Driver of Economic Growth in Nigeria: Race between Small and Medium Scale Enterprises & Multinational Companies in Nigeria

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Abstract

The study empirically examined the Drivers of Economic Growth in Nigeria: Race between Small and Medium Scale Enterprises and Multinational Companies in Nigeria. Longitudinal research design was employed and secondary data were sourced through the CBN Annual Bulletin (2007– 2018). Least square regression was used to establish the impact and relationship among the variables measured. The study found that both drivers of economic growth Small and Medium Scale Enterprises and Multinational Companies have a positive impact on the economic growth of Nigeria. It also revealed that Multinational Company has contributed more to economic growth than Small and Medium Scale Enterprises due to strong financial base and strong market base. The study recommends that; government should continue to provide enabling environment for business activities to strive to cushion the effect of poverty; Small and Medium Enterprises should be given adequate support to have more access to more funds and consistent training for the SMEs owners, and the government should also embark on the campaign for the use of the locally produced product by restricting the importation of goods and consumption of the foreign product which will naturally expand the market base for SMEs and allow more Foreign Direct Investments in Nigeria.

Key words: *Small Medium Enterprise (SME), Multinational Corporation (MNC), Capital Formation, Business, Organization, Gross Domestic Product, Economic growth.*

Introduction

Small and Medium Scale Enterprises (SMEs) and Multinational companies have been the driving force for industrial development and economic growth of any nation (Akingunola 2011; Muller et al. 2014; OECD 2014; Ngui 2014; Tirimba & Macharia 2014; Karadag 2016, Myslimi & Kaçani 2016; Ewubare & Udofia

2018; Bello, Jibir & Ahmed, 2018: Obi et al. 2018; Nwonu et al. 2019). SMEs has been perceived as the key to Nigeria's economic growth, poverty alleviation and employment generation and potent driving force for the industrially grown deed, overall economic development especially in Nigeria where most of the firms are SMEs (Kongolo 2010; Bakare & Babatunde 2014; Imoisi & Ephraim 2015; Bello, Jibir & Ahmed, 2018; Obi et al, 2018). Obi et al. (2018) and Karadag (2016) observed that the development of small and medium enterprises (SME's) should be seen as attempts towards the achievement of a wider economic and socio-economic objective, including poverty alleviation. It is binding on the government globally to ensure that environment is enabled to expand the industrial sector capacities for sustainable growth especially in an emerging economy like Nigeria. With the growth of SMEs, Bello, Jibir and Ahmed (2018) and Imoisi and Ephraim (2015) believed that the Nigerian economy will have the potential of being competitive in the global market with recognition of these potential roles of SMEs.

Multinational Companies MNCs are an international affiliated organization with healthier and stronger financial capacity when compared with SMEs because they do get succour and support from their parent companies or technical partners overseas. Multinational Corporations are believed to facilitate the speedy transformation of hitherto underdeveloped economies to a developed one by transferring not only capital but technology and personnel. In a similar study credited to Williams et al. (2017); Hansen, Pedersen and Petersen (2007) described MNCs with the capacity to inducing mutual relationships between the two or more economies entrench through the backward and forward linkages across the industries to improve productivity. The growth and rise of Multinational Corporations to prominence, especially after the Second World War, was occasioned by the promises of a faster developmental rate to the developing countries. Studies have found the positive relationship between multinational corporation foreign direct investments and economic growth in Nigeria (Bakare 2010; Okon, Augustine & Chuku, 2012; Akiri, Vehe & Ijuo, 2016; Ewubare & Udofia 2018; Nwonu et al. 2019).

