The Nigerian Economy in Perspective

ECO103

University of Ibadan Distance Learning Centre
Open and Distance Learning Course Series Development

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Vice-Chancellor's Message

The Distance Learning Centre is building on a solid tradition of over two decades of service in the provision of External Studies Programme and now Distance Learning Education in Nigeria and beyond. The Distance Learning mode to which we are committed is providing access to many deserving Nigerians in having access to higher education especially those who by the nature of their engagement do not have the luxury of full time education. Recently, it is contributing in no small measure to providing places for teeming Nigerian youths who for one reason or the other could not get admission into the conventional universities.

These course materials have been written by writers specially trained in ODL course delivery. The writers have made great efforts to provide up to date information, knowledge and skills in the different disciplines and ensure that the materials are user-friendly.

In addition to provision of course materials in print and e-format, a lot of Information Technology input has also gone into the deployment of course materials. Most of them can be downloaded from the DLC website and are available in audio format which you can also download into your mobile phones, IPod, MP3 among other devices to allow you listen to the audio study sessions. Some of the study session materials have been scripted and are being broadcast on the university's Diamond Radio FM 101.1, while others have been delivered and captured in audio-visual format in a classroom environment for use by our students. Detailed information on availability and access is available on the website. We will continue in our efforts to provide and review course materials for our courses.

However, for you to take advantage of these formats, you will need to improve on your I.T. skills and develop requisite distance learning Culture. It is well known that, for efficient and effective provision of Distance learning education, availability of appropriate and relevant course materials is a *sine qua non*. So also, is the availability of multiple plat form for the convenience of our students. It is in fulfilment of this, that series of course materials are being written to enable our students study at their own pace and convenience.

It is our hope that you will put these course materials to the best use.

Prof. Abel Idowu Olayinka

Vice-Chancellor

Foreword

As part of its vision of providing education for "Liberty and Development" for Nigerians and the International Community, the University of Ibadan, Distance Learning Centre has recently embarked on a vigorous repositioning agenda which aimed at embracing a holistic and all encompassing approach to the delivery of its Open Distance Learning (ODL) programmes. Thus we are committed to global best practices in distance learning provision. Apart from providing an efficient administrative and academic support for our students, we are committed to providing educational resource materials for the use of our students. We are convinced that, without an up-to-date, learner-friendly and distance learning compliant course materials, there cannot be any basis to lay claim to being a provider of distance learning education. Indeed, availability of appropriate course materials in multiple formats is the hub of any distance learning provision worldwide.

In view of the above, we are vigorously pursuing as a matter of priority, the provision of credible, learner-friendly and interactive course materials for all our courses. We commissioned the authoring of, and review of course materials to teams of experts and their outputs were subjected to rigorous peer review to ensure standard. The approach not only emphasizes cognitive knowledge, but also skills and humane values which are at the core of education, even in an ICT age.

The development of the materials which is on-going also had input from experienced editors and illustrators who have ensured that they are accurate, current and learner-friendly. They are specially written with distance learners in mind. This is very important because, distance learning involves non-residential students who can often feel isolated from the community of learners.

It is important to note that, for a distance learner to excel there is the need to source and read relevant materials apart from this course material. Therefore, adequate supplementary reading materials as well as other information sources are suggested in the course materials.

Apart from the responsibility for you to read this course material with others, you are also advised to seek assistance from your course facilitators especially academic advisors during your study even before the interactive session which is by design for revision. Your academic advisors will assist you using convenient technology including Google Hang Out, You Tube, Talk Fusion, etc. but you have to take advantage of these. It is also going to be of immense advantage if you complete assignments as at when due so as to have necessary feedbacks as a guide.

The implication of the above is that, a distance learner has a responsibility to develop requisite distance learning culture which includes diligent and disciplined self-study, seeking available administrative and academic support and acquisition of basic information technology skills. This is why you are encouraged to develop your computer skills by availing yourself the opportunity of training that the Centre's provide and put these into use.

In conclusion, it is envisaged that the course materials would also be useful for the regular students of tertiary institutions in Nigeria who are faced with a dearth of high quality textbooks. We are therefore, delighted to present these titles to both our distance learning students and the university's regular students. We are confident that the materials will be an invaluable resource to all.

