

# IMPACT OF CHANGE IN FOREIGN TRADE POLICY TOWARD DEREGULATION OF NIGERIAN ECONOMY: A CASE STUDY OF SMALL AND MEDIUM SCALE BUSINESSES IN LAGOS STATE

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**Abstract:** Nigeria has taken up several trade deregulation policies in recent years. Many organisations developed, while some regress under these policies and this has been a major concern for all the stakeholders in Nigerian economy. In fact, in the short run, trade deregulation may be harmful to the economy, as many businesses suffer hardship and unhealthy competition from their foreign counterparts as a result of influx of foreign goods and services which render the locally made ones subject to low demands and profits. However, some economists argue that trade deregulation frequently better a lot of developed economies compare to developing economies. The research thus, investigated on impact of government foreign trade deregulation policy on Nigerian economy: A case study of Small and Medium Scale Businesses in Lagos State, Nigeria

The study used *ex-post facto* design of survey research type; sixty-five (65) small and medium scale business owners were drawn through two stage sampling procedure in Lagos State. Key Informant Interview Guide was used to gather information. The data obtained were analysed using descriptive statistics of percentage and frequency count.

The inference that can be drawn from the research is that foreign trade deregulation policy enhances economic growth. Conclusion can be made that when a government formulates policy that will cushion the effect of unhealthy rivalry from foreign trade deregulation it will promote substantial advancement in Small and Medium Scale Businesses. Therefore, government should formulate policies that will encourage the advancement of Small and Medium Scale Businesses.

**Keywords:** Deregulation, Economic growth, Trade, Policy formulation, Business.

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## 1. INTRODUCTION

Deregulation involves the removal or the reduction of trade barriers that block the free trade of goods and services between countries. It means the elimination of barriers such as tariffs, quotas, export subsidies and administrative legislations and pushes countries towards free trade. The abolition or elimination of these obstructions is frequently referred to as encouraging "free trade". In 1960 when Nigeria got political autonomy from British Colonialist, the country's economy depends purely on income from agricultural profits. In reality, planting of crops and rearing of animals was the domineering activities in the local locations of Nigeria (Tokula, Asumugha and Ibeagi, 2007:1-7). Nigeria was

eager to gain economic independence after gaining political independence in 1960 from her former colonial master. Nigeria embraced the Import Substitution Policy but trying to reduce imports, unconsciously increased the import of raw materials. In the late 1900s, the indigenization policy, meant to reduce the control foreign governance like the oil glut which had a knockout effect on enhancing Nigerian economy.

The function of Small and Medium Scale Business in the country's economy cannot be undervalue. The influence of Small and Medium Scale Businesses is noticed through the following areas: Efficient utilisation of domestic human and non-human resources, reinforcement of local area advancement, employment generation, mobilisation of domestic savings, development of entrepreneurship, encouragement of provincial equilibrium by evenly distributing investments, linkages with giant manufacturing company, stimulation of opportunity for personal-employment and creating chances for developing semi-skilled labour and managers (Raghuvanshi, Agrawal and Ghosh, 2017: 220-223).

Several developing and developed nations depend on inventiveness, risk-tasking and dynamism of Small and Medium Scale Businesses to sustain and trigger procedure of advancement in economy. In general, to influence economic growth and development, a critically imperative functions are performed by the Small and Medium Scale Businesses. Small and Medium Scale Businesses form the basis upon which the giant businesses are built on.

Nigeria is principally an open economy with foreign business deals, constituting a substantial fraction of it's total output (Onah, 2005:129-130). Enough studies have been carried out on the linkage between openness of trade management and economic growth, several studies have that there is a favourable link between trade openness and economic performance (Chesa and Yusuf, 2009: 1-2; Eke, 2008: 60-88; and Oghale, 2005: 138-152). Regardless of the advantages of trade openness that is trade deregulation, it also has its disadvantages which consist of unfavourable terms of trade, destruction of infant industries, unemployment, problem of balance of payment deficit, unhealthy competition , and economic dependence (Chaudhuri and Midkhopadhyay, 2003: 336-339).

### Statement of The Problem

Nigeria has embraced several trade deregulation policies in recent years . Trade deregulation frequently leads to an alteration in the balance of an economy. Many organisations develop, while some suffer under these policies and this has been a major concern for all the stake holders in Nigerian economy. Trade deregulation may be harmful to the economy especially in a developing country, as many businesses suffer hardship and unhealthy competitions from their foreign counterparts as a result of influx of foreign goods and services which render the locally made ones subject to low demands and also causes unemployment . Some economist argues that trade deregulation frequently better the developed economies compare to developing economies. Since, Nigeria is a developing country it seems that the country might not benefit much from trade deregulation. Therefore, the researcher investigates on impact of government foreign trade deregulation policy on Nigerian economy: A case study of Small and Medium Scale Businesses in Lagos State.

### Research Questions

Consequent to the stated problem, the study will provide answer to these questions:

- 1) Does government foreign trade deregulation policy enhance economic growth in Lagos State, Nigeria?
- 2) What is the influence of government foreign trade deregulation policy on Small and Medium Scale Businesses advancement in Lagos State, Nigeria?

## 2. METHODOLOGY

### Design

The study adopted *ex-post facto* design of survey research type. This research design was chosen because the researcher did not have control over the variables as they are inherently not manipulable.

### Population and Sample

The target population for this study comprised all small and medium scale business owners in Lagos State. The reason for this choice was that, they are in the best position to provide adequate data to the investigator about the impact of change in foreign trade policy toward deregulation of Nigerian economy. Two stage sampling procedure was used for selection of participants in the study. First, simple random sampling technique was employed to select sixty-five (65) small and

medium scale businesses that fall within the study coverage. Moreover, from each of the selected small and medium scale businesses, purposive sampling technique was adopted to select all the owners of businesses selected in the first stage, making a total of sixty-five (65) participants in all for in-depth interview.

