The Impact of the Global Financial Crisis on Business Development in Nigeria: A Case Study of Makurdi Metropolis, Benue State from 2007 – 2009

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Abstract

The current global financial crisis has in one way or the other negatively impacted on business and economic development of many nations both advanced and emerging countries including Nigeria. The main objective of this study was to determine the impact of the crisis under reference on business in Nigeria using Benue State as a case study from 2007 – 2009. The study used a simple empirical survey method or design in the main with a sample size of 100. The data collected was analysed via the use of simple statistical techniques including percentages as well as the use of ANOVA techniques. From findings the study revealed that the financial crisis had some effects on business development in Nigeria. However, the study concludes and recommends that government urgently intervene by the use of both fiscal and monetary policy packages in all sectors to significantly mitigate the influence of the crisis on the economy in general and business development in particular. It was also recommended that the liberalization policy should focus on stabilizing the growth of the indigenous enterprises, and to also strengthen the financial and regulatory system in Nigeria.

Keywords: Global Financial Crisis, Business Development, Fiscal and Monetary Policy, Net profit, Makurdi Metropolis.

1.0 Introduction

The global financial crisis that rocked the economies of nations was an extremely troublesome issue. In terms of origin, the phenomena is said to be traceable to the United States of America. As far back as August 2007, the financial institutions in the United States (US) were experiencing immense difficulties raising funds (Esezobor, 2008). Financial institutions gradually became illiquid and runs, bankruptcy, take-overs, job losses and bailouts thus weakened the financial system. Lax financial regulation ensued with the hope that the market would regulate itself, an event that never took place. With the loose market regulation, available credits went to consumer lending rather that to the real sector that drives production and the economy at large. Apart from the aforementioned, the financial crisis resulted in widespread unemployment, affecting every sector of the economy.

The global financial crisis had a number of features including weak macro-economic fundamentals, high inflation rates, exchange rate crisis, devaluation of currency, decline in gross domestic product and difficulties in balancing international payment on current account (Esezobor, 2008; and Sampson, 2009).

To prevent the adverse impact of the global financial crisis on Nigeria business development has been seen by many scholars and practical business individuals as a critical challenge (Sampson, 2009). Whether these and other measures can be instrumental in controlling the adverse impact of the global financial crisis on the Nigerian economy is a question, which can best be answered, in an empirical sense. Although the effect of the crisis on business growth and development in Nigeria might not be as pronounced as it was in USA, Britain, France and so on, it would be futile to be askant about its possible short and long-run influences. Hence, the need to embark on a study of this nature hoping it would give rise to meaningful schemes, plans and strategies that would eventually help the economy to tide itself over the possible difficulties that might crop up. For business organizations in Nigeria in particular, the investigation would be highly rewarding in the sense that anti-growth business and economic forces would be identified and judiciously manipulated in the best interest of the business investors, stakeholders and other players.

1.1 Statement of the Problem

The global financial crisis confronting both developed and developing economies is believed to have surfaced due largely to years of audacious and dubious investment practices, which started off in USA (Sampson, 2009). The crisis has affected the economies in the developed and developing countries. In Nigeria, fears have been gripping, as it were, all business and economic actors. After months of cautious optimism, it has become clear that the initial assumptions about the possible immunity of developing economies from the raging storm were too hasty. For the business sector in particular, it would be suicidal to assume that all would be well.

In the light of the foregoing, the pertinent posers are, what have the Nigerian authorities done to mitigate the likely effects of the crisis? Are relevant strategies in place to save the business units (companies and enterprises) from this crisis? How, and what precisely are the attendant impacts on both micro and macro business endeavours? These and related intriguing posers inform the basis of this investigative study under reference.

1.3 Objectives of the Study

The main objective of the study was to determine the impact of the global financial crisis on business development in Nigeria. Specific goals or objectives were:

(1) To determine the impact of the global financial crisis on selected business ventures in Benue State;

(2) To evaluate the effect of the global financial crisis on the net profit earnings of selected companies in Makurdi metropolis;

(3) To find out the extent to which the global financial crisis has affected the overall productivity of profit-oriented ventures in Makurdi metropolis;

(4) To find out what role has been performed by the Government to mitigate the influence on business development in Nigeria;

(5) To proffer solutions to the impact of the global financial crisis on Nigerian business development.

1.4 Research Hypothesis

The research hypotheses are:

(1) H_0: The current global financial crisis has no significant impact on business development in Nigeria.

(2) H_0: The global financial crisis has no positive effect on corporate profitability of indigenous companies in Makurdi metropolis.

