial outputs, high unemployment, and a crushing debt burden (Obasanjo, 1999).

The NEEDS programme was conceived within the framework of Neo – liberal economic order that limits the role of government ownership of productive resources. The NEEDS was premised on recognizing the private sector as the engine of economic growth and that a robust private sector business initiative is associated with profitability, efficiency, and promotion of rapid economic growth (Bambale, 2011).

IMF and the Federal Government of Nigeria have confirmed the achievements of the NEEDS programme. The achievement of the reforms had centered on macroeconomic stabilization of the Nigeria economy by improving budgetary planning and execution and provided a platform for sustained economic diversification and non-oil growth (Okonjo – Iweala and Osafo – Kwaako, 2007).

IMF statistics (2007) indicated that Nigeria had experienced growth in virtually all its sectors of the economy during the first phase of NEEDS implementation. Real GDP annual growth rate averaged 6.6 percent (2004 – 2006) as against the annual target of 6.0 percent, phenomenal growth in the net in-flow of foreign direct investment (FDI) and portfolio investment particularly in the banking and telecommunications sector was achieved. The FDI rose from US$ 1.866b in 2004 to US$ 2.3b and US$ 4.8b in 2005 and 2006 respectively. The oil sector annual growth rate ravaged 0.23 percent as against 0.0 percent targeted in the period 2004 – 2006, while the non-oil sector average growth rate was 8.2 percent as against NEEDS target of 8.0 percent between 2004 and 2006 (Bambale, 2011).

## PRESIDENT UMARU MUSA YAR'ADUA'S SEVEN POINTS AGENDA PLUS TWO SPECIAL ISSUES.

After his nomination as the presidential candidate of the ruling People's Democratic Party (PDP) in January, 2007, Yar' Adua launched his seven points action plan to transform Nigeria with two additional issues making it a nine points agenda.

***The thrust of the nine point's agenda covered:***

- Power and Energy
- Food security and Agriculture
- Wealth Creation and Employment
- Mass transportation
- Land reform
- Security
- Qualitative and functional education

***The two special interest groups:***

- Niger Delta
- Disadvantaged Groups.

Above agenda had been integrated into a policy document released by the Presidency on August 1, 2007, three months after the inauguration of Musa Yar'Adua's Presidency on May 29th, 2007.

A critical assessment of the first five points of above agenda covering power and energy, food security and agriculture, wealth creation and employment, mass transportation and land reforms involve government - business relations implying active private sector participation to enhance macroeconomic growth.

Analysts have scored Yar'Adua's greatest achievement in above programme the resolution of Niger Delta crises through the amnesty programme in 2009. The implementation of other items in the agenda was tailored in line with vision 20: 2020. Vision 20: 2020 seeks to launch Nigeria into the league of top 20 economies in the World by the year 2020 (Ezirim et al, 2010).

## PRESIDENT GOOD-LUCK JONATHAN'S TRANSFORMATION AGENDA (2011 – 2015).

The transformation agenda of President Jonathan aims at a holistic transformation of the Nigerian state using "3 Cs" philosophy of continuity, consistency, and commitment. The agenda is based on a set of priority policies and programmes which when implemented will transform the Nigeria economy to meet the future needs of the Nigeria people (National Planning Commission, NPC, 2010).

The transformation agenda identifies shortcoming in Nigeria's development efforts over the years characterized by lack of continuity, consistency and commitment (3Cs) to agreed policies, programmes and projects as well as a long term perspective. The culminating effect has been growth and development of the Nigeria economy without a concomitant improvement in the overall welfare of Nigerian citizens (NPC, 2010).

