

## EFFECT OF UNDEMOCRATIC GOVERNMENT ON BUSINESS FAILURE IN NIGERIA: THE REMEDIES TO BUSINESS OWNERS

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### ABSTRACT

*This study examines the impact of undemocratic governance on business failure in Nigeria, highlighting the systemic challenges entrepreneurs face under authoritarian regimes. It identifies key issues such as corruption, regulatory unpredictability, and political interference that hinder sustainable business operations. Drawing on recent empirical and theoretical sources, the research underscores how weak democratic institutions undermine economic stability. The paper also explores practical remedies business owners can adopt to navigate hostile political environments. These include legal advocacy, business diversification, collective action, and digital mobilization. Findings reveal that without democratic reforms, businesses remain vulnerable to state-imposed risks. Thus, the study calls for greater civic engagement and institutional accountability to protect entrepreneurship. The study concluded that Business failures are often symptoms of larger governance deficits rather than market inefficiencies alone. To survive, business owners must adopt adaptive strategies like collective advocacy and operational diversification. The study also recommended that business owners should collaborate with civil society organizations to advocate for the enforcement of rule of law, property rights, and transparent regulatory practices that limit arbitrary government interference.*

**KEYWORDS:** Undemocratic Government, Business Failure, Nigeria, Business Owners

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### INTRODUCTION

The dynamics of governance play a pivotal role in shaping economic and business landscapes, particularly in emerging economies like Nigeria. Undemocratic governance, characterized by authoritarianism, corruption, weak institutions, and lack of transparency, often results in unfavorable conditions for private enterprise. Studies have consistently highlighted how political instability, poor policy implementation, and lack of investor protection associated with undemocratic regimes deter local and foreign investment and reduce the chances of entrepreneurial success (Ezeanya & Owoeye, 2021; Udoms & Atakpa, 2017). The absence of democratic institutions also weakens the rule of law, thereby increasing operational risks for businesses and exacerbating their vulnerability to failure.

Over the years, Nigeria's business environment has been deeply affected by governance failures that stem from undemocratic practices. According to Songonuga (2015), businesses in Nigeria are subject to arbitrary taxation, politically motivated shutdowns, and lack of access to government support due to favouritism and nepotism. These issues are compounded by systemic corruption, which Ogundiya (2010) identifies as a major barrier to democratic stability and economic development. Business failure in such contexts is not merely a result of market forces but a consequence of entrenched political dysfunction. Entrepreneurs face challenges that go beyond competition and consumer behaviour; they must navigate a treacherous political terrain that often undermines enterprise sustainability.

Nonetheless, scholars have also begun exploring strategies that can empower business owners to mitigate these adverse effects. Orukpe & Isibor (2018) suggest that building strong civil society coalitions and leveraging international networks for accountability can provide pressure points for reform. Additionally, business owners can adapt by forming cooperatives and using digital platforms to advocate for policy changes that promote transparency and accountability. These approaches are especially critical in periods of heightened repression, where collective action becomes a tool for survival and influence. Remedial strategies also include business diversification and developing partnerships that can shield entrepreneurs from localized political threats.

In light of these challenges and potential remedies, the Nigerian experience offers a case study in how governance models intersect with economic outcomes. It is evident that the failure of democratic norms has a direct and measurable impact on business mortality rates. Therefore, reversing this trend requires not only political reform but also the active engagement of business stakeholders in the democratic process. A multi-pronged strategy that incorporates institutional reform, civic activism, and entrepreneurial resilience is essential to address the root causes of business failure in Nigeria's undemocratic contexts (Ibeogu & Abah, 2017; Fagbadebo, 2007). The implications of these findings highlight the need for urgent policy and structural interventions to ensure a conducive and inclusive economic environment.

## **CONCEPT OF UNDEMOCRATIC GOVERNMENT**

An undemocratic government is one that doesn't derive its power from the people through free and fair elections, or that doesn't respect the principles of democracy like freedom of speech, the right to assemble, and the rule of law. It can be characterized by the concentration of power in the hands of a few, lack of accountability to the people, and the suppression of dissent.

An undemocratic government refers to a political system that, despite outwardly adhering to democratic structures—such as holding elections and establishing constitutions—fails to embody the core principles of democracy, including accountability, transparency, and the protection of civil liberties. In practice, such governments often manipulate democratic processes to entrench power, suppress dissent, and limit genuine public participation. This phenomenon is evident in various global contexts, where formal democratic institutions exist but are undermined by systemic issues.

