

THE DYNAMICS IN BUSINESS OPERATION DURING ECONOMIC RECESSION; NIGERIA IN FOCUS

OMOROGIEVA, AGBONMWANRE. ANTHONY; ARIYO, IGBEKELE ANTHONY; ASUQUO, ANIETIE. OFFONIME

Department of Business Administration and Management, Federal Polytechnic Ukana, Akwa Ibom State, Nigeria.

ABSTRACT

This paper explains the way risks and effects can travel more quickly during recession. It characterizes economic recession as a decrease in the economic growth in Nigeria and gives possible suggestions for combating the contraction of growth and decrease in consumer spending. The economic meltdown engulfed completely in the country's economy with a varying degree of recessional impact. This paper emphasizes on the business opportunities which have so far remained untouched by the slump in the global economy but you will see the growth rates slowing down by the end of the year. The economic recession in Nigeria emerged like a thunderbolt at the instance of the negative growth rates recently released by the National Bureau of Statistics (NBS). This admission was as a result of an official declaration on the situation of the masses in Nigeria and what they have been going through for sometimes now. The present economic situation is as a result of the

Introduction:

Any company operating in a particular area, place, state or country is liable to be affected by the economy of that area in which it operates. When there is stability in economy, companies would operate effectively but when there is or when economic recession comes in, the companies operating in that area will break down, except measures are been taken by the government of that area. Example, reducing the high rate of taxation on imported goods or raw materials and reduction in the cost of raw materials. This is why

absence of a clear policy directed by the government. According to the minister of state for petroleum resources Dr. Ibe Nwachukwu as at December 2018, crude oil production was expected to increase from the level of 2 million barrels per day, to a state of 2.5 million barrels per day by the end of 2019 but statistics shows that instead of the quantity increasing, its rather reducing as it was recorded or as record has it was 1.94 million barrels per day as at January 31. In this article, some possible measures and way forward has been provided, in other words this work has conclusively shown that risk in business is of high side during recession due to the downfall in gross economic growth, and some ideological points are been released or made mentioned as a way of tackling economic recession in Nigeria and perhaps the world at large.

KEYWORDS: *Recession, Business Concept, Economics, Business Economics, Economic problems, Economic recession, Dynamics.*

Nigerians are presently calling on the government to engage in economic diversity mostly on agriculture and to establish other companies to substitute or assist the already existed companies to improve the economy of the country since companies who depended on oil money could no longer be effective. For example, the Aluminum Smelter Company of Nigeria (ALSCON) in IkotAbasi, Akwalbom State, established in 1995 with the number of workers raised to 2000 as at 1999, found it difficult to manage recession and this amounted to their downfall as at 2014 as the right measures were not taken. Also the Ajakuta steel mill which had been in a high rate of operation is no more functioning. Therefore, as recession came in, companies or many companies could no longer function effectively. Certain measures are therefore highlighted to help in sustaining the wellbeing of these companies.

MATERIALS AND METHODS

The sources of this paper are mainly drawn from secondary data, i.e. journals, textbook, newspaper, magazine and published materials. The study revealed the Mechanism and Dynamics in Business Operation during Economic Recession; Nigeria in Focus. The objective was achieved through

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the use of various epoch of satellite National Bureau of Economic Research (NBER) which give the revelation of a normal visible GDP (Gross Domestic Product) growth. Objective was further achieved by explicit detailed analysis revealed in Nigeria's Inflation Rate (Between May 2015 and May 2016) by (NBER).

BUSINESS CONCEPT

The absence of any tenable economic theory of business enterprise has resulted to the neglecting of studying what is to manage a business, what is required, what the manager is expected to do and how he should do it. Instead of theorizing ourselves, let's take a good look at the definition of a business, the conduct and characteristics of actual enterprise. There is no better illustration of what business is than to draw the conclusion from Richard Sears which states that a business enterprise is created and managed by people not by forces, However, Economic forces creates opportunities and set limits for managers actions in business. The term business means different things to different people depending on their point of view. It is therefore difficult to define since it has no clear cut meaning, it is at times applied loosely to mean or refer to commercial and manufacturing operation as distinguished from arts and profession. Business is or could also be defined as any occupation in which men are at the risk of loss; seek to make money over and above their cost by producing products or by offering services for sales or buying and selling or by selling the services of others at a profit. Generally, business is regarded as that human activity concerned with the production and distribution of goods and services in an economy.

