

The Ease of Doing Business Report and Security Challenges in Nigeria: Engaging the Narratives

Nwobashi, Humphrey Nwefuru (Ph.D) & Elechi, Felix Aja (Ph.D)

Department of Political Science

Ebonyi State University, Abakaliki

Corresponding author: Nwobashi, Humphrey Nwefuru

ABSTRACT: The Nigerian economy possesses one of the largest internal markets in the world. With a growing population of over 193 million, the economy presents huge opportunity for market seeking investments. The Ease of Doing Business Report is an index, developed by the World Bank, that scores and ranks countries based on how easy it is to set up and operate a business there. Ease of doing business in Nigeria most especially foreign direct investment (FDI) has been very poor most especially in manufacturing and production sectors of the economy largely as a result of poor infrastructure, corruption and multiplicity of taxation; and especially, the challenges of insecurity, despite government reform that has seen some progress. The paper examine government efforts at improving the ease of doing business in Nigeria, bearing in mind the government policies, reforms, implementing and regulating agencies and the impact of the environment on the ease of doing business in terms of socio-political and security challenges faced in Nigeria. The paper adopts a qualitative research design that is exploratory and historical in nature, data was drawn from secondary sources with qualitative descriptive method used in the discus of findings. Anchoring our discourse on the theory of decision making, finding revealed that even though the government has made appreciable progress in improving the business climate in Nigeria, this progress has been seriously hampered by various challenges, notably insecurity that have manifested in many forms and has affected negatively the ease of doing business in Nigeria. The paper recommends amongst others that, there is need to deepen the existing reforms and make it sustainable, by completing pending initiatives and addressing the various security challenges bedevilling the Nigerian polity.

Keywords: Economy, Ease of Doing Business, Decision Making Theory, Security Challenges, Political Corruption

Date of Submission: 28-11-2019

Date of Acceptance: 13-12-2019

I. INTRODUCTION

Nigeria is a mixed economy and emerging market, with expanding manufacturing, financial, service, communications, technology and entertainment sectors. It is ranked as the 25th largest economy in the world in terms of nominal GDP, and the 21st largest in terms of Purchasing Power Parity. Its re-emergent manufacturing sector became the largest on the continent in 2013, and produces a large proportion of goods and services for the West African subcontinent. Although a major exporter of oil and gas, the sector only contributes about 9% to the Nigeria's GDP. The petroleum sector has contributed greatly to the country's economic growth, as Government revenues still heavily rely on this sector. It however remains in fact a small part of the country's overall vibrant economy. The current diversification policy or programme of the present Government has ensured a large participation of investors in agriculture which before now used to be the main stay of the economy. Solid minerals development is another thrust of the government in pursuit of its diversification programme. In the non-oil economy, there are several unexplored segments and business opportunities such as the telecommunication and the service sectors. Nigeria has one of the largest free market economies on the African continent. Most of Nigeria's economic activity occurs in four main metropolitan areas, namely Lagos, Abuja, Kano and Port Harcourt. However, there are other economically vibrant areas including Ibadan, Kaduna, Enugu, Warri, Calabar, Aba, Eket, Nnewi and Onitsha (UHY, 2018).

The economy possesses one of the largest internal markets in the world. With a growing population of over 193 million, the economy presents huge opportunity for market seeking investments. According to Global Retail Development Index, Nigeria's retail sector made a national sale of over US\$125 billion in 2016. This was made possible by a middle-class population that has grown by over 600% in the last few years, and now represents over 38% of the population of the country. The Economic Recovery and Growth Plan (ERGP); the national medium term economic plan for 2017 – 2020 has a vision for sustained inclusive growth that is anchored on:

- a stable macroeconomic environment
- agriculture and food security
- energy sufficiency (power and petroleum products)
- improved transportation infrastructure
- industrialization focusing on small and medium scale enterprises

The Ease of Doing Business is an index, developed by the World Bank, that scores and ranks countries based on how easy it is to set up and operate a business there. Ease of doing business in Nigeria most especially foreign direct investment (FDI) has been very poor most especially in manufacturing and production sectors of the economy largely as a result of poor infrastructure like electricity, good and efficient roads, registering of a business, land ownership, corruption and multiplicity of taxation; and especially, the challenges of insecurity that has turnout to be a hard nut to crack by the security agencies despite the huge amount of resources that have been expended on them, including the lives that have been lost and properties worth billions of Naira destroyed. But, despite all the reforms introduced, the business environment is still hostile to investors and these has caused many businesses big and small to leave the country to neighbouring countries like Benin Republic, Togo, Ghana, where they felt the business climate is more conducive and friendly for their businesses to thrive. The recent relocation of Multinational Companies like Dunlop, Michelin and Unilever to Ghana is a lesson Nigeria learnt in a hard way. Apart from losing a Foreign Direct investment, lost of job opportunities and acquisitions of skills, the country also has to contend with the high cost of importing those products from Ghana to Nigeria (Olowu & Hamza, 2013).

Against the backdrop of several deep-seated structural challenges stifling operating environment for businesses, Nigeria has persistently been ranked low by the World Bank in its Ease of Doing Business (EODB) report. Out of the 190 countries surveyed for 2017, the report ranked Nigeria 169th - a negligible improvement from 170th of 189 countries in 2016. On average, the country ranked 158th of 189 countries surveyed in the last 5 years and 37th of 48 countries in Sub-Saharan Africa for 2017.