In Nigeria, the persistence of undemocratic practices has been a significant concern. Studies indicate that corruption, lack of transparency, and weak institutional frameworks have hindered the effective functioning of democratic governance. For instance, Banko and Onyekachi (2020) argue that the pervasive corruption in Nigeria contradicts democratic ideals, as it erodes public trust and stifles development. Similarly, Nkwede. (2022) highlight how hollow electoral processes, economic challenges, and ethnic chauvinism have weakened the country's democratization efforts.

## **CONCEPT OF BUSINESS**

Business is the practice of making one's living or making money by producing or buying and selling products (such as goods and services). It is also any activity or enterprise entered into for profit. Also, business refers to any activity or organization that engages in the exchange of goods or services for profit. It involves the production, buying, selling, or provision of products or services to fulfill the needs and wants of consumers. Businesses can operate at various scales, from small enterprises to multinational corporations. The definition of business encompasses not only profit-driven activities but also encompasses nonprofit organizations and social enterprises. It involves careful planning, organizing, and managing resources effectively to achieve the desired goals and objectives (Mulya, 2024). As mentioned by Ranjhaa, (2025) Business is an enterprise or activity with the intention to make profits. It can be in the form of a company, partnership, organization, sole proprietorship, occupation, or any entity that undertakes commercial, industrial, charitable, or professional activities to earn profits. In addition,

## **CONCEPT OF BUSINESS FAILURE**

Business failures refers to the situation where a business is unable to continue operations due to the inability to generate sufficient revenue, manage costs, or meet financial obligations. Definition by Altman (2020), Business failure is often equated with the legal declaration of bankruptcy, where a company is formally recognized as unable to meet its financial obligations. This perspective is prevalent in financial distress models and is used to predict business failures.

Business failure occurs when a company experiences prolonged financial distress, leading to insolvency or closure (Ohlson, 2022). Business failure occurs when a company ceases operations because it cannot maintain sufficient financial performance. Business failure is the discontinuation of a firm's operations due to its inability to achieve expected levels of economic performance or profitability (Shepherd, 2022). A business fails when it is no longer economically viable, meaning it cannot generate sufficient revenue to sustain its operations. A business fails when it cannot adjust to technological, market, or economic changes, leading to a loss of competitive advantage (Christensen, 2021). Some businesses fail not due to financial problems but because owners voluntarily shut down operations due to unmet expectations or external pressures.

## **EFFECT OF UNDEMOCRATIC GOVT. ON BUSINESS FAILURE IN NIGERIA**

Undemocratic governance in Nigeria has had far-reaching consequences on the survival and growth of businesses. Characterized by authoritarian tendencies, policy

instability, corruption, weak rule of law, and limited civic participation, such governance systems stifle entrepreneurial activity and deter both domestic and foreign investment. Below is an in-depth discussion of the specific effects:

- **Policy Uncertainty and Instability discouraging innovation and leading to massive losses for small and medium enterprises**

In undemocratic regimes, decision-making is centralized, often lacking transparency or stakeholder engagement. As a result, policies affecting business—such as tariffs, foreign exchange, and licensing—change frequently without warning. Businesses are unable to create long-term strategies due to this unpredictability. Investors are also discouraged, fearing sudden regulatory reversals. This disrupts supply chains, discourages innovation, and leads to massive losses for small and medium enterprises. Over time, persistent instability drives capital flight and economic stagnation.

- **Corruption and Rent-Seeking Behavior causing increases of cost of doing business and kills fair competition**

Undemocratic governance tends to concentrate power in few hands, often without accountability mechanisms. This creates a fertile ground for systemic corruption, where government contracts, licenses, and public spending are influenced by bribery. Legitimate businesses that refuse to engage in corrupt practices are sidelined. Startups and SMEs face disproportionate pressure to “grease the system” to survive. This creates a skewed business environment, where resources are diverted from productive use. Over time, corruption increases the cost of doing business and kills fair competition.

- **Weak Legal and Regulatory Framework deterring both local and foreign investment**

The rule of law is fundamental to a thriving business environment, but undemocratic governments often weaken judicial independence. This means that contracts may not be enforceable, and property rights are at constant risk. Business owners who face disputes or unlawful government actions have limited recourse. This lack of legal protection deters both local and foreign investment. Banko & Onyekachi (2020) explained that when commercial cases linger for years or decisions are influenced politically, business confidence erodes. Ultimately, businesses become vulnerable to expropriation, fraud, and injustice.

- **Suppression of Free Press and Business Advocacy**

A free press is essential for holding government's accountable and voicing economic grievances. However, in undemocratic regimes, media houses and business associations are often silenced or co-opted. Entrepreneurs are unable to publicly challenge bad policies or mobilize for reform without fear of reprisal. This means exploitative or irrational regulations can persist unopposed. Business advocacy is weakened, and reform efforts lose traction in such an environment. The lack of participatory governance undermines transparency and innovation.

