EFFECT OF MULTINATIONAL ENTERPRISES ON ECONOMIC DEVELOPMENT IN NIGERIA

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ABSTRACT
The study sought to investigate the effect of multinational enterprises on economic development in Nigeria. From the exploratory literature, the review found that multinational enterprises have significantly impacted Nigeria's economic development both positively and negatively. As some multinationals tend to indulge in unethical business practices. Two theories such as endogenous growth theory and dependency theory were reviewed to lend credence to the ills of these multinational enterprises in Nigeria. However, to further attract foreign investors, Nigeria should strengthen and broaden policies to facilitate cost-effectiveness by reducing tariffs on imported inputs, as well as improvement of infrastructures. Also, Nigeria should develop a harmonious moral and ethical relationship with these multinational enterprises.

Keyword: Endogenous Growth Theory, Dependency Theory, Imported Inputs.

1. INTRODUCTION
Developing countries have hosted multinational enterprises that have grown significantly over the years while still struggling for socio-economic development, Nigeria is not an exception to this. Nigeria is one of the largest producers of oil and has since attracted multinationals who make enormous profits from their activities in the country (CBN Bulletin, 2009). Multinational enterprises have a significant impact on the economies as they help boost economies via increasing production and income levels, but this is not the case for Nigeria and most developing countries as Nigeria is still plagued by underdevelopment. Several authors posit that multinationals aid in the fight against underdevelopment by contributing to improving living conditions, economic growth, and development of a nation, (Akerodolo, 2010; Andabai, 2010).
Multinational enterprises provide enormous benefits and support and this has attracted the attention of the government of host countries thus leading to the provision of a favorable environment and policies to meet the needs (investment and marketing needs) of multinational enterprises). Several factors affect the business operation of multinational enterprises in a country and these include, corruption, insecurity, etc. these factors lead to an increase in the cost of doing business and also discourages foreign direct investment, thus there is a need for Nigeria to provide a peaceful and secure environment that allows for foreign investment, (Awolusi, 2012; Oregwu, & Onuoha, 2013).
Literature on international political economy has centered its focus on the role of multinationals in third world countries, Onuoha, (2005). Multinational enterprises that contribute greatly in
promoting national development have since been described as agents of economic development, thus the importance of multinational enterprises in a global economy, policy formulation, and implementation cannot be ignored (Dan-Jumbo, & Etim, 2018). Multinational enterprises have rapidly expanded business activities through foreign direct investment, which is one key strategy for entering host countries and this is solely motivated by profit through sales growth, (Akanegbu, 2014; Osuagwu, & Ezie, 2013). Multinational enterprises participate in promoting national development but over the years the reverse has been the case in Nigeria as the operation on most multinational enterprises has done more harm than good to the host communities and country at large, thus several scholars have described multinational enterprises as agents of bringing economic and social degradation to their host communities (Awobajo, 2006; Andabai, 2013; Enwereuzor, 2009). Despite the odds and negative impact of multinational enterprises, their positive contributions to the development of the Nigerian economy cannot be over-emphasized.

Multinational enterprises have made a positive impact on the country especially in the area of technology transfer, increase in foreign investment, etc. Over the years, the activities of multinational enterprises have been unethical as it harms the economy, these multinational enterprises create a monopoly, perpetrate heinous activities to host communities without adequate compensation (Odigwe, & Owam 2019). While the host community feels cheated as these multinationals tend to be deceptive in sealing contractual agreements but they feel they are doing the right thing. These enterprises also partake in tax evasion, bribery, involvement in local politics, environmental degradation, etc. and this contributes to the underdevelopment in Nigeria. Multinational enterprises aim to maximize profit while reducing cost thus this is the intention for investing in foreign countries and this has led to multinationals dominating political economy discussions as their activities have generated repulsive reactions, (Ozoigbo & Chukuezi, 2011; Olise, Anigbogu, Okoli, & Anyanwu, 2013). Today, multinational enterprises dominate the Nigerian economy and these enterprises are making a lot of profit in Nigeria. Considering that multinational enterprises have larger control over the economy, it becomes their responsibility to oversee the development of the country but instead, they contribute to the underdevelopment of the country. Thus, this study examines the effect of multinational enterprises on economic development in Nigeria

