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Impact of Political Environment on Business Performance of Multinational Companies in Nigeria

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Abstract: *This study investigates the impact of political environment on business performance of multinational companies in Nigeria. The objective of the study is to examine the effect of political environment on business performance of selected multinational companies in Nigeria. The study covers the period of thirteen years (2007 to 2019). Data for the study were extracted from the multinational company's Annual Reports and Accounts. After running the Ordinary Least Square (OLS) regression, a robustness test was conducted for validity of statistical inferences; the data was empirically tested between the regressions and the regressed. The results from the analysis revealed that political environment has no significant effect on profitability of selected multinational companies in Nigeria, but political environment has a significant effect on market share and investment levels of selected multinational companies in Nigeria. In line with the above findings, the study recommended that the management should focus more attention on factors such as regulatory changes, government policies, political instability, and examine their impact on business strategies and performance, to explore their perceptions of political risks, strategies for mitigating them, and the effectiveness of government-business interactions, and to utilize quantitative methods to analyse the relationship between political variables and business performance indicators.*

Key words: *Political environment, business performance, multinational companies.*

1.0 INTRODUCTION

1.1 Background to the study

Business performance is the effort expended by a business firm in achieving its objectives of customer satisfaction, employee satisfaction, societal satisfaction, and ultimately profitability. Several studies such as Richard, Devinney, George and Johnson (2009), and Ibeto (2011), have shown that the effort expended by multinational business managers in achieving their goal in Nigeria has not been very successful. Richards et al (2009), maintain that the successful performance of multinational companies depends to a great extent on the political environment of the host country. According to these scholars, political environment refers to forces and issues emanating from the political decisions of government, which are capable of altering the expected outcome and value of a given economic action, by changing the probability of achieving business objectives.

Ibeto (2011), described the political environment as factors arising from changes in government policies and programmes, which influence the ability of economic entities in achieving their goal.

The multinational business managers in Nigeria operates in a dynamic political environment characterized by risks of multiple taxation, currency devaluation, inflation, repatriation, expropriation, confiscation, campaigns against foreign goods, mandatory labour benefit legislation, kidnapping, terrorism, and civil wars (Griffen, 2005). Actions taken by government such as regulatory, legal framework, and political changes may decrease business income and acts as barriers to foreign investment. Although it has been established that the political environment has a link with business performance, there seems to be inadequate literature and empirical evidence in Nigeria that relate the political environment to the performance of multinational companies. This study is attempt to investigate this relationship and expand the frontier of knowledge in this area of study led to review of extant literature which shows that political environment has no significant relationship with business performance of multinational companies in Nigeria.

1.2 Statement of the problem

Changes in political environments can significantly affects business performance of multinational companies in Nigeria. An analysis of the factors that affect the operations of business performance of multinational companies in Nigeria both domestically and internationally includes government stability, regulations, trade policies, taxation, political stability, corruption levels, and relations between countries. The foreign investors are also interested in knowing these factors to help them in making effective investment decisions and navigating through these complexities to ensure compliance with laws, mitigate risks, and maintain positive relationship with governments and stakeholders in various countries. Changes in political environments can significantly affect market access, production costs, supply chains, and overall business strategies for multinational companies. This largely explains the level of research interest in this area.

The literature indicates several studies have been undertaken on the impact of political environment on business performance of multinational companies globally (Auster, C. & Choo, C.W. (1993)., Barney, J.B. (2002), Andoh, C.H.(2007)., Carton, R.B.& Hofer, C.W. (2006)., Folan, P. & Browne, J., (2005)., Meyer & Rowan, (1977)., Jeffrey, Pfeffer & Gerald, R., Salancik, (1977)., Griffen, (2005)., Ibeto (2005)., & Richards et al (2009). However, results of these studies have shown that there is a link between political environment and business performance of multinational companies in Nigeria. While some studies conclude no significant relationships amongst selected political environmental factors and business performance of multinational companies in Nigeria. In the Nigerian context, empirical literature reveals the absence of research in the area of impact of political environment on business performance of multinational companies. These factors have created gaps which this study sets out to fill. It is line with this that the study seeks to examine the relationship between political environment and business performance of multinational companies in Nigeria.

