

**BUSINESS ENVIRONMENT AND FIRM PERFORMANCE IN NIGERIA**

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**BY**

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**SEPTEMBER, 2021**

## **ACCEPTANCE**

This is to attest that this dissertation is accepted in partial fulfilment of the requirements for the award of the degree of Master of Science in Economics in the Department of Economics, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria.

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## **DECLARATION**

I, **MAIJEH, PAUL-DAVID CHUKWUEBUKA (13AF014945)** declares that this research was carried out by me under supervision of Professor Isaiah Olurinola of the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota, Nigeria. I attest that the dissertation has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this dissertation are duly acknowledged.

**MAIJEH, PAUL-DAVID CHUKWUEBUKA**

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**Signature & Date**

## **CERTIFICATION**

We certify that this dissertation titled “**BUSINESS ENVIRONMENT AND FIRM PERFORMANCE IN NIGERIA**” is an original research work carried out by **MAIJEH, PAUL-DAVID CHUKWUEBUKA (13AF014945)** in the Department of Economics and Development Studies, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria, under the supervision of Professor Isaiah Olurinola. We have examined and found this work acceptable as part of the requirement for the award of Master of Science, Economics.

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## **DEDICATION**

This dissertation is dedicated to the Almighty God. It is also dedicated to my parents, who have always supported and prayed for me.

## **ACKNOWLEDGEMENT**

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## **LIST OF ABBREVIATIONS**

**ATE:** Average Treatment Effect

**ATT:** Average Treatment Effect on the Treated

**ATU:** Average Treatment Effect on the Untreated

**CAPU:** Capacity Utilisation

**CPIA:** Country Policy Institutional Assessment

**EBECI:** External Business Environment Constraint Index

**EDB:** Ease of Doing Business

**EG:** Employment Growth

**FDI:** Foreign Direct Investment

**FMCG:** Fast-Moving Consumer Goods

**FPI:** Foreign Portfolio Investment

**GDP:** Gross Domestic Product

**ICRC:** Infrastructure Concession Regulatory Commission

**LDC:** Least Developing Countries

**MENA:** Middle East and North Africa

**NCR:** National Collateral Registry

**NERC:** Nigerian Electricity Regulatory Commission

**NGF:** Nigerian Governor's Forum

**NNM:** Nearest Neighbour Matching

**OLS:** Ordinary Least Squares

**PCA:** Principal Component Analysis

**PEBEC:** Presidential Enabling Business Environment Council

**PSM:** Propensity Score Matching



**SDG:** Sustainable Development Goals

**SME:** Small and Medium Enterprises

**SSA:** Sub Saharan Africa

**TSA:** Treasury Single Account

**VIF:** Variance Inflation Factor

**WBES:** World Bank Enterprise Survey

## ABSTRACT

The business environment remains an important determinant of economic growth and prosperity in any economy as a result of its impact on the real sector. Hence, understanding its influence and impact, as well as studying the usefulness of policy remains sacrosanct. The study therefore examines the impact of business environments on firm performance in Nigeria across various levels of firm characteristics. The study utilises the 2014 World Bank Enterprise Survey (WBES) for Nigeria to measure the business environment, firm characteristics as well as firm performance. To measure the business environment, the study utilises an indexation methodology for the top six business environment obstacles experienced by firms, and employment growth and capacity utilisation to measure the performance of firms. Consequently, utilising the OLS estimation technique the study finds business environment obstacles to have a negative effect on firm performance, across varying levels of firm characteristics. Subsequent diagnostics tests such as the LINK test and VIF show that the model does not suffer from selection bias and multicollinearity. Furthermore, employing the PSM technique to evaluate the impact of the business environment on firm performance, the study finds that firms who experienced electricity, access to finance and corruption as a moderate to very severe obstacle performed significantly worse than firms who experienced otherwise, across varying levels of firm characteristics such as the firm sector, ownership and location. The findings provide the Nigerian government as well as relevant agencies policy implications to improve business environments and reduce obstacles to the barest minimum. In sum, improving electricity supply and delivery, increasing channels for access to credit and finance, as well as curbing corruption and bribery to the barest minimum will improve the performance of the firms, hence the real sector, and consequently improve economic growth and prosperity.

**Key Words:** Business Environment, Business Obstacles, Firm Performance, Employment Growth, Capacity Utilisation and Propensity Score Matching.