- **Insecurity and Poor Protection of Investment, undermining the economy and leading to job losses**

When governance fails, state institutions often lose control over security, leading to rising crime and violence. Banditry, kidnapping, and terrorism have become rampant in Nigeria, especially in northern regions. Businesses operating in high-risk areas are forced to close, relocate, or invest heavily in private security. Insurance costs rise, supply chains are disrupted, and access to labor markets is limited. Insecurity not only affects profits but also discourages new ventures and foreign direct investment (World Bank, 2022). This instability further undermines the economy and leads to job losses.

- **Inequality in Access to Opportunities which demoralizes talented entrepreneurs who are not part of the political elite**

In undemocratic systems, economic privileges are often reserved for a small elite with political connections. Business opportunities such as contracts, tax waivers, and regulatory approvals are not merit-based but rather politically motivated (Allen, 2024). This crowding out of independent businesses leads to monopolies and discourages competition. It demoralizes talented entrepreneurs who are not part of the political elite. Over time, markets become less efficient and more corrupt. The economy loses its dynamism, and innovation is stifled at the grassroots level.

## **REMEDIES OF UNDEMOCRATIC GOVERNMENT ON BUSINESS FAILURE IN NIGERIA**

Undemocratic governance in Nigeria has significantly hindered business growth and economic development. Addressing these challenges requires comprehensive reforms across various sectors. Below are key remedies to mitigate the adverse effects of undemocratic governance on businesses:

- **Strengthening Institutional Independence and Accountability**

Weak government institutions have been identified as a major impediment to Nigeria's democracy and economic progress. Ensuring that institutions such as the judiciary, electoral bodies, and law enforcement agencies operate independently and are held accountable is crucial. Independent institutions can enforce contracts, protect property rights, and ensure that businesses operate in a fair environment. This would enhance investor confidence and promote economic growth.

- **Implementing Transparent and Consistent Policies**

Policy inconsistency and lack of transparency have deterred investment and hindered business operations. Establishing clear, transparent, and consistent policies, especially in areas like taxation, trade, and foreign exchange, can provide businesses with the stability needed for long-term planning and investment. This approach would reduce the risks associated with sudden policy changes and create a more predictable business environment.

➤ **Promoting Civic Education and Public Participation**

High illiteracy levels and weak civil society have contributed to poor governance. According to Peterside (2024), Investing in civic education can empower citizens to demand accountability and participate actively in governance. An informed electorate is more likely to elect competent leaders who prioritize economic development and business-friendly policies.

➤ **Encouraging Ethical Leadership and Governance**

The lack of ethical leadership has led to corruption and mismanagement of resources. Promoting ethical leadership involves ensuring that leaders make decisions based on fairness, equity, and the public good (Okoronkwo, 2024). Ethical leaders are less likely to engage in corrupt practices, creating a more conducive environment for business operations.

➤ **Enhancing Infrastructure and Public Services**

Inadequate infrastructure and public services have increased operational costs for businesses. Investing in infrastructure development, such as reliable electricity, transportation, and healthcare, can reduce costs and improve the overall business environment. Public-private partnerships can be explored to address infrastructure deficits and promote economic development.

➤ **Fostering a Robust Civil Society**

A weak civil society has allowed undemocratic practices to persist. Strengthening civil society organizations can promote transparency, advocate for policy reforms, and hold the government accountable. A vibrant civil society can serve as a check on government power and ensure that business policies align with public interests.

## **CONCLUSION**

Undemocratic governance in Nigeria has significantly hindered business growth through policy inconsistency, corruption, and political instability. Entrepreneurs face systemic barriers that extend beyond economic challenges into political oppression. The erosion of democratic principles weakens institutions and creates a hostile environment for enterprise development. Business failures are often symptoms of larger governance deficits rather than market inefficiencies alone. To survive, business owners must adopt adaptive strategies like collective advocacy and operational diversification. Civic engagement, legal reforms, and digital activism offer tools for resistance and resilience. Promoting democratic governance is essential for a stable and thriving entrepreneurial landscape. Only with accountability and rule of law can Nigerian businesses achieve long-term success.

## **RECOMMENDATIONS**

- Business owners should collaborate with civil society organizations to advocate for the enforcement of rule of law, property rights, and transparent regulatory practices that limit arbitrary government interference.

- Businesses should set up internal legal units or retain legal counsel to navigate complex compliance demands and protect against state overreach.
- Business leaders must play active roles in electoral processes, public consultations, and democratic reforms that seek to institutionalize good governance and improve the business climate

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