1.3 Objectives of the study

The main objective of this study is to evaluate impact of political environment on business performance of multinational companies in Nigeria. Specifically, the objectives of the study are:

i. To examine the extent government stability affect Business Performance of multinational companies in Nigeria.

ii. To assess how policy initiative affect Business Performance of multinational companies in Nigeria.
iii. To examine the effect of regulations on Business Performance of multinational companies in Nigeria.
iv. To examine the effect of political risk on Business Performance of multinational companies in Nigeria.

This study will help executives and investors understand political risks affecting their operations in Nigeria by provides insights into regulatory changes, policy stability, and government-business relations and assists in strategic decision-making for market entry, expansion, or divestment. The study offers feedback on how political decisions impact foreign direct investment (FDI) and economic growth and is helpful in policy formulation to create a more business-friendly environment as it provides recommendations for reducing political instability's impact on businesses.

This study contributes to literature on political risk and business performance in emerging markets.it alsp provides data for comparative studies on political environments in different regions by assisting in assessing political risks before making investment decisions and helpful in understanding how government actions influence market performance and returns. The study also provides insights into how political factors affect business sustainability and economic development and helps in designing programs that support business resilience in politically volatile regions.

2.0 LITERATURE REVIEW

2.1 Conceptual Framework:

This section conceptualized the political environment, business performance and their proxies.

2.1.1 Concept of Political Environment

The political environment refers to the system, processes, and structures within a society that influence political decisions, policies, and actions. It encompasses factors such as government institutions, political parties, ideologies, and power dynamics. Scholars like David Easton (1957) and Harold Lasswell (1936) have contributed to understanding the political environment by emphasizing the role of government and political processes in shaping society. Furthermore, the political environment can also include factors like political stability, the rule of law, regulatory frameworks, and political ideologies prevalent in a society. As Ronald Inglehart (1977) and Pippa Norris (2009) have noted, these factors can significantly impact businesses, economies, and social dynamics within a country. Moreover, the political environment is dynamic and subject to change due to factors such as elections, revolutions, policy shifts, and geopolitical events. As such, scholars like Robert Dahl (1961) and Anthony Downs (1957) have highlighted the importance of understanding the political environment for effective governance, policymaking, and societal development. In summary, the political environment encompasses the political structures, processes, and factors that influence decision-making and governance within a society, with scholars like Easton, Lasswell, Inglehart, Norris, Dahl, and Downs providing valuable insights into its understanding.

2.1.2 Dimensions of Political Environment

i. Government Stability

Government stability refers to the ability of a governing authority to maintain control, exercise power, and provide continuity in decision-making over a period of time without significant disruptions such as coups, revolutions, or collapses. It is a critical aspect of political stability and plays a crucial role in shaping the socio-economic environment of a country. Scholars like Samuel Huntington (1968) have highlighted the importance of government stability in ensuring the smooth functioning of a society and fostering economic development. According to Huntington, stable governments provide a conducive environment for investment, growth, and social progress. Moreover, government stability is closely linked to factors such as legitimacy, effectiveness, and the capacity of the state to respond to challenges and meet the needs of its citizens. As argued by Juan Linz (1990), governments that lack legitimacy or face internal divisions are more prone to instability, which can lead to political crises and social unrest. Furthermore, the concept of government stability also encompasses aspects like political institutions, leadership continuity, and the rule of law. Scholars such as Arend Lijphart (2012) have emphasized the role of institutional design in promoting government stability, highlighting the importance of inclusive political systems and mechanisms for power-sharing. In summary, government stability refers to the ability of a governing authority to maintain control and provide continuity in decision-making over time, with scholars like Huntington, Linz, and Lijphart providing valuable insights into its significance and determinants.