We would like to thank all our authors, reviewers and production staff for the high quality of work.

Best wishes.

Professor Bayo Okunade

Director

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Contents

About this Course Manual

The Nigerian Economy in Perspective ECO103 has been produced by University of Ibadan Distance Learning Centre. All Economics course manuals produced by University of Ibadan Distance Learning Centre are structured in the same way, as outlined below.

How this course is structured

The course overview

The course overview gives you a general introduction to the course. Information contained in the course overview will help you determine:

- If the course is suitable for you.
- What you will already need to know.
- What you can expect from the course.
- How much time you will need to invest to complete the course.

The overview also provides guidance on:

- Study skills.
- Where to get help.
- Course assessments and assignments.
- Activity icons.
- Study sessions.

We strongly recommend that you read the overview *carefully* before starting your study.

The course content

The course is broken down into study sessions. Each study session comprises:

- An introduction to the study session content.
- Learning outcomes.
- Content of study sessions.
- A study session summary.
- Assessments and/or assignment, as applicable.

- Bibliography

Your comments

After completing this course, The Nigerian Economy in Perspective, we would appreciate it if you would take a few moments to give us your feedback on any aspect of this course. Your feedback might include comments on:

- Course content and structure.
- Course reading materials and resources.
- Course assessments.
- Course assignments.
- Course duration.
- Course support (assigned tutors, technical help, etc).
- Your general experience with the course provision as a distance learning student.

Your constructive feedback will help us to improve and enhance this course.

Course overview

Welcome to The Nigerian Economy in Perspective ECO103

The Nigerian Economy in Perspective (ECO103) is for year one students of Economics Department and for all other students from the sister departments who choose to take it as an elective. As the name implies, the course seeks to expose learners to the framework of the Nigerian economy.

The Nigerian Economy in Perspective ECO103—is this course for you?

ECO103 is a required prerequisite (to ECO203). It attempts to expose you to macroeconomics, using Nigeria as a case study. After studying this course, you should be able to:

- *analyse* the nature and structure of the Nigerian economy.
- *outline* sources of economic growth and development in Nigeria.
- present an overview of different macroeconomic policies formulated in Nigeria over the years.
- *explain* what has happened, what is happening and what is likely to happen in the agricultural sector, industry sector, oil sector, transport and communications sector, the banking and finance sector, and the social services sector of the Nigeria Economy.
- *outline* how the economy of Nigeria is linked with that of the other countries of the world.

Timeframe

How long?

This is a one semester course.

45 hours of formal study time is required.

Study skills

As an adult learner your approach to learning will be different to that from your school days: you will choose what you want to study, you will have professional and/or personal motivation for doing so and you will most likely be fitting your study activities around other professional or domestic responsibilities.

Essentially you will be taking control of your learning environment. As a consequence, you will need to consider performance issues related to time management, goal setting, stress management, etc. Perhaps you will also need to reacquaint yourself in areas such as essay planning, coping with exams and using the web as a learning resource.

Your most significant considerations will be *time* and *space* i.e. the time you dedicate to your learning and the environment in which you engage in that learning.

We recommend that you take time now—before starting your self-study—to familiarize yourself with these issues. There are a number of excellent web links & resources on this Course Website. Go to “Self-Study Skills” menu in course website.

Need help?

Help

As earlier noted, this course manual complements and supplements ECO103 at UI Mobile Class as an online course. You may contact any of the following units which spread across the country for information, learning resources and library services.

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You may contact any of the following units for information, learning resources and library services.

Distance Learning Centre (DLC)
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(Student Support Officers)
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Morohundiya Complex,
Ibadan-Ilorin Expressway,
Idi-Ose, Ibadan.

Information Centre
20 Awolowo Road, Bodija,
Ibadan.

For technical issues (computer problems, web access, and etcetera), please send mail to webmaster@dlc.ui.edu.ng.