Although MNCs are financially stronger and healthier with cross border base compare to SMEs, many research studies have found out that SMEs seem to provide more of economic development and employment opportunities in the countries of the world. Rowe (2008) found that the UK economy is 99 % SMEs, so out of the 4.8 million UK businesses, less than 1% is large corporations i.e. over 250 employees. In South Korea, a study by Lee (2000) showed that SMEs contributed to almost 70% of the entire employment rate along with 46% of the entire production capacity. Whereas, Abdullah (2000) found the contributions of SMEs in the Malaysian manufacturing industry to about 48%. There are about 118,648 SMEs in Thailand representing around 98% of total firms in the manufacturing sector (Suthiphand 2000). China is fast becoming the largest economies in the world and SMEs are the key element in China's economy accounting for 99% of a total number of firms and about 70% of overall employment (Tang 2007). Karadag (2016); Muller et al. (2014); OECD (2014); and Ayyagari et al. (2007) found out in the World Bank Policy Research Working Paper that SMEs contribute 60% of GDP and over 65% of total employment in high-income countries while they contribute over 95% of total employment and about 70% of GDP in middle-income countries. This makes this study essential for more investigations on contributions of SMEs to economic growth in the developing countries especially in Nigeria and sub- Saharan Africa.

The uniqueness of small and medium scale enterprises (SMEs) from the larger enterprises (MNCs) can be attributed to the high entry and exit rates and their flexibility relative to the latter. SMEs are highly valued, especially in developing economies, for many reasons. Karadag (2016) and OECD (2014) described one reason that SMEs attain a balanced level of efficiency when all factors are pooling together including capital produces more than big companies. Selase and Worlanyo (2018) suggest that one of the noteworthy distinctiveness of a prosperous and emergent economy is a booming and blooming Small and Medium Enterprises (SMEs) sector. Selase and Worlanyo (2018) also see SMEs as responsible for a larger percentage of the manufacturing sector in sub-Saharan Africa. However, several researchers have studied on SMEs and MNCs. Some of these do not explain the reasons for the multiplicity of SMEs against MNCs they, however, presented their common special features like the existence of management, ownership, organization size, mode of operations but fail to capture many other factors associated with the prevalence of SMEs over MNCs. This view warrants empirical investigation on the diverse impact of both the MNCs and SMEs on economic growth in Nigeria

The study looked beyond the common features of SMEs and MNCs which are the focus of many of the research works in the past. This study is to capture whether or not the Small and Medium Enterprises has a significant impact on the economic growth of Nigeria between 2007-2018; also, to investigate whether or not Multinational Companies (MNCs) contribute significantly to the economic growth of Nigeria between 2007-2018, and lastly investigate whether or not the Drivers of Economic Growth have a diverse impact on the economic growth of Nigeria between 2007-2018 being the gaps existing in this study. Apart from this introductory aspect, the other parts of this study are split into four. Section two review of available literature as section three presents the methodology to aid analysis while section four focuses on the discussion of findings. Section five concluded and provided useful recommendations on the study and further studies.

Objectives of the Study

The study seeks to:

i. examine the significant impact of Small and Medium Enterprises (SMEs) on the Economic growth of Nigeria between 2007 – 2018
ii. examine the significant impact of Multinational Companies (MNCs) on the Economic growth of Nigeria between 2007 – 2018
iii. investigate the diverse impact of drivers of economic growth have on the economic growth of Nigeria between 2007-2018

Hypothesis of the Study

H_0: Drivers of Economic Growth does not have a diverse impact on the economic growth of Nigeria between 2007-2018

Literature Review

National Council of Industries in Nigeria described Small and Medium Enterprises (SMEs) an entity whose have the following formations with total costs is below (N200, 000,000.00) only (excluding land and working capital), and many employees of not less than 10 and not exceeding 300 persons (Onugu 2005; Inegbenebor 2006). In the report credited to Dalberg (2011) contends that the definition of Small and Medium Scale Enterprises varies according to the context, author and countries. Dalberg (2011) define SMEs on three features which include headcount, sales or assets across the Organisations and countries. In the report, for example, World Bank considers SMEs having between 10 to 300 employees with $15 million and $15 million for assets and annual revenue respectively but the Inter-American Development Bank considers SMEs having a maximum of 100 employees with not more than $3 million annual revenue while Egypt considers between 5-50 employees. In a country such as the USA, Britain and Canada, small scale business is defined in terms of annual turnover and the number of paid employees (Ekpeyong & Nyang 1992). In Britain for example, small scale business is conceived as that industry with an annual turnover of 2 million pounds or less with fewer than 200 paid employees.