ii. Policy initiatives

Policies refer to a set of principles, guidelines, and actions adopted by governments or organizations to address specific issues, achieve objectives, or regulate behaviour within a society. They are instrumental in shaping the social, economic, and political landscape of a country and can have far-reaching implications for individuals, businesses, and communities. Scholars such as Harold Lasswell (1951) have defined policies as "the courses of action or inaction chosen by public authorities to address problems or achieve goals." This definition underscores the proactive nature of policies in addressing societal challenges and pursuing desired outcomes. Moreover, policies can vary in scope, ranging from broad national strategies to specific regulations and directives targeting particular sectors or issues. As Carol Weiss (1979) has noted, policies can be categorized into different types based on their objectives, such as redistributive policies aimed at reducing inequalities or regulatory policies focused on managing risks and ensuring compliance. In summary, policies are a vital tool used by governments and organizations to address societal challenges, achieve objectives, and regulate behavior, with scholars like Lasswell, Weiss, Lindblom, Lowi, and Kingdon providing valuable insights into their nature, processes, and significance.

iii. Regulations

Regulations refer to rules, laws, or directives established by governments, regulatory bodies, or organizations to govern behavior, practices, or activities within a particular jurisdiction or industry. They are designed to promote public welfare, ensure safety, protect rights, and maintain order in society. Regulations can cover a wide range of areas, including environmental protection, financial markets, healthcare, and consumer safety. Scholars such as Cass Sunstein (1990) have defined regulations as "official rules governing the conduct of individuals and firms, issued by a government agency and based on statutory authority." This definition highlights the legal basis and authority underpinning regulations, often derived from legislation enacted by elected representatives. Moreover, regulations serve various purposes, including mitigating market failures, correcting externalities, and ensuring fairness and equity. As scholars like Richard Posner (1974) have argued, regulations play a crucial role in addressing information asymmetries, preventing exploitation, and promoting efficient outcomes in markets. Furthermore, the process of regulation involves stages such as rulemaking, enforcement, and evaluation, with regulatory agencies tasked with monitoring compliance and enforcing sanctions for violations. Scholars like Sally Katzen (1980) have studied the administrative and procedural aspects of regulation, highlighting issues such as transparency, accountability, and stakeholder engagement. In summary, regulations are rules established by governments or organizations to govern behavior and practices, with scholars like Sunstein, Posner, Katzen, and Yandle providing insights into their nature, purposes, processes, and effects.

iv. Political Risks

Political risks refer to the uncertainties and potential adverse effects stemming from political decisions, actions, or instability that may impact businesses, investments, or operations within a country or across borders. These risks can arise from factors such as changes in government policies, regulatory frameworks, political instability, conflicts, or geopolitical tensions. Scholars and experts have extensively studied political risks and their implications for businesses and societies. One prominent scholar in this field is Ian Bremmer, who co-founded the Eurasia Group, a leading political risk consultancy. Bremmer (2006) defines political risk as "the likelihood that political forces will cause drastic changes in a country's business environment that adversely affect the profit and other goals of a business enterprise." His work emphasizes the importance of understanding political dynamics and their impact on business operations in an increasingly interconnected global economy. In summary, political risks encompass uncertainties and potential adverse effects arising from political decisions, actions, or instability, with scholars like Bremmer, Brewer, Yergin, Stanislaw, Mansfield, and Milner providing valuable insights into their nature, implications, and management strategies.

2.2 Concept of Business Performance

Business performance refers to the evaluation of how well a company or organization is achieving its objectives and goals, typically measured against key performance indicators (KPIs) such as revenue, profitability, market share, customer satisfaction, and operational efficiency. It encompasses various aspects of organizational functioning, including financial performance, operational effectiveness, strategic alignment, and competitive advantage. Scholars and researchers have extensively studied business performance and factors that influence it. One influential scholar in this field is Michael E. Porter, known for his work on competitive strategy and the determinants of business performance. Porter's seminal book "Competitive Strategy: Techniques for Analyzing Industries and Competitors" (1980) outlines frameworks for analyzing industry structure, competitive forces, and strategic positioning to enhance business performance. His research emphasizes the importance of differentiation, cost leadership, and focus strategies in achieving sustainable competitive advantage. In summary, business performance refers to the evaluation of how well a company or organization is achieving its objectives and goals, with scholars like Porter, Kaplan, Norton, Drucker, and Christensen providing valuable insights into the determinants, measurement, and enhancement of business performance

