

GLOBALISATION AND THE NIGERIAN BUSINESS CLIMATE: A MANUFACTURING PERSPECTIVE

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ABSTRACT

This study is an attempt to evaluate the effect of globalization on business climate of Nigeria: A study of the Nigerian manufacturing sector. The study's objective is to determine the effect of information and communication technology (ICT) on the productivity of the manufacturing sector. The study is anchored on the system theory. The descriptive research design was adopted for this work. Secondary data were majorly used and the ordinary least square method of regression was used to test significant relationship of variable. The result reveals that information communication and technology has significant effect on business environment. 90.9 per cent relationship was found to exist between globalization and business climate. The study concludes that it is in the interest of manufacturing sector to consistently search for opportunities that would enable them acquire and apply actionable understanding, proficiency and imagination to meet constantly, varying needs and demands of customers. The paper recommends that as a measure of enhancing human resource development, there is need for business owners to intensify effort on investing on information and communication technology (ICT) skill acquisition as a means of promoting productivity of the manufacturing sector. More so, Government on their part should come up with and enforce policies that will encourage financial institutions in partnering with the manufacturing sector in order to boost our economy.

Keywords: Globalization, Business Climate, Manufacturing Sector, Productivity, Information and Communication Technology.

Introduction

The outbreak of Corona Virus Pandemic (Covid-19) has caused researchers, scientists, business operators, and other business players to think newer ways to conduct business smoothly because of the attendant shorting-down of economies around the world. Hence, the pandemic as a bedeviling factor and its associated rapid spread, and negative impact are pitfalls of globalization.

According to Okpokpo, Ifelunini and Osuyali (2014), citing Orubu and Awopegba (2003), Globalization can be explained as the increasing tendency towards integration of countries into the world economy as contacts among enterprise, institutions and peoples across national boundaries. Globalization was brought about effectively by the breakthrough in information technology (IT). It has come to impose on every country that her economy must be competitive, market driven, liberalized and with sufficient institutional framework to support the economy. With globalization it is difficult for any country to be alone. It is important for a country to trade effectively with other countries; the country's production process must be efficient (Kwanashie, 2002).

In retrospect, globalization in the 19th century approached its modern form as a result of the industrial revolution. Industrialization allowed standardized production of household items using economies of scale while rapid population growth created sustained demand for commodities. Globalization in this period was decisively shaped by nineteenth century imperialism such as Africa and Asia. In the 19th century, steamships reduced the cost of international transport significantly and railroads made inland transport cheaper. The transport revolution occurred sometime between 1820 and 1850. The invention of shipping containers in 1956, helped advance the globalization of commerce. After the second world war, work by politicians led to the Bretton Woods conference, an agreement by major governments to lay down the framework for international monetary policy, commerce and finance, and the founding of several international institutions intended to facilitate economic growth multiple rounds of trade opening simplified and lowered trade barriers. Initially the General Agreement on Tariffs and Trade (GATT), led to series of agreements to remove trade restrictions. GATT's successor was the World Trade Organization (WTO), which created an institution to manage the trading system. In the late 19th century and early 20th century, the connectedness of the world's economies and cultures grew very quickly. This slowed down from the 1910s onward due to the World wars and the cold war but has picked up since neoliberal policies began in the 1980s and perestroika and the Chinese economic reforms of Deng Xiaping opened the old Eastern Bloc to western capitalism. In the early 2000s, much of the industrialized world entered into the Great Recession, which may have slowed the process temporarily. Trade and globalization have evolved tremendously today. Globalized society offers a complex web of forces and factors that bring people, cultures, markets, beliefs and practices into increasingly greater proximity to one another. The advent of information and communication technology has brought about massive changes demanding how organizations are structured and how businesses are run, breaking barriers, and defining new dimensions to our lifestyle (Akinbobola, 2009). These include the birth of computer, internet, communication networks, telephone, radio, television, wireless technologies such as global system of mobile communication (World Bank, 2002).