One distinguishing feature of Nigeria SMEs relates to its ownership structure or base, which largely revolves around a key man or family. Therefore, ownership base of SMEs commonly a one-man business which ascribed with family ties or through the partnership formation which made it a limited liability company as a result risk involve but of easy registration. Other features are; Labour-intensive production processes, Concentration of management on the key man, Limited access to long term funds, High cost of funds as a result of high-interest rates and bank charges, Transience rate is high particularly within their first five years, few or no economies of scale benefits, lack of advanced managerial skills by the owners or inability to recruit for high skilled labour, quality of product and output is low, No Research and Development programme as well as absence training and development for employees, Poor documentation of policy, strategy, financials, plans, info, systems, Low entrepreneurial skills, inadequate educational or technical background, Lack of adequate financial record keeping, Poor Capital structure, Inefficient technology especially as it relates to processing, preservation and storage, Lack of access to the international market, Lack of succession plan and Poor access to vital information (Onugu 2005; Bakare & Babatunde 2014). In Nigeria, the government has also, in August 2003, set up the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), whose primary responsibility is to oversee the activities of SMEs

The Nature of MNCs

Several terms have been coined to describe organizations that operate in several countries: multinational, global, international or transnational organizations. These various definitions intend to distinguish organizations by their organizational structure, their international business activities, or according to their stage of internationalization. This paper uses the term "Multinational Corporation" since it is the most commonly-used term within literature and can be regarded more or less as a collective term for organizations operating across borders. Multinational Corporations (MNCs) is a large corporation which both produces and sells goods or services in various countries. Some studies have found a positive relationship between multinational corporation foreign direct investments and economic growth in Nigeria (Bakare 2010; Okon, Augustine & Chuku, 2012; Nwonu et al. 2019). Ewubare and Udofia (2018); Akinlo (2004); Aseidu (2003); Ayanwale and Bamire (2001) found that there is a positive relationship between multinational direct investment and economic growth in Nigeria. Akiri, Vehe and Ijuo (2016) and Bakare (2010) empirically found a positive relationship between MNC direct investment and economic growth in Nigeria. However, studies were done by Dinh et al. (2019); Alabi (2019); and Adelegan (2000) using an unrelated regression model, found a negative relationship between MNC foreign direct investment and output growth in the Nigerian economy. Therefore, it becomes imperative that the impact of the multinational oil corporation direct investment in the Nigerian economy must be isolated to test whether the relationship is positive or negative.

Theories of Economic Growth

Endogenous growth theory is a new milestone posits that technology advancement, an innovation that is generated through internal means especially on the investment of human capital and technological driven. The theory believes that real Gross Domestic Product (GDP) per person of any country will increase base on the ability of people to pursue their desire through government provisions of enabling environment that drives innovation. The theory assumes that the long-run growth rate of for any thriving economy will depend largely on knowledge-based that will promote economic growth through vast investment in the education and research and development (R&D).

Harrod–Domar Model was developed by two prominent researchers Roy Harrod and Evsey Domar. It is described as the forerunner to the exogenous growth model to explain an economy's growth rate in terms of the level of saving and of capital. It suggests that there is no natural reason for an economy to have balanced growth but largely depends on the quantity of labour and capital; more investment leads to capital accumulation, which generates economic growth and therefore describe three kinds of growth: warranted growth, actual growth and the natural rate of growth. The model further explains that; the warranted growth rate is the rate of growth at which the economy does not expand indefinitely or go into recession actual growth is the real rate increase in a country's GDP per year while Natural growth is the growth an economy requires to maintain full employment.