(3) H_0: Global financial crisis has no significant effect on the overall productivity of profit-oriented ventures in Makurdi metropolis.

(4) H_0: Government role has not significantly impacted on the performance of companies in the era of global financial crisis.

2.0 Theoretical Framework

Multiple crises especially the global financial crisis impacted negatively on the wealth of many nations thereby affecting negatively its people. The financial crisis, which originated from the advanced economies, is biting hard on developing economies with some economies experiencing social and political disruptions to their systems. Nigeria is not excluded from this tsunami arising from the global financial crisis owing to its integration in the world economic system. In this study, the researchers will attempt to discuss in detail the causes of this crisis and its origin, the scale and impact the crisis had on the economies of the world with a focus on Africa, Nigeria and Benue State, what policy responses governments around the world have implemented to mitigate the effects of the crisis and lastly, the challenges faced by business development as a result of the crisis.

2.1 The Origin and Causes of the Global Financial Crisis

The world has witnessed several financial and economic crises. According to Ekweremadu (2009) notably among them is the great depression of 1929 – 1933, which is regarded as the worst in modern times. He listed other major crisis to include the Latin American Debt Crisis of 1980 which began in Mexico, the USA Savings and Loans Crisis of 1989-1991, the Nordic Banking and Economic Crisis of 1990 – 1994, the 1994 – 1995 Mexican Economic Crisis, the Asian Financial Crisis 1997 – 1998, the 1998 Russian Financial Crisis, the 1999 – 2002 Argentine Economic Crisis and the 2008 USA Financial Crisis.

The current global crisis really started as a financial crisis. Its roots were in the banking sector rather than in the securities or foreign exchange market. According to Soludo (2009) the financial crisis started in the U.S. in August with sub-prime mortgage crisis as households faced difficulties in making higher payments on adjustable mortgages. The collapse of the USA sub-prime mortgage market and the reversal of the housing boom had a serious ripple effect around the world. By way of definition, Ariyo (2009) defines sub-prime lending as "credit facilities offered to people with low or sub-standard credit history and/or worthiness that, ordinarily, would have been ineligible for such facilities". The September 11th attack on the World Trade Centre compelled the USA Government to reduce interest rate. This sharp decline and unusually low administratively–determined internal interest rate fuelled a housing bubble, accelerated by granting of cheap credit facilities to sub-prime customers. Ariyo (2009) argues further that interest rates started rising as from mid – 2005 from about 0.5% in first quarter of 2005 to about 4% in 2006 and reached a peak of 5.8% in 2007. Simultaneously, housing prices started to fall. The sharp upward reversal of interest meant higher cost of loans and consequent reduction in lending led to sharp decline in housing demand. The multiplier effect coupled with sub-prime borrowers finding it harder to service their mortgages had a serious liquidity squeeze in the banking system resulting into the main cause of the crisis.

Shah (2009) argues further that the sub-prime crisis came about in large part because of financial instruments such as securitization where banks would pool their various loans into sellable assets, thus off-loading risk onto others. Rating agencies were paid to rate these products thereby encouraging people to buy them because of their good ratings. Shah (2009) painted this scenario as follows:

a) Banks borrowed even more money to lend out so they could create more securitization. Some banks didn't need to rely on savers as much then so long as they could borrow from other banks and sell those loans on as securities; bad loans would be the problem of whoever bought the securities.

b) Some investments banks like Lehman Brothers got into mortgages, buying them in order to securitize them and then sell them on.

c) Some banks loaned even more to have an excuse to securitize those loans.

d) Running out of whom to loan to, banks turned to the poor; the sub-prime, the riskier loans. Rising house prices led lenders to think it wasn't too risky; bad loans meant repossessing high valued property.

e) Some banks even started to buy securities from other.

f) When people did eventually start to see problems, confidence fell sharply.

g) Lending slowed and some investment banks were sitting on the riskiest loans that other investors did not want. Assets plummeted in value so lenders wanted to take their money back. However, loss of jobs, collapse of the housing market, little deposits in banks, loss of confidence, credit squeeze, no secure funding available, major investment banks and insurance companies started collapsing – the birth of the global financial crisis. The problem was so enormous that banks with even large capital reserves ran out. New capital was injected into banks to, in effect; allow them to loose more money without going bust. That still wasn't enough and confidence was not restored. Shrinking banks sucked money out of the economy as they tried to build their capital and are nervous about loaning. Meanwhile, businesses and individuals that relied on credit found it harder to get loans. A spiral of problems resulted.