The focus of this paper therefore is to examine government efforts at improving the ease of doing business in Nigeria, bearing in mind the government policies, reforms, implementing and regulating agencies and the impact of the environment on the ease of doing business in terms of socio-political and security challenges faced in Nigeria. The paper adopts a qualitative research design that is exploratory and historical in nature, as this provide a rigorous descriptive base which, among other things, will bring to the fore the progress made so far and the inherent challenges of doing business in Nigeria. Data for the paper is based on secondary sources, hence, there is heavy reliance on documented materials, while qualitative descriptive method was used to analyse our findings. Anchoring our analysis on the theory of decision making as propounded by Herbert Simon, the paper hypothesised that, even though the government has made appreciable progress in improving the business climate in Nigeria, this progress has been seriously hampered by various challenges, notably insecurity that have manifested in many forms and has affected negatively the ease of doing business in Nigeria.

The paper is divided into six sections namely; introduction, conceptual clarification and review of related literature, theoretical framework, ease of doing business and investment climate in Nigeria, government efforts towards ease of doing business in Nigeria, challenges of ease of doing business in Nigeria, ways the government can address the security challenges inhibiting the ease of doing business in Nigeria, and conclusion and recommendations

II. CONCEPTUAL CLARIFICATION AND REVIEW OF RELATED LITERATURE

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 10 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers. In a series of annual reports Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 185 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 33 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 19 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and to identify what reforms have worked, where and why (Ashraf, 2013).

Ardagna and Lusagi (2009), used doing business surveys to construct a cross-national harmonized micro data from a broad sample of developed and developing countries and investigated the heterogeneity of the effect of entry, contract enforcement regulation, and financial development on both the decision to become an entrepreneur and the level of employment of newly created businesses. They focused on the interaction between the level of regulation and financial development and some individual characteristics that are important

determinants of entrepreneurship, such as gender, business skills, and social networks. They found that entry regulation moderates the effect of business skills, while accentuating the effect of gender, even after accounting for the level of financial development. Doing Business (DB) provides measures of the time and costs associated with fully complying with an array of business regulations.

Hanusch (2011) noted that the World Bank Group's Doing Business Indicators (DBIs) have become an important guide and benchmark for investment climate reform. This article discusses the role of the DBIs in the reform process and informs this discussion with an empirical analysis of the impact of individual indicators and their components on economic performance. It is argued that the political economy of the policy environment has to be conducive for reforms. Reforms can then either be aimed at improving the doing business indicators ranking to enhance the visibility of a government's general reform efforts; or they can be aimed at maximizing the impact of reform on economic growth. The author analysis suggests that focusing on doing business indicators relating to credit and the enforcement of contracts are important. Ashraf (2013) noted that doing business indicators components focusing on cost have the largest potential for fostering growth. Promoting private sector-led growth is at the heart of the development agenda. Many developing countries have come to the conclusion that jobs and prosperity are best created by unleashing the potential of the private sector. The World Bank Group's Doing Business Indicators (DBIs) capture the quality of business environments in currently over 180 countries. Although the number of individual indicators fluctuates slightly, there are presently nine such indicators rating countries on the ease of doing business given the regulatory regime in place. The DBI ranking has some clout: it can instil a sense of competition among governments as countries with the greatest reform effort are singled out in the annual DBI publications; the results are published online and widely reported in the media.

III. THEORETICAL FRAMEWORK

Our discourse in this paper is anchored on the theory of decision making as propounded by Simon (n.d.) as cited in Lamidi (2015, p.5). Decision making is at the heart of planning of which the outcome in most time is known as policy. For policies to be formulated and implemented, decisions on certain courses of action have to be taken. Some commentators have even argued that decision making can be viewed as the most fundamental managerial activity of all. Herbert Simon advocated that decision making is the heart of administration where a decision has to be taken at each and every stage of administration day in and day out and administration is a series of decisions that lead to implementation and nothing more. According to Simon, if administrative behaviour in an organisational setting has to be analyzed, then that can only be done by studying the decisions taken by the administrators within that organisation or government (Lamidi, 2015). Its major premise is that decision makers are human beings who have their strengths, weaknesses, emotions, bias, personal preferences and world views. These they get to bear on the particular decision, which they take in the name of the government. This approach demystifies the government, and reduces its actions to that of its leaders.

In applying this theory to the study, it becomes apparent that the effort of the government towards improving the business climate in Nigeria through the reform and implementation of policies on ease of doing business has yielded some progress despite the present of serious security challenges which the government need to address for the country to move up the ranking in the ease of doing business index.

IV. EASE OF DOING BUSINESS AND INVESTMENT CLIMATE IN NIGERIA

The Ease of Doing Business is indicative of how favourable an economy is for business operations. These are important considerations for Foreign Direct Investors who are not only interested in the macro-economy but are also interested in the existing regulatory framework, policy and security. Essentially, these investors are interested in anything that can affect the success of their investments. The business climate in Nigeria has not been encouraging to investor, both foreign and domestic. However, the government over the years have made effort to improve on the ease of doing business through reforming the business climate of the country. These reforms have yielded some progress as Nigeria's ranking in the ease of doing business report for the past two years have improved. Nigeria scaled up 24 spots in the Ease of Doing Business Index, moving from 169th (out of 190) to 145th on the rankings. Nigeria recorded progress in 8 out of 10 topics. Accordingly, Nigeria is amongst the 10 most improved countries for the 2018. The most notable increases were made in the ease of getting credit, enforcing contracts and dealing with construction permits topics. The rising prominence of credit bureaus and the increased sophistication of the identity authentication system (Sim card registration, Bank verification number and national identity card) contributed to Nigeria's jump in this index to 6 from 44. This reduced the risk associated with lending, boosting credit availability. However, the net credit to the private sector from DMBs has contracted, due to high interest rates. This means that the large portion of credit available to businesses comes from Microfinance Banks and other nonbank financial institutions.

The 2019 World Bank report on the ease of doing business noted that Nigeria has improved in her ranking as stated below:

✓ **Starting a business**

Nigeria made starting a business easier by reducing the time needed to register a company at the corporate affairs commission and introducing an online platform to pay stamp duty. This reform applies to both Kano and Lagos.