Globalization has brought about great technologies, sophisticated machineries that made life easy for humans. But with this advancement comes problems. Over the past two decades, world output has been expanding and many countries are benefiting from increased cross-border trade and investments. Many others suffer because economic regimes, the manufacturing sector included,

are inefficiently managed, and this weakness reduces their capacity to successfully compete globally. These suggest a challenge; the utilization of the opportunity engineered by globalization while at the same time managing the problem and tension it poses, for developing countries particularly Nigeria. In the manufacturing sector of Nigeria for example, poor quality of human resource development and management, and inequality in terms of competitive advantage have consistently slowed down growth rate. Information and communication technology (ICT) has brought about massive changes demanding how organizations are structured and how businesses are run, breaking barriers, and defining new dimensions to our lifestyle. These have in no small measure affected the size of labour thereby causing increase of the unemployed in the manufacturing sector. More so, is the introduction of cheap labour (contract staffing). With globalization comes the disease – dumping. This has in no small measure affected the Nigerian manufacturing sector, as their products lag in patronage, compared to her European counterparts. Globalization has also affected our cultural values, our language, the way we dress, the younger once respect for their elders and ultimately our environment. No wonder our textile industry is consistently fading away. The thrust of this work is to uncover the effect of globalization as it relates with information technology on the Nigerian business climate, - the state of the Nigerian manufacturing sector.

Hypotheses

One research hypothesis guided the activities of this study.

H₁: Information and communication technology (ICT) have significant effect on productivity of the manufacturing sector.

H₁: Globalization has significant effect on the Nigerian manufacturing sector.

H₁: Information and communication technology have significant effect on the level of manpower utilization in the manufacturing sector

Methodology

The study is limited to the manufacturing sector of the Nigerian economy and covers the period of twenty four years (from 1990 to 2013). This is large enough to cover recent trends in globalization. This study adopted descriptive research design. Secondary data were majorly used for this work. While scholarly works were from sourced journals, texts and other online sources, the data were sourced from the World Bank data resource, downloadable at <http://data.worldbank.org/country/nigeria>.

Data Analysis

The ordinary least square regression method was employed in analyzing the models. The software used for analysis is E-View 7.0. For the broad objective of this work - effect of globalization on the business climate of the manufacturing sector; the researcher adopts the multiple linear regression equation (a model with more than one independent variable). The model is given as:

$$MGDP = \alpha + \beta_1 ICT + \beta_2 CI + \beta_3 LF + e_t \quad (1)$$

Where: MGDP = GDP of manufacturing sector

α = slope of the regression

ICT = Computer, communication and other services { % of commercial service imports } (a proxy for Information communication and technology)

LF = Labour Force (a proxy for level of manpower utilization)

CI = Culture proximity (a proxy for culture index)

And β_1 , β_2 and β_3 are the rates of change of the globalization indices with respect to profitability

The log transformation of the model gives the resulting model as:

$$\log \text{MGDP} = \alpha + \beta_1 \log \text{ICT} + \beta_2 \log \text{LF} + \beta_3 \log \text{CI} \quad (2)$$

Where: LnMGDP = logarithmic transformation of profitability

α = slope of the regression

LnICT = logarithmic transformation of ICT index

LnLF = logarithmic transformation of Labour force

LnCI = logarithmic transformation of cultural index

And β_1 , β_2 and β_3 are the rates of change of the logarithmic transformations of the globalization indices with respect to profitability.

For the specific objectives, the researcher made use of the simple linear regression equation (a model with only one independent variable). The specific objective: To determine the effect of ICT on the productivity of the manufacturing sector; the model is given as:

$$\text{MGDP} = \alpha + \beta_1 \text{ICT} + e_t \quad (3)$$

Where: MGDP = GDP of manufacturing sector

α = slope of the regression

The log transformation of the model gives the resulting model as:

$$\log \text{MGDP} = \alpha + \beta_1 \log \text{ICT} + e_t$$

The result of regression analysis using Ordinary Least Square (OLS) is presented, analyzed and interpreted.

Data Presentation

To determine the effect of the information and communication technology (ICT) on the productivity of the manufacturing sector.