2. LITERATURE REVIEW
Multinational Enterprises
Multinational companies began to gain a lot of attention in the 20th century and the percentage of multinational enterprises in Nigeria can be to the colonial dispensation. The discovery of oil in the Niger Delta region led to a convergence of global organizations in the country which resulted in job creation for thousands of youths in the country, (Ajay & Omolekan, 2013). According to Abdul-Gafaru, (2006), multinationals aid the improvement of manpower via the exchange of knowledge and experience. However, contemporary social, political, and economic discussions are awash with unsavory tales about the activities of multinational corporations in the country. Multinational enterprise is a term that describes companies with a strong national identity. According to Udoka (2015), multinational enterprises are organizations that operate strategically on an international scale. The multinational corporation or enterprise generally consists of the parent company and at least one affiliate.
According to Wilczynski, (2016), the parent company typically owns enough percentage of the company’s share capital to exercise control; what this connotes is that overseas activities were an extension of its domestic functions while the home headquarters remains the decision-making center. Rajneesh, Collinson and Rugman, (2019) prefer to use the term multinational enterprises and states that the difference between Domestic corporations and the MNE is that the former operates strictly within the geographical confines of a country while the latter operates across country borders. According to Jones, (2016), multinational enterprises are characterized as firms the operate in two or more countries. Production and distribution of goods and services take place across national boundaries; this results in a spread of technology, ideas, tastes, and goods/services throughout the world; and they conduct their operations on a global scale.

The term multinational enterprise (MNE) is often referred to as multinational corporation (MNC) and has been as a company, firm, or enterprise that operates worldwide with its headquarters in a developed country (Osuagwu, & Ezie, 2013). Multinational enterprises are usually large corporate entities that do business activities in two or more countries and have a global presence. They can spur economic activities in developing countries and improve the quality of life, and economic growth, (Kim, 2000; Litvin, 2002). Multinational enterprises tend to influence the government of a country as they have strong financial fortification. One key characteristic of multinational firms is their cluster of subsidiaries in different countries and they have a pool of administrative, technical, and financial resources that enables them to make foreign direct investments. Several scholars have since defined multinational enterprises as enormous firms that are incorporated in one country (home country) but control production and distribution in several other countries otherwise known as the host country, (Dunning, 2008; Kumar, 2015; Hennart, 2008; Hill, 2005) Multinational enterprises are organizations that grow from their national origins to spanning across borders thus any business that has production activities in two or more countries, is said to be a multinational enterprise, (Kogut, & Zander, 2003; Hill, 2005; Ileoma, 2010). Multinational enterprises have a global presence and can drive economic activities in third world countries thereby providing an opportunity for increased work satisfaction, financial development, economic growth, etc., (Kim, 2000; Litvin, 2002; Kumar, 2015). These activities contributed to increased output in the economy, and also create job opportunities. Mbanefor (2003) posits that multinational enterprises pay higher salaries and provide fringe benefits as compared to domestic firms; this goes a long way to raise the standard of living of the employees. Because third world countries are generally assumed that the very act of direct or indirect in a capital transfer is from the capital-rich country to a capital-poor country (Onuoha, 2005).

According to Osugwa, and Onyebuchi, (2013) Multinational enterprises have a common objective which is to most un-exorbitant production of goods and this is accomplished through gaining the most proficient location for production activities or obtaining some form of tax concession from the government in the host country. This affirms the perspectives of the Marxist who consider multinational firms as reformists or agents of capitalism Multinational enterprises can accelerate the development of products, raise the quality standard, and present new forms of human resources. They are huge ventures that possess at least one unit of production in a foreign country and they control large financial resources (Subair, & Salihu, 2011). The activities of multinational enterprises create huge employment opportunities and have an immense contribution to income. Multinational enterprises bring capital that aids the production process and ensures the that various sector of an economy is functional (Ikelegbe, 2005; Edem,
For a corporation to qualify to be called multinational, it must have a functional productive presence in two or more countries; the enterprise must be involved in foreign direct investment and should be operating not just in its parent country; they should have a production facility or distribution channel in several countries.

3. THEORETICAL REVIEW

Endogenous Growth Theory

This theory was proposed by Romer in 1986 and the theory seeks to explain the long-term growth rate of an economy based on endogenous factors. The endogenous growth models stress specialized progress as a result of investment human capital and stock. Multinational enterprises in the process of achieving their aim, creates an economic problem for the host country, Nzimiro (1999). Endogenous growth theory contends that the driver of development includes economic activities and policies of a country (Todaro, & Smith, 2011; Cvetanović, et al., 2010). It is an indisputable fact that the Endogenous growth theory to a significant degree contributes to a better understanding of various experiences with the long-term growth of countries and regions. Endogenous explanations seek to find out how market forces, decisions in public policies, and various institutional solutions influence the shaping of economic dynamics in individual countries and regions, i.e., they try to explain the causes of the difference in growth rates between various countries and regions (Todaro, & Smith, 2011). As indicated by Barnet and Muller (2004), multinational enterprises are channels for economic development and transfer of capital resources, they are engines for development, and this includes endogenous development such as human and social capital.