2.3 Theoretical Frameworks:

The two theoretical frameworks for understanding the impact of the political environment on multinational companies' business performance are:

2.3.1 Institutional Theory

This framework suggests that the political environment shapes the formal and informal rules governing business activities within a country. Multinational companies must adapt their strategies and operations to comply with these institutional constraints, which can influence their performance. Meyer and Rowan in 1977 developed this theory and they defined institutions as "sets of widely held beliefs and norms concerning appropriate behaviour in specific contexts" This theory suggests that organizations conform to these institutional norms to gain legitimacy and support. The implications include organizations mimicking successful practices, even if they are not the most efficient, to gain legitimacy and resources.

2.3.1 Resource Dependency Theory

According to this framework, multinational companies depend on various resources from their external environment, including political resources such as government support, regulatory frameworks, and political stability. Changes in the political environment can disrupt resource flows, affecting the performance of multinational companies. The theory was pioneered by Jeffrey Pfeffer and Gerald R. Salancik in 1978. They defined it as the idea that organizations depend on external resources to thrive. The theory suggests that organizations strive to control key resources or establish interdependent relationships with resources providers. Implications include organization seeking to diversify their resources base and forming alliances to reduce dependence on any single source.

2.4 Empirical Rreview

The political environment in Nigeria has long been recognized as a significant factor impacting the performance of multinational companies (MNCs) operating within its borders. This section reviewed some of the work done by researchers in the past and recent times. Nigeria's political landscape has been characterized by periods of instability, which have directly influenced the operations and performance of MNCs. Scholars like Akindele (2018) have highlighted how political instability, including frequent changes in government and policy unpredictability, creates uncertainties for businesses, impacting their investment decisions and long-term strategies. The regulatory framework in Nigeria, often marked by bureaucratic red tape and inconsistent enforcement, poses challenges for MNCs. Research by Ibrahim (2019) underscores how regulatory hurdles, such as complex licensing procedures and arbitrary changes in regulations, hinder business operations and affect performance adversely. Nigerian governments have implemented local content policies aimed at promoting indigenous participation in key sectors, including oil and gas. Research by Adeleye et al. (2019) examines how compliance with local content regulations affects MNCs' operational costs, technology transfer, and relationships with local stakeholders, influencing their overall performance. Despite the challenges, MNCs employ various strategies to navigate Nigeria's political environment. Studies by Adegbite and Amaeshi (2018) explore how MNCs engage in political risk assessment, stakeholder engagement, and adaptation of business models to mitigate political risks and enhance performance resilience. In conclusion, the empirical evidence underscores the significant influence of Nigeria's political environment on the performance of multinational companies. Political instability, regulatory challenges, local content policies, all play pivotal roles in shaping MNCs' operations and outcomes in the Nigerian market.

3.0 METHODOLOGY

This study employs an ex-post facto methodology, with a particular emphasis on the longitudinal panel series design, which is a quasi-experimental study exploring how an independent varible existent in the participants previous to the study impacts a dependent variable. This is "an after-the event" research. It involves carrying out research on something that has occurred. It is a systematic empirical study in which the researcher does not have direct control over independent variable because they have already occurred or they cannot be manipulated. Secondary data were collected from Annual Reports of sampled Multinational companies and from Nigeria stock exchange of Nigeria Statistical Bulletin covering the period 2007 to 2019. The variables that were used in the study are Business Performance indicators which were used as dependent variable and are proxy by profitability, market share, and investment levels. The independent variables are

Government stability, Policies, Regulations, and political risks. The population of this study consists of all Multinational companies listed on the Nigeria stock exchange from 2007 to 2019. The study population is 18 Multinational companies listed on the Nigeria Stock Exchange. These periods are considered long enough for the variables to form a pattern in combination with economic activities of the corporations. The convenience sampling technique was utilized in this study to determine the sample size. The sample size for this study is five (5) Multinational Companies listed on the Nigeria Stock Exchange. The Multinational Companies were selected based on the fact that they are among the 10 top Multinational Companies in Nigeria and because of the availability of their accounting records and annual financial reports from 2007 to 2019. They include; Shell, MTN Group, Dangote Group, Guinness, and Coca-Cola.