Regression Analysis: Table 4.3

Dependent Variable: LOG_MGDP

Method: Least Squares

Date: 05/28/14 Time: 22:06

Sample: 1990 2013

Included observations: 24

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	4.922388	0.218617	22.51607	0.0000
C(2)	-0.412323	0.137307	-3.002933	0.0065
R-squared	0.290725	Mean dependent var	4.269613	
Adjusted R-squared	0.258486	S.D. dependent var	0.132151	
S.E. of regression	0.113797	Akaike info criterion	-1.429142	
Sum squared resid	0.284896	Schwarz criterion	-1.330970	

Log likelihood	19.14970	Hannan-Quinn criter.	-1.403097
F-statistic	9.017605	Durbin-Watson stat	0.245460
Prob(F-statistic)	0.006550		

E-view 7.0 Software was used for the analysis

Analysis

The model of GDP of the Manufacturing Sector and Information and Communication Technology is given as $MGDP=4.92- 0.412ICT$.

A significant relationship was found to exist between Information and Communication Technology and GDP of the Manufacturing Sector. Furthermore 29% variation in GDP of the Manufacturing Sector is seen to be attributable to Information and Communication Technology. A positive auto correlation is found to be present between GDP of the Manufacturing Sector and Information and Communication Technology. An inverse relationship exist between GDP of the Manufacturing Sector and Information and Communication Technology as a unit increase in Information and Communication Technology brings about 256.5 decrease in GDP of the Manufacturing Sector.

8. DISCUSSION OF FINDINGS

In the course of this study, the researcher made some findings as regards the broad objective (effect of globalization on business climate of Nigeria), and the specific objective, which include the effect of information and communication technology (ICT) on the productivity of the manufacturing sector,

9. EFFECT OF INFORMATION COMMUNICATION AND TECHNOLOGY ON THE PRODUCTIVITY OF THE MANUFACTURING SECTOR:

Here the results of the analysis shows that a significant and inverse relationship exists between information communication and technology and the productivity of the manufacturing sector; as 29 per cent variation in the productivity of the manufacturing sector was found to be attributable to information communication and technology. A unit increase in information communication and technology brings about 0.412 decreases in the GDP of the Manufacturing Sector. In view of the above, the manufacturing companies should strategically deploy information communication and technology in monitoring global trends and in achieving sustainable competitive advantages as well in continuous updating of knowledge about the environment. This is collaborated with the findings of Olabode (2014) which reveals that there exist strong positive relationship among aggregate output, technology usage, work environment and management style.

Economic models were specified and estimated to determine the precise quantitative impact of globalization as it concerns information and communication technology. The major findings of this study is: Employing Information communication and technology (ICT) into production activities will enhance increase in workers and economic productivity resulting in the upward shift of aggregate economic productivity which will lead to increase in gross domestic product, export, increase in labour productivity per hour resulting in sustainable income, better standard of living and increase in consumption in an economy.

Conclusion

The result on the effect of globalization on business climate of Nigeria, particularly the manufacturing sector shows that information and communication technology, manpower utilization and culture have significant effect on business environment. However, for those variables that have positive signs, there is need for investments in the manufacturing sector as this can lead to boosting manufacturing sector productivity, while for those with negative signs there is need for the investigation of those areas of impediment, try to correct these impediments and then continue. The study therefore agrees with the views of Akinyemi, (2007), that it is in the interest of manufacturing sector to consistently search for opportunities that would enable them acquire and apply actionable understanding, proficiency and imagination to meet constantly, varying needs and demands of customers. (Sachs and Warner, 2005; Frankel and Romer, 2009; Hill, 2004; Obadan, 2010)

Recommendations

Based on the above findings and conclusions, the study recommends:

- i.** As a measure of enhancing human resource development, there is need for business owners to intensify effort on investing on information and communication technology (ICT) skill acquisition as a means of promoting productivity of the manufacturing sector.
- ii.** Government on their part should come up with and enforce policies that will encourage financial institutions in partnering with the manufacturing sector in order to boost our economy.

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