✓ **Getting electricity**

Nigeria made getting electricity easier by requiring that the distribution companies obtain the right of way on behalf of the customers and by turning on the electricity once the meter is installed. This reform applies to both Kano and Lagos.

✓ **Registering property**

Nigeria (Kano) made property registration less transparent by no longer publishing online the fee schedule and the list of documents necessary to register a property.

✓ **Trading across borders**

Nigeria reduced the time needed to export and import by implementing joint inspections, the NICIS2 electronic system and around-the-clock operations at Apapa Port. This reform applies to both Kano and Lagos.

✓ **Enforcing contracts**

Nigeria made enforcing contracts easier by issuing new rules of civil procedure for small claims courts which limit adjournments to unforeseen and exceptional circumstances.

Table 1. The 10 Economies improving the most across three or more areas measured by Doing Business in 2016/2017

Economy	Ease of doing business rank	Change in DTF score	Reforms making it easier to do business									
			Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Brunei Darussalam	56	5.77	✓	✓		✓	✓	✓	✓	✓	✓	
Thailand	26	5.65	✓		✓	✓	✓	✓	✓		✓	✓
Malawi	110	5.42		✓			✓			✓		✓
Kosovo	40	4.94	✓				✓					✓
India	100	4.66	✓	✓			✓	✓	✓	✓	✓	✓
Uzbekistan	74	4.50	✓	✓	✓			✓	✓			
Zambia	85	3.94					✓		✓	✓		
Nigeria	145	3.82	✓	✓		✓	✓		✓			
Djibouti	154	3.79	✓	✓		✓	✓	✓				
El Salvador	73	3.56		✓	✓				✓	✓		

Source: Doing Business database.

Three Sub-Saharan African economies— Nigeria, Malawi and Zambia—made it to the list of 10 top improvers in 2016/17 as indicated in the table above. Nigeria made starting a business faster by introducing the electronic approval of registration documents. Nigeria also increased the transparency of dealing with construction permits by publishing all relevant regulations, fee schedules and pre-application requirements online. In addition, Nigeria improved access to credit information by legally guaranteeing borrowers the right to inspect their own data and by starting to provide credit scores to banks, financial institutions and borrowers. Nigeria also introduced new centralized electronic payment channels for the payment of all federal taxes. Malawi halved the fees charged by the city council and reduced the time to process building plan approvals. It also improved access to credit information by establishing a new credit bureau.

V. GOVERNMENT EFFORTS TOWARDS EASE OF DOING BUSINESS IN NIGERIA

With one of the lowest revenue to GDP percentages in the world, Nigeria’s government revenue is heavily constrained. It is vital to Nigeria’s long-term economic development that private sector investment be encouraged. The quality and efficiency of the business environment will be a critical factor in achieving this. Borrowing a leaf from several countries that have implemented ease of doing business reforms within a very short time (Kenya for example undertook 5 reforms which moved her ranking upwards by 21 places to rank amongst the top 100 countries in 2017), the Nigerian government took several steps towards improving the Nation’s ranking by setting a target of moving 20 places higher in 2018 and eventually breaking into the top 100 economies by 2019.

To this end, the Presidential Enabling Business Environment Council (PEBEC) was set up to remove the administrative bottlenecks associated with doing business in Nigeria. The PEBEC's principal goal is to make it easier for MSMEs to do business, grow and contribute to sustainable economic activity, and provide the jobs that are essential to improve social inclusion. One of the key indicators of success was Nigeria's performance on the World Bank's Ease of Doing Business indicators, which provide a global snapshot of a country's business environment in comparison to its peers.

At the end of 2016, the operational arm of PEBEC - the Enabling Business Environment Secretariat (EBES) agency - became functional with a delivery span of 2 years to implement the reforms of PEBEC. The Economic Recovery and Growth Plan (ERGP), was launched in February 2017, to provide a roadmap for broad economic reform, with the private sector at the heart of the solution. The first 60-day National Action Plan (NAP- 60) was launched in February 2017 with a focus on delivering immediate improvement in seven of the key indicators on the World Bank's Doing Business indicators, including Starting a Business, Getting Credit and Trading Across Borders as well as one home-grown indicator – Entry and Exit of People. These reforms focused on automation of services to eliminate manual procedures and promote online procedures, reducing the cost and time for certain processes to be completed, reducing paperwork and increasing transparency. The NAP-60 was augmented by Executive Order 001 (EO1) that laid out five new standards of practice.

The PEBEC's two key Executive Bills - Collateral Registry Bill & Credit Services Bureau Bill - were passed into law with the objective to aid access to credit for SMEs. Furthermore, the PEBEC made strides in reducing the number of agencies in Nigerian ports to allow ease of entry and exit of goods and people. Accordingly, the impact of these reforms were evident in the recently released Doing Business 2018 report titled "*Reforming to Create Jobs*" as Nigeria moved up 24 places (surpassing the target of 20) to 145th and ranked in the top 10 most improved countries.

The EBES identified six (6) broad challenges affecting ease of doing business in Nigeria, all of which are to be frontally dealt with, within the 60 days implementation timeframe. The challenges were stated to include the following:

- i. Starting a business in Nigeria can be difficult, requiring two (2) times as many procedures and three (3) times the amount of time as in developed economies;
- ii. Obtaining construction permits in Nigeria involves manual submission of several documentations, higher fees and longer procedures than most countries;
- iii. Registering property in Nigeria requires two (2) times the cost and number of procedures, and three (3) times the amount of time as in leading countries;
- iv. Whilst the strength of legal rights to credit in Nigeria is admirable, the country's Collateral Registry is under-utilized and Credit Bureau coverage is below average;
- v. Exporting from Nigeria can require almost ten (10) times the amount of time and five (5) times the cost as leading nations, with similar gaps for importing;
- vi. Visiting and working in Nigeria - from getting travel documentation to using Nigeria's international airports - are not up to par with similar economies and leading countries.