Academic Support

Help

A course facilitator is commissioned for this course. You have also been assigned an academic advisor to provide learning support. The contacts of your course facilitator and academic advisor for this course are available at onlineacademicsupport@dlc.ui.edu.ng

Assessments

Assessments

There are two basic forms of assessment in this course: in-text questions (ITQs) and self assessment questions (SAQs), and tutor marked assessment (TMAs). This manual is essentially filled with ITQs and SAQs. Feedbacks to the ITQs are placed immediately after the questions, while the feedbacks to SAQs are at the back of manual. You will receive your TMAs as part of online class activities at the UI Mobile Class. Feedbacks to TMAs will be provided by your tutor in not more than 2-week expected duration.

Schedule dates for submitting assignments and engaging in course / class activities is available on the course website. Kindly visit your course website often for updates.

Getting around this course

Margin icons

While working through this you will notice the frequent use of margin icons. These icons serve to "signpost" a particular piece of text, a new task or change in activity; they have been included to help you to find your way around this.

A complete icon set is shown below. We suggest that you familiarize yourself with the icons and their meaning before starting your study.

Activity	**Assessment**	**Assignment**	**Case study**
Discussion	**Group Activity**	**Help**	**Outcomes**
Note	**Reflection**	**Reading**	**Study skills**
Summary	**Terminology**	**Time**	**Tip**

Study Session 1

The Nature and Structure of Nigerian Economy

Introduction

In this Study Session, you will examine the regional specialisation of economic activities in Nigeria. You will also examine the sources and trends of growth in this country, while also highlighting the factors that are mitigating against growth and development in this country's economy.

Learning Outcomes

Learning Outcomes

When you have studied this session, you should be able to:

1.1 *present* an overview of the Nigerian economy.

1.2 *outline* the macroeconomic framework of the Nigerian economy.

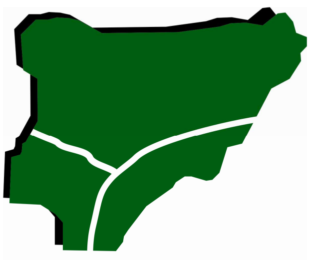
1.3 *differentiate* between economic growth and development.

1.4 *analyse* the growth trend of Nigeria since independence

1.5 *point out* sources of economic growth.

1.6 *highlight* the factors inhibiting growth and development in the economy.

1.1 An Overview of Nigerian Economy



Nigeria is a country located on the gulf of Guinea, in the West African continent. It has a landmass of 923,773 square kilometres, which is entirely within the tropical zone between latitudes 4□ and 14□N and longitudes 2□20 and 14□30E. It has a population of over 140 million people, which

Nigeria is a country that is blessed with abundant human and material resources. Before 1970s, the Nigerian economy was essentially agriculture-based, but with the first oil boom episode in Nigeria (1973-1974), drilling and mining became the order of the day. Ever since then, petroleum and crude oil exports have been the major back-bone of the Nigerian economy. This development, notwithstanding, agriculture still continues to be the broad base of the economy as well as the most dominant sector at least in terms of employment generation for the greater number of Nigeria's labour force.

Based on the foregoing, it is not an over statement to say that petroleum and agriculture sectors provide the resource base of the Nigeria's wealth and the greater part of its economic activity, thereby accounting for at least four-fifths of the country's GDP.

makes her the largest in Africa and one of the eight most populous countries in the world.

Despite the dominant role of the petroleum sector as the major foreign exchange earner, agriculture remains the mainstay of Nigeria's economy. The sector provides employment for some 70 to 80 per cent of the country's labour force. In addition to contributing the largest share of GDP, agriculture is the largest non-oil export earner and a key contributor to wealth creation and poverty alleviation, as a large percentage of the population derives its income from it and its related activities.

The system of agricultural production in Nigeria includes the following:

i. Peasant farming, which involves cultivation on small scale (subsistence output) acres of land. It relies mainly on the traditional methods of farming with the use of simple implements like cutlasses and hoes and
ii. Plantation farming, which involves the use of a large estate of land permanently planted with economic or commercial crops like cotton, rubber, cocoa, palm tree, tea, coffee etc.