Disregard to these 3Cs has resulted in rising unemployment, inequality, and poverty. The agenda covers the period 2011 – 2015, 4 years of Jonathan's presidency and draws its inspiration from the Nigeria vision 20: 2020 and the first national implementation plan (NIP). The thrust of the transformation agenda include:

i. Ensuring greater harmony between fiscal and monetary policy.
ii. Pursuit of sound macroeconomic policies including fiscal prudence supported by appropriate monetary policy to contain inflation at single digit.
iii. Review of budget process to provide greater clarity of roles between the executive and legislature and to ensure that the appropriation bill is enacted into law within the first month of any year.

iv. Review of existing revenue allocation formula to achieve a more balanced fiscal federalism.
v. Institutionalizing the culture of development planning at all levels of government and ensuring that the annual capital budget allocation takes a cue from medium and long term development plans (Usigbe, 2011).

The transformation agenda scope covers issues such as macroeconomic framework, and economic direction for the period, governance, sector priority policies, programmes, and projects in key thematic areas namely: i. Real sector (ii) Infrastructure (iii) Human capital and (iv) Enablers which include private investment, finance mobilization, external economic relations and diplomacy. (v) Monitoring and evaluation (NPC, 2010).

It is the view of the authors that the transformation agenda which is just one year in existence cannot be subjected to critical assessment in terms of achievements but hopes that by 2015 critics of the programme could be proved wrong. Some critics maintain that the entire global economic process is knowledge driven through the application of arts, science and technology. For Nigeria to achieve any transformation, the country must have to make a major break – through in science and technology, administrative and organizational skills and indigenizing same for the profitable use of the Nigerian entrepreneurs on the domestic and global markets (Ardo, 2012).

**ANALYSIS OF RESEARCH QUESTION 2 IN LINE WITH OBJECTIVE 2**

Research question 2 is stated thus: "To what extent has government - business relations improved macroeconomic growth between 2003 – 2011"?

Nigeria's economic performance in the two decades prior to economic reforms was generally poor. Over the period 1992 to 2002 annual GPD growth had averaged about 2.25 percent with an estimated population growth of 2.80 percent per annum. This implied a contraction in per capita GDP over the years that had resulted in a deterioration of living standards for must citizens (Okonjo – Iweala and Osafo – Kwaako, 2007).

Nigeria, on the average, stagnated over the period up to 1999. The poverty situation worsened consistently such that by 1999, the incidence of poverty was estimated at 70 percent (Soludo, 2006). A major challenge for the Nigeria economy was its macroeconomic volatility driven largely by external terms of trade shocks and the country's large reliance on oil export earnings. Nigeria's economy ranked among the most volatile in the world for the period 1960 to 2000 (World Bank, 2003). Government - business relations encapsulated in the macroeconomic reforms of government in the NEEDS and 9 points agenda strategic documents had to great extent stimulated and improved economic growth. The stagnation in the economy two decades prior to introduction of above reforms had been reversed. Growth rates averaged about 7.1 percent annually for the period 2003 to 2006. This is a notable improvement on the performance over the decade before reform when annual growth rates averaged about 2.3 percent (Okonjo – Iweala and Osafo – Kwaako, 2007).

About 6.94 percent average growth rate in the economy is recorded in the period 2008 – 2010. More importantly, the recent strong growth rates have been driven by strong growth in non oil sectors which is needed for employment creation. Growth in the non oil sector (percent) was 9.52, 8.95, 8.32, 8.43 in 2007, 2008, 2009 and 2010 respectively (*see table 1)* below:

***Table 1. Selected Macroeconomic Indicators (2006 – 2010)***

| Indicators | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Nigeria's total external reserves (US$) million | 42,298.11 | 51,333.15 | 53,000.36 | 42,470.00 | 32,339.25 |
| Inflation Rate (year on change % | 8.50 | 6.60 | 15.10 | 13.90 | 12.70 |
| GDP level at 1990 constant prices | 595,821.61 | 634,251.10 | 672,202.55 | 718,977.33 | 775,525.71 |
| GDP growth at 1990 constant prices | 6.03 | 6.45 | 5.98 | 6.96 | 7.87 |
| Oil sector growth % | -4.51 | -4.54 | -6.19 | 0.45 | 4.98 |
| Non oil sector growth % | 9.41 | 9.52 | 8.95 | 8.32 | 8.43 |
| Projected population figure (million) | 140.43 | 144.50 | 148.69 | 153.42 | 159.29 |
| Exports of good and Service (% of GDP) | 45.96 | 33.73 | 39.88 | 30.79 | 45.57 |
| Imports of goods and Services (% of GDP) | 21.44 | 30.32 | 24.79 | 30.38 | 33.08 |