Shah (2009) argues further that in essence what happened was that banks, hedge funds and others had become over-confident as they all thought they had figured out how to take on risk and make money more effectively. As they reinforced their own view that they had it figured, they thought they had spread all their risks effectively and yet when it really went wrong, it all went wrong. Loose regulatory regime, unregulated financial markets and products and loose monetary policy fuelled this. It is also important to also point out that the derivatives, financial futures, credit default swaps also accelerated the financial meltdown once the sub-prime mortgage collapsed.

Ekweremadu (2009) asserts that the crisis spread like wild fire to the rest of the world through financial contagion. This meant that as a result of the various channels of linkages with the rest of the world, even a country that had strong macro-economic fundamentals, good regulatory framework and had managed its economy well was a victim of the global financial crisis through contagion. Shah (2009) also agreed that the crisis was so severe that the world's financial institutions collapsed necessitating huge bailout packages. The UK and other European countries spent some $2 Trillion on rescues and bailout packages.

The most noticeable impact of the crisis on Nigeria as argued by Soludo (2009) included decline in real output growth, weakened financial systems – takeover and bankruptcy, loss of jobs, loss of confidence in the financial system and stock market crashes among others.

2.2 The Impact of the Global Financial Crisis on some selected Economies

The global financial crisis brought an untold adverse effect on the world economy. As Soludo (2009) observed, the crisis inevitably brought about declines in real output of goods and services as well as weakened the financial systems. International Monetary Fund (2009) argues further that the value of the world's companies wiped out amounted to a staggering $14.5 Trillion between 2008 and 2009.

The negative impact of the global financial crisis on the stock market was also enormous. According to data of the market indices by Soludo (2009), only Ghana was not affected, the rest 32 countries' stock markets were negatively affected. Russia lost 72.9% of its share market value, Argentina (52.8%), Belgium (50.1%), France (41.8%), Britain (34.6%), Germany (42.2%), China (63.3%), while Japan's Nikkei suffered its biggest 225 Industrial Average index which dropped by 42% to mention but a few.

According to the International Monetary Fund report in 2009, the downturn in global growth, the decline in commodity prices and tighter credit considerably worsened the outlook for Africa. Emerging markets in Africa were hit first because of their financial integration with other regions of the world. For example, South Africa, Nigeria, Ghana, Kenya suffered declines in equity markets, reduction in foreign direct investment, pressure on exchange rates and difficulty in sourcing for external financing for corporations. Other areas of impact included fall in receipts from export earnings, unfavourable imbalances in external current account and falling household income and commodity prices. Massimo (2009) brings another dimension to what the crisis did to economies of the world. He argued that the negative effect of the financial and economic crisis on livelihoods was abrupt and unsettling with many countries experiencing increased protest and political pressures on governments to furnish stronger social supports.

African countries also faced serious problems with debt repayment, reduction in grants and aid, which impacted negatively on the attainment of the continents Millennium Development Goals (MDG). The financial crisis also amplified the impact of the food crisis in Africa with the decline in the GDP growth rates in some of the countries, most of which are rated as poor or low-income developing economies. Not only the standard of the living of the people was also affected, businesses and economic entities in these nations also affected, given that the GDP of a nation has tremendous effect, usually, on both the private and public sector endeavours.

2.3 The Impact of the Global Financial Crisis on Nigeria's Economy

It was argued that the global financial crisis will have a minimal effect on the country. The champion of this line of argument was the then Central Bank of Nigeria's (CBN) Governor, Prof. Charles Soludo who argued that Nigeria was insulated from the global financial meltdown. He was quoted in the Vanguard of October 20, 2008 as saying "because of Nigeria's low integration into the global economy, it would not suffer adverse impact". Ariyo (2009) however, argues that the transmission of the crisis into Nigeria depended on the openness of the country (i.e. its exposure to the international oil market, limited raw materials), the overall quality of national economic management and an internally weak economy. The global financial crisis impacted Nigeria's economy in the following areas:

a) Decline in oil revenue: Crude oil prices fell from about US$147 per barrel in July 2008 to as low as about US$37 early 2009 i.e. 297% fall in a spate of six months, Ariyo (2009)

b) Deterioration in our foreign exchange, which fell from about N117 to the dollar as at November, 2008 to about N170 as at May, 2009. This caused severe distortions to the national economy.

c) Falling share prices were also another area that the global financial crisis affected Nigeria. However, scholars argued that operational, institutional and regulatory lapses also accelerated the fall in the stock market. The investors in the capital market lost about Seven Trillion Naira or about ($842.4 Billion) in the capital value of shareholdings partly from withdrawal of margin facilities by Nigerian Banks and the exit of foreign portfolio investors and general lack of confidence.

d) Banking crisis – the huge losses on margin loans resulted in a liquidity squeeze in the banking industry. Coupled with the new CBN directive on loan disclosures, many big banks in the country were affected with many going bust.

e) Other areas included decline in capital inflows in the economy, limited foreign trade finances for the banks etc.