To address the challenges stated above, different arms of government particularly the Legislature and specific MDAs formed alliances and formulated initiatives which are targeted towards streamlining processes as well as cost (in terms of fees and time) of doing business in Nigeria. These stakeholders include the Corporate Affairs Commission (CAC); Lagos State Government (LASG), the Kano State Government, the National Assembly (NASS); Central Bank of Nigeria (CBN); Federal Inland Revenue Service (FIRS); Nigeria Customs Service (NCS); Nigerian Ports Authority (NPA); Nigeria Immigration Service (NIS); Federal Airports Authority of Nigeria (FAAN) and; the Federal Ministry of Finance (FMF).

Reforms were carried out by the CAC with the cooperation of the FIRS in the following key areas Nigeria improved the most include:

- 1) Starting a business (online registration of businesses and reduced turnaround time);
- 2) Getting construction permits;
- 3) Registering property;
- 4) Getting credit; and
- 5) Payment of taxes (electronic payment and filing).

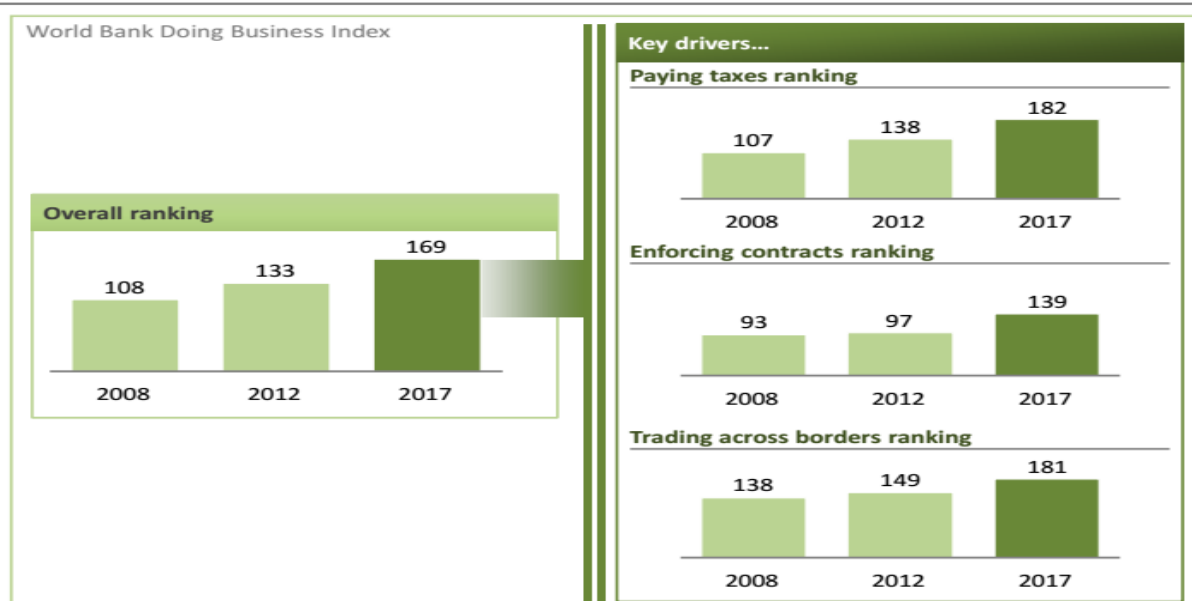
These reforms delivered immediate improvement on the World Bank's 2018 Doing Business report released in October 2017, with Nigeria moving up 24 places from 169th to 145th and recognized as one of the 10 most reformed business climates in the world. From July 2017, the PEBEC focused on cascading the national-level reform structure into the sub-national level through individual states. By collaborating with the National Economic Council (NEC), the PEBEC has propagated the replication of sub-national ease of doing business structures to implement a coordinated strategic intervention for the entire economy. A second home-grown indicator, Trading within Nigeria (TWN), was created by the PEBEC to address critical regulatory

bottlenecks raised by stakeholders and remove impediments to movement of goods across the country. Significant legislative and judicial reforms have also been achieved working closely with National Assembly and the Judiciary. In 2017, PEBEC in collaboration with the National Assembly, delivered two Acts for enabling access to credit, a vital requirement for MSMEs. This year the Companies and Allied Matters Act has been repealed and re-enacted by the Senate, and is currently awaiting passage by the House of Representatives. The Judiciary is a strong partner in reforming dispute resolution and settlement, a key factor for investors. To consolidate on the gains made, the PEBEC kicked off its National Action Plan 2.0 (NAP 2.0) which is in line with objectives laid out in the Economic Recovery & Growth Plan (ERGP) and aims to spread the reforms implemented across some MDAs as well as Lagos and Kano in the initial 60-day NAP launched in February 2017, to more states and government MDAs. The achievements and ongoing efforts on ease of doing business are laudable, more so that the target set for 2018 was surpassed; yet, feasible reforms, especially in areas where the country is poorly rated such as Getting Electricity and Trading across Borders, need to be given utmost priority in order to truly attain a competitive and attractive business environment. Also contributing to this improvement is the effective implementation of the goals laid out in the Economic Recovery Growth Plan (ERGP). The move from traditional means of registering a company (with papers) has been replaced with online processes. New companies can confirm name availability, get all the information needed, and download and submit registration forms – all online. Other notable changes are: introduction of the visa-on-arrival option, airport infrastructure development and the removal of baggage check post in the checking-in process.