However, the pattern of agricultural production and specialisation is largely dictated by the variations in the country's natural vegetation, soil and climatic conditions. For example, staple tree and root crops that require much rain are mainly produced in the southern parts of the country, whereas grains and livestock that require the little rain to produce are largely produced in the northern parts. This indeed depicts the picture of regional specialisation of economic activity, which has greatly enhanced the growth of inter-regional trade in Nigeria over the years.

More so, specialisation in the production of export crops is also conditioned on the climatic variations across the country. Thus, export tree crops, such as cocoa, rubber, palm and wood, which require plenty rain are heavily produced in the rainy south, while the country's other exports (groundnuts and cottons) which require little rain are concentrated in the drier north. The Middle Belt specialises mainly in the production of vegetable oils, such soya beans.

Jos, the capital of Plateau State has most of the metallic minerals like tin, columbite, lead and zinc. The mining of these minerals represents a sizable proportion of the worlds output. More so, the mining of lead and zinc is observed in Abakaliki in Eboyi State and in Owerri in Imo state. Coal mining is centred on Enugu in the south-eastern part of the country. Lokoja areas of Kwara State and Enugu State have been confirmed to be having considerable deposits of iron ore. Oil wells exist in Rivers, Bayelsa, Cross River, Delta, Imo and in all other Niger Delta member states.

Furthermore, manufacturing activity (including micro-small and medium size enterprises) is mainly carried out in a few but relatively large urban centres. These centres include Lagos, Port Harcourt in Rivers State, Aba in Abia State, Onitsha in Anambra State, Enugu in Enugu State and Owerri in Imo state. Manufacturing activities also go on in these cities located in the Northern part of the country –Kaduna, Kano, Zaria. Manufacturing, like its sister sector – mining is a rather small source of employment, its contribution to the GDP and employment remains small.

ITQ

Question

- Which sector can be referred to as the broad base of the Nigerian economy, and why?

Feedback

- Agricultural sector is the broad base and the most dominant sector within the Nigerian economy since independence till date. Reasons for this are:
  - i. it is the mainstay of the economy.
  - ii. it is a sector with highest employment generation for the Nigeria's labour force.

1.2 Macroeconomic Framework: GDP Growth, Sectoral Composition and Performance

This section will attempt to expose you to macroeconomic framework, using Nigeria as a case study. It will equip you with analytical tools to assess global economy.

1.2.1 Macroeconomic Framework Defined

Macroeconomics The study of the aggregate level of economic activities, including the general output, employment and overall

Economics, as a discipline, is broadly divided into macroeconomics and microeconomics. **Macroeconomics** is the aspect of economics that examines what determines total employment and production, consumption, investment in raising productive capacity, and how much a country imports price level.

and exports. It also asks what causes booms and slumps in the short-run and what determines the long-term growth rate of the economy, the general level of prices and the rate of inflation. Macroeconomics examines how these matters can and should be influenced by the government through monetary and fiscal policies. In essence, it is the study of the performance of the national economy as well as the policies used to improve that performance.

Macroeconomic framework The essentials supporting understandings of the workings of the economy. It is also referred to as theoretical framework

The discussion and analysis of a given economy in order to see how it can be improved constitute what is referred to as the **macroeconomic framework**. More so, macroeconomic framework can also mean those basic underlying structures that present the true picture of a nation's economy and the inter-relatedness that exist within the economy.

Basically, an analysis of an economy is more or less, the analysis of the changes that exist in the output. Thus, the most widely accepted macroeconomic framework for analysing the structure of an economy is the **Gross Domestic Product (GDP)** or the **Gross National Product (GNP)**.

1.2.2 Gross Domestic Product/Gross National Product

- **GDP** is simply defined as the amount of final goods and services produced in any given economy within a specific period of time usually twelve calendar months. It is the total sum of value-added that is generated over a year in an economy. GDP is calculated, using three approaches namely the income approach, the output approach and finally the expenditure approach.
- **GNP**, according to Anyaele (1991), is the total monetary value of goods and services produced in a country including the net revenue realised from the country's investment abroad. Net factor income from abroad makes the difference between GNP and GDP. Mathematically, we state that:

$$GNP = GDP + \text{net factor income from abroad}$$

Issues of Importance When Analyzing the GDP of An Economy

GDP is the mirror through which the economic activities of any nation can be seen. In the analysis of the GDP of a given nation, the following issues/growth indicators should be of interest:

1. The magnitude of the actual value of GDP should be considered. What is meant here is that the real GDP value which is derived by removing inflation from the nominal GDP should be used in the analysis of an economy. Considering the nominal GDP value may offer a misleading answer.
2. Changes in the GDP value over time. This means that the growth rate of the GDP from one period to another should be used to monitor the trend of the economy being analysed.
3. The components of GDP are another issue of interest when analysing an economy. Here, the analyst should be able to know what and what that truly makes up the size of the GDP. The different sectors of the economy that have input in the GDP should be known.
4. The sectoral proportions in the GDP should equally be recognized. For example, the percentage contributions of the agricultural sector, the industrial sector, the building construction sector etc to the overall GDP should be considered with good sense of analysis. By this, the analyst captures the true performance of the economy.
5. The per capita income: This is obtained by dividing the GDP by the total population of a country i.e. GDP/total population. This index tells us the share of every individual member of the country from the overall GDP.

Methods of Analysing the GDP

In analyzing GDP, economists welcome mainly two methods, namely, the **descriptive analytical method** and the **comparative analytical method**.

- The descriptive method, data that describe economic phenomena are compiled and analysed using economic, mathematical or statistical tools.
- The comparative method tries to draw a comparison of the different sectors of the economy so as to see their behaviour in the process of generating output (GDP).

ITQ

Question

- Is Gross Domestic Product (GDP) the same thing with Gross National Product? If NO, what account for their difference?

Feedback

- GDP is not the same thing with GNP. GDP describes the totality of goods and services produced by the residents of a country over a given period of time, usually a year. GNP on the hand describes the totality of goods and services produced by the nationals of a country plus the net income from abroad over a given period of time, usually a year. The difference between them is the net income from abroad.

  Thus, GNP = GDP + net factor income from abroad.

1.3 Economic Growth and Development

Economic growth An increase in what an economy can produce if it is using all its scarce resources; or more directly, an increase in the output that an economy produces over a period of time

Economic development quantitative and qualitative changes in the economy that result in increase in the standard of living in a nation's population due to sustained growth.

Economic growth and **economic development** are parts of the major goals of every society. Often times, people seem to use the two terms (growth and development) interchangeably possibly thinking that they mean the same thing. The two terms do not exactly mean the same thing. We shall now examine them separately, and then attempt to distinguish between them.

1.3.1 Economic Growth

According to Anyanwu and Oaikhenan (1995) growth refers to the increase overtime of an economy's capacity to produce those goods and services needed to improve the well-being of the citizen in increasing numbers and diversity. Todaro (1977) maintains that growth is the steady process by which the productive capacity of the economy is increased overtime to bring about rising levels of national income.

As oxford dictionary of Economics puts it, growth is an increase in an economic variable, normally persisting over successive periods. However, rapid or persistent growth is likely to involve changes in the nature of economic activity, with new products or processes, and new type of labour skills, capital goods and economic institutions.

In addition, Economic growth also refers to increase in a country's production of income per capita. Recall that production is usually measured by Gross Domestic Product (GDP) which is the total output of final goods and services produced within an economy under a specific time period usually one year. Economic growth is quantitative in nature.

The process of economic growth is determined by two types of factors namely, economic and non-economic. Economic growth is dependent upon natural resources, human resources, capital, enterprise, technology, etc. These are the economic factors. But economic growth is not possible without facilitating non-economic factors (Jhingan 1997). Non-economic factors include social institutions, political conditions and moral values in a nation; they are imperatives to development.

1.3.2 Economic Development

To Kinleberger and Herrick (1977) as contained in Anyanwu and Oaikhenan (1995), economic development is generally defined to include improvements in material welfare especially for persons with lowest income, the eradication of mass poverty with its correlates of illiteracy, disease and early death, changes in the composition of inputs and outputs that generally include shifts in the underlying structure of production away from agricultural towards industrial activities. It also refers to economic growth accompanies by changes in output distribution and economic structure. These changes may include:

- ✓ an improvement in the material well being of the poorer population,
- ✓ an increase in production and skills of the labour force
- ✓ substantial technical advances originating within the country
- ✓ Improvement in the quality of goods and services produced in the economy etc.

