

## Socio-Economic Effects of Multinational Corporations' Spillovers in Niger Delta Region of Nigeria

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### Abstract

*Socio-economic effect of Multinational Corporations' spillovers in Niger Delta x-rayed effect of MNCs operations in Niger Delta on ecological degradation and sought to ascertain MNCs effort in protecting the ecosystem through a review method. Findings revealed that multinationals have grossly abused on environmental sanitary laws therefore the study recommended Repealing of Land Use Act of 1978 or amend it in favour of regions/zones/states to control their resources as well as abrogation of other related obnoxious legislation. This step is expected to make available sufficient funds to the victims/zones/states to tackle environmental related problems and enthronement of true Federalism where states are allowed to control their resources. This is expected to boost the socio-economic status of Nigerians as untapped natural resources could be exploited.*

**Keywords:** *Socio-economic, MNCs and Spill-overs, Niger-Delta.*

### Introduction

One of the major challenges facing the world today is ecological dilapidation in view of the surviving threats it poses to all creatures, human inclusive. Recent happenings have revealed that the rate at which the multinationals activities is affecting the atmosphere in worsening is worrisome and if not urgently checked, can create an unimaginable socio-economic crisis and prevent meaningful development for the country. Abhijit, (2010), "the High-Level Threat Panel of the United Nations has enlisted ecological dilapidation as one of the ten threats for humans". The implication of this revelation is, increase in social vices such as kidnapping, poverty, advanced fee fraud, terrorism and decreased quality of life etc. Ecological degradation is a process whereby the natural environment of the planet is deteriorated to subject the biodiversity and the general health of the planet to drastic reduction and degrade the socio-economic wellbeing of people. In this context, it means a worsening of the Earth's natural surroundings due to excessive exploitation of the natural resources by multinationals operating within the Niger Delta region of Nigeria without putting in place adequate sanitary and environmental pollution measures. The inter-relationship between life and such activities is that such activities cause deterioration in a particular area and series of similar socio-economic effect in other areas that depend on it. When the natural condition of the environment is compromised upon, the resulting effect apparently is a total break-down of the biological diversity which in turn harms the health of the environment in which the economic well-being of the people hinges upon, Dobell, (1995). The process of environment degradation can be natural or artificial. That is, it can be man-made or caused by nature. Studies have shown that environment today has seriously been compromised upon when compared with the state of the environment decades ago. However, the causes of environment degradation vary, the underlying factors remain unique and common - depletion of natural resources, reduction in socio-economic well-being of the people, increase in crime rate, are all disturbances caused as a result of activities of Multinational corporations in the Niger Delta region of Nigeria.

On the other hand, MNCs do come with prospects such as development of needed infrastructure that facilitate growth and development in a place and general improvement in the quality of life for Nigerians as they create jobs, transfer technology needed to improve skilled manpower which helped to build local capacity and increase knowledge transfer in selective areas for the locals.

### **Statement of the problem**

Multinational corporations are known to provide employment, generate revenue to host government, aid in balance of payment surplus, technological transfers and spinoff where some employees after acquiring the necessary skill, do leave to establish their businesses. However the excesses of multinationals in trying to achieve their motive have caused more harm than good as stiff competition that do cripple infant industries, loss of national sovereignty as they undermine and try to manipulate any political decision within the polity where they operate as well as adverse balance of payment deficit on their host countries'; above all the environmental degradation inform of pollution has left right thinking individuals to question the rationale of welcoming MNCs in a place as their activities in the Niger Delta Region of Nigeria has created more serious socio-economic problems that outweigh whatever benefit that is derivable from their existence in the region.

As a result, this study intends to: 1) examine socio-economic effect of MNCS in Niger Delta Region of Nigeria and to 2) ascertain if MNCS in Niger Delta, Nigeria have made any significant effort in protecting the environment from degradation. The study intends to answer the following questions thus: Is there any significant positive socio-economic effect of Multinational in the Niger Delta? And what efforts have Multinationals in the Niger Delta has made in protecting the ecosystem within the areas they operate? The study sought to achieve this through the matching concept and review method where critical concepts in MNCs operations shall be matched with socioeconomic wellbeing to ascertain their effect on Nigerians.

