The Exit of Multinational Companies from Nigeria: The Way Forward

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ABSTRACT

Multinational Companies (MNCs) are said to be one of the most powerful institution in the world today. It involves having operations in more than one Nation with its head office at their home country. The main objective of this study is to assess the reasons for the exit of multinational companies from Nigeria from 2017 to date. The study adopts the dependency theory as its theoretical analysis relying on scholarly journals, articles and textbooks to assess the reasons for their exit from the Nigerian economy. Findings revealed that multinational companies have contributed to the provision of assorted goods and services. However, the companies are exiting and divesting due to unpredictable economic policies and unfriendly environment that had persisted within the country for some years now. The study therefore recommends among other things the restoration of investor's confidence by making the economy investor friendly and stimulating growth.

Keywords: MNCs, Economy, Exodus, Development.

INTRODUCTION

Multinational companies (MNCs) have become the central institutions of developing country in the twenty first century. Although, it is a kind of business enterprises that had always traded across state boundaries. However, they are a kind of companies that are known to have emerged to engage in production on a world scale, and, qualitatively different from older ones in its behaviour (Brown and Ainley, 2005). MNCs operate across national boundaries and are based on direct foreign investment, with their ownership and control of asserts located abroad as opposed to indirect investment (Brown and Ainley, 2005). Multinational companies are defined as businesses that have operations in multiple countries around the world (Udu, 2016). According to Hill (2005), MNCs are any business that has productive activities in two or more countries. It is sometimes referred to as multinational enterprises and in some documents of the United Nations, they are called transnational organisations. Corroborating this (Tatum 2010) posits that multinational company is referred to as multinational enterprise or a transnational corporation. MNCs are usually large corporate entities that have their base of operations in one nation known as the home country. They carry out and conduct businesses in at least one other, but majorly many nations referred to as host nations.

Why does multinational companies exist?

According to Oche, cited in Saliu and Aremu, 2013), four major reasons account for the existence of these companies. Firstly, is comparative advantage; this is evident in the manufacturing of complex products such as personal computers or automobiles, that involves a number of distinct tasks such as design, marketing, manufacturing, etc. Secondly, economies of scale, many commercial activities like the production of automobiles can only be performed efficiently only on a large scale as small-scale enterprises cannot build large and sophisticated turbine engines. Thirdly, multinational companies exist because of consumer tastes. Since consumers in different countries has similar tastes. For instance, if many consumers in Nigeria want a car, it would be proper for that company to establish its presence by setting up an assembly plant in any of the state within the country. Lastly, this reason stems from the very nature of the company itself in the sense that its ultimate objective is profit making. To achieve this, shareholders that want good returns would pressure the company for increase profits, just as workers who always want improve pay package would pressure the company to expand costs. Therefore, to keep both parties happy, the company will have to increase its revenue base and raise productivity. However, when the market for the company product is saturated, the profit seeking company will have to find a new consumer market which is mostly overseas in order to continue expanding its revenue base. It is this that gave birth to the transnational nature of MNCs.

Multinational Companies in Nigeria

The entry of Multinational companies into the Nigerian economy like in many developing countries dates back to the nineteenth century. Most of the foreign investors that came into the country at that period, were focused on the export-oriented mineral and agriculture production. They included the Royal Niger company which later became the United African Company (UAC) and the John Holt. They were later joined by more foreign companies from France like *Compagnie Francaise de L'Afrique Occidental* popularly known as CFAO, and *Societe Commerciale de l'Quest African* also commonly referred to as SCOA (Oche, cited in Saliu and Aremu, 2013: 246). At that time, the vogue was the exploitation and use of mines and plantation which had no major impact on the economy due to its subsistent agricultural nature. In the same vein, the foreign investors then where also exploitative and were supported by their home governments to appropriate most of the economic rent in the country. For instance, the railway line that was constructed in the south and later extended northward in the country to Kano in 1914 was a result of pressures on the colonial administration from the Royal Niger company owned by the famous Liverpool Merchant known as MR John Holt. Therefore, it can be correct to assert that Nigeria has played host to many multinational companies long before independence and has continued till date despite the exit. Their numbers and activities have grown over time as the country struggles to develop socio-economically as a nation.