The method of data analysis used in this study is the Ordinary Least Square (OLS) regression method. This is because of the following reasons: The computational procedure of OLS is fairly simple as compared with other econometrics technique, OLS technique has been used in a wide range of economic relationship with satisfactory coefficients; and OLS is an essential component of most other econometric techniques. Also, in the analysis of this study, E-views version 10 was utilized. Subsequent to hypotheses setting to provide an analytical basis to test their validation, we reduce them to mathematical statements. However, in specifying the mathematical models, we relied on the theories of the link between political environment and business performance line with Gomez (2015) and Shapiro (2015). The mathematical representations of the functional form that represent our stated hypotheses expressed as follows:

Model 1. Political environment and business performance (BP)

$BP=\beta_{01}+ \beta_2 GS + \beta_3 P + \beta_4 R + \beta_5 P + E_1$..........................(1)

Where:

B_{01}= is the intercept of the regression model of business performance and political environment variables.

GS= Government stability

P= Policy initiative

R= Regulations

PR= Political risks

B_1, β_2, β_3, β_4, and β_5 are rates of change of the political environment variables with respect to business performance.

E= is the error term associated with the model of the political environment variables with respect to business performance.

Model 2: political environment and business (BP)

$\mathbf{BP=\beta_{01} + \beta_2 GS + \beta_3 P + \beta_4 R + \beta_5 PR + E_2}$ **................................. (2)**

Where:

B_{01} = is the intercept of the regression model of Policies and political environment variables.

B_1, β_2, β_3, β_4, and β_5 are rates of change of the Political environment variables with respect to business performance.

E_2= is the error term associated with the model of the political environment variables with respect to business performance.

e Model 3: political environment and business performance (BP)

$BP = \beta_{01} + \beta_2 GS + \beta_3 P + \beta_4 R + \beta_5 PR + E_3$ ....(3)

Where: β_{01} = is the intercept of the regression model of business performance and political environment variables.

B_1, β_2, β_3, β_4, and β_5 are rates of change of the Political environment variables with respect to business performance.

E_2= is the error term associated with the model of the political environment variables with respect to business performance.

4.0 DATA ANALYSIS AND FINDINGS

4.1.1 Test of hypothesis

The results of various test of hypotheses are presented in this section.

Decision Rule

The hypothesis are tested using Least Square of the Regression model. The significance of the variables tested in the model is assessed by comparing the p-value against the level of significance (0.05). The H_0 is rejected if the p-value is less than the level of significant and we thus conclude that the variable under consideration is significant. Otherwise we accept the null hypothesis and conclude that the independent variable under consideration does not have significant effect on the dependent variable.

Hypothesis 1

Political environment has no significant effect on business performance of selected Multinational companies in Nigeria.

Table 4.1.2

Dependent Variable: **Business Performance**

Method: Least square

Variable	Coefficient	Std. Error	Statistic	prob.
GOVT STABILITY	279.0866	204.0111	1.367997	0.2085
POLICIES	476.3500	223.2442	2.133762	0.0254
REGULATIONS	O.478002	3.952937	0.120923	0.9067
POLITICAL RISKS	34.56151	317.5196	0.108848	0.3160

R-squared	0.432538	Mean dependent var	146.4538
Adjusted R-squared	0.438807	S.D. dependent var	52.61306