At the end of NAP-60, the relevant agencies with support from EBES had ensured the successful implementation of an upgraded and fully automated online name reservation process whereby approvals are issued to applicants within a maximum period of 12 hours. Through the relocation of servers servicing the CAC to a remote location managed by a private operator, server downtime was reduced drastically to a minimum, thereby ensuring availability of services to stakeholders on a more regular basis and reducing challenges previously experienced with document upload on the Companies Registration Portal (CRP). Five separate incorporation forms were consolidated into one single Form (CAC Form 1.1), thereby making it easier for applicants to complete the registration form. This reform also resulted in a reduction of cost of registering a private limited liability company with a NGN1 million authorised share capital from NGN19,500 to NGN15,500. An electronic integrated platform was introduced whereby Tax Identification Numbers (TIN) is automatically generated by the FIRS upon completion of new registrations. Once the registration number is generated by the CAC, the TIN is sent to one of the business founders of the new company via email. Applicants, therefore, no longer need to complete a tax registration application form or visit the tax office to register for income tax and value added tax (VAT). Furthermore, the electronic integrated platform was utilised as a tool for ensuring that payments for stamp duty and company registration fees could be undertaken on the company's registration portal (CRP) The integration also enabled the introduction of an electronic stamping process whereby registration documents were stamped electronically on the CRP. This eliminated the manual processes previously used by the CAC and the FIRS. In addition to the foregoing, as a result of the stabilisation of the CAC servers and upgrade of infrastructure for operation of the CRP, registration operations of the CAC were successfully extended to major commercial cities in Nigeria with an overall outcome of the implementation of a 24-hour period for completion of business registration processes initiated on the CRP (PEBEC, 2018).

VI. CHALLENGES OF EASE OF DOING BUSINESS IN NIGERIA

The Nigerian business environment suffers from a number of challenges that make carrying out business operations costly and inefficient. Not surprisingly, the country performs poorly across two major surveys measuring the ease of doing business. It ranks 127 out of 138 countries in the World Economic Forum's 2016-2017 Global Competitiveness Index and 169 out of 190 countries in the World Bank's 2017 Doing Business Index as indicated in the figure below. Indeed, Nigeria's position in the Doing Business rankings has deteriorated since 2008.



Source: World Bank Doing Business Index 2008, 2012, 2017

Figure 1. Nigeria's Performance on Ease of doing Business

Nigeria is one of the world's leading business locations on the African continent, but when it comes to doing business in Nigeria, there are several challenges confront a typical Nigerian business. In 2016, out of 189 countries, Nigeria was ranked 169th in the World Bank's Ease of Doing Business Report. 80% of new businesses and startups in Nigeria fail within the first 3 years. Doing business in Nigeria could be a wonderful experience when your business venture succeeds, however before success there could be great challenges and difficulties that a new business or start-up has to phase. Starting up a business venture generally comes with its own business risk that may hamper the growth of such business but some problems and challenges are very common to all businesses in Nigeria.

Some of the challenges of doing business in Nigeria have been highlighted.

1. Access to capital and Credit.

One of the most difficult tasks, for any entrepreneur that wants to start up their very own small business, is to raise capital for it. Simply put, capital is the amount of money the business has available to spend on various business activities. Except you're one of the rich kids in the block, raising capital is never an easy task and often requires a lot of determination and patience. Lack of financial capital is the single most significant challenge when it comes to doing business in Nigeria. Even with the conceptualization and implementation of financial programs meant to support businesses, the government has always been in a struggling position to ensure that financial capital is easily made accessible to entrepreneurs. In most cases, entrepreneurs have to turn to personal savings, business loans, families and friends, or government grants to get financial capital for business.

2. Electricity / Power Supply.

Access to constant electricity is a major concern for business in Nigeria. As of June 2018, an average household in Nigeria could only have access to 6 hours uninterrupted power supply out of the 24 hours that exist in a given day. This made the use of generators as an alternative power source so common in Nigeria. 9 of 10 houses in Lagos State alone has at least one power generator as an alternative source of power. Over the past decades, successive governments have failed to tackle Nigeria's energy deficit problem. The then Minister of Power, Works and Housing, Mr. Raji Fashola, blamed inadequate electricity supply to consumers on lack of sufficient financial investments in the power sector.

3. Government Regulations.

The government plays a major role in the decision of how business gets done in Nigeria. No government or economic system leaves all decisions about doing business to the market. These regulations are meant to keep businesses in-check and ensure that follow a common rule. The law that guides doing business is known as Companies & Allied Matters Act (CAMA). African countries rank low on the World Bank's 'Doing Business' ratings. This is mostly due to the difficulty involved with setting up a business. In Nigeria, it can take

between 2 weeks and 1 month to set-up a business which always involves jumping through a number of regulatory hoops. The government is becoming more supportive of local start-up ecosystems, but generally, the Nigerian government needs to do more to make doing business easier and more interesting.

4. Corruption and Bribery.

While Nigeria is among the world's leading investment destinations and is formally a well-functioning business environment, corruption and bribery are still serious obstacles. The federal structure of the political system means there is a wide range of regulatory agencies, which can lead to demands for bribes from public officials. In 2013, Nigeria was ranked 14 most corrupt country in the world according to Transparency International's corruption perception index, and organized crime is a significant problem in some parts of the country. In the 2009 Corruption Perception Index published by Transparency International, a global anticorruption watchdog, Nigeria scored 130 out of the 180 countries surveyed, dropping nine places compared to one year ago. Nigeria also ranked 10th out of the 16 West African countries, 27th out of the 47 nations surveyed in sub-Saharan Africa, and 33rd out of the 53 countries in Africa. Botswana emerged first in both sub-Saharan Africa and the continent as a whole with a global ranking of 37 and a score of 5.6, while Cape Verde was ranked the best perceived corruption-free nation in West Africa with a score of 5.1 and a global ranking of 46. Ghana came second in the region, with a score of 3.9, a global ranking of 69th, and 7th for sub-Saharan African and Africa as a whole (Transparency International, 2009).

