# BUSINESS AND POVERTY IN NIGERIA: A HISTORICAL PERSPECTIVE

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**Abstract**

Business is any activity that an individual engages into that leads to the satisfaction of human wants. Poverty is a situation when a person is not able to meet up his basic needs of food, shelter, clothing and subsistence employment; he can be said to be a poor person. The dimension of poverty ranges from infinity complex and personality adjustment problems. Sometimes some beg like children, some may not even eat what she or he wants to eat. So, because of adverse deprivation coming from poverty a human being may not really attain adulthood maturity and continues to behave like a child. In social and funeral ceremonies, infant behaviours are sometimes observed. Most of the quarrels and struggles that go on in some of these ceremonies are as a result of deprivation due to poverty. When one travels around nook, and corners of Nigeria one would observe preventing housing, market locations, dressing mood, schools, and equipments, businesses, and so on. One can be convinced that poverty is manifested among Nigerian citizens. The main objective of this study is to give a historical perspective on how poverty affects business in Nigeria. It also focuses on the definition of poverty and factors that affect poverty and business. It suggests solution to the problems of poverty in Nigeria and hope that leaders will be cautious provide.

The Nigeria environment is full of poor people and therefore the standard of living is very low in per capital income. When a person is not able to meet up basic needs of food, shelter, clothing and subsistence employment, he can be said to be a poor person. Poverty has many negative dimensions. The first dimension is inferiority complex and other personality adjustment problems.

A poor person is always in a situation of perpetual deprivation. He does can be aggressive most of the time. A management scientist has written that poverty keeps man in a perpetual state infanthood (Angyris, 1957). Poverty can result that a person may sometimes beg for food.

## Causes of Poverty

There are four major causes of poverty in Nigeria

i. National factors,
ii. Regional factors,
iii. Personal factors, and
iv. Social factors.

## National Factors

Areas located in the Sahara desert are experiencing poverty due to problems of agricultural development and also citizens may be limited in employing themselves in subsistence farming. Desertification may also cause blindness to majority of people in such a country and this situation may lead to poverty.

Some countries introduce communication as their practical ideology and this practice leads to adverse poverty in the country concerned including old Soviet Union which previously provided leadership in East Europe. So, national socio- economic and political practices can lead to adverse poverty. In short, some countries are identified as poor countries due to issues which are National.

**Regional Factor**

Regional factors like diseases, erosion, transportation problems, pest, illiteracy, religions practices, traditional practices, and so on, can lead to adverse poverty. In some parts of Nigeria women are not encouraged to go to school. They marry so early and produce a lot of children and because they cannot obtain good jobs a lot of them end up in poverty and prostitution. Many beggars come from Northern Region because most of the blind people came from the North. These people suffer from blindness because of the negative effects of Sahara desert. Many Muslims like to have their education through Arabic language. In employment interviews those with more knowledge of English perform better. So, Arabic oriented Moslems in Nigeria may suffer adverse poverty due to limited English language knowledge. The Hindus religions most times suffer from poverty because they reject trading or eating cow meat which their religion rejects.

**Personal Factors**

Individual's personal factors can lead to poverty. Deformity can lead to poverty. A lame may find obtaining job difficult irrespective of good educational background. A beautiful lame girl may not marry and become helpless. A healthy and highly emotional individual may find it difficult to observe rules and regulations in the work place. This situation can lead to termination of a job appointment leading to poverty. If he does not change or improve on his behaviour other psychological and personality factors can lead to poverty.

**Social Factors**

Tribally, religion and other forms of discontinuation can lead to poverty. Managers may base human resources procurement policies on tribal or religious issues. Like Yoruba managers may be employing Yoruba in their organizations. If there are more Yoruba managers than Hausa or Igbo personal managers; more Yoruba may be entering the labour force and the other tribes suffer from poverty and neglect. Identifying with some organizations (both legitimate and illegitimate) may cause poverty when organizational identity leads to employment discrimination.

In U.S.A. communism is highly abhorred. U.S. citizens who belong to communist social groups may be discriminated in employment situation. Also, in the former Soviet Union capitalist sympathizers were discriminated and may be allowed to migrate to the Western countries where they may obtain their freedom. While remaining in Soviet Union they may be discriminated and suffer from poverty.

**Research Methodology**

The research design chosen in the study is a combination of the use of secondary data, content analysis.

The secondary data on the factors responsible for poverty are got from Onwuchekwa (1996) and Annie (2007). The secondary data on the output of a developing nation is got from Iyoha (2003). All the secondary data used are well evaluated.

**Characteristics of a Developing Economy**

It may be surprising to some of us to read that there is no general definition of an underdeveloped economy. This is because development involves non-quantitative changes in the socio economic and political system of a nation.

In line with above assertion, Paul Hoffman, a former General Manager of the United Nations Special Funds posited that underdevelopment is noted when a country is characterized by poverty, with beggars in cities and village eking out a bare subsistence in the rural areas. It is a country lacking in factories of its own, usually with inadequate supplies of power and light. It usually has insufficient road and railroads, insufficient government services, and poor communications. Most of its people cannot read and write.

Inspite of the general prevailing poverty of the people, it may have an isolated island of wealth, with a few persons living in luxury. Its banking system is poor, small loans have to be obtained through moneylenders who are often a little better than extortionists.

Another striking characteristic of an underdeveloped country is that its exports to other countries usually consist almost entirely of raw materials, ores, fruits, or some staple products with possible admixture of luxury handicrafts. Often, the extraction or cultivation of these raw materials exports is in the hands of foreign companies.

Paul Hoffman's description of underdevelopment is so pragmatic, short, and snappy of any underdeveloped economy as follows:

1. **General Poverty**

Most of the underdeveloped communities have a natural history of general poverty. The size of income per head indicates the level of poverty. Empirical evidence shows that underdeveloped countries have lower per capita income when compared to the developed ones. We can verify percapita to see that per capita income for the hinder developed countries is just U.S $474.2 while that of high income countries i.e. the industrialized countries is U.S. $19, 2254.6. Empirical evidence shows that other general indicators of various stages of poverty include the Child Malnutrition (CM), the Infant Mortality Rate (IMF), and the Life Expectancy at Birth (LEB).

2. **Demographic Features**

In this regard, most underdeveloped countries parade high rate of population growth. In the developed nations of the world, growth rate of populations is usually low as shown by empirical evidence. The high growth rate phenomenon in the underdeveloped countries is attributed to high birthrate coupled with declining death rate. It is interesting to know that a large proportion of the populations of most underdeveloped countries are within the 0-15 age bracket. This, of course, is attributable, to high Total Fertility Rate (TFR). Thus, the dependency ratio here is usually high in these countries since the percentage of the population in the labor force is usually lower than in most advanced countries.

3. **Unemployment and Underemployment**

Both labour and capital usually have high rate of unemployment and underemployment in most of the underdeveloped countries. The urban cities have very high rate of the unemployed and the underemployed because of people who migrate from rural areas in search of white-collar jobs. Iyoha (2003) has it that among the urban underemployed are others who are engaged in per-time jobs or in full-time jobs that neither fully utilize their potentials nor pay enough to meet their daily needs.

The case of underemployment is readily noticeable in the rural areas of most underemployed economies since agriculture is their stronghold. A lot of them are idle in most part of the year. Many farm workers carry out that of a few of them could have effectively and efficiently completed, given the essential co-operating factors. According Author Lewis, the marginal productivity of agricultural workers in less developed countries is almost zero.

Other factors that contribute to the issue of unemployment and underemployment in the less developing countries are inadequate electricity supply, which leads to colossal loss of man and capital hours. There is also scarcity of pipe-borne water, even in the urban areas so that many young men and women keep traveling long distances in search of drinkable water. The colossal loss in productivity because of these wasted man hours cannot be quantified.

4. **Underdeveloped Natural Resources**

The level of natural resources utilization in most Less Developed Countries (LDCs) is very low. The situation is further aggravated by the uncomfortable presence of malnutrition companies. This low level of natural resources utilization is a direct effect of low level of technological development in these LCDs.

**5. The Structure of GDP**

Most Less Developed Countries are predominantly agricultural, thus, the agricultural sector provides employment for the greater percentage of the population and countries large share of GDP when compared to the industrial or manufacturing sub-sector.

6. **Economic Dualism**

In most underdeveloped countries (UDCs), there is the existence of dual economy. In some countries that are underdeveloped, situation exists where two different and probably opposite conditions coexist, thus creating a dualistic economy. In this case, subsistence economy where production is generally carried out for direct consumption and not for exchange often exists side by side with a market economy. There is often, the existence of a monetized sector, which operates outside the formal banking system.

**7. Economic Backwardness**

Sustainable growth in most countries is slowed down by structural and institutional bottlenecks. Truet and Truet (1987:42) submitted that a society's institutional structure consists of its rulers, tradition, myths, and justification that stand behind them. Economic backwardness is evident in low labour productivity/efficiency, immobility of productive factors as it affects labour and capital, limited occupational specialization, values and social structures that minimize incentives for change. It is sad to note that in some LDCs, the cultural values of the people do not in any way encourage hard work and meticulousness. For this reason, the rich is eulogized and honored in the society irrespective of how the wealth was got while the poor is disrespected, ridiculed, and humiliated. In addition, loyalty and commitment to government's duty is seen as unmentionable.

**8. Scarcity of Entrepreneurship**

The scarcity of entrepreneurial skills is a big problem in the developing countries. In fact, a major boost to underdevelopment in these countries is the lack of entrepreneurial skills. Mier and Baldwin cited in Jhingan (1976:21) opined that the force of custom, the rigidity of custom, the rigidity of status and the distrust of new ideas and the absence of intellectual curiosity combined to create an atmosphere inimical to experiment and innovation. In addition to the above declaration, other hindrances to entrepreneurial development include: economic and political instability, insecurity of life and property, limited markets, limited access to capital because of the general low savings.

The survival of entrepreneurs in most LDCs depends on one's ability to get linked up to political godfathers and government officials so as to have the benefit of a privileged position and receive partisan conduct in financial taxation, award of contracts and other related issues.

9. **Low Level of Capital Formation**

Low level of capital formation is one of the consequences of death of enterprise in Less Developing Countries (LDCs). Empirical evidence shows that even in countries where savings are high, the rate of investment i.e. capital formation most times falls below the savings levels. For this reason, such countries would experience positive savings-investment gaps. In any case, the less developed countries (LDCs) record general low savings, which is a function of the general low –income level.

It has often stated the link between income, savings, and capital formation in Underdeveloped Countries (UDCs) is more often that not cast in the form of a vicious circle of poverty. In this way, low income leads to low savings, which leads to low investments. Low investment translates to low capital formation which leads to low output and hence low income, and the circle continua poverty in Nigeria.

Kuhn (1977), in his contribution, ascribed low savings in LDCs in part to the demonstration effect, which tends to describe how people in the Less Developed Countries (LDCs) try as much as possible to imitate the standard of living of those in the developed countries.

**10. Technological Backwardness and High Rate Adult Illiteracy**

It is no gossip that underdeveloped countries are generally backward in the area of technological development. They lack modern technical shrewdness, hence, benefits derivable from such development are not available. There is the existence of technical dualism, where the use of modern advanced technology in very few sectors of the economy survives side with crude traditional methods in other sectors of the economy. It is pertinent to note that most underdeveloped countries do not even value the necessity of an indigenous yet but modern technology. Instead, they keep depending on the importance of technical savior-faire from the advanced world. Even in the face of very poor money wages, technological underdeveloped in less underdeveloped countries exposes itself in the form of high production cost, the high proportion of unskilled/untrained workforce and high labour and capital output ratios, and of course, high rate of adult literacy for both sexes.

**11. Foreign Trade/Orientation (Economic Dependence)**

Most of the underdeveloped economics are heavily dependent on the advanced countries for her goods and services. Empirical evidence shows that this massive dependence is because of the fact that these less developed countries (LDCs) were former colonies of the advanced countries. Empirical evidence reveals that most underdeveloped countries of the world are exporters of primary products and net importers of almost all types of manufactured goods. It is also a truism that most of these undeveloped countries have a monocultural economy. In this case, they solely depend on a single product for income or even for foreign exchange just like Nigeria is entirely dependent on oil.

Hardnosed penalties result from over dependence on primary product exports. Firstly, the predisposition is for such a country to stay put as a producer of primary products to the total disregard of other sectors of the economy. A second point here is that there is the tendency for such a country to become so dependent on foreign countries for practically all manufactured goods. Consequently, the country would spend more on imports than they would receive from exports. Thirdly, and most importantly, since manufactured goods are generally more expensive than primary products, it means that over-dependence on primary product exports would definitely expose such economies to rude shocks in the international market, unstable foreign exchange earnings, adverse terms of trade and dwindling revenues. This deplorable position of the Less Developed Countries (LDCs) is further compounded by the development of the synthetic substitutes for the primary products of the LDCs. Thus, the LDCs are heavily externally indebted.

**Summary of Major Findings, Conclusion and Recommendation**

The objectives of the study were:

1. To determine the factors causing poverty in Nigeria
2. To evaluate the effect of poverty on business development in Nigeria
    a. The cause of poverty were as: National factors, Regional factors, Personal factors and social factors

    b. The characteristics of a developing Nation are: General poverty, Demographic features, Unemployment and underemployment, underdevelopment Natural resources, structure of GDP, Economic Dualism, Economic Backwardness and scarcity of entrepreneurship.

Nigeria had a higher GDP but the output arisen from production, manufacturing, and industries growth are very poor.

**Conclusion**

The causes of poverty in Nigeria need to be addressed to help business growth in the country. The GDP must be improved in terms of industrial growth, manufacturing and production to help combat poverty in Nigeria. Nigeria leaders should learn from other countries and strive to write their name of gold.

**Recommendation**

In order to strive to improve on the standard of living in Nigeria, there must adequate funds, creation of employment opportunity and adoption of economic policy in line with Paul Hoffman's theory. Nigeria leaders must be wealth making at the back and strive to provide infrastructural development that would help to uplift a common man.

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