Human capital is an economic expression of knowledge, skills, competencies, and other attributes that individuals have, and which are important when they carry out economic activities. These elements of human capital constitute individual attributes that have a permanent character. Human capital is formed based on investments in man, including training, preparation for production, costs of a healthy diet, migration, and searching for information on prices and income (Becker, 1993). Social capital is the capital of cooperation, mutual operations, mutual trust, and mutual help, which are formed during the economic relations of individuals; it cannot be privately owned and has the attributes of a public good. It is not visible because people carry it inside. Different environments support certain forms of social capital differently, resulting in the possibility of its different economic valuation. According to Coleman (1994), social capital is a unique type of public goods that is available to everyone involved in the social system of social connection.

Endogenous growth theories allow formalization of the relationship between the mechanisms of economic growth and the process of obtaining and accumulating new knowledge, which is materialized in technological innovations. It examines the reasons for the differences in growth rates of different countries, the effectiveness of various measures of the state’s scientific, technical, and industrial policies, as well as the impact of the processes of international integration and trade on economic growth. It is widely accepted that the output level of an economy depends on its stock of capital. Therefore, economic growth depends on the additions to that capital stock. Endogenous growth theory differentiates these sources of investment on a technological basis. It is usually assumed that foreign investors bring in more efficient technologies. Therefore, its impacts on economic growth would be higher than that coming from domestic investment.
Dependency Theory
Dependency Theory was developed in the late 1950s by Prebisch and his colleagues who were perplexed as to why economic growth in developed countries did not impact developing or underdeveloped countries. Therefore, dependency theory implies that one country relies on another for growth, thus most third world countries export their primary commodities and put them back at a higher price as manufactured products at such poorer countries would never be procuring enough from export earnings to augment imports. Prebisch proposed the need for third world countries to adopt import substitution.

Dependency theory holds that the state of underdevelopment is definitively the aftereffect of the incorporation of the Third World economies into the industrialist system, consequently, dependency infers to a circumstance where a country relies on the support of a firm, corporation, or another country for growth. The underdeveloped nations are considered as entities with common characteristics such as high rates of birth, poverty, dependence on developed countries, etc. (Randall, & Theobald 1998).

Third world countries offer cheap labor and raw materials, these resources are offered to developed countries that process them and convert them to finished products and in turn, sell back to the underdeveloped countries at a higher price. Dependency theory proposed that third world countries do not exist in isolation at such their political events have a direct relationship with that of the first world countries likewise the flow of power is from the first world to the third world countries. These political events impact the countries’ economies. There is a huge interaction between the first world and third world country and the latter needs the former for survival, it is little wonder why the political and economic events in the first world country have a significant impact on the economy of the third world country. Economic trade widens the gap between the developed and developed countries as low prices raw materials are exchanged for high priced finished goods. According to Chilcote (1974), industrial development is dependent on exports which leads to the importation of capital goods; these exports are linked to and controlled by foreign capital.

3. EMPIRICAL REVIEW
Tonye and Andabai (2014), did an empirical analysis of the impact of MNCs on economic growth in Nigeria (1991-2014). The study was based on the CBN Bulletin from (1991-2014). The Secondary data were used and were collected from the CBN statistical bulletin and the national bureau of statistics. Time series was the econometrics tool used in the study to test the formulated hypotheses. The study went ahead to recommend that MNCs should in the provision of infrastructural facilities by way corporate social responsivities to the host communities. Host governments should mandate MNCs to reinvest a percentage of their profits directly and deliberately to the development of the host communities as this will create a good working environment and improve the security of the region. The Federal Environmental Protection agencies should also be alive to their responsibilities by ensuring proper monitoring of MNCs to avoid the MNCs’ violation of laid down rules and regulations.

Odunlami, & Awolusi, (2015) sought to determine the extent to which multinational firms have spurred up economic development in Nigeria. The study revealed that multinational corporations have made significant contributions to the development of Nigeria. However, to further attract foreign investors, Nigeria should strengthen and broaden policies to facilitate cost-effectiveness by reducing tariffs on imported inputs, as well as, improvement in telecommunications and...
transportation infrastructures. Furthermore, since this study highlighted some of the benefits, linkages, and relationships between MNCs and economic development; this may give Nigerian policymakers some helpful facts to bring to the negotiating table.