Thus, we can say that development is “growth plus”. Where the plus element is refers to the qualitative changes that are associated with the quantitative factors that bring about growth.

1.3.3 Difference between Economic Growth and Development

It is imperative for us to distinguish carefully between the concepts of economic growth and economic development. Let us present a simple story of the changes that take place when a child is newly born as a means of driving home the distinction that exist between the two terms.

When a child is born, after a while, the child begins to increase in size as he eats food. This increase in size sometimes becomes obvious as the age of the child increases. However, even as the size of the child increases (height), it is expected of the child to start developing those skills that would enable him live a normal life in the society to which he belongs. Among these skills are – How to talk and how to walk.

The increase in size or height is what is referred to as the growth of the child. When the child beings to learn those kills as identified above, we say that the child is developing. In other words, it is possible for the child to be growing without developing. Development as we have seen is beyond growth. What adds meaning to the life of the child is his ability to develop and not to grow.

At it's in the life of this child, so it is to the economy of any nation. Sometimes, we hear that the GDP (growth indication) of Nigeria has increased by a certain amount. But we may not hear how this increase in GDP is being distributed among the Nigerian citizens. An increasing in GDP without a corresponding change in the economic welfare of the Nigerian masses represents only the growth of the Nigerian economy and not development.

When the output of goods and services produced in Nigeria increases without any improvement in their quality, we say the economy is growing and not developing. Growth does not consider the welfare of the people. Central to any developmental plan is the people's welfare. Development should be of the people, by the people and for the people.

Development ensures the transformation of the entire economy from a less desirable to a more desirable one. It does this by bringing improvement in the material welfare of the people. For instance, Developmental policy would, among other things, seek to improve the value of the people's income, reduce unemployment, provide basic infrastructures, fight corruption, ensure equitable distribution of national resources across the different geo-political zones, ensure equal opportunity to education, avoid denial of justice and so on. These issues are not of priority when growth alone grips the attention of any country. The question now is, "growth or development which has grip the attention of Nigeria"?

More so, economic development is a sustained growth. When growths becomes sustained over a given periods of time (sometimes seven years), we can say that development has taken place. In other words, before we can experience economic development, we must first have economic growth. Hence, we can conclude by saying that while development embraces growth, the opposite does not necessarily hold.

ITQ

Question

- What differentiate economic growth from economic development?

Feedback

- The difference between economic growth and development lies in the structural changes that accompany growth. Thus, development equals growth plus structural changes.

1.4 The Growth Pattern of the Nigerian Economy

Reflection

Nigeria's economy has an age long history that dates back to pre-colonial era. No matter how "crude" the economy was then, we must acknowledge that we had one before the arrival of the colonial masters; but what we did not have before the so called masters came was Nigeria.

At independence in 1960, Nigeria inherited a vibrant agricultural based economy from her colonial masters. From 1960-1975, the growth performance of the Nigerian economy was encouraging with agriculture taking the lead in terms of employment, output and export.

Between 1960 and early 1970s, the contribution of the manufacturing sector to GDP rose from 4.8% to 8.2%. This pattern changed when oil suddenly became of strategic importance to the world economy through its supply-price connection. The massive increase in oil revenue (oil boom) as a result of the Middle-East war of 1973 created unprecedented, unexpected and unplanned wealth for Nigeria. They began the dramatic shift of policies from a holistic approach to benchmarking them against the state of the oil sector. During the oil boom period, the average growth rate of output stood at 6.2%.

According to Busari (2006), the recession in advanced Western economies which started in the late 1970s due to rising interest rates and high production costs led to a sharp decline in Nigerian exports. The international price of crude oil collapsed.

However, in the 1980s, the growth performance in Nigeria declined significantly. In 1986, Nigeria adopted a far-reaching economic reform known as the Structural Adjustment Programme. The programme came with various forms of deregulation and plans to diversify the economy.