This model implies that the efficiency and economic growth of a country largely dependent on the will to increase saving and investment through technological advancement. It also points out that having abundant labour supply with little cash flow and investment will slow the economic growth especially in the less developed countries

Solow–Swan model is a long-run economic growth that is set within the framework of neo-classical looking at capital accumulation. Labour or population growth, increases in productivity, commonly referred to as technological progress. The model is an improved model to Harrod- Domar with the inclusion of productivity growth where labour was added as a factor of production and capital-output ratios that are not fixed like in the case of the previous model which permit increasing capital intensity to be distinguished from technological progress.

The solo theory assumes that capital accumulation is prone to diminishing in return when;

i. Labour stock is fixed and the output reduction will set in
ii. There is no technological progression then the depreciation prevails and economic growth is stunted
iii. non-zero rates of labour growth in the short run still attract no economic growth per-capital
iv. non-zero technological progress also attracts constant output per worker-hour required for a unit of output.

The model presumes that through technological progression, a country can have stable economic growth, in the long run, shifting from saving and population growth as posited by H.D. Model. In essence, Solow Model belief the developing nations can grow faster through the convergence of economies which could be derived from initiating a viable trade policy with other countries through Direct Investment and Franchise to have a share of trade and know-how, good educational policy for an improved human capital through and sustainable institutional arrangement.

This study is anchored on the **Solow–Swan model** of economic growth with the assumption that growth of any nation could be achieved through capital accumulation where labour or population growth is not static, increases in productivity, as well as the technological progress. Therefore, the study ascribes that drivers of economic growth are based on the improvement in the local contents which will be open to global competition and increase in the exportation through SMEs expansion and allow Foreign Direct Investment to complement domestic knowledge-based transfer which will guarantee long term economic growth and development, especially in developing nations.

Empirical Studies

Bello, Jibir and Ahmed (2018) examined the impact of small and medium scale enterprises on the economic growth of Nigeria. The study employed time series data covering between 1986 and 2016 from the yearly statistical bulletin published by the Central Bank of Nigeria (CBN) where regression analysis was used for interpretation and analysis of the data collected for the study. The study revealed a positive and significant relationship between SMEs and output of economic growth showing that SMEs in Nigeria make contributes immensely Nigerian economy. The study recommends that government should formulate new economic policy to restrict massive importation of foreign goods especially those goods that the SMEs can produce locally to protect the local producers against the competition with foreign firms. Efforts should also be made to ensure that adequate infrastructural facilities are in place for proper operation of SMEs in the country.

Ewubare and Udofia (2018) examined the impact of Multinational Corporation and economic growth in Nigeria. The study was anchored on the quantitative research using secondary data obtained from the CBN statistical bulletin and National Office for Technology Acquisition ion and Promotion (NOTAP) between 1985 to 2015. The study also employed econometric tools through the use of unit root test and granger causality techniques for analysis. The results show that Multinational Corporation in oil and agricultural sectors impact on economic growth, while Multinational Corporation in the service sector has a lean impact on economic growth. The study recommends that there is a need for government to entice more of multinational firms in both oil and agricultural sectors to gain the advantage of technology transfer to Nigeria and also improve on indigenous technology.

Myslimi and Kaçani (2016) examined the impact of SMEs in economic growth in Albania. The study employed the causal research design with the use of secondary data between the period of 1995-2015 to analyse the impact of SMEs on the Gross Domestic Product (GDP). The study employed regression analysis and Diagnostic tests and adaptability of the model through the process of EVIEWs statistical package. The study found that SMEs in Albania influenced economic growth but large enterprises or Multinational Companies (MNCs) have a greater impact on economic growth than micro-enterprises.

