THE GROWTH STRATEGY AND THE CHALLENGES OF DEVELOPMENT FOR THE 21ST CENTURY NIGERIA (1986 – 2011)

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ABSTRACT

This paper examines the growth strategy in Nigeria where much emphasis is placed on increased Gross Domestic Product (GDP) before development could be achieved. Using only descriptive data analysis for some selected macroeconomic indicators in Nigeria between 1986 and 2011, it has been established that the Nigeria economy has failed to develop as evidenced from mass poverty and unemployment in spite of relative growth in GDP and GDP per capita. Nigeria is to adopt the "basic need approach" of providing the basic needs of the people such as food, water, health care, education, transportation, shelter etc that can easily impact directly on the lives of the people.

Keywords: Growth Strategy, Descriptive, Challenges, Development, Nigeria

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1. Introduction

When in 1776 Adam smith's epic work was established, he had laid a solid foundation for future economists interested in finding out why and how national economies grows. His enquiry into the "Nature and Causes of the Wealth of Nations" was actually an investigation of the growth process of national economies (Kindleberger, 1965). Today, especially after the devastating effects of the Great Depression, economists have devoted considerable attention to investigating the modalities through which the growth of modern economies can be accelerated (Keynes, 1936).

Quite often, the concepts of economic growth and economic development are used interchangeably as if they mean the same thing. But a clear distinction was made by Todaro (2000) when he refers to an increase in a country's national output of goods and services or increase in the volume of output of goods and services within a specific period. Growth is usually taken to mean economic progress which is the rate at which the annual output of goods and services grow in real terms. Economic growth is generally measured by the use of Gross Domestic Product (GDP). The GDP is simply the monetary value of all the goods and services produced within an economy over a specified period of time usually one year. Economic development on the other hand is a less precise and more complex term which cannot be easily reduced to measurement in monetary terms alone. It involves a multitude of variables all of them dealing with man's existence. In the end however, economic development would said to have taken place if the totality of changes in these variables end up in improving the living conditions of the people. This is why we say that while economic growth is about things economic development is about persons.

The Nigerian economy has experimented different growth strategies as reflected in different economic reforms of successive governments in the country. The year 1986 saw the introduction of the Structural Adjustment Programme (SAP) in Nigeria by the erstwhile President Ibrahim Babangida. General Sani Abacha's Government introduced the vision 2010 while President Olusegun Obasanjo's regime embarked upon different economic reforms of privatization, commercialization, deregulation; poverty alleviation programme etc all encapsulated in the blue print "National Economic Empowerment and Development Strategy (NEEDS). President Musa

Yar' Adua brought about the Seven Point Agenda while President Goodluck Jonathan has staged a "Government of National Transformation".

The introduction of these economic reforms in the country was simply geared towards achieving accelerated economic growth and development that seems elusive in the Less Development Countries (LDCs) of the world. In this regard, policy prescriptions were tailored in line with the growth and development models of the advance countries of the world. It was believed that these models were capable of solving the challenges of development in the LDCs. Yet, Ajegi and Ogiji (2000) postulated that the prescriptions of the Orthodox School appeared not to work in practically all the countries which have adopted them. They contended that this failure accounts for the continued existence of mass poverty in the LDCs despite great attention that has been paid to their problems over the past seventy years since the end of the Second World War in 1945.

1.1 Statement of the Problem

One of the macroeconomic objectives of every country is to achieve economic growth and development. According to Jhingan (1997), economic growth is the quantitative changes in economic activities while economic development is the qualitative changes in economic activities. Growth is therefore considered to be the prerequisite for the attainment of economic development. To achieve economic growth and development in the LDCs, scholars have advocated the use of several growth strategies tagged "Growth theories" as a prerequisite for the attainment of accelerated growth and development. Such theories like the classical model, Keynesian model, Harrod-Domer model, Authur Lewis model, A.W. Rostow stages of growth, balanced and unbalanced growth theories and the dependency theory were advocated and subsequently experimented from one time or the other in the history of Nigeria in the form of policy formulation and implementation.

Government has intervened in the Nigerian economy in different ways and forms (Ujo, 1994). From 1986 – 2010, we have had the structural adjustment programme (SAP), vision 2010, the NEEDS encompassing in themselves different policy prescriptions for the country. Seven Point Agent and Government of Transformation. Programmes like National Directorate of

Employment (NDE) and Poverty Alleviation have been experimented as a strategy for the elimination of pervasive poverty and unemployment.