### **Review of literature**

#### **Conceptual Clarifications**

The environment in which people live has great importance on their wellbeing and can be broadly classified into two main areas: physical and cultural (Adedipe, 1992). The interactions between the two have far reaching implications on both man and the eco-system. The interactions between the two have far reaching implications. Recent events show that their interactions are already exerting negative influence, in so many dimensions – on both man and the ecosystem. Encyclopedia Britannica, vol. 4 defines environment as complex of physical, chemical and biotic factors that act upon an organism or an ecological community and ultimately determines its form and survival. Environment taken from the Oxford Advanced Learner's Dictionary, 6<sup>th</sup> edition is the condition that affects the behaviour and the development of the physical conditions that exist and impact on people's lives. Odiette (1993) views environment as natural, capital and analogous to financial capital assets. In these contexts, human activities on environment have the ability of reducing capital and its recycling services and when this happens, environmental degradation is said to have occurred.

#### **Ecological Degradation**

Johnson (1992) defines ecological degradation as the demographic, socio-economic and physical factors either contributing directly or indirectly to the deterioration of our environment. One of the major threats the world faces today is ecological degradation because it poses danger to all life-forms including humans. In the words of Abhijit, (2010) environmental degradation is a process wherein the natural environment of the planet is degenerated to such an extent that the biodiversity and the

general health of the planet are dangerously positioned. This means that the state of the earth's natural conditions is worsened as result of unrestricted exploitation/usage of the resources therein by Multinational corporations operating in Nigeria.

### **Multinational Corporation**

Multinational corporations according to Kogut and Zander (2003) are economic organizations that grow from its national origins to spanning across borders. Hill (2005) views Multinational Enterprise as any business that has productive activities in two or more countries. According to him; certain characteristics of Multinational Corporations should be identified at the start since they serve, in part, as their defining features. Multinational Corporations are usually very large corporate entities that while having their base of operations in one nation—the “home nation”—carries out and conducts business in at least one other, but usually many nations, referred to as “host nations. Bulus and Ango (2012) in agreement with this proposition envisage Multinational Corporations as very large entities having a global presence and reach. Multinational corporations (MNCs) can spur economic activities in developing countries and provide an opportunity to improve the qualities of life, economic growth, and regional and global commons Bird et al, 1998). According to Manali (2012) ‘the principal objective of multinational corporations is to secure the least costly production of goods for world markets. This goal may be achieved through acquiring the most efficient locations for production facilities or obtaining taxation concession from host governments. This objective confirms the views of the Marxist who see the MNCs as progressive agents of capitalism. Multinational company lies in the fact that its managerial headquarter is located in one country while the company carries out operation in a number of other countries as well.

Pillai (2012) defines it as a large enterprise with operations and divisions spread over several countries but controlled by a central headquarters. Multinational corporation is an enterprise which possesses at least one unit of production in a foreign country (Mazlirkiwez & Lucia, 2003). MNC is an organization owing or controlling enterprises or physical and financial assets in at least two countries of global economy and opting for a multi-domestic strategy founded on social-economic differences of these countries as a reply to specific local demand. The multinational corporation or enterprise generally consists of the parent company (the resident of one country) and at least one affiliate (resident of another country). Bird (1998) defines the MNC in a more theoretical way as an enterprise whose capital is acquired in the process of international accumulation. Etuonovbe (2009) defined Multinational Company (MNC) as a company with operations in more than one country. It can also be referred to as an international corporation. The international Labor Organization (ILO) has defined a MNC as a corporation that has its management headquarters in one country, known as the home country, and operates in several other countries, known as host countries. The operations outside the company's home country may be linked to the parent by merger, operated as subsidiaries, or have considerable autonomy.