MNCs enter the host countries through different ways using different strategies. Some enter by exporting products to test the market and to find whether their products can gain sizeable market share. These rely on export agents. Others set up foreign sales branches or assembly operations in order to save transport costs because there is a limit to tariff barriers and quotas and also owning to logistics or cost of transportation. To meet the growing demands in the foreign countries the companies considers other options such as licensing or foreign direct investment which are a major critical step. Some companies still export even when they have settled for the foreign direct investment option. Every step taken involved strategic planning and is motivated by profit through sales and growth (Osuagwu and Eze, 2013). It is interesting to know that, many African countries (Nigerian inclusive) still do not allow free entry of multinational companies and often expresses preferences with regards to the type of foreign direct investment that they desire.

However, after independence, foreign investors were still able to wield considerable influence through collaboration with some of the citizens that had corrupting influence where they wielded extensive political powers. Nevertheless, attempts by the Nigerian government to rectify their dominance through the indigenization degree of 1973 had mixed results. All the same, the character of multinational companies have remained mainly in the mineral and agricultural, extractive industries and in recent times in the area of communication and household goods. According to Isienyi and Ihekwaba (2023), remarkable number of MNCs began their operation in developing countries in the 1990s.

MNCs have played a central role in shaping Nigeria's economy since the colonial era when they entered Nigeria primarily to exploit raw materials and supply some consumer goods. They later moved over to invest in strategic sectors such as oil, telecommunications and manufacturing (Ndubuisi-okolo, Eluka and Anakwe, 2016). Companies such as shell, Unilever, Nestle, and Coca-Cola became dominant actors in the nation's economic landscape. Their investments have helped to provide employment, technology and access to global markets. Thus, it can be correct to posit that developing countries were able to gain from the investment made by these multinational companies as they helped to reduce poverty, drive economic activities and growth, create jobs that local people will utilize, increase employment standards through payment of higher wages than local companies. In addition, they also assist in boosting economic development through transfer of technology as well as knowledge, improve or build up infrastructure, raise people standard of living. These are made possible since typical multinational companies normally functions with the headquarter based in the home country, while other facilities and branches are based in locations in other countries.

According to Otokiti (2012), the MNCs are also faced by many challenges at the point of entry into the Nigerian market which include government regulations and policies, geographical location, language barriers, shortage of skilled labour and low level of technological development. Despite the aforementioned, multinational companies continued to increase in number and spreading across the country with booming businesses. However, in the past five years, Nigeria, Africa's most populous country has been experiencing a troubling trend of multinational companies exiting in droves thereby leading to a loss of over N95 trillion. Furthermore, this acclaimed Giant of Africa that is highly blessed with numerous natural resources, notably, crude oil have degenerated into a level that its today the world capital of poverty, with over 71 million people living in extreme poverty (World Poverty Clock 2023) and a total of 133 million people classed as multi-dimensionally poor, based on the National Bureau of Statistics data which is quite disgraceful. However, recent trends revealed several MNCs are exiting Nigeria, while some are scaling down their operations. Notable examples include Shoprite, GSK, Nine Mobile, and Michelin alongside divestment in the oil industry. This phenomenon has raised significant questions as to why these MNCs are leaving Nigeria?

Nigeria, Africa's largest economy by population and nominal GDP has seen a notable exodus of MNCs in recent years, increasing between 2023 and 2025. With many companies divesting, scaling down or shifting to third party models due to socio-economic, and political challenges. Despite Nigeria's vast market potentials. This trend is a disturbing one as it poses risks for this West African nation and its citizens if adequate reforms are not made to stem the tide. So far, over 60 companies have exited or announced plans to leave Nigeria across sector such as pharmaceuticals, consumer goods, energy, technology and retail. Examples include:

* Pharmaceuticals and Healthcare: GlaxoSmithKline (GSK) ceased direct operations after over 51 years of operation citing forex complexities and high costs, moving to third-party distribution. Sanofi-Aventis followed in late 2023 for similar reasons. Procter and Gamble (P&G) also dissolved on ground operations in December same year blaming macroeconomic difficulties in a dollar-based environment.

* Consumer goods and retail, we have Unilever exited home care and skin cleansing categories in March 2023 due to naira devaluation. Diageo sold its Guinness Nigeria stake to Tolaram Group in June 2024 for $70 million, retaining brand presence but offloading operations. Kimberly-Clark left in June 2024, as did Pick n Pay, Shoprite, and Jumia Food/ Bolt Food, citing economic volatility.

*Energy and Technology: Equinor divested its Nigerian assets, including the Agbami oil field, in late 2023 due to oil theft. Microsoft closed its African Development Center in Lagos in May 2024, impacting economic output. TotalEnergies and Holcim (cement0 also exited in 2024.

