



AN EMPIRICAL INVESTIGATION OF THE IMPACT OF EFFECTIVE SHIPPING POLICY INSTRUMENT ON THE DEVELOPMENT OF THE NIGERIA MARITIME INDUSTRY

Iriyemi Ademola Benson and Ogundipe Oluwaseun David

Department of Transport and Tourism Studies, Redeemer's University, Ede Osun State, Nigeria.

ABSTRACT: *The Nigeria's shipping sector is estimated to be capable of generating above 5trillion naira annually but the sector has been totally neglected. To make the sector effective and harness revenue from this sector, there will be an overhaul of policy, institutional, regulatory and legal framework. This study therefore, empirically investigates the impact of an effective shipping policy instrument on the development of the Maritime sector in Nigeria. Data were collated in Lagos, Nigeria through a structured questionnaires administered to stakeholders of the maritime sector in Nigeria. The method of analysis used in the study is a simple non-parametric (chi-square test) statistical method. From the method of analysis, the study found out that an effective shipping policy affect the development of the maritime sector in Nigeria. The study therefore recommends the enactment of a new national shipping policy to effectively support the Nigeria's shipping policy dates back to 1987 when the Nigerian shipping policy act no.10 of 1987 was enacted following Nigeria ratification of the United Nations Code on Trade and Development (UNCTAD) so as to make shipping policy instruments have an impact on the development of the Maritime sector in Nigeria, which will invariably aid Nigeria economic growth.*

KEYWORDS: Shipping Policy, Maritime Sector, Development, Non-Parametric Test

INTRODUCTION

The development of the maritime sector in any country follows a continuous modeling and maritime policies. This means that the maritime sector is continuously upgraded to meet international standard and best practices in shipping policy formulation. However, a developing economy cannot operate in total isolation from the maritime sector hence a special attention to the development of the maritime sector.

Formulating shipping policy remains one of the most controversial issues in the development of the maritime sector in Nigeria. Maritime policy is a set of basic principles and associated guidelines, formulated and enforced by the governing body of an organization, to direct and limit maritime activities and actions of its participants in pursuit of long term goals. Maritime policy will mainly concern investment decisions aimed at expanding maritime sector in some form or others (Bennett, P. 2000). In the year 2018, the idea of developing the Maritime sector while holding other variables constant had affected the sea port areas. Transport which is also called waterborne transport is one of the modes of transportation of goods and/or persons, which has for centuries been the main prerequisite for trade transactions between nations and regions, and has without doubt played an important role in creating economic development and prosperity (Eide et al. 2007.).The maritime industry is an area of great importance to the Nigerian economy and a strong catalyst for socioeconomic



development as it contributes an immense percentage to the national GDP of the country through transportation of freight, promotion of trade and commerce, revenue generation, creation of job opportunities varying from skilled to unskilled, institutional development, international relations, and promotion of tourism.

Ekong (1984) cited by (Olayiwola 2018) stated that over 96% of the transportation of Nigeria's external trade is by maritime transport, this however had not changed despite we are now in the year 2018. The maritime industry consists of companies and organizations whose activities supply innovative products and services related with the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing and/or maintaining vessels, or component parts thereof; of managing and/or operating shipping lines and customs brokerage services, shipyards, dry docks, marine railways, marine repair shops, shipping and freight forwarding services and similar enterprises. One of the major problems that have continued to hinder the growth of the maritime industry in Nigeria is the issue of inadequate policy creation and poor implementation. The Nigerian maritime industry has undergone series of policy reforms which are not positively felt in the maritime sector in Nigeria. As business became more international and newly industrialized, many industrialized nations tends to standardize their shipping polices so as to be effective. In as much as shipping policy help the maritime sector in creating a model in transporting items, its impact has not been effectively felt in the maritime sector. It is as a result of this that this study is been carried out to find and empirically investigate the impact of an effective shipping policy on the maritime sector using the Lagos Tincan Island port domain as a case study.

LITERATURES

Transportation is the hub to most growing cities to enhance productivity and boost the effective running of the economy; hence effective and efficiency measure must be employed before the changes can result in severance damage because the movement of freight from origin to destination depends on the effectiveness of the transportation (Roe 2015).

Shipping consists of a large part of maritime activities in Nigeria and so the importance of shippers cannot be underestimated. Around 90% of world trade is carried out by the international shipping industry. Without shipping, the import and exports of goods on the scale necessary for the world today would be impossible. (International Chamber of Shipping (ICS) 2015).