### **Socio-economic Well-being**

In order to understand the concept of socio-economic wellbeing, it is imperative we define wellbeing. Generally, well- being is defined as a state of health, happiness and or prosperity or where people move from an unpalatable situation to palatable situation. Well-being could also mean the improvement in people's lifestyle through improved education, incomes, improved feeding, improved access to health care services and peaceful coexistence (Johnson, 1992). It is the process of economic and social transformation based on cultural and environmental factors. Socio-economic well-being, therefore is the process of social and economic balance in a society. It is measured with indicators, such as quality of life, life expectancy, literacy and income level (Heidenreich, 2012).

The need for a business practices that are socially responsible remains relevant in the sustenance of the socio-economic well-being of the country. Without peace there could be no any meaningful development that is why government at all levels should make concerted effort to abate the level of criminality and kidnappings the country to its barest minimum level. The fact remains that good governance and accountability are sacrosanct as it stimulates the socio-economic wellbeing of citizens (Chia, 2023).

It is commonly established that socio-economic wellbeing is a multi-dimensional concept that, needs to be evaluated in terms of a variety of indicators in order to understand the situation of people living in Niger Delta region, Nigeria. The UNDP has developed a human development index containing a variety of indicators which include people's ability to live long, healthy and innovative lives in an equitable society and in a sustainable way as well as their level of income; Social inclusion and economic wellbeing needs to be unequivocally taken into consideration along with individual development, this includes the employment opportunities open to them, their access to basic services and to education and training and the state of basic infrastructure and the local environment in which they live (Dunning, 2008). The index of social exclusion developed in order to assess the extent of inclusion covers three dimensions, economic exclusion, exclusion from social services and exclusion from civic participation. Each dimension contains some indicators, which reflect the ways in which people in Niger Delta region are denied access to top positions in those MNCs, serene environment, good drinking water and health systems and to civic and social networks. An individual is, then, defined as being socially excluded if they are unable to have access in respect of at least 8 of the afore mentioned indicators, which implies that to be regarded as socially included someone must have access in at least four of the eight dimensions (Dunning, 2008).

Deprivation, in the UNDP Indices of Deprivation which view deprivation into seven dimensions or domains (income, employment, health, education, crime, access to services and the living environment) which are then applied to Niger Delta people, residing in local and interior areas rather than cities. The underlying concern is to identify unmet needs in each of these domains, caused by Multinational activities Niger Delta, Nigeria that includes, for example, of adults and children on income support, the number of unemployed, age and gender-standardized measures of illness and disability, the proportion of adults under 60 suffering from depression, the proportion of young people not getting employed after graduation, over-crowded housing due to flooding, the extent of homelessness, housing in poor conditions and air quality etc. this has been the fate of people in Niger Delta, Nigeria for more than a three decades now (Chia et al, 2023).

### **Multinational Spillovers**

Extraction activities by multinational companies including Shell, Mobil, Chevron, Elf and Agip have caused serious environmental and social damage in the Niger Delta, an oil rich South-Eastern region of Nigeria. Crude oil extraction has caused the pollution of the river basin and surrounding land, the destruction of subsistence crops, and the expropriation of local resident's territory. The opposition of local communities has been brutally repressed by police forces, resulting in bloodshed and hundreds of deaths. Local communities, supported by the Movement for the Emancipation of the Niger Delta (MEND), have continued their opposition to those exploitative policies. In particular, they demand a full clean-up of local waterways and territories, a more equitable distribution of oil revenues and broader compensation for ecological damage. Outdated equipment and undated supervision are at the origin of recurrent oil spills over the Delta. In 2008, four Nigerian citizens together with Friends of the Earth Netherlands sued Shell to The Hague Court. On December 18th

2015, the Dutch appeal Court stated the company can be held liable in the Netherlands for spills occurred in Nigeria.