2.4 The Impact of the Global Financial Crisis on Benue State

It is no doubt that 2008 and 2009 were very difficult years not only for Benue State but also for the country in general. Coupled with the Niger Delta question, the nation was greatly affected. Benue State receipts from the statutory account fell drastically with the attendant negative impact on government planned infrastructural projects designed to reduce the cost of doing business in the State. Actual statutory receipts were only about 71% of budgeted receipts in 2008. Factors that contributed included decline in receipts from the Federal Government. With a low internally generated revenue (IGR) profile, there was a significant squeeze on social programs accelerating the agitation by the indigenes of the State for improved service provision resulting to social upheavals. IGR represented only 4% of total receipts in 2008, Oklobia (2010).

Given that Benue State is predominantly a civil-service state, the drastic reduction in its revenue profile impacted negatively on profit-oriented ventures in the State. Many businesses closed shop due to the high cost of doing business and with declines in revenues accruable to them. From the above it can be deduced that the impact of the crisis on the State was significant.

2.5 The Policy Responses of Governments to the Global Financial Crisis

The world responded to the crisis with the utmost attention. Governments around the world designed policies and responses to mitigate the effects of the crisis on their economies including the Nigerian government. At the global level, the International Monetary Fund efforts towards mitigating the effects of the crisis included increased financial support to countries seeking financial assistance, reforms of the architecture of its financing-facilities designed to produce easy access to the Fund's resources, financing of infrastructural projects and other investments intended to reduce the cost of doing business and lastly, continued provision of technical assistance to strengthen public sector capacity to build an efficient and effective public financial management among others.

African governments used a number of initiatives to mitigate the impact of the financial and trade shocks. Its limited resources in relation to the scale of the crisis impacted on their ability to address the problem. Many governments set up monitoring units to identify the effects of the crisis and to formulate targeted assistance to sectors. Other measures included capital and exchange controls, new regulations in the banking sector, bond financing of public expenditures and expansionary monetary policies. Ariyo (2009) argues that the response in Nigeria seemed slightly different from the global trend. Soludo (2009) on his part highlighted the various responses by the Federal Government to include the Presidential Steering Committee on Global Economic Crisis set up January 16, 2009 and the Presidential Advisory Team on capital market set up August 2008 to deliberate on measures to reverse the declining fortunes of the Nigerian Capital market. Other measures included Securities and Exchange Commission (SEC) releasing guidelines and rules on market makers, strict enforcement of Nigeria Stock Exchange (NSE) listing requirements, NSE de-listing 19 moribund companies among others. CBN measures included reduction in MPR from 10.25% to 9.75%, reduction in cash reserve requirement from 4% to 2%, reduction of liquidity ratio from 40% to 30%, restructuring of margin loans, expanding lending facilities, mopping of liquidity and intervention in some failed banks to boast confidence in the financial system among others.

In Benue State, Feese (2009) and Akpa (2009, 2010) identified the following as the policy responses adopted by the State in mitigating the crisis as including budget discipline, enhancement of Internally Generated Revenue (IGR) on all sources of revenue, enhanced measures to attract private sector participation in the State through fiscal measures with its attendant multiplier effect on creation of employment opportunities and boosting economic activities in the state and consequently enhance IGR for the State, trimming cost and wastages in government operations, streamlining and control of foreign and local travels, building human capacity and productivity, installing prudence in financial management of resources at all levels of government, eliminating ghost workers and reduction of the wage bill among others. Other measures include boosting non-oil revenue sources by developing the agricultural sector through support to farmers through agricultural inputs and extension services.

2.6 Challenges Faced by Businesses as a Result of the Global Financial Crisis

The global financial crisis has thrown up questions for which governments around the world are attempting to answer. The most fundamental question is; is the capitalist system collapsing? Some scholars have argued that the financial crisis has shown that the world economic system as at today is irrelevant and greatly inadequate in preventing the re-occurrence of crisis of this magnitude. The old post-war international financial institutions are out of date and need to be rebuilt. Renowned economist Ariyo (2009) had predicted the dangers inherent in non-interference in markets and the loose regulation of markets and economies. However, the most fundamental agreement by scholars is that loose monetary policy and inadequate regulation in combination with insufficient supervision and transparency contributed immensely to this global financial crisis. This crisis can, therefore, be seen as providing an opportunity for reforms, which is perhaps the biggest challenge faced by the world. The implementation of the needed reforms is dependent on the quality of political institutions and how deep democratic practice and culture has permeated a given country. Building strong institutions translates literally into strong regulatory and supervisory institutions which will be responsible for overseeing financial, business and economic affairs of a nation particularly on establishing and strengthening mechanism to ensure transparency, accountability and effective anti-corruption – the bedrock of any successful nation.