Between 1986 and 1997, GDP grew at 4.0% annually due to the various reform measures pursued in the economy. A critical examination of sectoral performance shows that the pre-1980 position of agriculture has not been restored and, in fact, the contribution of the extractive mineral and quarrying sector to GDP has increased over the years, so also in the contribution of the services sector (Busari, 2006).

Hint

The Nigerian economy faces enormous challenges and a bleak future if fundamental steps are not taken to redress the legacies of the past. Among the many requirements for rejuvenating the economy is rapid and broad based growth.

For a further insight into the growth pattern of the Nigerian economy, let us have a look at the following data compiled by the Development Economics LDB database:

Fig 1.1 These 2007 data are preliminary estimates.

	1987-97	**1997-07**	**2006**	**2007**	**2007-11**
Average Annual Growth					
GDP	4.0	5.4	6.2	5.9	7.9
GDP per capita	1.0	2.8	3.7	3.6	5.7

Source: Development Economics LDB data base (2008)

ITQ

Question

- What accounted for a slump in Nigeria GDP in the early 1970s?

Feedback

- A recession in the world economies in 1970s led to a decline in the world price of oil, leading to a slump in Nigeria's GDP during that period.

1.5 How to Improve on the Growth of Nigerian Economy

According to **NEEDS**, improving the growth of the Nigerian economy requires attention on the following issues:

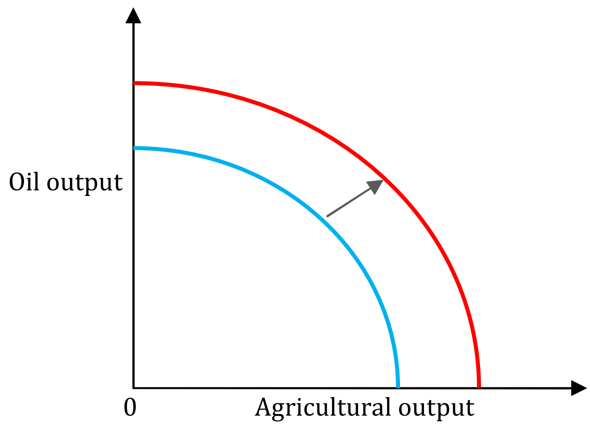
1. Wealth creation
2. Employment generation
3. Poverty reduction
4. Value reorientation

1.5.1 Sources of Economic Growth in Nigeria

Production Possibility Frontiers A curve depicting all maximum output possibilities for two or more goods given a set of inputs

The term 'economic growth' is hereby defined as an outward shift of a nation's **Production Possibility Frontiers** (PPF). A PPF simply represents the various possible combinations of choices available to an economy in terms of different uses to which factors of production can be put. An example of PPF is depicted in the diagram below:

Fig 1.1 An example of PPF



Note

Any factor that is capable of contributing positively to an economy would make the PPF to shift bodily outwards to the right, whereas those factors that dampen the growth of the economy make it to shift inwards to the left.

Regardless of the road map adopted by a developed or developing economy, it is possible to identify a number of factors that determine economic growth. These factors are aptly captured in Jhingan (1997) and are presented thus:

"The process of economic growth is determined by two types of actors, economic and non-economic. Economic growth is dependent upon its natural resources, human resources, capital, enterprise, technology, etc. These are economic factors. But economic growth is not possible so long as social institutions, political conditions and moral values in a nation do not encourage development. These are non-economic factors"

ITQ

Question

- What are the determinants of growth process?

Feedback

- The determinants of growth process are; economic and non-economic factors.

1.6 Factors Inhibiting Growth and Development in Nigeria

As recognised by NEEDS, factors that inhibit growth and development in Nigeria include:

1. Inconsistent macroeconomic policy
2. Instability and policy reversals
3. Conflicts between different macroeconomic goals
4. Public sector dominance in production and consumption
5. Pervasive rent-seeking and corruption, facilitated by the fact that the government is the hub of economic activities
6. Inadequate and decaying infrastructure
7. High volatility of major macroeconomic aggregates
8. Weak institutional capacity for economic policy management and coordination
9. Unsustainability of public finance at all levels of government
10. Lack of effective coordination across levels of government.
11. Large debt overhang
12. High and rising unemployment, particularly, with regard to graduates of tertiary institutions as well as the phenomenon of underemployment

13. Neglect of the agricultural sector
14. High inflation rate resulting from high depreciation of the value of naira
15. Low level of savings and investments
16. High and rising population

ITQ

Question

- What is the full meaning of NEEDS?