Source; National Bureau of statistics (NBS), December, 2011.

It is observed that the NEEDS reforms stimulated a lot of private sector inclusion in government - business relations covering seaports reforms and concessioning of the ports, intensified privatization in formally wholly owned government businesses, tariff reforms, and creation of institutions to check fraud in government - business relations. Notably these institutions included EFCC – Economic and Financial Crimes Commission, ICPC – Independent Corrupt Practices Commission and the BMPIU – Budget Monitoring and Price Intelligence Unit, also known as Due Process Office. These institutions were created during Obasanjo Administration to tackle corrupt practices in Nigeria (Nnabuife and Ikon, 2008). Bold attempts to tackle corruption have attracted the international community reflected in more foreign direct investment (FDI) inflows into the country. For example stock of direct foreign investment (DFI) at home grew from is US$ 63.35 billion as at 31st December, 2009 to US$69.4 billion (9 percent) at 31st December 2010. In the same period, stock of DFI abroad grew 10 percent from US$8.6 billion to US$9.5 billion (CIA World Fact book, 2011).

**ANALYSIS OF RESEARCH QUESTION 3 IN LINE WITH OBJECTIVE 3.**

Research question 3 states: “which impediments frustrate macroeconomic growth in Nigeria?”

Vision 20:2020 document under the first national implementation plan (2010 – 2013) has identified physical infrastructure gap as a major constraint to economic growth. Physical infrastructure in the context of the plan has been limited to the following sectors:

i. Power (Electricity and alternative energy)
ii. Transport (Road, Railways, Water and Air)
iii. Oil and Gas infrastructure
iv. Housing and water resources

These have been identified as major challenges constraining economic growth and development in Nigeria (NPC, 2010). The very low generation capacity of electricity is a bane to economic growth in Nigeria. Table 2 below compares Nigerian electricity generation with some countries.

**Table 2. Comparing Nigeria Electricity Generation with some Countries**

| | **Country** | **Generation capacity** | **Population** |
|---|---|---|---|
| 1 | South Africa | 40,000 MW | 50 million |
| 2 | Brazil | 100,000 MW | 192 Million |
| 3 | USA | 700,000 MW | 308 Million |
| 4 | Nigeria | 5,200 MW | 150 Million |

Source: National Planning Commission, 2010.

The 5,200 MW electricity generation capacity in Nigeria had never been achieved. Peak generation supplied by PHCN was 3,700 MW at December, 2009. This capacity fluctuated to 1,500MW in year 2000 due mainly to lack of investment in maintenance and expansion on existing power plants (NPC, 2010).

Current Jonathan’s Administration has launched electricity blue print or road map in August 2010 aiming at unbundling the energy corporation PHCN through privatization. The goal is to generate, transmit, and distribute 35,000 MW of electricity by the year 2020 (NPC, 2010).

Another major impediment to macroeconomic growth in Nigeria has been the incidence of endemic corruption in the polity. Corruption and poor governance affect growth and public service delivery in Nigeria in various ways. In a corrupt environment, resources for human capital and other needed investments such in as infrastructure, health and education are often diverted. There are various ways in which this may occur, including procurement fraud, patronage for access to services, absenteeism and misuse of facilities (Okonjo Iweala and Osafo – Kwaako, 2007).