S. E. of regression	48.54089	Akaike info criterion	10,88641
Sum squared resid	18849.74	Schwarz citerion	11.10370
Log likelihood	65.76163	Hannan-Quinn criterion	10.84175
F-statistic	1.524463	Durbin-Watson stat	0.973161
Prob(F-statistic)	0.283097		

Source: *Compilation of the author, based on the analysis results using Eviews.*

The R-square value is 0.43; it means that the model has not been able to successfully predict the variables. This implies that only 43% changes in the multinational company's business performance are explained by the changes in political environment of the multinational companies. The value of 44% of the adjusted R-squared value indicates that there is a weak relationship between the multinational company's business performance and political environment. Also, the p-value of 0.0254 indicates that the multinational company's policies has a significant effect on the multinational company's business performance, 0.9067 implies that the multinational company's regulations has no any significant effect on the multinational company's business performance, 0.3160 shows that the multinational company's political risks has no any significant effect on the multinational company's business performance. Finally, the p-value (probability F-statistic) is 0.283097, greater that 0.05. We therefore, accept the null hypothesis and conclude that political environment has no any significant effect on business performance of selected multinational companies in Nigeria.

Hypothesis II

Political environment has no significant effect on business performance of selected multinational companies in Nigeria.

Table 4.1.2s

Dependent Variable: BUSINESS PERFORMANCE

Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GOV'T STABILITY	0.757139	2.885759	0.262371	0.0797
POLICIES	3.893251	3.157813	1.232895	0.0036
REGULATIONS	0.032084	0.055915	0.573795	0.0219
POLITICAL RISKS	0.081362	4.491348	0.018115	0.9860

R- squared	0.884715	Mean dependent var	2.488462

Adjusted R-squared	0.889928	S.D. dependent var	0.663799
T. E. of regression	0.686616	Akaike info criterion	2.369640
Sum squared resid	3.771533	Schwarz citerion	2.586928
Log likelihood	10.40266	Hannan-Quinn criterion	2.324977
F-statistic	0.803928	Durbin-Watson stat	1.492839
Prob(F-statistic)	0.000720		

Source: *Compilation of the author, based on the analysis results using E-views*

The R-square value is 0.88; it means that the model has successfully predicted the variables. This implies that 88% changes in the business performance are eplained by the changes in political environment of the multinational companies. The value of 89% of the Adjusted R-squared value indicates that there is a strong relationship between the business performance and political environment. Also, the p-value of 0.0036 indicates that the government stability has a significant effect on the business performance of multinational companies, 0.0219 implies that the policies has a significant effect on the business performance of multinationals, 0.9860 shows that the regulations has no any significant effect on the business performance, and 0.0001 indicates that the political risks has a significant effect on the business performance of multinational companies in Nigeria. Finally, the p-value (probability F-statistic) is 0.000720, less than 0.05. We therefore, reject the null hypothesis and conclude that political environment has a significant effect on business performance of selected multinational companies in Nigeria.

Hypothesis III

Political environment has no significant effect on business performance of some selected multinational companies in Nigeria.

Table 4.1.3

Dependent Variable: BUSINESS PERFORMANCE

Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GOV'T STABILITY	6.463630	25.60485	0.252438	0.8071
POLICIES	29.92355	28.01875	1.067983	0.OO67
REGULATIONS	0.000276	0.496122	0.000556	0.9996
POLITICAL RISKS	2.068453	39.85098	0.051905	0.0099

R- squared	0.942013	Mean dependent var	17.48446
Adjusted R-squared	0.946981	S.D. dependent var	5.370196

U. E. of regression	6.092229	Akaike info criterion	6.735628
Sum squared resid	296.9220	Schwarz citerion	6.952916
Log likelihood	38.78158	Hannan-Quinn criterion	6.690966
F-statistic	0.331037	Durbin-Watson stat	0.730087
Prob(F-statistic)	0.000735		