CHARACTERISTICS OF BUSINESS

Experience has proved that not all organizations that produce goods and services are business organizations. Hence, to qualify as a business, an organization ought to possess the following characteristics:

1. Exchange must be involved
2. It must be profit-oriented

3. There must be improvement in the wellbeing of the people
4. It must be legal
5. There must be business philosophy
6. Goods and services must be provided
7. It must be recognized
8. Risk of operations must be involved

ECONOMICS

Economics is a social science concerned with the manner in which human beings and societies attempt to satisfy their unlimited and often conflicting wants by means of resources which are not only limited but also has alternative uses. The study of economics is usually approached at two levels, namely micro and macro. Analyzing their behaviors, these units are treated as though they can be isolated from the rest of the economy. Thus, when one looks at the production activity of a firm in micro-economies, however, we study aggregates total income, total output, total money supply and so on. In addition, effort is made to relate one section of the relationship among the money market, the output market and the labor market. Whatever happens in the first two markets has repercussion on the labor market and vice versa. In macro-economics, we expose the concept used in appraising government economic policies in the area of trade, finance and economic growth in general.

BUSINESS ECONOMICS

Business economic deals with the analysis and solution of problems faced in business, the major problem faced by the individuals, firms and business corporation is the problem of scarce resources among competing ends.

ECONOMIC PROBLEM

According to Leftwitch, Economic problem is concerned with the use scarce resources among alternative human wants. The major economic problem is scarcity and choice. Scarcity refers to the limited or insufficient supply of resources which are used for the satisfaction of unlimited wants.

It therefore means that the available resources is not always in abundance to satisfy human wants. Choice is the selection of want out of a number of alternative answers because of the scarcity of the resources and numerous human wants. Since all needs cannot be satisfied at the same time, choice has to be made. Human wants are unlimited; resources to satisfy human wants are scarce, the nature of human wants are such that will never come to an end. It could be seen from our daily experience that humans has to do many types of work in order to satisfy their endless wants but in spite of the best effort in one's life time, man cannot fulfill their wants. Therefore want could be define as the insatiable desire or need by humans to acquire goods and services that gives satisfaction, it could also be called ENDS.

BASIC ECONOMIC PROBLEM OF A SOCIETY

Basic economic problem refers to the problems people encounter in the society while attempting to satisfy their numerous wants with the limited resources available to them. These problems include:

1. What to produce: This problem arises as a result of the fact that humans wants are unlimited compared to the available, it is therefore very impossible to produce all human wants. It is important to allocate the available resources in order to meet the pressing needs of the people.
2. How to produce: Producers has to decide on the technique of production. There are two techniques of production which are:
 - (i) The Labor Intensive
 - (ii) The Capital Intensive

Now the question is, should more capital and less labor be used in production? The technique of production will depend on the availability of the factors of production, their relative cost and the nature of enterprise.

3. How to produce: This implies the amount or quantity the goods and services should be produced. Therefore those goods and services which are on high demand should be produced in larger quantities provided there are sufficient resources to enhance their production.

4. For whom to produce: The producers and the government has to think of the section of the society of which their production efforts should be geared to. In addition, how are the available goods and services going to be allocated among the various members of the society, in other words what proportion of the national product should go to the various individual and groups in the society.
5. Efficiency of resources used: This refers to the optimum use or combination of factors of production to achieve higher and better output at a reasonable cost. Since the resources available in the society are limited relative to their demand, it becomes a wise decision to ensure that these limited resources are efficiently used to produce the desired goods and services for the teaming population.

CAUSES OF ECONOMIC PROBLEM

1. Wants are unlimited

This means that people never gets enough, there is always something else that they would like to have. When combined with limited resources, unlimited wants results in the fundamental problem of scarcity. It could also be referred to human insatiable appetite for things. We never get enough because there is always something else that we need or want. According to seinfeld, unlimited wants essentially means that people never gets enough that there is always something else that they would like to have.

2. Differ in urgency

This is a way or point in which people or things are dissimilar; it leads to disagreement, quarrel or dispute.

3. Scarce means

This refers to the limited resources that are available in a particular time.

4. Scarcity is continuous

Scarcity refers to the basic economic problem, the gap between limited (i.e scarce) resources and theoretically limitless wants. It

also refers to the limited availability of a commodity which may be in demand in the market. It therefore involves making a sacrifice (giving something up or making a trade off) in order to obtain more of the scarce resources that is wanted.

5. Scarcity is universal

It is obvious to realize that the economic problem of scarcity is all over the globe as there is always limited resource to satisfy human wants. As far as human race is concerned, there is not a satisfactory number of resources hence scarcity is not just in Nigeria but all over the world

RECESSION

Recession is a slowdown in economic activity over a sustained period of time. It is also defined as a slump in economy of a country for a maximum of two quarters of a year. Recession according to the National Bureau of Economic Research (NBER) is also defined as a significant decline in economic activity spread across the economy lasting more than two month, normally visible in real GDP (Gross Domestic Product) growth, employment, wholesale/retail, industrial production and real personal income. Business Economics deals with the analysis and solutions of the business problems which are faced by individuals, firms, and business corporations. It is the problem of scarce resources among competing ends.