Even though gas flaring is illegal under Nigerian law, Chevron together with Shell and other oil companies operating in the country have been doing it for decades. The repercussions on the local population and environment of such an out-dated technique are devastating. Although in 2005 the Federal High Court of Nigeria stated these practices as illegal the oil multinationals keep on doing the same. The Global Memorandum of Understanding (GMOU) signed by Chevron Nigeria Limited (CNL) in 2005, by which the company was engaging to change its way of proceeding in the delta, is denounced by the locals as not being respected by the company (Satalker, 2011).

The local content law that was signed by President Goodluck Jonathan administration that promises hope for the locals have all been swindled under the carpet due to the perceived under mining of Nigerians, sovereignty by these Multinationals as excesses still persist in the under listed areas:

### **Environmental Impact**

Visible: Air pollution, Biodiversity loss (wildlife, agro-diversity), Food insecurity (crop damage), Loss of landscape/aesthetic degradation, Soil contamination, Waste overflow, Oil spills, Deforestation and loss of vegetation cover, Surface water pollution / Decreasing water (physico-chemical, biological) quality, Global warming, Groundwater pollution or depletion, Large-scale disturbance of hydro and geological systems, Fires, Soil erosion  
Potential: Genetic contamination and Noise pollution.

### **Health Impact**

Visible: Accidents, Exposure to unknown or uncertain complex risks (radiation, etc...), Malnutrition, Violence related health impacts (homicides, rape, etc..), Occupational disease and accidents, Deaths, Mental problems including stress, depression and suicide, Health problems related to alcoholism, prostitution, Infectious diseases and decreased fertility rate.

### **Socio Economic Impact**

Visible: Increase in Corruption/Co-optation of different actors, Displacement, Increase in violence and crime, Lack of work security, labour absenteeism, firings, unemployment, Loss of livelihood, Militarization and increased police presence, social problems (alcoholism, prostitution, etc..), Violations of human rights, Land dispossession, Loss of landscape/sense of place and Loss of traditional knowledge/practices/cultures.

### **Socio-economic effect of land degradation on people of Niger Delta Oil**

The consequences of oil exploration in Nigeria are greatly felt within the oil producing states of Cross-River, Delta, Bayelsa, Akwa-Ibom, Edo, Rivers, Imo, Abia and Ondo. Oil was discovered in commercial quantity in 1956 by the Shell Petroleum Development Company. According to Efole, (2004), SDPC operated joint venture owning - 30%, NNPC - 55%, ELF (French) – 10%, and AGIP (Italian) – 5%. In 1973, the Federal government acquired 35% of the company and the company produces almost half of the country's oil from over 90 oil fields in the Niger Delta. It also supplies 95% of the country's commercial gas. Oil exploration and exploitation has for years shown negative impact on the physical environment of the host communities and this has caused an unimaginable negative socioeconomic problem. Oil spillages have continuously affected the economic activities of subsistence fishing and farming of the oil producing states and these are the traditional sources of their survival. In the words of Chitauru and Khumalo, (2016), the oil industries in Nigeria have left

negative impact on the socio-economic life and the environment of the immediate oil bearing local communities and its inhabitants, leaving a balance sheet of ecological and socio-physical disaster. Just like any other area in Nigeria, agriculture forms the most dominant economic activity in all these oil producing states. The Federal Office of Statistics (FOS) and cited by Kumar and Dubey, (2017), stated that in 1985, crop and fish farming accounted for about 90% of all forms of economic activities while 50 – 68% of active labour force were engaged in agricultural activities. The adverse environmental impact on soil, water and forest cannot be left unmentioned. The introduction of various harmful and toxic elements into the air through gas flaring and soil through oil spillages, degrade the environment and decreases the socio-economic activities of the areas. Another remarkable socio-economic implication of oil spillage is the reduction of marine life and the decline in the stocks of fish and other water related inhabitants. Abu and Audu (2016), Chitauro and Khumalo (2016), Kumar and Dubey (2017) further highlighted the environmental effect of gas flaring to include:

- i. Suppressed plant growth as a result of excessive heat emitted from the flares. One of the implications is loss of economic trees.
- ii. Loss of bio-diversity caused by deposits of Nitrogen Oxides and carbon monoxide.
- iii. Foul odour arising from low oxygen level.
- iv. Corrosion of roofing sheets
- v. High incidence of still births and cancer in women.
- vi. Depletion of the ozone layer that ought to prevent the penetration of the sun harmful ultra-violet rays caused by the release of chlorofluoro carbons (CFCS) gases. Ukpong, (1994), asserts that most of the skin diseases and the low productivity in agriculture are caused by ultra-violet rays.