But the failure of the country to eradicate pervasive poverty, hunger and starvation, provide employment opportunities, develop the infrastructure of the country, put the industrial and agricultural sectors of the economy on a sustained growth and development in the 21st century calls for proper security into the persistent low levels of living in Nigeria and consequently offer an alternative strategy for the country's development.

1.2 Objectives of the Study

The board objective of the study is to examine the nature of economic growth and development in Nigeria. The specific objectives are to;

i. Examine the extent to which the Nigerian economy has grown over the years.
ii. Examine the impact of such growth on the living standard of Nigerians.
iii. Examine the problems militating against the rapid growth and development of Nigeria.

1.3 Scope of the Study

The scope of this paper in terms of geographical coverage is Nigeria spanning between 1986-2011. The choice of 1986 is justifiable because of the introduction of Structural Adjustment Programme (SAP), an economic policy of that era while 2011 is due to availability of data.

2. Theoretical Framework

A clear distinction between growth and development was given when Kuznet (1955) defined economic growth as a long term rise in capacity to supply increasingly diverse economic goods to the population. This growing capacity based on advancing technology and institutional and ideological adjustment that it demands. Economic development has to do with the quality of living based on the above changes. Growth is thus, the quantitative rise in the GDP (Jhingan, 1997) while economic development goes beyond economic indicators (Ujo, 1994). It is a multidimensional process involving the re-organization and reorientation of the entire economic and social system, this involves in addition to improvement of income and output, radical changes in institutional, social and administrative structures as well as in popular attitudes, customs and beliefs (Todaro, 2000). Todaro (2000) again categorized growth theories into the following:

- **The Linear Stages Growth** – Comprising principally the Rostow stages and Harrod-Domar models. Rostow growth stages presented five stages within which an economy grow and Harrod-Domar model emphasized the growth of an economy as a functional relationship between investment and capital stock that brings about increased flow of national output.
- **Structural-Change Models** – Where Authur Lewis captured the interdependency between rural subsistence and urban modern economic sectors. This enhances growth in the modern economic sector.
- **The International-Dependency Revolution** – where an economy is completely dependent on the external technological sector for development.
- **The Neo-Classical Counter Revolution** – The theory strictly emphasizes free market and public choice to ensure sustainable growth and development of an economy.
- **The New Growth Theory** – that emphasizes indigenous growth independent of external influence. It emphasizes sound and vibrant internal economic policies in a stable and predictable political cum-economic environment. There is evidence in economic literature that all these models were practiced in Nigeria at one point in time or the other.

3. Literature Review

The empirical literature on growth and development strategy in Nigeria is not replete but rather complex as many people seems to have written about the efficacy and effectiveness of policy reforms in the country and even beyond. This work therefore seeks to review the literature on growth and development strategy in Nigeria since 1986.

As indicated in the previous pages, economic growth is judged by mere indicators while economic development goes beyond mere indicators but also the standard of living of the people. Going by these indicators, it is therefore very clear that the Nigerian economy has achieved relative growth in the GDP and GDP per capital (CBN, 2006). This is due to the level of experimentation with the models/theories of growth (Okongwu, 1986). But the failure of the economy to eradicate poverty, unemployment and inequality is a pointer to the fact that economic growth is not synonymous with development (Ujo, 1994). It is a further confirmation of the failure of the reforms embarked upon by successive governments in the country (Okongwu, 1986).

For instance, in the 1960s and 1970s, the Nigerian agricultural sector provided jobs for the teeming population and absorbed considerably imported labour for the scientific sectors (CBN, 2004). Following the oil boom of 1970s, there was massive migration of people especially youth to the urban areas seeking for jobs. However, following the downturn in the economy in 1980s, the problem of unemployment started to manifest precipitating the introduction of SAP (Anyamwu, 1997). The rapid depreciation of the naira and the inability of most industries to import raw materials required for sustaining output levels culminated into the placement of embargo on employment and of course the simultaneous expansion in education sector, new entrants into the labour market went beyond the absorptive capacity of the economy (CBN, 2004).

Again, it was expected that the privatization and the commercialization policy would contribute significantly to the creation of a true market economy in Nigeria and encourage the growth of the private sector (CBN, 2003) but Nigeria is almost metamorphosing from "market economy" to "market monopoly" with few people controlling the economy. The influx of rural dwellers into urban sectors in search for better employment opportunities has continued, even when the job were not available. (Todaro and Harris, 1970).