Corruption in politics; the law enforcement system, including both the police and the judicial system; taxes; and procurement specifically affects entrepreneurs. Corruption in these areas creates supply and demand distortions, favouring those entrepreneurs who have connections in the public administration, and creates disincentives to invest in human capital. The effect of corruption on entrepreneurship is even more insidious as corruption that develops to circumvent regulation and the high transaction costs that inevitably accompany it serve as taxes on entrepreneurs and SMEs, and disproportionately impact them more than larger firms (Oteh, 2009).

5. Infrastructure

Poor access to infrastructure also affects a large percentage of the population. Only about one in every three households in rural areas has electricity and even when it is available, the supply of electricity is often unreliable. Forty per cent of electricity is generated privately and at a cost that is three times higher than electricity supplied from the grid. Fostering the private sector and entrepreneurship depends on a supportive business environment, yet Nigeria's business climate lags behind many countries in comparable positions (African Development Bank, 2005). The Doing Business Index ranked Nigeria an aggregate 125 out of the 183 economies assessed. Nigeria's rank for each of the ten sub-indices is as follows: Ease of Doing Business 125, Starting a Business 108, Dealing with Construction Permits 162, Employing Workers 37, Registering Property 178, Getting Credit 87, Protecting Investors 57, Paying Taxes 132, Trading Across Borders 146, Enforcing Contracts 94 and Closing a Business 94 (Okeke & Eme, 2014).

Similarly, in a 2008 report commissioned by the World Bank to assess the challenges confronting businesses in Nigeria, a wide array of issues were identified as constraints to doing business. These include poor electricity supply, inadequate access to finance, poor transportation, unfriendly tax regime, poor access to land, high cost of finance, crime rate, corruption, political environment, customs and trade regulations, inadequately trained workforce and labour regulations. The report identified three issues as being the most critical impediment to doing business in Nigeria, power, transportation, and access to finance (World Bank, 2008).

Transportation is one of the major challenges largely because of the indirect cost it generated due to breakages, spoilage or theft. The main causes of such cost are breakages and spoilage largely because of the deplorable condition of our roads nationwide. Roads remains the major means of supplying raw materials or industrial input in Nigeria due to the absence of efficient railways transportation system and inland water ways. According to the World Bank investment climate survey in Nigeria, firms import up to 40% of their input and it takes an average of 14 days for imported and 7 days for exported goods to be cleared by the customs officials which is a significant constraint to businesses in terms of cost and time (Olowu & Hamza, 2013).

6. Investors View about the Ease of doing business in Nigeria

Stakeholders reported that registering businesses in Nigeria was difficult, requiring twice as many procedures and three times the amount of time compared to processes and procedures which had been adopted by developed economies around the world. There is a dire need for strong collaboration and cooperation efforts between the Corporate Affairs Commission (CAC) and the Federal Inland Revenue Service (FIRS) in streamlining and addressing challenges that stakeholders faced during the process for registration of businesses. These issues included: (i) lack of a standard timeline for reservation of names; (ii) inability to upload incorporation documents in the CAC online portal, frequent server downtime; (iii) completion of multiple forms

for registration of businesses; (iv) stress and delays in making payments for stamp duty at banks; and (iv) physical submission of documents to the stamp duty office for stamping of the requisite registration documents. At the end of NAP-60, the relevant agencies with support from EBES had ensured the successful implementation of an upgraded and fully automated online name reservation process whereby approvals are issued to applicants within a maximum period of 12 hours.

7. Security of the Business Environment

Apart from the conventional challenges to the ease of doing business in Nigeria as listed and enumerated above, there are other important factors that have adversely affected albeit negatively the ease of doing business in Nigeria. These include security of the political and economic environments in Nigeria. Like in many other societies, the sources of insecurity in Nigeria have been traced to a number of factors and explained by different people. These factors have been classified or grouped into external and internal factors. Beyond the external-internal dichotomy, sources of insecurity have also been classified as either remote or proximate and immediate sources/causal factors. In Nigeria, the challenge is not so much about insecurity of external sources, but rather that of internal sources, which include; lack of **institutional capacity** resulting in government failure described as the corrosion or breakdown of institutional infrastructures. The foundations of institutional framework in Nigeria are very shaky and have provoked deterioration of state governance and democratic accountability, thus, paralyzing the existing set of constraints including the formal and legitimate rules nested in the hierarchy of social order.

The state of insecurity in Nigeria is greatly a function of government failure, which is manifested by the incapacity of government to deliver public services and to provide basic needs for the masses. The **lack of basic necessities** by the people in Nigeria has created a pool of frustrated people who are ignited easily by any event to be violent. The argument here, is that, Nigeria has the resources to provide for the needs of its people, but corruption in public offices at all levels has made it impossible for office holders to focus on the provision of basic needs for the people Nigerian situation as a 'Paradox of Plenty'. A situation where the country earns a great deal of revenue through oil sales, but fails to use these earnings to meet the needs of its people and to develop infrastructure as well as the economy. When these situations exist, crime rate is bound to rise and the security of lives and properties cannot be guaranteed.

Also **systemic and political corruption** in Nigeria seems to have added another dimension of violent conflicts which has eroded National values. Corruption is bad not because money and benefits change hands, and not because of the motives of participants, but because it privatizes valuable aspects of public life, by passing processes of representation, debate, and choice (Thompson cited in Nwanegbo & Odigbo, 2013). Corruption hampers economic growth, disproportionately burdens the poor and undermines the effectiveness of investment and aid (Iyare, 2008:27). The existence of two anti-graft agencies; Independence Corrupt Practices Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) since 1999 appear to have done little in an effort to totally eradicate corrupt practices in Nigeria. The ICPC and EFCC seem to have come under severe criticisms owing to what appeared as „selective“ prosecution in handling corrupt related matters. More succinctly, Jega captures the symptoms that cause insecurity in Nigeria when he observed that Nigeria is one of the nations in the world whose political landscape has been inundated, suffused with and deeply enmeshed in spectrum of recurring complex conflicts ranging from resource, communal, to political and ethno-religious conflicts (Jega, 2002:35). The implication of all these setbacks is poor implementation of policies, rising unemployment, hardship, economic and political stagnation that gives rise to the present threatening insecurity which seems to be developing beyond the capacity of state (Nwanegbo & Odigbo, 2013).

8. Pervasive Material Inequalities and Unfairness

Greater awareness of disparities in life is a major root cause of insecurity in Nigeria. This is a rooted general perception of inequality and unfairness which has resulted in grievance by a large number of people. This perception stems from the perception of marginalization by a section of the people, government development policies and political offices, and this has become a primary source of disaffection and resentment. A large number of the Nigeria population is frustrated and have lost hope, especially the youths, and have now emerged to express their disillusion about the pervasive state of inequality. For example, the case in the Niger Delta where the Avengers, Niger Delta Revolutionary Crusaders have been blowing up installations thereby reducing the exploration and production of oil to the abysmal level. The activities of the avengers were responsible for the epileptic power supply in the country as well as the inability of state governors to pay workers' salaries due to the low revenue generated in the oil sector as a result of the attack on pipelines.

9. Ethnic and Religious Affiliations

Ethnic and religious affiliations determine who gets what in Nigeria especially if it comes to awarding of government contracts or approval of business licences; it is so central and seems to perpetuate discrimination

to a large extent. The return to civil rule in 1999 tends to have provided ample leverage for multiplicity of ethno-religious conflicts. Uhunmwangho and Epelle (2011) contended that democracy has increased the culture of impunity in some people while political differences are believed to have fuelled some of the violence that have erupted. With over four hundred ethnic group, belonging to several religious sects, Nigeria since independence has remained a multi-ethnic nation state, which has been grappling and trying to cope with the problem of ethnicity and ethno-religious conflicts (Salawu, 2010).

Also, the inability of the Nigerian leaders to tackle development challenges, distribute state resources equitably and render good services to the people appear to be one of the causes of ethno-religious violence. Salawu (2010) argued that a major cause of ethnic-religious conflicts in Nigeria has to do with the accusation and allegations of neglect, oppression, domination, exploitation, victimization, discrimination, marginalization, nepotism and bigotry. The second is the grinding youth's unemployment. Youth's unemployment seems to have contributed in the rising cases of violent conflict in Nigeria as the unemployed youths become willing tools in the hands of perpetrators of these conflicts that create unconducive business environment.

VII. WAYS THE GOVERNMENT CAN ADDRESS THE SECURITY CHALLENGES INHIBITING THE EASE OF DOING BUSINESS IN NIGERIA

1. Strong Political Will by the Political Leaders

This is highly needed to take important decisions, make policies and implement the policies made so far, especially when they (the leaders) don't stand to gain immediate gratification bearing in mind long time goals and objectives which the policies so implemented will bring to the current and next generations of Nigerians. In building the economy of nations, there is always the temptation of being enticed to enrich oneself in terms of making policies that will favour the leaders and their cronies through a probendal networks, but it takes a leadership with strong political will and resolve to overcome such challenges. This is the more reason the Nigerian leadership should overlook the immediate gratification they can come their way if the obstruct the ease of doing business and rather look at the long time benefit of the policies that will remove the obstacles and improve the business climate in Nigeria to the benefit of majority of the populace.

2. Good Governance

According to Oluwarotimi (2012), good governance is the panacea for the insecurity challenge in Nigeria. She states that the war against insecurity would be won only by raising governance standards that is, cultivating the culture of good governance where the government is responsible and accountable to the people. In her view, security engagement cannot be separated from good governance. Many others have also linked security to governance system. The general view is that peace and security is determined by good governance. However, as Oluwa (2012) has pointed out, good governance is a function of effective, visionary, transparent, trustworthy and credible political leadership whose driving force is an improvement in the collective wellbeing of the citizens through well conceived, effectively implemented economic policies and human development programmes that would ultimately improve the ease of doing business in Nigeria.

3. Socio-Economic Development

This factor is strongly considered as the major key to peace and security in Nigeria. In the view of Kufour (2012), the challenge in solving the insecurity problem in Nigeria is to accelerate the pace of development. Development in this context consists of creating an economy with relevant social, economic and physical infrastructure for business operations and industrial growth, to provide gainful employment, high level education facilities and medical care for the people.

4. Elimination of Corruption and Entrenchment of Social Justice

Corruption is viewed by everybody as the cog in the Nigerian wheel of progress and development. It is the bane of our society. It is both a social and economic monster. It is the cause of inequality and unequitable distribution of the nations' wealth among its citizens, a situation that is the root cause of disaffection among Nigerians. It is theorized by many that fighting corruption and winning the war will bring about an egalitarian society, where fairness, social justice and equal right for all will reign supreme; where rights will not be privileges for some people, and for others, privileges are their rights: where every Nigerian will be treated and accorded position not based on tribe and sect, but on merit defined in terms of the content of his character, mental capacity and ability to deliver; where there will be no discrimination.

5. Radical Change in Values

A paradigm shift of values from the current order has also been suggested and emphasized by many, considering the role of values in governance system, leadership developmental goals, and behaviour towards corruption. It is argued that except our values are right, we cannot get it right as a nation in all of the areas that

we have itemized, and except we get it right in those areas, the people will continue to suffer deprivation and injustice which will cause dissatisfaction and disaffection and consequently create an insecure environment. Thus, radical change in value system is paramount and imperative in restoring security to Nigeria (Achumba, Ighomereho & Akpor-Robaro, 2013).