Akiri, Vehe and Ijuo (2016). Empirically investigate the impact of foreign direct investment on the growth of the Nigerian economy over the period, 1981-2014. The quantitative research design was applied with the use of generating data from the secondary source from the statistical bulletin of Central Bank of Nigeria and National Bureau of Statistics of the following data foreign direct investment (FDI), government capital expenditure (GCE), exchange rate (EXR), interest rate (IR) and growth domestic product (GDP). The study employed econometric tools of unit root test, co-integration and error correction model for statistical analysis. The study revealed that FDI has a significant positive impact on Nigeria economic growth. Also found a negative impact of GCE on growth. It was recommended that the government should enhance enabling business environment to attract MNCs direct investment which will stimulate economic growth in the long run

Ngui (2014) examined the role of SMEs in economic development and employment creation in the selected countries. The study reviewed the empirical studies on the meaning and definitions, economic development and employment creation in the selected countries. The study affirms that SMEs play a significant role in the development and growth of various economies and vital for world prosperity. It also found that SMEs are the largest employers and greatest creators of wealth across the world through job and wealth creation SMEs help alleviate poverty which in turn has a positive effect on the fight against diseases. The government needs to provide an enabling and conducive business environment for all businesses, big and small.

Safiriyu and Njogo (2012), investigated the impact of small and medium scale enterprises on employment generation in Lagos State, Nigeria. The study is survey research design through primary data where the usage of both questionnaire and interviews were employed to gather information from the respondents. The results of simple percentages and chi-Square (X2) tests conducted show that small and medium scale enterprises and sustainable development of Nigerian economy are positively related, just as promotion of SMEs and improvements in employment generation are positively related and significant. Availability of finance has been widely viewed as a constraint to the growth of SMEs.

Akingunola (2011) assessed the specific financing options available to SMEs in Nigeria and their contribution to economic growth performance. Spearman's Rho correlation was employed to determine the relationship between SMEs financing and investment level. At 10 per cent level of significance, the Rho value of 0.643 indicated a significant and positive relationship between SMEs financing and economic growth in Nigeria.

Oluba (2009) in his study on the contribution of SMEs to gross economic productivity and employment and other economic development parameters in Nigeria posited that about 8.4million SMEs are operating in Nigeria with enterprises comprise 80 per cent of the total number (about 1.3 million), small business constituting 15 per cent (around 420,000) (Oluba, 2009). In terms of SMEs contribution to national output in Nigeria. It has been reported that the SMEs, by revenue, contributes about 75 per cent all entrepreneurial activities that make up Nigeria's gross domestic output, 21 per cent within the -enterprises while 4% belong to the large complex organizations. It is also scored high in entrepreneurial dominance because of its potential in pooling skilled and semi-skilled workers. The study recommends that the government should create enabling environment for SMEs to increase the capacity to deliver the untapped opportunities which guarantee improved contributions to Nigeria economic growth.

Bakare (2010) using an empirical analysis found a positive relationship between MNC direct investment and economic growth in Nigeria. Bakare (2010); Akinlo (2004); Aseidu (2003); Ayanwale and Bamire (2001); and Obinna (1983) found that there is a positive relationship between multinational direct investment and economic growth in Nigeria. However, studies were done by Dinh et al. (2019); Alabi (2019); and Adelegan (2000) and using an unrelated regression model, found a negative relationship between MNC foreign direct investment and output growth in the Nigerian economy.

Methodology

The study used a longitudinal research design where the data related to both independent and dependent variable were sourced through the secondary source for collection as well as statistical analysis. Secondary data entails the proactive seeking of existing data in both qualitative and quantitative research. Secondary data were sourced through the CBN annual statistical bulletin (2007 – 2018) to assess the driver of economic growth in Nigeria between Small and Medium Scale Enterprises & Multinational Companies. The data extracted were; Gross Domestic Product, Inflation, SMEs contribution to GDP, MNCs contribution to GDP and MNC Real Gross Domestic Product.

The recent developed econometric techniques of integration and error correlation model (ECM) which was found to be adequate for handling economic data particularly in developing countries analysis. If two or more variables are found to be co-integrated, they exhibit a long-run relationship. Then, there must exist an associated Error Correlation Model (ECM) according to Engel and Granger (1987). The ECM is built and regressed using the least squared regression method.