A striking feature of the shipping business to outsiders is the different characters of the companies in different sections of the industry. For example, liner companies and bulk shipping companies belong to the same industry but they seem to have little else in similarity. In fact, there are several different groups of companies involved in the transport chain, some directly and others indirectly. The direct players are the cargo owners, often the primary producers such as oil companies and the shipping companies. Because shipping is a service business, ship demand depends on several factors including price, speed reliability and security. (Kaps, H. 2004.). The role of shipping and shipping services needs to be strengthened to secure the foundation from which to develop more innovative and competitive solutions in the manufacture of equipment, shipbuilding, logistic and transport



services. The growth of international trade demands that all trading nations, not just the few, should contribute to the security of trade routes. The demand for shipping worldwide is increasing, so new and innovative ways of transporting cargoes present designers and engineers with opportunities. (Maritime foundation, 2016). The survival of the maritime industry in Nigeria depends to a large extent on the level of aggregate demand for shipping services and the country's shipping lines market share. The latter hugely depends on the operational efficiency of the lines and the former on how well the country is performing. Using the trend in total amount of vessels and cargo throughout Nigerian ports, there is an observable growth in the demand for shipping services in Nigeria. (The guardian Nigeria, 2016).

In 2018, the Nigerian Port Authority stated that Nigeria is a waterfront state, with broad coastline and therefore point of frequent economic activities that needed effective financial inclusion. It has inland water systems and large variety and volume of items, oil and gas trades. Due to the close link between shipping activities and economic development, most nations cannot afford to toy with the industry (Ihernacho 1997). Maritime transport is essential to the operation of any country's economy and a vital part of the nation's transport infrastructure. As any other industry, to unlock the key to potential in the maritime industry, policies and projects that have various ways and ability to improve and guide the industrial participants and the country's economy must be implemented. These policies must be able to address the issues militating against the business' effectiveness and control the activities of every participant in all maritime sectors. Shipping is essential to the functioning not just of modern society generally, but of the global economy in particular (Kaps, H. 2004.). The industry has various industries within it; it is often associated with shipping lines involved in the carriage of cargo as well as including associated service providers (Workplace Performance Technology LTD 2010). The maritime industry sector has three types of activities which are maritime transport services, maritime auxiliary services and port services. Roe (2015) stated that the water transportation industry as consisting of activities of shipping companies, cruise ships and ferry operators as well as revenues generated by cargo loading and unloading, port fees and pilotage authority. Shipping is considered as the lifeblood of the global economy. More than 80 % of the worlds goods are carried by ship (Vieira, et al. 2007). Agarwal and Ergun (2008), the shipping industry is made of three main divisions: industrial shipping, tramp shipping and liner shipping. Industrial shipping refers to the cases where the shipper owns the ship and aims to minimize shipping cost. In tramp shipping activities, the carrier engages in contracts with the shippers to carry cargo bulk between specific points at specific time frame. Igbowe (2012) enunciated some strategies towards the development of the shipping industries in Nigeria. His main focus was on the shortcoming of the decree 10 of 1987 which vested policy implementation on the National Maritime Authority (NMA now NIMASA). Igbowe (2012) in examining the future of Nigeria maritime industry observed among other things that Nigeria requires a well articulated maritime law and policy constructed to encourage and foster economic growth and development. The work of (Boisson 1994) suggested that shipping policy in Nigeria maritime sector has not been effective. Olayiwola (2011) in his write-up is also of the opinion that for a greater impact or relevance in the maritime sector to be achieved, the nation must embark on a more elaborate shipping policy which should encompass the development of maritime capacity building in line with the trends of the world's maritime growth, taking into consideration the relevance of the shipping globalization. Faure and Hui. (2008) believed that perhaps unlike any other country, the maritime industry provides a basket of opportunities for investment. First and



foremost, it has served to stimulate import and export trade by way of providing surface transport through which freight are moved by sea on a massive scale. Nevertheless, shipping trade has played an important role in Nigerian economic development. It accounts for about 95% of the vehicular means of Nigeria's international trade. Besides it has also acted as a cardinal force in Nigeria's efforts to correct her trade imbalances with the developed nations of the world.