*Others: firms like PZ Cussons, SanofiAventi Nigeria, manufacturer of Huggies and Kotex brands of diapers and sanitary pads, Kimberly-Clark,54gene, and Mayor Biscuits shut down due to funding and market pressures, Additionally, 767 local manufacturers closed in 2023 alone.

THEORETICAL REVIEW

This study adopts the Dependency theory for its analysis. It emerged in the 1960s and 1970s as a response to the shortcomings of Eurocentric development model aimed at explaining why the core is developed and the Periphery is underdeveloped. The proponents of dependency theory are Andre Gunder Frank, Walter Rodney, Frantz Fanon, Samir Amin, Claude Ake, etc. The dependency theory posits that development and underdevelopment are two sides of the same coin. It also categorized the world into two – the Core or Center made up of the Industrialised capitalist countries and the Periphery or Satellite – made up of the colonized and poor countries. Dependency theory argues that the export of capitalism by the West to other parts of the world resulted in colonialism and neo-colonialism that is responsible for the underdevelopment and dependency of

Third World countries which is Nigeria inclusive, and it is driven by the quest for profit maximization which is the cardinal objective of multinational companies. This theory posits that the underdevelopment in the Global South, in Africa, Asia and Latin America is not a stage of development, rather a condition actively maintained by the exploitative global economic structures (Dos Santos, 2014). According to the theory, the development of core (industrialised) nations are intrinsically linked to the underdevelopment of periphery (developing) countries through historical patterns of colonization, unequal trade and capital flows that continue to entrench dependence and impoverishment. Within this framework, of dependency theory, MNCs are understood as the intermediary force that mediates the relationship between the external global forces such as the international financial institutions and donor countries and the external political economy of the state, This, relationship has profound implications on development. According to Mkandawire and Soludo (1999) governance structures in dependent states are often constrained by external policy prescriptions, such as the Structural Adjustment Programme (SAP) imposed by the IMF and World Bank which frequently resulted in the roll-back of state involvement in development and social welfare. Similarly, the removal of petroleum subsidy under the present administration is a policy advise of the World Bank.

The relevance of this theory to the study of MNCs is particularly evident in the debates about the roles of the state policy in reducing reliance on foreign aid and investments. According to Amin (2006), one of the key solutions proposed within the dependency framework is the development of endogenous capacities, strengthening local industries, promoting self-sufficiency in food production and diversifying the economy away from mono-crop and extractive dependencies. However, dependency theory has been criticised for presenting a deterministic and overly view of global economic relations which tends to downplay the agencies of national governments. Cardoso and Faletto (2024), one of the early reformists of the dependency school contends that while external economies constraints are significant, they do not entirely preclude the possibility of strategic governance and innovation from within.

Despite this critique, the Dependency theory has remained one vital analytic tool in understanding the political economy of global south. It draws attention to the fact that MNCs structures are embedded in larger systems of economic domination that limit the development choices available to poorer nations. According to Bello (2021), the global supply chains that link producers in the global South to consumers in the global North frequently imposes conditions that suppress prices, exploit labour and undermine local values addition. In such scenarios, MNCs merely facilitate the integration into the global markets without negotiating equitable terms which inadvertently reinforces dependency.

Drawing from the aforementioned, Dependency theory offers a lens through which to interrogate as it emphasizes the importance of examining how global economic structures constrain national policy structures and the importance of development planning in sovereign development planning

Assessing the reasons for the mass exodus of MNCs from Nigeria are traceable to the following:

- Currency depreciation – Foreign exchange depreciation have affected most businesses and individuals in the country. Both MNCs, small- and medium size enterprises have lost profitability as the naira continues to depreciate in foreign exchange. According to Intelpoint (2025) the exchange rate from 2017 to 2019 showed signs of stability as it was relatively controlled and rarely exceeded 20 per cent year-on-year. In 2023, the naira lost over half its value 51.46 per cent marking the beginning of the current volatility wave. The currency experienced a sharp and historic depreciation with the naira falling by 129.23 per cent in 2024 alone to close the year at N1,478.97 per dollar. The exchange rate crossed the N1,000/$ threshold in 2024 for the first time in history. This, marked the most severe yearly decline in the past decade, more than doubling the exchange rate from the previous years' of N645.19. While the naira had seen gradual weakening over the years, the 2024 plunge represented a new phase of instability that stood-out in the decade-long trend of depreciation. The abrupt slump in 2024 can be interpreted as the result of compounded structural pressures, ranging from dwindling foreign reserves and persistent inflation to a fragile fiscal environment and FX market reforms (World Bank, 2024); (Intelpoint, 2025). Thus, Nigeria continues to experience substantial year-on-year decline in exchange rate gain revenue from April to June 2025 with decreases of 90 percent, 81 percent and 85 per cent.