Shameema and Sahidur (2009) in their study of the impact of MNCs on Developing Countries noted some positive and negative impacts of MNCs on economies of countries. They adopted regression methods and the result showed a statistically significant degree of association between exports and economic growth. Their study recommended that developing countries should aim at maintaining a year-on-year increase in FDI of at least 2.5% to attain a one percent increase in economic performance. Abubakar, (2021) Examined the relationship between the activities of multinational corporations and economic growth in Nigeria. It also recommends that the Federal government should ensure that MNCs should empower host communities by providing scholarships to enable indigenes to attain qualifications and skills that will enable them to be employed in the organization, while lower-level unskilled labor employment should also be provided.

4. METHODOLOGY
Research design is a logical model that guides the researcher in the various stages of the study (Taylor, Sinha & Ghosal, 2006). In other words, it is a planned structure and strategy in an investigation, conceived to obtain answers to research questions as validly, objectively, accurately, and economically as possible (Gravetter & Walnau, 2014). The study adopted a theoretical research design which served as a foundation for evaluating the impact of multinational enterprises on economic development in Nigeria using secondary sources of data collection. The study review was conducted using extant academic literature. The search terms that were used are multinational enterprises and economic development. The references from books and articles were used to uncover additional material. The present study made use of literature review summaries to organize literature.

Multinational Enterprises and Economic Growth
Successful multinational enterprises have established production points that make labor cheap and secures affordable means of product delivery, also they use outsourcing and subcontracting to reduce their tax liabilities and avoid government regulations (Otokiti, 2012). A large number of developing countries rely on investment from multinational investment as it contributes largely to the development and economic stability. Multinational enterprises impact job creations, resource utilization, among others (Reham, 2016). MNEs help in achieving global development and sustainable development goals (SDGs). MNES expand access to basic human needs via involvement in corporate social responsibility, they also contribute to increasing productivity and growth of domestic firms.

Multinational enterprises are very important as they stimulate and contributors to the economic growth of developing countries. Thus, the relationship between multinational enterprises and the impact of their activities in Nigeria is based on the contributions they make to foster the economic development in Nigeria, (Andabai, 2010). Edem (2004) states that to stimulate development, developing countries require the inward flow of resources from multinationals. Also, developing countries need to negotiate terms as these multinational companies are set up to maximize profit. Akerodolo (2010) avers that due to its wide areas of operations and the huge levels of investments the influence of the oil industry is palpable in almost all the countries of the world and cannot be
Multinational enterprises create employment opportunities, social benefits, and other advantages, and it must be admitted that many Nigerians have benefitted from the advent of MNCs into the country as they have provided substantial employment and social benefits.

**Impact of Multinational Enterprises on Nigeria’s Economy**

Multinationals have greatly alleviated the problem of unemployment in Nigeria; the inflow of capital from the activities of multinationals have a multiplier effect in the economy as it increases the buying power of employees who then patronize the local food vendor, who in turn patronizes the local former and so on (Ikelegbe, 2005; Ake, 2018). Onuoha (2005) reaffirmed that the remunerations offered by MNEs go a long way to raise the standard of living and quality of life of the employees. Michael (2018) stated that the income of the government is increased through royalties and project tax paid by MNEs as a result of their activities in the country. The MNEs have significantly contributed to the growth of the Nigerian economy and they dominate the private sector, and indeed oil and gas exploration is a significant part of this sector. (Andabai, 2013). Nwosu (2008) concluded that multinational enterprises especially the Oil and Gas companies have brought economic and social degradation in their host communities as a result are considered by those directly feeling the pains as agents of degradation and economic woes. The impact of multinational enterprises on Nigeria’s economic position cannot be negated, as they have introduced all forms of technology. Multinationals operating in Nigeria have caused the economy to grow through their strong revenue-generating operations and tax contribution to both the local authorities and central administrations. The Nigerian government and local entrepreneurs may not have been able to acquire this technological know-how by themselves. This also explains why the country relies on multinationals to stand as an economically strong country. The telecommunications sector which is mainly dominated by multinational companies grew by 12% and contributed about 8% of the GDP (National Bureau of Statistics publication on rebasing the economy Q2 2014). According to telecommunication experts, a 10% increase in penetration of their services improves the GDP by 1%. Most local entrepreneurs especially those in the local communities evade taxes. Corporate organizations like multinationals cannot afford to do that due to their high sense of responsibility. Multinational companies aim to surpass the nation-state and even transform it. It is in this process that some of them have become today’s multi-states and some of these companies are bigger in economic size than some Local Governments and States of the federation (Aribasala 2013).