MEANING OF ECONOMIC RECESSION

Economic recession could be defined as a negative real Gross Domestic Product (GDP) growth rate for two quarters of a year. In economics, recession is a business cycle contraction when there is a general decline in economic activity. In the United Kingdom, recession is defined as two consecutive quarters of negative economic growth, as measured by the seasonal adjusted quarter of a year.

ATTRIBUTES OF RECESSION

A recession has many attributes that can occur simultaneously and includes decline in component measures of economic activity (GDP) such as consumption, investment, government spending, and net export activity.

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INFLUENCE OF RECESSION IN NIGERIA

The minister of finance, Kemi Adeosun admitted what we all feared most "Nigeria is in recession". We all learned that something was wrong since we started having a rapid increase in price of goods without the corresponding increase in purchasing power, also the slump in crude oil price prolonged. Then came the removal of subsidy, following the statement that Nigeria could no longer sustain fuel subsidy. According to limestopedia, economists have jokingly defined recession in this manner: if your neighbor gets laid off, it is a recession. Economists officially define a recession as two consecutive quarters of negative growth in Gross Domestic Product. Now all the definitions in this book are accurate because they indicate the same economic results which are:

- (i) Loss of jobs
- (ii) Slowdown in industrial production and manufacturing
- (iii) Decline in real income
- (iv) Slump in consumers spending

The impact of these broad-spectrum slowdowns on both large and small business can be very damaging and in some instances catastrophe. Some business may be affected moderately or not at all depending if the recession is mild and brief but if the recession lingers and the downturn is widespread, then all the big business firms will be affected too.

THE IMPACT OF RECESSION ON BUSINESSES

Economic recession has several impacts on all businesses regardless of its size and nearly or almost all business fall the impact of recession. There is no way of escape and as defined earlier, the root causes are universal and have planned out some strategies on trend even before the eventually of an economic recession. A set of planned out strategies aids in survival during an economic recession. Researchers carried out have been able to provide more than a handful of effective strategies that aids both small and large scale businesses for surviving an economic recession. Meanwhile a declining revenue shows up in its quarterly earnings report, the

manufacturers stock price declined, the dividends slump while some disappears entirely, the share holders became upset that the board of directors had to call for new CEO's and some senior management team. The manufacturers advertising agency were dumped and a new agency had to be called on. Some personal advertising and marketing departments stock failed. Some institutional inventors that were stock holders had to sell their stocks and reinvest the proceeds into better performing stocks. This will further depress the company stock price. Also manufacturers may cut back on living new employees, or freeze living entirely, in an effort to cut cost and improve the bottom, live the manufacturer may stop new product rollouts i.e a factor in the growth of revenue and market share. These cost-cutting efforts will impact other business both big and small, which provides the goods and services used by the big manufacturer.

CAUSES OF ECONOMIC RECESSION IN NIGERIA

1. POOR ECONOMIC PLANNING:

The implementation of economic planning is the major cause of Nigeria's current recession like budget delay and the exchange rate policy. The government has proclaimed the usual generalities that every government induces itself in above

- (i) Diversifying the economy
- (ii) Raising agricultural output
- (iii) Improving manufacturing/minding sector
- (iv) Encouraging foreign investment

Yet no concrete evidence strategies plans for growth. Also the government has taken some steps like the elimination of dollar purchase privileges for importers of 40 items such as rice, meats, soaps and textiles, wheel barrows, margarine, poultry, private planes, toothpicks and cement among others. The government has caused serious poverty in the land by itself and also widened the gap between the rich and the poor hence creating more hardship.

2. POLICY CONFLICT:

The economic policies appear conflicting. High interest rate, high tax rate are highly monetary policy measures, but the government told the public that it is adopting an expansionary policy- budget deficit.

3. HIGH INFLATION RATE:

Government banning the importation of certain essential agricultural products like rice without considering the gestation period is error. The removal of fuel subsidy shouldn't be products major causes of inflation, as it is the major speculation in stock market due to the subsidy removal, fall in the global crude oil price, deteriorating Nigeria's Exchange Rate almost the household price skyrocket.

The table below or the diagram below states the Nigeria inflation rate which currently started at 18.63% which is extremely high and is the highest for the past larger.