- Insecurity – This refers to a state of being subjected to danger or threat of danger, or a situation where danger is the condition of being susceptible to harm or injury (Nwanegbo and Odigbo, 2013). It entails tendencies of tension that could undermine internal cohesion and corporate existence of the nation and its ability to maintain its vital institutions for the promotion of its core values, socio-economic and political objectives, as well as meet the legitimate aspirations of the people. Insecurity manifest in several forms such as insurgency, ethnic/tribal clashes, kidnapping, armed banditry, hostage taking, deaths of innocent souls and molestation among others. This automatically discourages foreign investment. Instead, companies will prefer to move to countries with a more peaceful environment. By implication, insecurity is a state of fear or anxiety due to absence or lack of protection in which most companies would certainly exit.
- High inflation – this is a significant contributing factor to the exodus of multinational companies from Nigeria. According to Okongwu (2024), high inflation rates, unemployment and poverty levels are an indication that consumers have less disposable income to spend on goods and services. In other words, for MNCs in the consumer goods sector, it means lower sales volumes and reduced profitability hence their exit as any purchasing power that is driven by unemployment and poverty had further shrank the market. In addition, the National Bureau of Statistics (NBS, 2024) announced that inflation rate increased to 33.69 per cent in April 2024, 11.47 per cent higher than the rate recorded in April 2023. Similarly, the food inflation rate in April 2024 was 40.53 per cent, all were attributed to increased food prices. Therefore, the purchasing power of Nigerians have become extremely weaken over the period under study and has resulted into a market shift where companies adapt by offering more affordable products, while multinational companies with their premium brands struggle to maintain market share. Therefore, it can be correct to say that the significant factor contributing to the exit of multinational companies is the declining purchasing power of Nigerian consumers. This means that MNCs are not meeting their returns on investment.
- Poor Infrastructure – Nigeria suffers from very bad infrastructure despite decades of self-rule. Successive governments have continued to pay lip service to the provision and replacement of archaic infrastructure that today resulted into bad roads across the country, recurring collapsing of the national grid that had led to power outages across the country, inadequate electricity to power companies and homes. In addition, weak logistic system had increased operating cost resulting in many companies relocating to countries with more efficient and effective infrastructure.
- Policy and Regulatory inconsistencies – Frequent changes and inconsistent policies in trade such as: import bans, abrupt tax changes, multiple taxation and import restrictions most times create uncertainty in the operating environment of the country thereby making it quite harsh. This stems from the upheavals witnessed due to the political climate and various policies of the government from the naira redesign to the uncertainty of the electoral process. This had contributed to some companies exiting the countries due to the unpredictable policies/ policy summersault coming from the policy makers in government. As MNCs require a stable and predictable environment to thrive, yet Nigeria is perceived as highly unstable.
- Corruption – MNCs are often faced with demands for bribes, tax evasion scandals, regulatory bottlenecks that also add up to the cost of doing business (Ndubuisi-Okolo, Eluka, and Anekwe, 2016). Corruption is viewed as the violation of moral code or normative standard within the society. The unending corruption amongst most of our political and economic class is an albatross that the nation has not been able to shake off. The stories about trillions of naira been stolen or embezzled or misappropriate making headline on national dailies is a recurring decimal. Many wonders how this has continued to happen despite the existence of the anti-corruption agencies and the Judiciary. One can hardly pick-up a newspaper and not be regaled with such headlines, yet no one has adequately been punished to serve as deterrent to others. Thus Iyela (2009) asserts that corruption increases the cost of doing business and so the foreign investors would prefer to invest in countries with lower rates of corruption in order to derive maximum profits from their investments. And since corruption in Nigeria is mind blowing, hence the exit of some MNCs.

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- Culture of impunity – Nigerians have this impunity that has permeated our daily lives and become our second nature. The blatant disregard for the rule of law by those in authority and public office holders and law enforcement agencies is rampant and have trickled down to our youths whom we refer to as leaders of tomorrow. It is very shameful that this is the kind of legacy that will be bequeathed to them.
- Global and competitive factors – are also responsible for the exit as it reflects a strategic shift to other African markets or competitiveness from local /Asian companies that are adaptable to the challenges on ground. Some of these exits are driven by global strategies. For instance, the relocation of Michelin to Ghana and France was due to global consolidation and not specifically a Nigerian issue.