Most well-known Nigerian entrepreneurs started by working for multinational enterprises, where they acquired relevant skills and knowledge that gave them the impetus to launch out. Some of them have retired to start their own companies and were sometimes even exposed to such opportunities by their former employers. This enables them to continue to generate income and create wealth long after their retirement (Osuagwu & Ezie 2013). Also, by paying taxes to the government as well as paying salaries to their staff, multinationals initiate programs to give back to their host communities. For instance, Shell Corporation has built and donated a lot of educational facilities to the oil-rich communities in Nigeria. Unilever donated a faculty building to the University of Lagos, while MTN, the African telecommunication giant, has donated a lot of cancer screening machines to the university teaching hospitals. These contribute to growth as well as educating the citizens knowing that an educated and healthy citizen will be able to live long and be productive in their endeavors.
The Negative Effect of Multinational Enterprise in Nigeria

Nigeria is very much affected by the negative activities of these multinational enterprises operating in Nigeria. They have had a negative impact because the natural resources and opportunities found in Nigeria which are meant to help in the development of the country are being explored and causing a lot of hazards to the people and the environment. They include:

a. **Profit Repatriation**: oftentimes, multinational enterprises tend to divert profits back to their home country instead of investing it into the host country. Multinational enterprises send the bulk of their profits to their home countries which they could have invested to develop the host country, thereby, subjecting the host country to the whims and caprices of underdevelopment. These MNEs, therefore, pay inconsequential royalties to the government of the host country.

b. **Salary Discrimination**: Multinational enterprises adopt discriminatory salary policies as expatriates are highly paid as compared to Nigerians. These companies not only pay fat salaries to these expatriates but also take responsibility for their upkeep.

c. **Environmental Degradation**: This is more prominent among the oil-producing communities as these multinational companies have destroyed the environment with gas flaring and oil spillages which damages the farmlands, destroys wildlife, etc.

d. **Political Instability**: multinational enterprises tend to indulge in politics as they strive to have the government in their favor, they support a particular political party, government, local chief, etc. as a way of influencing the decision-making process. It is known that Nigeria is being influenced by multinational companies because they make up a large percentage of the country’s GDP since they dominate the market therefore neo-colonialism is evident.

Positive Effects of Multinational Enterprise in Nigeria

Despite all the negative attributes about the activities of the MNEs in Nigeria and the rest of the third world countries, there are some elements of positive impact in the operations of the MNEs. The benefits of multinational corporations to an economy are numerous. Nigeria would have been more developed if not for policy reversals and inconsistencies. Multinational enterprises transfer technologies, capital, and the culture of entrepreneurship. They increase investment levels and income in the host countries; they promote improvement in their immediate environment; create access to high-quality managerial skills; improve the balance of payment of host countries by increasing exports and decreasing imports. They stimulate domestic production and enhance efficiency and effectiveness in the production process; they stimulate positive responses from local operators and build export capacity which is very important in economic development. It is widely known that the presence of multinational enterprises has brought a lot of positive development to Nigeria, the citizens, and the economy. Multinational enterprises aids in integrating the country with the global market.

5. CONCLUSION AND RECOMMENDATIONS

The importance of multinational enterprises cannot be ignored by the government of any country as they constitute one of the cornerstones of economic development in any country. Multinational enterprises are key players in driving industrial growth and development in Nigeria. Thus, the government needs to pay more attention to the multinational sector to aid growth and expansion.
Multinational enterprises immensely contribute to employment generation, income generation, catalyzing development in the country at large, more focus should be on the performance of multinationals also because of the economic gains it brings. Government should formulate policies aimed at facilitating and empowering the growth, development, and performance of multinationals to enhance the socio-economic development of the economy like alleviating poverty, employment generation, enhance human development, and improve the social welfare of the people.

The growth and development of Multinational enterprises have played a great role in developing and developed countries. It has created room for more employment opportunities, increased GDP growth, and capital formation, and also reduced poverty. Though some critics argued that they are the cause of environmental pollution and abuse of human rights. Some critics argued that it is re-colonialism in disguise, which has led to current causes of contemporary global income and social inequality. The activities of the MNEs in nations with indigenous technological advancement have proven to be a blessing to host countries, while countries that are characterized with monoculture providence and technologically less advanced nations like Nigeria, see MNEs as agents of imperialism and exploitation. Multinational enterprises contribute immensely to economic growth and development in an economy.

Multinational enterprises should make meaningful contributions to the host country and the government should also ensure that these multinationals plow part of their profits to the development of host communities. The government should have a representative on the board of these multinational enterprises; There should be an understanding between the Nigerian government and the multinational enterprises, about staff selection as this would ensure skill acquisition and knowledge transfer; The government should endeavor to develop a harmonious moral and ethical relationship with these multinational enterprises to ensure they do not go against regulations of the country.

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