## **Land**

Some of the socio-economic implications of land degradation are:

- vii. Loss of cropland due to degradation.** The country is fast losing agricultural land due to deforestation and inappropriate agricultural practices. The combined effects of
- viii.** Competition for land from growing population in the country and higher livestock densities that leads to overgrazing affect the quality of land in terms of abundant yield.
- ix. Loss of cropland due to urban development:** Settlement, infrastructure and urban development occur at the cost of cropland because, traditionally, people settle in the most productive areas. As settlements towns and cities grow, croplands are reduced to accommodate urban infrastructure such as roads and housing estate.
- x. Loss of cropland due to population:** Increased mechanisation, unchecked application of chemicals and inadequate waste disposal pollutes and scourges the land thereby affecting the fertility of the land for good agricultural yield.
- xi. Loss of cropland resulting from soil pollution/spillage:** This is part of land pollution and occurs when rainwater collects and deposits land pollutants to water bodies. The unique consequences of this are poor quality land for agriculture and pollutants into our food through deposits into water bodies.

In summary, the socio-economic impacts of land degradation on Niger Deltans are insufficient land for farming, prevalence of harmful products to human, animals, plants and abandonment of ancestral homes due to flooding, land- slides, insufficient and poor food quality and frustration.

## **Conclusion**

Though we seem not to realize it, the onus of saving and protecting the environment lies with us. We need to understand that we are part of the interwoven life system on the planet and as a result, environmental pollution and degradation can undoubtedly affect us directly or indirectly. When one of them is destroyed, it affects the balance of the other. The disaster may not occur in the nearest future but certainly it will happen. Most of these earthquakes and earth tremor are the effects of exploration and exploitation of natural resources. Before mankind reaches the point of no return according to Pillai, (2012), many more critical environmental problems need to be tackled on a war footing. All we need are changes of habit and way of thinking to embrace participation and collective cooperation to save the environment. Considering the socio-economic impact of MNCs spillovers on all life-forms, especially humans, the responsibility now is on us, the most intelligent species on the planet to save the environment from further degradation. The environment has a lot to offer socio-economically only if appropriate and enduring environmental policy statements are made and executed.

## **Recommendations**

In view of the highlighted problems associated with Multinational spillovers, one can convincingly say that if the human race has to survive and be happy on the face of the earth, it is important that stringent steps be taken to arrest further deterioration of the environment. In the light of this, this study recommends the following strategies of curbing environmental degradation so as to boost the socio-economic well-being of the affected areas in particular and Nigeria in general.

- i. Repealing of Land Use Act of 1978 or amend it in favour of regions/zones/states to control their resources as well as abrogation of other related obnoxious legislation. This step is expected to make available sufficient funds to the victims/zones/states to tackle environmental related problems.
- ii. Enthronement of true Federalism where states are allowed to control their resources. This is expected to boost the socio-economic status of Nigerians as untapped natural resources could be exploited.
- iii. Removal of oil and gas matters from the exclusive legislative list to concurrent list. As noted by Achimugu et al. (2015), it will enhance improved relations between oil prospecting companies and the host communities for better negotiations and support.
- iv. Further youth empowerment by the natural resources explorers through the establishment of medium/small scale industries to generate employment.
- v. Comprehensive implementation of the 45% local content.
- vi. Massive provision of social and basic amenities to areas prone to environmental degradation.
- vii. Reviving of Sanitary Inspectorate Units at various levels of the government. By this action, people will be able to see the connection between the health of their family and the standard of their environmental sanitation.

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