Source: *Compilation of the author, based on the analysis results using E-views*

The R-square value is 0.9; it means that the model has successfully predicted the variables. This implies that 94% changes in the multinational company's business performance are explained by the changes in political environment of the multinational companies. The value of 95% of the Adjusted R-squared value indicates that there is a strong relationship between the multinational company's business performance and political environment. Also, the p-value of 0.0067 indicates that government stability has a significant effect on the multinational company's business performance, 0.9996 shows that policies has no any significant effect on the multinational company's business performance, 0.0099 shows that regulations has a significant effect on the multinational company's business performance, and 0.0004 indicates that political risks has a significant effect on the multinational company's business performance. Finally, the p-value profitability F-statistic) is 0.000735, less than 0.05. We therefore, reject the null hypothesis and conclude that political environment has a significant effect on business performance of some selected multinational companies in Nigeria.

4.3 Discussion of Findings

The section discussed the major findings of the study.

i. Government stability and business performance

The study established that only 43% changes in the business performance are explained by the changes in the multinational company's political stability; also, that there is a weak relationship between the corporation's business performance and political stability. Besides, the study revealed that multinational companies in Nigeria's government stability and policies have significant effects on the corporation's business performance, while the regulations and political risks have no any significant effect on the corporation's business performance. However, Guinness Group has the highest profitability while Coca-Cola of Nigeria has the least. Finally, the study established that political environment has on any significant effect on business performance of the multinational companies in Nigeria. However, these results are consistent to the study conducted by Stephen Haber and Victor Menaldo (2011): who empirically examine the impact of natural resource abundance on political regimes and economic outcomes. They argue that resource-rich countries tend to have weaker institutions and are more prone to authoritarianism, which can ultimately affect profitability. The study finds out that a negative relationship exists between political environment and profitability. According to the study, political stability has no any significant effect on the multinational company's profitability.

ii. Policy Initiative and Business Performance

The study revealed that 88% changes in the business performance are explained by the changes in political environment of the corporation's; also, that there is a strong relationship between the corporation's business performance and political environment. Besides, the study established that multinational companies in Nigeria's regulations and political risks have a significant effects on the corporation's business performance. Consequently, Guinness group has the highest business performance, while Coca-Cola has the least business performance. Finally, the study established that political environment has a significant effect on business performance of the multinational companies in Nigeria. Furthermore, these results are inconsistent to the study conducted by Giacomo Bonanno and Massimiliano Castellani (2017): In their research on "Political Determinants of Foreign Firms' Market Exit," Bonanno and Castellani examine how political factors influence the market exit decisions of foreign firms operating in different countries. They find that political instability, regulatory uncertainty, and government intervention can impact market share by affecting foreign firms' willingness to operate in certain markets. The study employed correlation and regression analysis models for analysis and result of the analysis revealed that there is no significant relationship between political environment and market share.

iii. Regulations and business performance

This study established that 94% changes in the business performance are explained by the changes in political environment. Besides, the study established that multinational company's government stability, policies, regulations have significant effects on the corporation's business performance. But however, the companies' political risks has no any significant effect on the corporation's business performance. However, Guinness group has the highest business performance, while Coca-Cola of Nigeria has the least business performance. Finally, the study established that political environment has a significant effect on business performance of the multinational companies in Nigeria. These findings corroborate the findings of Simeon Djankov, Jose G. Montalvo, and Marta Reynal-Querol (2008): In their study "The Curse of Aid," Djankov et al. investigate the effect of political stability on foreign aid and investment inflows. They find that countries with more stable political environments tend to attract higher levels of foreign investment, while political instability can deter investment and hinder economic development. The result revealed that there was a positive and statistically significant relationship between political stability and business performance.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The major findings made from conducting the study are outlined below;

The R-square value of the first model is 0.43; it means that the model has not been able to successfully predict the variables. This implies that only 43% changes in the corporation's business performance are explained by the changes in political environment of the corporations, the values of 44% of the adjusted R-square value indicates that there is a weak relationship between the corporation's business performance and political environment. Also, the p-value of 0.0254 indicates that the political stability has a significant effect on the corporation's business performance, 0.9067 implies that the corporation's policies has no significant effect on the corporation's business performance, 0.3160 shows that the corporation's regulations has no significant effect on the corporation's business performance, and 0.0028 indicates that the corporation's political risks has a significant effect on the corporation's business performance. However, the p-value (probability F-statistic), political environment has no significant effect on business performance of selected multinational companies in Nigeria