Another challenge faced by African nations including Nigeria is the role of parliaments in evolving effective and efficient legislations designed to promote businesses. These involves ensuring that government designs better counter-cyclical policies particularly in the fiscal and monetary area, develop incentives to keep existing jobs and create new ones to manage the social effects of the crisis, guarantee the transparency of financial bailouts, improve financial regulations, strengthen international cooperation and help in the design of a better structure of global and regional economic governance. Others include evolving stringent regulatory framework and introducing mechanisms that would constrain political power of the financial industry among others.

The third challenge involved restoring confidence in the financial markets through regulation that must be comprehensive. Those who are supposed to be regulated capture the regulatory framework. The challenge is to ensure a level playing field to build confidence and give opportunity to every prospective business to prosper and flourish. The target is building markets with social responsibility i.e. markets that put citizens first.

The fourth challenge is on government evolving alternative sources of funds in order to build and develop infrastructure so that the cost of doing business will be reduced. Businesses cannot compete in the international market if they are not competitive and being competitive means minimizing operational cost compared to competitors. Also business development is dependent on availability of funds to finance operations. Sourcing the required funds in the face of banks not extending credit and loans is a serious challenge for business development.

The fifth challenge posed as a result of the global financial crisis is on government improving public and corporate governance by seriously tackling corruption. Economics of some nations have failed because of pervasive corruption thereby stifling business development. Appropriate checks and balances should be instituted to tame corruption. Zero tolerance for corruption should be the top priority of every African government, which can be achieved through strengthening the regulatory and legal frameworks.

Lastly, besides ensuring corporate governance, governments must invest massively in the non-oil and agricultural sectors of their economy. This is particularly true in Nigeria given that most citizens are involved in the agricultural sector; therefore, developing programs to target this sector will boast non-oil export and reduce the disruptions caused by the declines in oil revenues. Government must also show commitment to sustainable monetary and fiscal policies and develop skilled personnel to supervise the needed reforms and manage the affairs of the nation.

3.0 Methodology

This section describes the steps and methods used in conducting this research. It describes the instruments and tools used for the study. There are two sources of data, primary and secondary sources of data collected for the study. In the former, the researcher through field surveys collected data in order to satisfy specific research questions while in the latter, data was collected from conference papers, journal materials, newspaper and magazine publications as well as unpublished materials relevant to the study including company financial reports of the selected companies under study.

The methodology also defined the population size, the sampling procedures employed and statistical techniques used in analysing the data. The population of the study comprised different categories of businessmen/women and policy makers in Benue State. They are altogether 133. The sampling procedure, which the researchers used, was the stratified random sampling technique.

Overall, the researchers distributed 100 questionnaires to the subjects out of a population of 133 at a margin of error of 5% with a confidence level of 95%. Out of these, 80 were correctly filled and returned to the researchers. Thus, the response rate was 80%.

The sample of 100 was arrived at using this statistical formula to determine the sample size:

$$\Lambda = \frac{N}{1 + \alpha^2 N}$$

where:

Λ	=	sample size
α	=	margin of error
N	=	the finite population size

The data so collected was presented and analysed using descriptive and inferential statistical tools. The simple percentages, test statistics such as the T, F and R values including a regression model was used. The regression model is shown using the formula below:

Regression Model

μ = a + bc + e .... (1)

where μ = Capacity Utilization
C = Cost of Capital
e = error term
A priori expectation: b > 0

The tabular presentation and the analysis that follows hereafter were on the basis of the above response rate. Details become evident as the analysis progresses.

4.0 Analysis and Discussion

As the data of table 4.1 in the Appendix A shows, most of the respondents were of the view that the N100 Billion injected into the textile sector recently would not make a significant difference to the growth and development of the Nigerian economy in the face of the global financial crisis. In fact, 40 respondents (representing 50%) strongly disagreed that this package from the federal government to the sector under reference would make substantial influence on the overall economy. Also, the data shows that subjects disagreed that the bailout sum would help the system to stabilize as things were at the time. The data of table 4.1, especially as per question number one responses show that only 5 respondents (representing about 6%) were strongly of the view that the package would have a pronounced difference on the economy's growth and development.