Implications of MNCs exit have significantly affected the nation as well as the citizenry in the following areas:

- Job losses Implication – One of the major visible implication of the exit of multinational companies from Nigeria is the massive job losses. By their nature, MNCs are large employers of labour through both direct workforce and indirectly via supply chains, contractors and distributors. Therefore, their departure always creates ripple effects in the labour market. For instance, when Shoprite exited Nigeria in 2020, thousands of workers in the outlets across the country lost their jobs. Beyond these, small scale suppliers, farmers and transporters whose livelihoods depended on Shoprite for patronage also experienced a decline in their incomes. Corroborating this, the Nigeria Employers Consultative Association, stated that when 15 major MNCs exited Nigeria between 2021 and 2023, it resulted in a job loss of over 20,000 under direct engagements and over 100,000 indirect jobs leading to an increase in the unemployment level... For a country that is grappling with 33.3 per cent unemployment rate as accounted in the Punch Editorial (2023) that was a massive loss. In addition, over 95 Nigerian companies have also closed alongside the MNCs within the period under study.
- A decline in foreign direct investment (FDI) – this is another major implication of the exit of multinational companies in Nigeria. FDI is a critical source of capital for developing countries as it brings in financial resources alongside technological component as well as managerial expertise. Nigeria since independence had relied heavily on MNCs to drive FDI in strategic sectors such as the oil, manufacturing, telecommunications and consumer goods. However, with the exit of these MNCs, Nigeria had witnessed a downturn in FDI inflows. For instance, the divestment of Shell from onshore operations in the Niger Delta has reduced Nigeria's attractiveness in the global oil investment market as investors view Nigeria as very risky, unstable, and hostile to foreign businesses. Furthermore, in 2022 alone, foreign direct investment (FDI) turned negative as about $187 million worth of investments left Nigeria (UNCTAD, 2023). This was the first time since 1995 that the country's FDI turned negative due to massive divestment.
- Capital Flight – the exit of MNCs from Nigeria also increases the problem of capital flight. This refers to the large-scale outflow of financial resources from the host country to the corporation's headquarters. Instead of reinvesting profits locally, many MNCs repatriate their earnings abroad. With their exit now, Nigeria has lost the much-needed foreign exchange (Ndubisi-Okolo, Eluka and Anekwe, 2016). For instance, Shell, Mobil oil have repatriated billions of dollars in profits over decades thereby worsening the balance of payment deficit. According to Ibe (2024), the exiting firm dragged along with them a whooping sum of N500 trillion from the economy.

In conclusion, this study examined the exit of MNCs from Nigeria from 2017 to date and discovered that it was a gradual exit of these companies at the start. The policy of removal of subsidy from petroleum products in 2023 resulted in more exit which exposed the fragile and weak underbelly of the nation's economy that is characterized by many flaws of policy summersault. However, the continuous exodus of multinational companies from the country despite President Tinubu's administration claims of gains of their policies are evidence of the harsh economic policies of the day that needs further study in more details. While the MNCs are generally tilted towards the growth and development of the host countries, their exits have stalled growth through loss of investments and the needed capital and invariably results in poverty, Therefore, if Nigeria must get out of the woods, it must overhaul its economy by revisiting those policies that led to the mass exodus of MNCs as well as improve on the state of good governance. Consequently, the study therefore recommends the following:

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- Nigeria must carry out a major reform in her economy and investment climate by establishing a clear, consistent and favourable policies to attract more resilient foreign investors as this will help to build confidence and encourage long term investments for long term growth. In the same vein, it should create opportunities for local investors since exits creates space that local indigenous firms can come in and fill the gap.
- Investing in robust critical infrastructure, particularly in the power sector, can help in reducing operational cost and improve businesses. Similarly, structural reforms in security and others that are critical to the growth and industrialization can go a long way in boosting the economy.
- Prioritize good governance by improving on the ease of doing business and cracking down on corrupt officials.
- Avoid multiple taxation which is also a major hinderance to investment. The current administration needs to re-check their multiple taxes on companies as well as on individuals.
- The Nigerian Government both at federal and state levels need to pay its workers living wages as against the current minimum wage which does not go beyond a week after salaries are received. This will go a long way to boosting their purchasing powers to be able to reduce the exit of MNCs.

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