In pursuit of developing our maritime industry, the Nigerian Maritime Authority (NMA now NIMASA) was established to coordinate and implement Nigeria's Shipping Policy. NMA's successor the Nigerian Maritime Administration and Safety Agency (NIMASA) when established in 2007 had no defined purview regarding Nigeria's Shipping Policy, though it was mandated to promote and develop indigenous commercial shipping in international and coastal shipping trade, and regulate and promote maritime security, maritime pollution and maritime labor. The Merchant Shipping Act 2007 was established to provide for merchant shipping and related matters. This Act was to be implemented by NIMASA and lays down a list of regulations for ships operating in Nigeria regarding licensing, registration, certification and penalties for non-compliance with the Act. Nigeria has an estimated number of 60 legislative enactments comprising its maritime and shipping laws. (Bisi 2015).

MATERIAL AND METHODS

Having noted that the main aim of this study, the method of analysis applied in this study is distilled from the literature. In line with the research questions, a non-parametric test will be used to justify the findings. A non-parametric test is a test that does not follow any form of assumptions in analyzing data. The aim of this study is to empirically investigate if an effective shipping policy affects the development of the maritime sector in Nigeria. 200 questionnaires were administered and 170 was deemed fit for analysis. However, the sample size was determined using Yamame formula at 5% error. The use of non-parametric test such as chi-square as method of analysis in this study has been justified in the literature in this study.

Decision Rule: The stated hypothesis will be tested at 0.05 level of significance, and a df of greater than or equals 3. We will reject the null hypothesis H_0 and accept the alternative hypothesis H_1 ; also we will accept the null hypothesis H_0 and reject alternative hypothesis H_1 once both H_0 and H_1 are not at this level of significance for the stated hypothesis.

Test of Hypothesis

H₁: Effective shipping policy instrument significantly affect the development of the maritime sector in Nigeria.

The Hypothesis was tested using chi-square and the results are presented in table 1a and 1b



Table 1(a): Chi square table showing the impact of shipping policy instruments on maritime sector in Nigeria

	Observed N	Expected N	Residual
Strongly Disagree	4	34.0	-30.0
Disagree	3	34.0	-31.0
Undecided	26	34.0	-8.0
Agree	56	34.0	22.0
Strongly Agree	81	34.0	47.0
Total	170		

Source: Author's computation using SPSS.

Table 1(b) Test Statistics

	How effective has the shipping policy instruments been in affecting the development of the Maritime sector in Nigeria.
Chi-Square	135.824 ^a
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 34.0.

Table 1(a) reveals that an effective shipping policy have impact on the development of the Maritime sector in Nigeria ($x=135.824$, $df=4$, $p<.005$).

We therefore reject H_0 ; which stated that an effective shipping policy does not have significant impacts on the development of the maritime sector in Nigeria and accept H_1 .

DISCUSSION OF RESULTS AND CONCLUSION

The study was motivated by the importance of maritime sector in aiding economic growth. Instead of using the usual equation model or advanced mathematical techniques in analyzing the research question, a simple non-parametric test was applied.

The following findings which addressed the research question and hypothesis were made. The major findings are summarized below:

From our analysis, the researchers found out that the chi-square calculated is greater than the chi-square tabled as represented by 5% level of significance. Since the chi-square calculated is greater than the tabulated, we conclude that an effective shipping policy affect the development of the maritime sector in Nigeria. However, similar works such as the work of Iheanacho (1997), Kuronen and Tapaninen (2009), opined that an effective shipping policy affect positively the growth of the Maritime sector. In addition, it has been noted from review of professionals and scholars in the platform of the International Chamber of Shipping (ICS), (2015) and the Maritime foundation (2016) that effective shipping policy help in the development of the Maritime sector. It is on this empirical finding that this study recommends the enactment of a new national shipping policy to effectively support the Nigeria's shipping policy dates back to 1987 when the Nigerian shipping policy act no.10 of 1987 was enacted following Nigeria ratification of the United Nations Code on Trade and Development (UNCTAD) so as to make shipping policy instruments have an impact on the



development of the Maritime sector in Nigeria, which will invariably aid Nigeria's economic growth. Hence it is concluded that shipping policy and the Maritime sector has a linear relationship. Given the important of the maritime sector contribution to economic development, it becomes expedient to continuously examine how shipping policy can better be improved so as to continuously affect positively on the Maritime sector in Nigeria.

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