Feedback

- National Economic Empowerment and Development Strategy.

Assignment

Outline the nature and structure of the Nigerian economy with emphasis on your resident state.

Post your response on Study Session One assignment page on course website.

See course calendar for schedule date of course contribution.

Study Session Summary

Summary

We commenced this session with an overview of resource distribution in Nigeria; and an examination of regional specialisation of economic activity in Nigeria. You were thereafter exposed to analytical skills to assess an economy.

We also explored the sources of economic growth and development in Nigeria, factors that inhibit growth and development in the Nigerian economy; and how to improve on the growth of the Nigerian economy.

Assessment

Assessment

SAQ 1.1 (tests Learning Outcome 1.1)
Give a detailed account of the Nigerian economy

SAQ 1.2 (tests Learning Outcome 2)
What constitutes macroeconomic framework explaining the Nigerian economy?

SAQ 1.3 (tests Learning Outcome 3)
Why is **e**conomic growth a necessary but not sufficient condition to economic development?

SAQ 1.4 (tests Learning Outcome 4)
Trace the growth pattern of Nigeria economy since independence till date.

SAQ 1.5 (tests Learning Outcome 5)
What are the sources of economic growth?

SAQ 1.6 (tests Learning Outcome 6)
Highlight at least four factors affecting growth and development in Nigeria's economy?

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Study Session 2

Macroeconomic Policies in Nigeria

Introduction

Different countries have a number of policies that are often made to address one economic problem or the other. Such economic policies are called macroeconomic policies. In this Study Session, you will explore the macroeconomic policies in Nigeria.

Learning Outcomes

Learning Outcomes

When you have studied this session, you should be able to:

2.1 *state* the objectives of macroeconomics.

2.2 *analyse* the various macroeconomic policies adopted in Nigeria over the years.

2.1 Objectives or Goals of Macroeconomics

The national objectives pursued by any country are subject to change depending on the economic fortunes of the country. In general, such objectives include:

1. maintenance of relative stability in domestic prices;
2. attainment of a high rate of or full employment;
3. achievement of a high, rapid and sustainable economic growth;
4. maintenance of balance of payments equilibrium; and
5. exchange rate stability.

ITQ

Question

- Mention any five (5) macroeconomics objectives that are central to every economy

Feedback

- Increase productivity, price stability, full employment, sustainability, and external balance.

2.2 Prevalent Macroeconomic Policies in Nigeria

To achieve the identified macroeconomic objectives in Nigeria, the following macroeconomic policies are often employed:

1. Monetary policy
2. Fiscal policy
3. Exchange rate policy
4. Trade policy

These are discussed briefly in turns.

2.2.1 Monetary Policy

Monetary policy, according to Anyanwu (1993), involves measures designed to regulate and control the volume, cost, availability and direction of money and credit in an economy to achieve some specified macroeconomic policy objectives.

Ajayi and Ojo (2006) maintain that monetary policy refers to the combination of measures designed to regulate the value, supply and cost of money in an economy in consonance with the level of economic activity. In the words of Olaloku (1987), monetary policy consists of actions by the government which are aimed at the achievement of a certain set of economic objectives. Jhingan (1997) believes that monetary policy is nothing but the policy of the monetary authority of a country with regard to monetary matters.

Reflection

Who is vested with the responsibility of conducting monetary policy in Nigeria?

In Nigeria, the responsibility of conducting monetary policy squarely lies with the Central Bank of Nigeria as outlined in the Central Bank Act of 1958 (and its subsequent amendments), the CBN Decree No. 24 of 1991 and the Banks and other Financial Institutions Decree (BOFID) No. 25 of 1991. The CBN is enjoined by these laws to promote monetary stability and a sound financial system in Nigeria under the overall guidance of the Federal Government of Nigeria.

Objectives of Monetary Policy

Consistent with the legal mandates of the CBN, the objectives of monetary policy since its inception include:

1. