THE JAPANESE ENTERPRISE SYSTEM: ANY LESSON FOR THE NIGERIAN BANKING SECTOR?

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Abstract

Japan's prominence in the world economy is not in doubt, Japanese goods and services are of high quality and great demand. This paper looks at the evolution of the Japanese economic system acknowledging some of its major achievements and identifies some characteristics which it believes are fundamental to the inherent successes. While not out-rightly recommending same fundamentals to the Nigerian banking system considering the differences in many aspects, it however prescribes a path of achievable and enduring success capable of integrating the Nigerian banking system into the global financial system at a pedestal of a major player.

Introduction

Japan came out of the Second World War (in 1945) as a conquered and devastated nation whose economy was in ruins, The environmental damaging effect of the atomic bomb dropped by the Americans presented an added challenge. But by the end of the century, Japan's growing economic superiority threatened the dominance of United States in world market. Information on world automobile sales in 2006 shows Japan car manufacturers producing a total of 11,484, 233 cars against United States' 11,263,986. Japanese car manufacturers have continuously produced more appealing fuel-efficient and environmental friendly cars.

With life expectancy of 80 years from a population of 126 million people, 4.22 trillion dollars in GDP which is the third by world's volume and sixteenth per capita and an inflation rate of "3 percent, Japan according to Wikipedia, is the third largest purchasing power parity in the world after the United States and China. Japan is also the second world's largest producer of steel and occupies the third position in machine tool making. Other major industries are chemicals, petroleum products, textiles and ship building. Education is free from 6 - 1 5 years and there is a population of 66 million well educated labour force. *Business: The Ultimate Resource* (2002) account believes, Japan's economic success is unparalleled in world history.

Nigeria on the other hand is Africa's most populous country with a population of over 140 million people with an annual growth rate of 2.5 percent. Life expectancy is 50 years and with a gross national income per capita of 250 dollars. Nigeria has a chequered political history including surviving a civil war. A seeming stability in governance and perhaps the economy was initiated in 1999 through a democratically elected government.

The Nigerian economy before the 1970s relied on agricultural productivity and diversity but crude oil exploration dominates the present economy. Electricity supply is subject to persistent cuts and inefficiency. Business opportunities exist in agricultural, manufacturing and service sectors. Banks achieve significantly greater profitability and growth than many other sectors of the economy and pay higher staff compensations.

Given the above brief comparison, the question comes; Can the Nigerian enterprise system and indeed the banking system learn any lesson (s) from the Japanese miraculous transformation?

The question may be biased and narrow in many aspects. But the choice of the banking system sterns from the fact that the Nigerian banking system remains the most dynamic, regulated and perhaps the most profitable sector in the economy. It is relatively easier to extract information from the sector than many other sectors as twenty-two of the twenty- four banks are quoted on the floor of the Nigerian Stock Exchange. The stocks of Nigerian banks are the most traded on the Exchange floor and it is one sector which has prominently exported and integrated its services, not just to close neighbouring nations, but also to some developed economies.

(i) The Japanese Enterprise System

Like the nations of Europe, Japanese industrialization preceded her commercialized economy. By the 17th century, the Japanese economy was already specialized in the production and distribution of agricultural and non - agricultural services due mainly to the over 250 years of the Central Administration of the Tokugawa era. The period was able to harness the natural and human resources into a commercialized revolution with an urbanised population (Fruin, 1994:64). The family prominence in social and economic spheres in terms of focus, discipline, cohesion and motivation was a common peculiarity. But despite the seemingly sound management strategy, Minami (1991:3) in calculating the per capita of the period (in 1965 dollars) believes Japan was behind some European nations and the United Stales. In the compilation, Japan's GDP was $136 (in 1886) compared to America's $474 (in 1834 - 43), Holland's $347 (in 1831-40), Germany's $W2 (in 1 850 -9), Frances's $242 (in 1831-40), England's $ 227 (in 1 765 - 85) and Sweden's $21 5 (in 1861-9).

Japan's industrial revolution is said to have begun in the 1 870s by Mcijj government. The aim was to ensure that Japan caught up with the West. Fruin (1994:72) opines that Meiji leaders and business leaders coveted a more patriotic: and nationalistic virtues which promoted a more rigorous business climate with resultant encouragement in local competition and creation of business and technological opportunities. Accordingly, the State assumed more roles in governance, close government co-operation with business, a more coordinated investment strategies, extensive infrastructure and greater emphasis on producer rather than consumer goods.

Modern Japanese enterprises, have grown beyond the genealogical limits emphasizing importance of organizational learning, acknowledgement of western know-ledge and impacting same into her business practices. In the evolution of modern Japanese system, believed to have started in 1945, Pelc (2000) identified five main periods namely: leaning, imitation, innovation, creation and globalization periods.

According to him the learning period emphasized importation of technology with the development of information technology. International contact became the main focus of the imitation period. Steady economic growth was easily noticed in the innovation period whereas domestic markets were open to international investment with increased support for research and development during the creation period. The globalization period, he continued, establishes international networks -of research and development, and explores demand for global market. The success factors were . anchored on: life time employment, engineering and software creativity, overriding importance of group identity over the individual contribution, and prevalence of alliances which dominate and control the domestic market.

(ii) The Nigerian Banking System

Banking started in Nigeria in 1892 through the introduction of silver coins as a medium of exchange and means of payment by the early colonialist. It peaked to a total number of 145 banks-between 1892 - 1952, a period often referred to as "free banking era", characterized by the absence of banking legislation. Many banks of the era had since become extinct. However, the banking liberalization and deregulation of interest policy of government between 1985 - 1991 again witnessed an increase in the number of banks to 120 and 89 as at March 2004. The 2004 Consolidation Policy which increased the capital base to N25 billion from N2b, however shrinked (he figure to 25 banks. The number has further reduced to 24 as a result of a merger between two banks. Twenty two (22) of the banks are public companies. A recent incentive proposed by the apex bank. Central Bank of Nigeria, for the management of some fraction of the nation's foreign reserves has been promised banks which can further raise the share capital to NIOO billion.

Even though the Nigerian Banking System has gradually been consolidating over the years, the 2004 Consolidation remains the most radical. As at 2006, the aggregate shareholders fund stood at about N811 billion for (he 25 banks, much of it through the capital market, a 177.74 percent growth compared to pre-Consolidation period. With the banks awashed with cash, challenges still persist in areas of:

Supporting the economy with loans from locally and internationally sourced funds.

Creating a competitive system in terms of efficiency and cost

- Deepening financial markets with dependability 111 settling transactions in trillions of naira.
- Better integration into the global financial system.

In our opinion, meeting these challenges requires an in depth knowledge, understanding and applicability of some lessons that may have helped in the recorded successes enjoyed by the Japanese enterprise system.

(iii) The Nigerian Economy

Since the Banking System is a subset of the economy, the need has therefore arisen for a brief outlook of the Nigerian economy. With proven oil reserves estimated to be about 25 billion barrels and natural gas reserves over 100 trillion cubit feet, oil and gas account for more than 98 percent of export earnings and about 83% of Federal Government revenue. The endemic neglect of the non-oil sectors has witnessed geometric growth of the informal sector of the economy estimated to be as high as SO percent of the national economy. Agriculture which employs an estimated 70% of the population has suffered many years of mismanagement, inconsistent and poorly conceived government policies, lack of basic infrastructure and a land tenure system that does not inspire the availability of rural credit.

External debt which placed a significant strain on government resources competing for attention with necessary social expenditure and investment in infrastructure has substantially been reduced as a fall-out of debt relief agreement with Paris Club. Privatization and deregulation of various economic sectors has been most successful in the telecommunications sector. Nigeria has been rated as having the fastest growing tele-density in the .world over $1 billion a year investment in the sector. In 2006, there were 32 million GSM lines as against just about 500,000 landlines in 2001. The democratically elected government that was inaugurated III 1999 initiated the National Economic Empowerment and Development Strategy (NEEDS) with the aim to transform the economic landscape through value orientation, wealth creation, employment generation and poverty reduction. Perhaps, the almost total collapse of electricity output in 2007 to a little above 2,000mw as against about 6,000niw in 1999 and importation of 500,000 metric tones of rice (in 2008) worth N80 billion among others can adequately be seen as clear indicators of the failure of the NEEDS programme. The present administration which was ushered in 2007 has initiated a Seven Point Agenda which focus.es on: power /energy; food security/agriculture; wealth creation & employment; mass transportation; land reforms; security and qualitative and functional education.

Corruption is pervasive. Between 1996 and 2001, Nigeria remained among the five most corrupt countries in the world. This was as a result of studies of selected countries conducted by Transparency International and Goettingen University. Government has set up anti corruption agencies like the Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices Commission (ICPC)

Issues and Challenges

For every economic system, its primary objective lies in high and sustainable growth. Achieving this objective envisions economic reforms which experts have broadly categorized into two templates. Dewatripont (1995), Felstentein & Nsouli (2003) have highlighted two alternative approaches to economic reforms: the 'big-bang' and gradualism. Gradualism involves reforms over a period of time whereas the "big-bang" is immediate and simultaneous reforms. While there are cases for and against the two approaches, these authorities agree the ultimate success depends on the commitment, competency and information available to the people involved in the envisioning and implementing the chosen approach. The Japanese economic system as described above can be said to be a product of gradualism while the Consolidation Policy which preceded the present banking system outcome can be described as the "big-bang" approach.

The Japanese gradualism approach has evolved over the centuries with consistent and enduring characteristics despite the various periods earlier identified. Lincoln and McBride (1987) have located these in the progressive cooperation which exists among manufacturers, suppliers, distributors and banks with government bureaucrats, powerful unions and promise of life employment in large corporations. Speaking in the same vein, Fruin (1994:301) believes;

> "The interactive dynamic of the Japanese enterprise system must be emphasized in unifying particular and general models of the- firm because the achievement of the system cannot be dissociated from a history of competitive strategies and co-operative structures binding factories, firms, networks, and these being tempered and honed in light of experience and being becoming implicit, general and effective. These arrangements are ... a basis for a different economic system - a system that is becoming a world class system"

Can the above or similar statement be accredited to the Nigerian banking system now or even in the year 2020 when the present administration intends the economy to be among the first twenty biggest economy of the world?

Perhaps No! Strategic co-operation among banks (except when in dire straight as in case of the "big-bang") is foreign to the Nigeria banking climate. All but two of the 24 banks individually approached the capital market for funds to meet up the prescribed minimum capitalization base. Many of the banks have similar banking services and non-banking subsidiaries like insurance, securities, registrars, stock brokerage and other similar outfits. Their advertisements and promotions hardly distinguish one bank from the other. Many of them are deeply involved in consumer banking therefore encouraging mass importation of consumer goods. Bank transactions in Nigeria concentrate loans to certain sectors of the economy and the average number of years of service of staff in each bank is low because of high mobility of bankers.

Recommendation and Conclusion

The benefit of co-operation have been variously acknowledged (Pelc, 2000; Fruin, 1994, and Lincoln & McBride 1987) as against solo engagement in economic matters with its attendant consequences. The identified internal "disharmony[1] within the banking sector is narrow, expensive and capable of initiating another big-bang in a not too distant future and perhaps with negative consequences. Since development is about sustenance of growth, a strategic co-operation among banks aimed towards the development of areas of core competencies should be evolved and encouraged. For now, the focus is all about profit and banks are so perceived in Nigeria. While we are not recommending the exact Japanese success tool fundamentals because of various contexts, it is our belief that building the Nigerian Banking System on patriotic nationalist ideals and values with •futuristic mindset can over the years produce the results akin to the Japanese miracles. After all such values like lifetime employment, seniority -based salaries, and group (not individual) identity are still practised in Japan of 2008. If and when the banks show initiative, the society and indeed the government should encourage them with enabling tools.

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