6. *Effective and Efficient Regulation*

Regulators have a pivotal role to play in improving Nigeria's business climate and scaling up the country's growth trajectory through stimulated economic competitiveness. This vital role can be effectively played without necessarily compromising standards, if the right balance is struck between growth and ethics. In other climes where regulators have successfully acted as catalysts for growth, a seamless, non-overlapping and non-conflicting legal framework has always been a striking feature.

VIII. CONCLUSION AND RECOMMENDATIONS

No country has a perfect investment climate neither is perfection a prerequisite for reaping the fruits of investment climate. Nigeria already has the framework but the method still appears reactive and irregular. However, the paper noted that major weaknesses in the business environment of Nigeria are in the area of reliable physical infrastructure which account to almost 30% of indirect cost incurred by the businesses. Also, a plethora of incentives including tax holidays, 100% repatriation of profit were introduced in order to encourage the flow of FDI to Nigeria. Financing is still a problem in terms of accessing bank loans which is negatively affecting the small and medium scale enterprises in Nigeria and adding cost to the businesses. Insecurity of recent has also had a profound effect on businesses in Nigeria as insurgency from the Northern part of the country, Fulani herdsmen attacks on farmers and communities in the Middle belt, Banditry in the north-central, secession agitations in the southeast have crippled businesses and kidnapping and oil bunkering militancy in the south-south, are all posing a serious setback in Nigeria's drive to improve on the ease of doing business and attract foreign direct investment.

There has been significant progress in improving the business environment over the last 18 months. Nigeria's business climate reforms have started to reverse decades of neglect and internal governance roadblocks. Therefore, there is need for public and private sector stakeholders must collaborate to accelerate the reform "metabolic rate", finding opportunities to drive Nigeria's competitiveness on a regional and global scale. Nigeria's reforms have so far seen it successfully move 24 places up the World Bank Ease of Doing Business rankings, therefore, there is need to deepen the existing reforms and make it sustainable, by completing pending initiatives and ensuring the implementation of completed reforms launched since 2017, including communication and consequence management.

There is also need for Nigeria to develop visionary leadership that is detribalized such that it is led by people who are able to inculcate in their citizens or followers, the ideas of patriotic and common citizenship as the transcendent factors among all Nigerians, no matter the tribe, gender, religion, economic and social status. In other words, it is imperative that we have leaders who would not be limited to championing the causes of their home state, tribe or religious groups, but rather focused on deeds and pronouncements which convincingly and positively impact on the entire citizenry of the federal republic

REFERENCES

- [1]. Achumba, I. C., Ighomereho, O. S. & Akpor-Robaro, M. O. M. (2013). Security Challenges in Nigeria and the Implications for Business Activities and Sustainable Development. *Journal of Economics and Sustainable Development*, 4(2), 79-99.
- [2]. Ardagna & Lusagi (2009). Heterogeneity in the Effect of Regulation on Entrepreneurship and Entry Size. *Journal of the European Economic Association*, 8(2-3), 594-605.
- [3]. Ashraf, S.E. S. (2013). Assessing the Impact of Doing Business Indicators on the GDP Growth in Egypt. *International Journal of Research In Social Sciences*, 3(4), 32-52.
- [4]. Banwo & Ighodalo (n.d.). Regulatory Regimes and the Ease of Doing Business in Nigeria.
- [5]. Durojaye, E. (n.d.). Ease of Doing Business in Nigeria: Recent Changes in Incorporation Process. www.advocaat-law.com
- [6]. Federal Republic of Nigeria (2017). Economic Recovery & Growth Plan 2017-2020. Abuja: Ministry of Budget & National Planning
- [7]. Igwe, P. A., Amaugo, A. N., Ogundana, O. M. Egere, O. M. & Anigbo, J. A. (2018). Factors Affecting the Investment Climate, SMEs Productivity and Entrepreneurship in Nigeria. *European Journal of Sustainable Development*, 7(1), 182-200.
- [8]. Nevin, A. S. & Olatunji, G. (n.d.). Promoting Economic Prosperity: Analysis of the State-Level Business Environment in Nigeria. (No Publication Details).

- [9]. Nwanegbo, C. J. & Odigbo, J. (2013). Security and National Development in Nigeria: The Threat of Boko Haram. *International Journal of Humanities and Social Science*, 3(4), 285-291.
- [10]. Okeke, M. I. & Eme, O. I. (2014). Challenges Facing Entrepreneurs in Nigeria. *Singaporean Journal Of Business Economics, And Management Studies*, 3(5), 18-34.
- [11]. Okonkwo, R. I., Ndubuisi-Okolo, P. & Anagbogu, T. (2015). Security Challenges and the Implications for Business Activities in Nigeria: A Critical Review. *Journal of Policy and Development Studies*, 9(2), 157-168.
- [12]. Olowu, D. Y. M. & Hamza, Z. K. (2013). Impact of Investment Climate Reforms on Business Operations in Nigeria. *International Journal of Humanities and Social Science*, 3(21), 186-194.
- [13]. Oteh, A. (2009) "The Role of Entrepreneurship in Transforming the Nigerian Economy. A paper presented at the Seventh Convocation Lecture of Igbinedion University, Okada, Edo State, 4th December.
- [14]. PEBC (2018). 2018 Making Business Work in Nigeria Report. Abuja: Enabling Business Environment Secretariat
- [15]. UHY (2018). *Doing Business in Nigeria*. UK: Urbach Hacker Young International Limited
- [16]. World Bank, (2019). *Doing Business 2019 Report*. Washington DC: World Bank
- [17]. World Bank, (2018). *Doing Business 2018 Report*. Washington DC: World Bank

Nwobashi, Humphrey Nwefuru . "The Ease of Doing Business Report and Security Challenges in Nigeria: Engaging the Narratives ." *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*. vol. 24 no. 12, 2019, pp. 37-48.