Model Specification

$Y = = \beta_0 + \beta_1 x + U$. Where;

Y= Level of Economic Growth

Level of Economic Growth = Gross Domestic Product (GDP), Inflation

X_1 = Small Medium Enterprises (SMEV Contribution of Agro-allied and Non-Agro-allied business)

X_2 = Multi-National Companies (MNCV contribution of Multinational Companies)

U = Stochastic Error Term

GDP= β_0 + β_{01} SMEV + U……………………..…………………………i

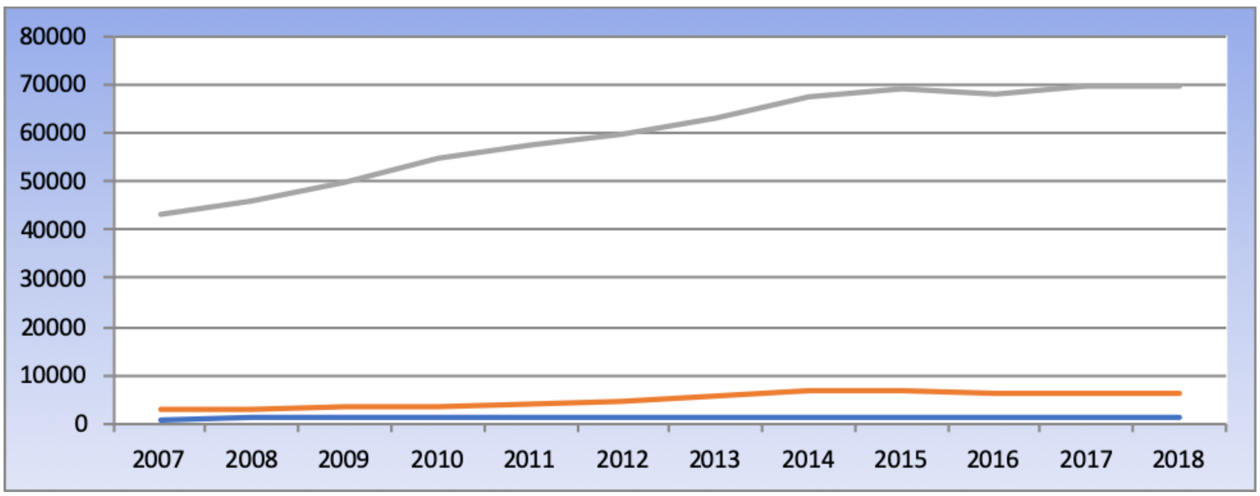
GDP= β_0 + β_{01} MNCV + U…………………………………………….....ii

Putting the Model together: Combine i & ii to form equation iii.

GDP= β_0 + β_{01} SMEV + β_{02} MNCV + U

Where β_0, β_1, and β_2 are parameters, GDP $_{t-1}$ = β_0 + β_1 SMEVs$_{t-1}$ + β_3 MNCV$_{t-1}$ + U

Results and Discussion



SMEs MNCs RGDP

Fig 1. The contributions of SMEs and MNCs to Economic growth in Nigeria (2007-2018)

Source: Authors' computation, (2019).

Figure 1 symbolizes that the real movement of gross domestic product is propelled by the two factors under consideration that is SME and MNC. The contribution of the multinational company is higher than that of small and medium business. Since both lines move above the zero region, then it shows that they contribute positively toward the economic growth of the country.

Testing of Hypothesis

H0: Drivers of Economic Growth does not have a diverse impact on the economic growth of Nigeria.

Table1: Results of the Stationary Test (Unit Root Test)

Variables at ADF Test	Mackinnon Critical Value at 1%	Order of

			Integration
LRGDP	-6.079901	-4.3382	1 (2)
LSMEV	-5.009876	-3.6959	1 (2)
LMNCV	-5.983228	-3.6959	1 (2)

Source: Authors' computation, (2019)
Note: 1(2) indicates variables that are stationary at the second difference. The table shows the stationary level of the variables.

H0: Hypothesis One: Drivers of Economic Growth does not have a diverse impact on the economic growth of Nigeria.