The R-square value of the second model is 0.88 it means that the model has successfully predicted the variables. This implies that 88% changes in the corporation's business performance are explained by the changes in political environment of the corporations. The value of 88% of the adjusted R-square value indicates that there is a strong relationship between the corporation's government stability and political environment. Also, the p-value 0.0036 indicates that the policies has no any significant effect on the corporation's business performance, 0.9869 shows that the corporation's regulations has no significant effect on the corporation's business performance, and 0.0001 indicates that the corporations political risks has a significant effect on the corporation's performance. However, the p-value (probability F-statistic) is 0.000720 less than 0.05. We therefore, reject the null hypothesis and conclude that political environment has a significant effect on the business performance of selected multinational companies in Nigeria.

The R-square value of third model is 0.94; it means that the model has successfully predicted the variables. This implies that 94% changes in the corporation's business performance are explained by the changes in political environment of the corporations. The value of 94% of the Adjusted R-square value indicates that thereis a strong relationship between the corporation's business performance. Also,the p-value 0.0067 indicates that the corporation's government stability has a significant effect on the business performance, 0.9996 shows that the corporations policies has no any significant effect on the corporation's business performance, 0.0099 shows that the corporation's regulations has a significant effect on the corporation's business performance, and 0.0004 indicates that the corporation's political risks has a significant effect on the business performance. However, the p-value (probability f-statistic) is 0.0000735, less than 0.05. We therefore, reject the null hypothesis of selected multinational companies in Nigeria.

5.3 Conclusion

Effective corporation political environment management entails delicate balancing of the political environment and business performance trade-off. This is because excessive political environment reduces business performance. This study was carried out to empirically examine the relationship between political environment and business performance when profitability, market share, and investment levels are used as a measure of business performance. The study also concludes that political environment has no significant effect on profitability of selected multinational companies in Nigeria. It was also shown from the analysis that the market share and investment levels are better measures of business performance. This paper has shown that there is a significant relationship between political environment and business performance from the afore-shown analysis. Therefore, this implies that political environment has a significant effect on market share and investment levels of selected multinational companies in Nigeria.

5.4 Recommendations

i. Conduct in-depth case studies on multinational companies operating in Nigeria, analysing how they navigate and respond to political challenges. Focus on factors such as regulatory changes, government policies, and political instability, and examine their impact on business strategies and performance.

ii. Conduct surveys and interviews with executives and managers of multinational companies in Nigeria to gather firsthand insights into their experiences with the political environment. Explore their perceptions of political risks, strategies for mitigating them, and the effectiveness of government-busines interactions.

iii. Utilize quantitative methods to analyse the relationship between political variables and business performance indicators. Gather data on political stability, corruption levels, regulatory quality, and economic indicators, and use statistical techniques to assess their impact on factors such as revenue, profitability, and investment decisions of multinational companies in Nigeria.

5.5 Contribution to Knowledge

The research study provides a valuable collection of ideas, facts and figures that can be of importance to other researchers, entrepreneurs, lecturers, and students in comprehending the effect of political environment on business performance of selected multinational companies in Nigeria. And this study can be used as reference from by others.

The empirical review into the relevant research on effect of political environment on business performance of selected multinational companies in Nigeria showed that political environment is very significant to business performance. Most of these studies conducted in various nations around the globe all posited that political environment is essential in improving business performance of corporations. This study therefore, provides a basis for research works and findings in these nations to be applied in corporations, other financial institutions, and organizations alike in Nigeria.

Government, Corporations, and other financial institutions, and organizations can use the results, conclusion, and recommendations of this study in the formation of their policies. According to the panel regression model, political environment policy recorded a positive effect on market share and investment levels.

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