	May, 2015	May,2016	%	Price Elasticity
Tomato (Basket)	#12,000	#45,000	275%	Low
Pepper (Basket)	#6,000	#20,000	233%	Modulate
Yellow Garri	#11,000	#18,000	63.6%	Modulate
Rice (50kg)	#9,000	#14,500	61.1%	Low
Beans (50kg)	#15,000	#16,000	6.7%	Low
Onions (Basket)	#4,000	#10,000	150%	Modulate

A DIAGRAM SHOWING NIGERIA'S INFLATION RATE (Between May 2015 and May 2016)

4. HIGH INTEREST RATE:

Interest rate is between 26.77 – 27% and it is very high for investors. This high interest rate is discouraging the investors which were supposed to come in and invest in Nigeria. The poor investment cultivate into high rate of unemployment in the country, reduction in aggregate demand especially from the households.

5. HIGH TAXATION

It is only in Nigeria that we see government implementing a high taxation rate during economic recession, Hence small business are slaughtered with high interest rate. Both high interest and tax rate has lowered Nigeria's aggregate demand.

THE DYNAMICS OF BUSINESS OPERATIONS DURING ECONOMIC RECESSION (THE FORCE)

Dynamics is the force or processes that produce change inside a group or system. A set of planned out strategies of business operations during economic recession have been carried out and are as follows:

- Establishing a core-team with company's representatives to gain better control of the business.
- Monitor current improvement progress and business expansion.
- Undertake continuous coaching to enhance business improvements.
- Drive quick wins and follow up actions on a daily bases to build momentum and stabilize the business.
- Identify the facts and causes of any possible difficulties and amend them accordingly.
- Develop a transformation base and solid business case for effective operations on existing and new business as well for better returns.
- Establish a defined and clear action, targets and a long term goal to enable progress to be measured during a case of an economic recession.
- Shift the main focus from cost management to growth acceleration.
- Creating of conditions and platform needs to address any underlying structural uses and to facilitate long term and enhancement in business performance.
- Create lasting results by effective structural changes with adaptation in behavior and mindset.
- Purge out loopholes, looses in the business and wastage in operations.

POSSIBLE ECONOMIC PROCESSES TO END ECONOMIC RECESSION IN NIGERIA

The processes that will produce change and bring an end to economic recession in Nigeria include:

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1. REDUCTION IN TAX RATE

The levy imposed on citizens should be reduced as it would help business operations to function effectively with high taxation rate and this has lowered the economy's demand.

2. EFFECTIVE SPENDING

Government, companies and all business firms should ensure that whatever they spend their money on is monitored effectively. For example the government should ensure that the money given out for road construction is being utilized not for an individual or group of persons to carry the money into their pockets and abandon the work they should have used the money to do.

3. ENHANCE ACCESS TO CREDIT

Government should provide measures like signing of documents or things of such in order to help them in giving raw materials to industries without immediate payment in order to help the companies which were down to refine the raw materials and sell, then return the money to the government and as that happens, the companies will be able to do some savings and will be able to stand firm again with time. Also government should provide loans to individuals and firms in order to assist them to stand well and at low interest rate as this will also help the beneficiaries to be upgraded and will go a long way to raise them from grass to grace.

4. Government should increase her expenditure on skills, when this is done, there will be enough number of skilled acquisition programmes and a lot of people will learn one skill or the other in order to enable them to build up their businesses and live by themselves other than waiting for government for survival. Also those who are employed will also benefit from this as they can make some savings from it to grow their businesses as well.

5. INCREASE IN AGRICULTURAL PRODUCTS AND EXPORTS

Commercial farmers should extend their farms and also try to cultivate other products in much measure as this will help their earnings and make them richer. Government should also support in

the supply and distribution of fertilizers and pesticides to farmers. Farm produce like cocoa, oil palm, cotton, and other export materials should be produced in larger quantities in order to enhance the well being of our nation.

CONCLUSION AND RECOMMENDATIONS

The only good advantage of recession is that it curves inflation. The balancing act the government is expected to do or the best thing the government is expected to do in times of recession is to slow the economy enough to control inflation. The downturn or the fall in economy has begun to have some negative effects on the engagement levels and this is something every business should be concerned with, while the engaged employees will not make the recession disappear, they will certainly help the companies to get through it successfully, in other words, the engaged employees following the direction in this book, will help their companies to overcome recession successfully other than joining others in their downfall. Politicians and stake holders who controls the federal budgets has to try to stimulate the economy as much as possible by lowering of tax rate, spending on social programs, and ignoring the budget deficit. Economy downturns are admittedly that companies have to slash earnings and compress market share, that recourse before firms that take too long to realize what must be done or the things that must be changed. Some resourceful executives capture the ground work for tomorrow's prosperity.

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