Poverty became a global issue hence the United Nations declared 1996 the "International Year for the Eradication of Poverty" and 1997 – 2006 as the "Decade for Eradication of Poverty" (Shamusudeen, 2001). Since then, many approaches to poverty alleviation have been adopted in Nigeria which unfortunately was not explicitly targeted at the poor people or communities. Programmes like Agriculture Development programme, NAPEP, NDE, Rural Banking Scheme etc have been adopted in the country, yet the problem of poverty still persists such that the world bank which during the 1980s championed economic growth as a goal of development joined the chorus of observes taking a broader perspective when in 1991 (World Development Report) it asserted that the challenge of development encompasses as ends in themselves better higher standards of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom and a richer cultural life.

The questions to ask about Nigeria's growth strategy are therefore, what has been happening to poverty?, Unemployment? and inequality?. Kuzent (1955) summarizes the above posers when he says that the economy could grow without developing. As correctly observed by Todaro (2000), there are for example a number of LDCs that experience relatively high rates of growth of per capita and GDP but which simultaneously showed little or no improvement or even witnessed an actual decline in unemployment, inequality and increase in real incomes. There is no gain saying that some of the strategies prescribed by orthodox development economists probably complicated the problems of achieving economic development in Nigeria (Ajegi and Ogiji, 2002).

The achievement of economic growth without development in the LDCs during the past six decades has since led to disenchantment with the received theories of growth. The techniques imbedded in these theories have been developed to suit the very different conditions of the advanced countries and so should not be accepted uncritically (Ayashagba and Abachi, 2002). For instance because the western countries posed the necessary structural, institutional and attitudinal conditions to convert new capital effectively into higher levels of output the Rostow and Harrod-Domar models implicitly assumed the existence of the same attitudes and arrangement in LDCs. The Lewis model implicitly assumed that the rate of labour transfer and employment creation in the modern section is proportional to the rate of capital accumulation. The growth rate of modern sector equated with the rate of job creations is erroneous (Ayashagba and Abachi, 2002).

Anyanwu et al (1997) concluded that even the literature on growth and development does not take its starting point from the interest of the LDCs but consciously or unconsciously view their problems from the national, political interest of the advanced countries, or a group of them.

4. Analysis and Interpretaiotn of Result

4.1 Data Sources

The data for the study was obtained purely from the secondary sources like CBN bulletin, NBS bulletin, World Bank Development Report and other published and unpublished text books and articles.

4.2 Method of Analysis

Only descriptive analysis of the time series was employed to enable the research capture the trends in some of the economic indicators.

4.3 Data Analysis/Discussion

Table 4.1 Some Selected Economic Indicators for Nigeria

Year	Real GDP Growth rate	GDP per Capita (PPP)	Inflation rate	FDI inflow rate	Exchange Rate	Poverty Rate	Unemployment Rate
1986	-8.75	835.281	5.4	-0.81	2.02	27%	
1987	-10.75	671.414	10.2	066	4.02		
1988	7.54	822.754	56	0.56	4.54		
1989	6.47	883.105	50.5	0.57	7.39		
1990	12.77	1005.048	7.5	0.6	8.03	40%	
1991	-0.62	1005.334	12.7	1.02	9.9		
1992	0.43	1005.945	44.8	2.29	17.29	42%	28%
1993	2.09	1021.554	57.2	1.2	22.05		
1994	091	1024.358	57.2	6.24	21.88		
1995	-0.31	1014.55	57	1.81	21.88	56%	
1996	4.99	1056.426	72.8	2.15	21.88		3.4
1997	2.8	1075.293	29.3	2.65	21.88		3.2
1998	2.72	1087.349	10.7	4.28	21.88		3.0
1999	0.49	1078.882	6.6	2.43	92.69	70%	4.7
2000	3.8	1129.751	8.0	3.87	102.1		3.6
2001	4.4	1216.123	8.3	4.06	111.94		3.6
2002	4.6	1457.404	12.2	3.89	120.97		4.0
2003	4.6	1597.864	23.8	3.55	129.35		5.2
2004	9.6	1773.307	10.0	3.67	133.5	54%	6.3

2005	6.6	1795.5	11.5	4.77	132.15		6.3
2006	6.5	1915.899	8.5	4.66	127.38	54%	4.9
2007	5.6	20552.492	8.2	3.56	12746	57%	4.9
2008	6.97	2276.475	5.4	3.44	177	57%	17%
2009	6.98	2436.552	11.6	3.44	148.9	70%	20
2010	8.72	2436.552	13.4	2.33	150.88	70%	28%
2011	8.76	2456,776	13	2.32	160.02	70%	30%

Source: CBN, NBS Statistical Bulletin: Various Issues.