Importantly, the data of the table also shows that 69% of the respondents were optimistic that the presidential steering committee would be instrumental in helping to minimize the effect of the crisis on the Nigerian economy. According to the statement number two in table 4.1, 55 respondents (or 69%) either agreed or strongly agreed that the steering committee would exert positive influence on the economy i.e. that the committee would produce the desired result by way of strategizing schemes to mitigate the global crisis on Nigeria's industrial, commercial and other sectors' development. In fact, only about 6% of the respondents either disagreed or strongly disagreed that the committee would produce the desired effect. Fifteen (15) respondents representing about 19% were neutral or undecided as to the claim that the launch of the presidential steering committee would make a great difference. Much depends on how relevant the strategies, schemes and the like formulated by the committee in question as well as how effective their implementation by the concerned bodies in the nation's economy is.

With respect to the statement number three in table 4.1, that the directive by the Central Bank of Nigeria (CBN) that all foreign exchange purchases from it be used for customers transactions only, most of the respondents felt that it was a welcome development. Only a negligible proportion of the respondents felt otherwise. Customers' transactions to be successful tend to depend on free purchases of foreign exchange. If the foreign exchange is not relatively easy to obtain by customers, the growth of the entire economy will eventually be hindered.

Coming to statement number four in the table 4.1, most of the subjects (about 55) felt that the decision by the government to suspend the 5% excise duty on some goods such as juices, non-alcoholic drinks and so on would mitigate the impact on business development in Nigeria. Excise duties if not judiciously applied can jeopardize business growth and development especially in an emerging economy such as Nigeria. Most of the respondents, as can be witnessed from the responses to statement number five in table 4.1 agreed that the way out of the global crisis was for the government to introduce stimulus packages to the major industrial sectors in the country. About 70 respondents (i.e. 88%) felt that this was necessary. Stimulus packages are instruments used by governments to support and promote the activities of business development and economic stability especially in the era of economic or financial depression or crisis.

Overwhelmingly, the respondents felt that there was an urgent need to boost the aggregate purchasing power in the economy. Infact, 70 respondents (representing about 88%) were of the view that increasing the purchasing power of the sectors would produce the much desired results. Only 2 respondents felt there was no need for such. Also the respondents were of the view that sustained and expansionary government expenditure is important to ensure social stability in order to guarantee investment and stable polity for business survival and wealth creation. This can be seen on statement 7 of table 4.1. In another vein, by relaxing monetary policy stance of the government, 70% of the subjects believed that businesses would boom and so defeat the negative trends engendered by the existing global crisis in the economy. This can be seen to be so according to the response to statement number 8 in table 4.1 as shown in the appendix. Relaxing monetary policies by way of interest rates reduction (for example) can be beneficial to business units finding it difficult to survive due to the rise in the cost of capital. In a somewhat similar way, most of the respondents (see statement number 9 in the table) felt that expansionary fiscal policies could be instrumental in helping to mitigate the impact of the global crisis on business enterprises in Nigeria. In fact, 60 respondents (75%) felt that expansionary fiscal policies were needed to bail businesses out of their plights.

Perhaps most interestingly, the majority of the respondents agreed that there was no need for the government to de-emphasize the liberalization policy. They felt that the policy was not in the best interest of the business sector of the economy given the present scenario. Out of 80 respondents, 70 (representing 88%) felt strongly that it was bad to carry the liberalization policy stance too far since it was detrimental to business development. Last but by no means least, many respondents also agreed that the current global crisis was a challenge to business growth and development in Nigeria. In fact, 50 respondents either agreed or strongly agreed that the crisis was a clarion call on businesses to try not only to survive but also to do so profitably as can be seen to responses to statement number 11 in table 4.1 of the appendix. Truly, the financial crisis should not be perceived as an eliminator of businesses but as a test ground for them to excel in performance.

Table 4.2 Impact of the Global Financial Crisis on Net Profits of Selected firms in Makurdi Metropolis.

Quarter	Average profits in 2008 (NM)	Profit in 2009 (NM)	Change in Profits
1st	15.4	14.7	(0.7)
2nd	14.6	12.4	(2.2)
3rd	13.5	12.6	(0.9)
4th	12.8	12.7	(0.1)

Source: Field Data.

As the data of table 4.2 above indicate, quarterly net profits in Nigeria have been on the decline especially between 2008 and 2009 inclusive. In the first quarter as can be seen from table 4.2 above, the net profits dropped from N15.4 to N14.7m giving rise to a drop of N0.7m in absolute terms. In relative terms, this was tantamount to a fall in net profits by about 5%. In the second quarter of the same period, the performance of the business organisations was even worse with an absolute decline of N2.2m (representing 15%) in net profit earnings. Overall, the trends have been a slow-moving downward pressure on the aggregate net profit earning accruing to these firms.