Table 2 Regression analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	123.5863	1.487040	12.04250	0.0000
LOGMNCV	0.210255	0.067993	4.153476	0.0023
LOGSMEV	0.18767	0.063270	2.820782	0.0049

R-squared	0.559731	Mean dependent var	16.41097
Adjusted R-squared	0.538380	S.D. dependent var	0.283520
S.E. of regression	0.186038	Durbin-Watson stat	1.988716
Sum squared resid	2.145827		
Log-likelihood	19.41233		
F-statistic	26.16799		
Prob(F-statistic)	0.000000		

Source: Authors' Computation (2019) using E-views 7

The table above indicates that drivers of economic growth (MNComV and SMEntV) have a diverse impact and positive interaction on the economic growth of Nigeria within 2007-2018. The result shows that a per cent increase in Multinational Companies in Nigeria caused Gross Domestic Product to increase by 0.21%. This relationship between the MNComV and GDP is statistical significance at 5% level of significance. The calculated t-statistics (4.15) is greater than the critical t-statistics (2.20). Therefore, there is a statistical significance positive impact between MNCom and GDP in the country.

More also, a percentage increases in small and medium business will result in about a 0.18% increase in the gross domestic product in the country over the next period. The t-calculated is 2.82 while t-tabulated is 2.20. Since the t-calculated is greater than t-tabulated, there is a statistically significant positive interaction between SMEs and GDP. Therefore, SMEs have a diverse impact on the economic growth of Nigeria (Gross Domestic Product).

The result of the R-squared showed that the model has a good fit as shown with 0.559 which implies that SMEs and MNCom account for about 56% systematic variation in the real gross domestic product of the country while the remaining 44% are other factors which affect the GDP but were not captured in the model but represented with the error term. Even after adjusting with the degree of freedom, the adjusted R-squared showed that the model still has a good fit of 0.538 approximately about 54% systematic variation in the Gross Domestic Product of the country.

F- Test (Overall Significance): The result of F-calculated is (26.16) while the F-tabulated is (4.35) since the F-calculated is greater than the F-tabulated, it is an indication that there is joint statistical significance impact and that small business and multinational companies drive the growth of the Gross Domestic Product, as shown with low probability value at 5% level of significance. This implies that liquidity management, debtor's turnover and credit policy have a significant impact on the return on asset. The value of Durbin Watson statistics close or Approximately two (1.988). This is evidence that there is no presence of positive autocorrelation in the model. The study observed a diverse impact on the economic growth of Nigeria from the variables captured. Therefore, the study rejects the null hypothesis that drivers of economic growth do not have a diverse impact on gross domestic product in Nigeria.

Discussion of Research Findings

The findings from this study arising from the investigation of Driver of Economic Growth in Nigeria: Race between Small and Medium Scale Enterprises & Multinational Companies in Nigeria. As noted in the study, both the Small and Medium Scale Enterprises and Multinational Companies in Nigeria are truly determined the Economic Growth in Nigeria between 2007-2018 and from the above result, the finding reveals three major hypotheses tested.

The first finding arises from objective one (1) revealed that Small and Medium Scale Enterprises (SMEs) has a positive impact on the economic growth of Nigeria between 2007-2018. The SMEs contribute 26% to the Nigeria GDP between the selected years while other factors responsible for the remaining GDP. This finding corroborates with the previous studies of Bello, Jibir and Ahmed (2018); Obi et al, (2018); Karadag, (2016); Myslimi and Kaçani (2016); Safiriyu and Njogo (2012); Akingunola (2011); Aremu and Adeyemi (2011); and Oluba (2009) showed the positive impact but minimal to the Gross Domestic Product (GDP) as a result of various challenges the SMEs are facing which include little access to finance, fair managerial competence, access to infrastructural facilities, fairly capital formation, less access to the global market to mention in view contributes to the lesser impact of SMEs in Nigeria.