Based on table 4.1, the growth rate of real GDP in Nigeria increased from -8.75% in 1986 to 12.77% in 1990 due to implementation of SAP. But irregularities of SAP pushed the GDP growth rate to slump to 0.49 1999 during the take over of government by the civilian administration. From 1999 – 2010, there was a steady rise in the growth rate of GDP in Nigeria from 3.8% - 8.72%. This clearly confirms a case of growth in GDP. The GDP per capita (PPP) also confirms the position above by increasing from $853.281 in 1986 - $ 1,078.882 in 1999 and also from $ 1, 129.751 in 2000 to $ 2,456.776 in 2011. GDP growth rate and GDP per capita are clear indices of economic growth in Nigeria during the period under review. The inflow of Foreign Direct Investment (FDI) into the country has fluctuated significantly as seen from table 4.1 above. Political instability and bad economic policies have denied the country the needed FDI for development (Loto, 2010).

To contrast with the growth prospects exhibited by GDP growth rate and GDP per capital is the poverty rate, unemployment rate, inflation rate and the exchange rate. In 1986, 27% of Nigerians were living below the poverty line defined in terms of 1 us dollar per day. This rate skyrocketed to 70% in 1999 during transitional period. Poverty rate however truncated to 54% in 2004 before a steady increase to 57% in 2009 and 70% in 2011. This is consistent with the ranking of Nigeria by the Human Development index (HDI) who ranked Nigeria 159th in 2006 with a HDI value of 0.448 while Human Poverty Index (HPI) rated Nigeria 76th among 103 LDCs with an index of 40.6. In 2010, HDI ranked Nigeria 163 among underdeveloped nations and HPI rated Nigeria 85th among 103 LDCs.

Inflation rate rose from 5.4% in 1986 to 56% in 1989 and dropped to 44% 1992. It further rose to 72.8% in 1996 before truncating to 8% in 2000. It rose from 8% in 2000 to 13.02% in 2011. A two digit inflationary rate is not good for a developing economy like Nigeria.

The official exchange rate has continued to be on the increase from ₦ 2.0 per Dollar in 1986 – ₦ 21.88 per Dollar in 1994 when it remained stable for five years of General Sani Abacha's rule. Naira devaluation of 1986 did not solve the problem of deteriorating exchange rate. As at 2011, the official exchange rate became ₦ 160 per Dollar. The volume of produce and export of Nigeria is deficient such that the country cannot expect any stability in her official exchange rate.

To crop it all is the rate of unemployment in Nigeria. The rates vary significantly between rural and urban residents explainable by the Todaro's (1970) model of rural urban migration. The evidence is strongly therefore that the influx of rural dwellers into urban centers in search for better employment opportunities has continued even when the jobs were not available. In recent time (2007 – 2011), the worst form of unemployment has existed in Nigeria where over 17% - 30% of Nigerians are unemployed thus, establishing the fact that the Nigerian economy has failed to achieve development in spite of its relative growth.

5. Conclusion/Recommendations

In this paper, we have examined some growth theories with emphasis on their impact on the LDCs. The need to harmonize these theories in the light of LDCs realities and the need to restore path of growth and development is recognized (Ajegi and Ogiji, 2002). The development patterns of Brazil and South Korea remains two very good examples that Nigeria need to learn from. While Brazil opted for a path way that resulted to so much deprivation in the face of plenty, South Korea presented a pattern that took care of the economic, social and political needs of her people and eventually achieved so much in terms of development than Brazil (Anger, 2006). The Nigerian government should not target economic growth but development in her own way as noted by Joseph Stiglitz (2000) when he says countries need to look for alternatives appropriate for their conditions and their people.

Government should adopt the "basic needs approach" of providing basic needs such as food, water, health care, basic education, transportation, shelter etc. that can impact directly on the lives of the poor people.

Above all, government must recognize her role as the major player in the economy. The phenomenal development of South Korea from a poor agricultural economy to its status today of a newly developed nation has further underpinned the role of state in a development process.

There must be a conscious and great deal of emphasis on rural development. It will be appreciated that since majority of the people live in the rural areas, development strategies of the country have to logically bear on rural areas.

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