Table 4.3 Impact of Global Financial Crisis on Capacity Utilization

Company	Capacity Utilization (%)	Cost of capital (%)
A	30	20
B	60	40
C	40	20
D	60	30
E	30	10
F	40	10
G	40	20
H	50	20
I	30	20
J	70	30

Source: Data Obtained by the Research from Company Records (Companies preferred to be anonymous)

As the data of table 4.3 above indicate, the average capacity utilization for the companies (i.e. A, B, C, …. J.) has been generally low between 2008 and 2009. With an average capacity utilization of 45%, six companies failed to attain this average. Three companies A, E and I performed worst of all with a capacity utilization of 30% each. With respect to the cost of capital, only two companies E and F experienced low cost. Each of them recorded an average cost of capital of about 10%. The highest cost of capital was around 40% recorded by company B. The cost of capital has been spiralling upwards ever since the global financial crisis started. Business enterprises have not been finding it easy to obtain the credit facilities.

Table 4.4 The Printout from the MINITAB System Regarding the Cost of Capital (c) and Capacity Utilization (U)

Regression Analysis

U = 18.9 + 1.18C

Predictor	**Coeff**	**S + D**	**T**	**P**
Constant	18.947	8.499	2.23	0.056
Cost of Capital	1.1852	0.3591	3.30	0.011

S = 9.901 R^2 = 57.6% R^{-2} 52.3%

Analysis of Variance

SOURCES	**DF**	**SS**	**MS**	**F**	**P**
Regression	1	1065.8	1065.8	10.87	0.011
Error	8	784.2	98.0		
Total	9	1850.0	1850.0		

Source: Computed from Data of Table 4.2 above

As the data from the MINITAB System in table 4.4 above shows the relationship between the cost of capital and capacity utilization was positive during the global financial crisis. In fact, this relationship stood at about 0.759 within the period under review. The coefficient of determination was 57.6% implying that the cost of capital "explained" the capacity utilization among the various companies in the area under investigation. At 10% level of significance with a degree of freedom of 9, the computed t is greater than the critical value i.e. 2.23 > 1.833. Hence, we reject the null hypothesis that the global financial crisis has no significant impact on business development in Nigeria. The crisis has a significant effect on business development. Going by the ANOVA data, the null hypothesis stands rejected also since the computed F is greater than the critical value at 0.05 of significance.

4.1 Hypothesis Testing:

The null hypotheses formulated as per section 1.4 are hereby subjected to testing. The Decision Criterion is to reject the null hypotheses if the computed value of the test statistic is greater than the critical (tabulated) value, otherwise accept the null hypothesis.

H_0: The current global financial crisis has no significant impact on business development in Nigeria.

From the data of table 4.4 above, the computed t value is 2.23. From the t table, the critical t (with degrees of freedom, df = 9) is 1.833. This implies that t > t (= 0.10): i.e. 2.23 > 1.833. Hence, we reject the null hypothesis. We accept the alternative hypothesis. We conclude that the global crisis has a significant effect on business development in Nigeria.

H_0: The global financial crisis has no positive effect on corporate profitability on indigenous companies in Makurdi metropolis.

Decision Criterion: This remains the same as above. From the data of table 4.4 above, we can see that profits have remained negative throughout the four quarters of years 2008 to 2009. We cannot reject the null hypothesis since all the calculated values are negative. We accept the null hypothesis and conclude that the crisis has no positive effect on corporate profitability among the indigenous firms in Makurdi town.

H_0: Global financial crisis has no significant effect on the overall productivity of profit-oriented ventures in Makurdi metropolis.

Since the majority view is that survival depends on productivity, we reject the H_0. The two are related in a significant way.

H_0: Government policy has not significantly impacted on performance of the companies in the era of the global financial crisis.

From the data of table 4.2 above, we accept the H_0. Government policy is yet to significantly impact on company performance in the era of global financial crisis.

5.1 Summary of Findings

Against the backdrop of the findings, the following summary of findings is apparently pertinent. Firstly, it was observed that the Government's injection of N100 Billion into the economy is not enough to jumpstart the economy on the path to prosperity. Selected and isolated financial assistance to selected industries is counter-productive in ensuring that the country comes out of this crisis.

Secondly, the launch of the presidential steering committee will, if properly organised, help to mitigate the influence of the global financial crisis in Nigeria, particularly if correct strategies are formulated and implemented with dispatch. Thirdly, the plan to control direct and monitor foreign exchange purchases is a welcome development. This finding, like others, is very critical and crucial, given that foreign exchange is fundamental to business growth and development the world over. Furthermore, the finding that some stimulus packages were being contemplated for major industrial units is rewarding since it will help to bail the organizations out of their present situation.