### Instrumentation

An instrument was designed for this study. This is:

#### Key Informant Interview Guide (KIIG)

This instrument was developed by the researcher to guide the discussion process during the Key Informant Interview exercise. It was used to gather first-hand information on the impact of change in foreign trade policy toward deregulation of Nigerian economy. This guide comprised of semi structured questions, ordered in a sequential manner in order to sustain coherence in responses and assess key informant's ability to express his or her experiences over the years, in order of priority. The usefulness and validity of the guide was determined using face and content validity. These was obtained using the judgement of experts in qualitative research, in the field of social science.

#### Data Collection

The data for this study was collected by the investigator. In each of the small and medium scale business that was sampled, the researcher interacted with the participants with the aid of Key Informant Interview Guide developed by the researcher, the whole exercise lasted for six weeks.

#### Method of Data Analysis

Data collected for research questions 1 and 2 were analysed using descriptive statistics and percentage count.

### 3. RESULT

**Research Question One :** Does government foreign trade deregulation policy enhance economic growth in Lagos State, Nigeria?

**Table 1: Frequency Distribution of Respondents view on Foreign Trade Deregulation Policy enhancing Economic Growth**

Items	Yes	No
In your own opinion, can you conclude that foreign trade deregulation policy increases Gross Domestic Product?	52 (80%)	13 (20%)
Has trade deregulation policy increases access to foreign cheap raw materials?	28 (43%)	37 (57%)
Do you think foreign trade deregulation stimulate innovation in small and medium scale business in Lagos state?	53 (83%)	11 (11%)
Does foreign trade deregulation augment market for domestic product?	46 (71%)	19 (29%)

Table 1 showed that 52 (80%) of the participants which represented the majority were of the opinion that foreign trade deregulation policy increases Gross Domestic Product . Whereas, 13 (20%) disagreed to this fact. Similarly, 37 (57%) of the participants disagreed and 28 (43%) of the participants agreed that trade deregulation policy increases access to foreign cheap raw materials. Moreover, 53 (83%) of the participants agreed and 11 (11%) of the participants disagreed that foreign trade deregulation stimulate innovation in Small and Medium Scale Businesses. Besides, 46 (71%) of the participants agreed and 19 (29%) of the participants disagreed that foreign trade deregulation augment market for domestic product. The responses of the participants reveal that foreign trade deregulation policy enhance economic growth in Lagos State.

**Research Question Two:** What is the influence of government foreign trade deregulation policy on Small and Medium Scale Businesses in Lagos State, Nigeria?

**Table 2: Frequency Distribution of Respondents view on the Influence of Government Foreign Trade Deregulation Policy on Small and Medium Scale Businesses**

Items	Yes	No
Do you agree to the fact that foreign trade deregulation promote serious setback in small and medium scale business?	9 (13.4%)	56 (86.6%)
Does foreign trade deregulation engender dumping effect in Lagos State?	28 (43%)	37 (57%)
Does foreign trade deregulation reduce the demand for small and medium scale business goods and services?	20 (31%)	45 (69%)

Table 2 showed that 56 (86.6%) of the participants which represented the majority were of the opinion that foreign trade deregulation does not promote serious setbacks in small and medium scale business 9 (13.4%) agreed to this fact. Similarly, 37 (57%) of the participants disagreed and 28 (43%) of the participants agreed that foreign trade deregulation policy engender dumping effect. Likewise, 45 (69%) of the participants disagreed and 20 (31%) of the participants agreed that foreign trade deregulation policy reduce the demand for small and medium scale business goods and services. Deducing from the responses of the participants it was observed that foreign trade deregulation policy generally has a positive effect on Small and Medium Scale Businesses advancement in Lagos State.

#### 4. DISCUSSION OF FINDINGS

The findings from this study revealed the fact that foreign trade deregulation policy generally has a positive effect on Small and Medium Scale Businesses in Lagos State, though there have been some problems with unhealthy competitions from their foreign counterparts, it also shows the implementation of deregulation policy can be vastly improved on to make easy access to import cheap raw materials. Resulting from the findings of the study, it was observed that foreign trade deregulation policy enhances economic growth. Also, the study revealed that despite the poor to average implementation of the policy, foreign trade deregulation policy generally has a positive effect on Small and Medium Scale Businesses advancement and a lot of improvements can be made on its full and effective implementation and make sure it applies to all businesses regardless of sector. Deregulation of the economy is one of such public steps that government can adopt to improve the performance of the economy since, no economy can operate in isolation because of unequal distribution of raw materials by nature. Deregulation is an official or specified decisions of state bodies or strategic procedure employed by state or government agents to improve availability of necessary goods and services.

The researcher therefore, submitted that when government formulate policy that will curbs the effect of unhealthy rivalry owing from foreign trade deregulation it will promote substantial advancement in Small and Medium Scale Businesses.

#### 5. RECOMMENDATIONS

The findings summarised above necessitate recommendations for stakeholders in education sector. Therefore, the following recommendations were made.

- [1] Government should ensure effective implementation of deregulation policies that will encourage the advancement of Small and Medium Scale Businesses especially with ease of importations of raw materials and clearing of goods.
- [2] Government should establish anti-competition law to protect infant Small and Medium Scale Businesses within the economy to protect them from their foreign counterparts.
- [3] The policy makers should as a matter of urgency assist prospective entrepreneurs to have access to finance and necessity information relating to business opportunities, modern technology, raw materials, market, plant and machinery which would enable them to reduce their operating cost and be more efficient to meet the market competitions.
- [4] Capacity building in these enterprises especially medium scale business should be given a high priority by the policy makers in their economic development policies.

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