Analytical studies on the extent of corruption in Nigeria before the recent reforms were often very negative. A survey of Nigeria firms in 2002 revealed widespread bribery across various public institutions. About 70 percent of firms surveyed reported the need for bribes to obtain trade permits, about 83 percent paid bribes to obtain utility services, about 65 percent paid bribes when paying taxes, , an estimated 90 percent paid bribes during procurement, and 70 percent of the firms acknowledged the need for bribes to obtain favourable judicial decisions. Also, 100 percent of Nigeria firms surveyed agreed that public funds were diverted to private groups in contrast to about 78 percent of firms in Russia, and about 45 percent of firms in South Africa (Okonjo – Iweala and Osafo – Kwaako, 2007).

Above reality led Obasanjo Administration in 2000 and 2002 to establish two anti-corruption agencies by act of parliament - the ICPC and EFCC. Also the establishment of BMPIU (due process office) in 2006 to check fraud in government contracts and procurement saved over N118 billion for the country between 2001 and 2004 (Nnabuife and Ikon, 2008).

Insecurity of lives and property as witnessed in Nigeria within the last decade and up to present negatively affects economic growth. Insecurity in the Niger Delta region where almost 100 percent of Nigeria crude oil and gas are extracted adversely affected crude oil production and export between 1998 to 2009.

In 2006, Nigeria lost N570 billion as a result of non export of an estimated 600,000 barrels or crude oil per day due to mounting unrest in the Niger Delta Region (Financial Standard, Monday 15 January, 2007)

Between 2000 and 2003 Nigeria lost 1, 416, 189 metric tones of petroleum products worth N34.5 billion due to petroleum products pipeline vandalization in Niger Delta (Financial Standard, November 8,2004). These leakage adversely affected macroeconomic stability and growth. The amnesty granted the militants in the Niger Delta Region in 2009 by President Umaru Yar'Adua returned normalcy to the region and economic activities are going on normally.

The Boko Haram insecurity in some parts of Northern Nigeria in the last three years has considerably slowed down economic activities and investment in the region. A lasting solution is not yet found for the Boko Haram menace in the North of Nigeria.

## CONCLUSION

Arising from the analyses of the various research questions of this study in line with the objectives of the paper, we conclude that government - business relations in Nigeria if properly managed could result in enhanced growth in the economy and improvement in the living standards of Nigerians. Both government and business community particularly the real or productive sector participants are major stakeholders. Government has to improve on the physical infrastructure to jump start major economic growth. The transformation agenda of President Jonathan has identified this problem and has launched power sector roadmap, pursuing public private partnership (PPPs) in infrastructural development, consolidating fiscal and monetary reforms and launching entrepreneurial initiatives for young entrepreneurs in Nigeria.

## RECOMMENDATIONS

The paper recommends that for businesses to thrive in Nigeria and contribute to economic growth, government has to greatly improve on the ease of doing business index in Nigeria. Currently Nigeria is ranked very low on the various indices on the ease of doing business.

World Bank / IFC Doing Business Report 2012 ranks Nigeria 133$^{rd}$ among 183 nations. On the ease of starting a business, Nigeria is ranked 116$^{th}$, obtaining a construction permit, 84$^{th}$, getting credit, 78$^{th}$, protecting investors, 65$^{th}$, paying taxes, 138$^{th}$, trading across boarders, 149$^{th}$, enforcing contracts, 97$^{th}$ and resolving insolvency 89$^{th}$ (Word Bank / IFC Doing Business Report, 2012).

The paper also recommends that the security situation in the country has to be tackled vigorously for any meaningful business pursuits to grow in Nigeria. Already the economy in some parts of Northern Nigeria where Boko Haram insurgency is prevalent is stagnating.

Also, more ethical reorientation is required for Nigerians to stem the tide of unethical business practices such as smuggling and dumping, under declarations of taxes, money laundering, bribery and corruption, faking products, all of which adversely affect economic growth.

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