Apart from the foregoing, there was a finding to the effect that both expansionary fiscal and monetary policies would promote business growth and development to ensure wealth creation. Other findings embrace the urgent need to reduce the tempo of liberalization in order to stabilize the growth of indigenous business enterprises in Nigeria, the fact that capacity utilization was fast waning in the face of rising cost of capital and the need to see the global crisis as a challenge to business growth and development and not to perceive it as a destructive episode.

5.2 Conclusion

On the basis of the foregoing summary of the research findings, the following general statements or conclusions can be made. First and foremost, the timely and adequate injections of the needed funds into the critical sectors of the Nigerian economy can be instrumental in curtailing the effect of the global financial crisis on business growth and development.

Also, the launch of the presidential steering committee to find solutions to the current global financial crisis facing Nigeria is strategically relevant since the committee is believed to have all the acumen it takes to deliver the goods. In the management of foreign exchange, the timely and proper control of foreign exchange purchases holds a promise to the lasting solution to the perennial issue of scarcity of foreign exchange. The adequate availability of foreign exchange is critical to business development the world over including Nigeria.

The provision of stimulus packages for the industrial units can be instrumental in helping to bail out the industries from the frequent cases of business failures. Also using both fiscal and monetary policies in the right direction has the potential of accelerating business growth and development. Likewise, the cautious development and implementation of the government's liberalization policy has the potential to encourage indigenous business development and the development of local content and capacity utilization – a precondition for industrialization and wealth creation of any nation.

5.3 Recommendations

In tune with the conclusions or generalizations in section 5.1 and 5.2 above, the following suggestions may be seen to be advisable. Firstly, government should not procrastinate on the issue of providing adequate funds to the critical business units or sectors in the Nigerian economy. A holistic stimulus package should be designed to address the challenges in all the sectors of the economy to ensure that all sectors are covered. Related to the above, the presidential steering committee should not leave any stone unturned in the formulation and execution of business schemes and strategies with dispatch aimed at mitigating the adverse influence of the global financial crisis on the Nigerian economy. Thirdly, government should develop expansionary fiscal and monetary policy packages to expeditiously bail the economy out of the global crisis.

Other measures recommended include strengthening the regulatory and financial institutions to build and main confidence in the financial system. This is an important instrument to build the necessary trust in the system to attract foreign direct investment into the country. Liberalization policy should ensure that local businesses benefit the more in order to guarantee the distribution and redistribution of wealth within the system thereby boasting the purchasing power in the system. Also government should ensure the diversification of its revenue base to reduce the shock and difficulties experienced when there is drastic reduction in the receipts from crude oil sale in the international market. Lastly, focus should also be on developing the non-oil and agricultural sector in Nigeria.

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Appendix A

Table 4.1: Respondents opinion regarding government policies aimed at mitigating the impact of the global financial crisis on Business Development in Benue State.

Key:

SA	=	Strongly Agree
A	=	Agree
N	=	Neutral
D	=	Disagree
SD	=	Strongly Disagree

Statement	**Degree of Response**					
	SA	A	N	D	SD	Total
1. Government decision to inject N100 Billion into the textile sector will mitigate the influence of the global financial crisis in Nigeria.	5	10	5	20	40	80
	25	30	15	5	5	80
2. The launch of the Presidential Steering Committee on the Global Crisis in January 2009 will produce a desired result.						
	30	35	5	6	4	80
3. The directive by the CBN that all foreign exchange purchases from it be used for customers' transactions only is a welcome development.	25	30	0	14	11	80
4. The decision by Government to suspend 5% excise duty on some goods (such as juices) non-alcoholic drinks will mitigate the effects of the global crisis on export companies.	60	10	2	7	1	80
	70	5	0	3	2	80
5. The way out of the woods is for Government to introduce stimulus packages to major industrial sectors in the economy	65	10	5	0	0	80
6. There is a need to boost the aggregate purchasing power in the national economy	50	20	1	5	4	80
	60	10	2	4	4	80
7. Sustained and expanded government social expenditure is warranted.	70	5	1	3	1	80
8. Relaxing Monetary Policy Stance by reducing bank's interest rates is necessary to encourage business growth.	20	30	6	14	10	80
9. Expansionary fiscal policy can be instrumental in employment generation.						
10. Liberalization policy stance should not be carried too far as to be detrimental to Nigeria's business growth.						
11. Global financial crisis is a challenge to business development in Nigeria						

Source: Field Data