Another finding from the study revealed that Multinational Companies (MNCs) has a significant impact on the economic growth of Nigeria. The result showed that the Multinational Companies (MNCs) contribute 42% of all predictors of Gross Domestic Product which is huge and that the presence of MNCs having multiply effect on the economic growth between 2007-2018. The result is in line with the earlier literature Nwonu et al. (2019), Ewubare and Udofia (2018); Myslimi and Kaçani (2016); Akiri, Vehe and Ijuo (2016); Bakare (2010); Akinlo (2004); and Aseidu (2003) found that there is a positive relationship between multinational direct investment and economic growth in Nigeria.

The third finding revealed that the drivers of economic growth have a diverse impact on the economic growth of Nigeria within 2007-2018. The result has shown the variance in the contribution of the drivers of economic growth where the Multinational Company contribute 42% to the Gross Domestic Product which is more than the contribution of Small and Medium Enterprises with the contribution of 26% to the economic growth in Nigeria. The diverse impact of the variables where Multinational Company has more contributions to economic growth is determined by having access to strong capital formation, corporate governance, support from their parent companies or technical partners overseas compared to the Small and Medium Enterprises.

Conclusion and Recommendations

The study empirically examined the Drivers of Economic Growth in Nigeria: Race between Small and Medium Scale Enterprises and Multinational Companies in Nigeria. Secondary data were sourced through the CBN annual statistical bulletin (2007– 2018) to assess the driver of economic growth in Nigeria between Small and Medium Scale Enterprises & Multinational Companies where least square regression analysis and t-test statistics were used in testing whether the variables captured drive economic growth of the country. The study concludes that both drivers of economic growth (Small and Medium Scale Enterprises (SMEs) and Multinational Companies (MNCs)) have a positive impact on the economic growth of Nigeria. It also concludes that Multinational Company has diverse and more contributions to economic growth than Small and Medium Scale Enterprises (SMEs) due to strong financial base, corporate governance presence, global spread through technical partners support and strong market base. The study recommends that; government should continue to provide enabling environment for business activities to strive to cushion the effect of poverty and employment in the land; Small and Medium Enterprises (SMEs) should be given adequate support to have more access to more funds, consistent training for the owners of SMEs, easy registration and access to global markets; and the government should also embark on the campaign for the use of the locally produced product by restricting the importation of goods and consumption of the foreign product which will naturally expand the market base for SMEs and allow more Foreign Direct Investments in Nigeria to reduce the rate of unemployment and improve our exchange rate where the contribution of the drivers of economic growth to Gross Domestic Product (GDP) will be increased.

Contribution to Knowledge and Further Studies

Most of the previous studies in both developed and developing countries measured each driver of economic separately either to look at the impact of SMEs on the economic growth or the impact of Multinational Companies especially through Foreign Direct Investments. The current study embarked on comparing the contributions between the SMEs and MNCs on economic growth between 2007- 2018 using longitudinal research design, least square regression and t-test statistics were used to establish the diverse impact of the SMEs and MNC on economic growth. This study looks at the joint impact and diverse contribution of SME and MNC on economic growth in Nigeria as a developing country. Unlike the study done by Bello et al (2018); Safiriyu et al (2012); Akingunola (2011), these studies were limited to SME on economic growth. (Ngui, 2014) measures economic growth with employment creation. (Bakare, 2011; Ewubare et al 2018) establish the relationship between Multinational Company and economic growth up to the year 2016). Myslimi et al (2016) measured both impacts of SME and MNC on economic growth but it was done in the South East of Europe from 1995-2015. Also, the study revealed that multinational companies drive the economic growth of a country through gross domestic product more than small and medium scale business. This was not established by any authors that have researched this area. Most of the study published in this area failed to specify the direction and research design used in their studies which made the conclusion to be fundamentally deficient (Bakare, 2010; Myslimi & Kaçani, 2016; Ewubare & Udofia, 2018). This study covered more recent time up 2018 as most of the previous studies ended up to 2016 with longitudinal research design. Further studies should also improve on this by using another statistical methodology across the developed and developing Nations. Also, other factors that can increase the contributions of Small and Medium Enterprises and its prevalence should be discussed.

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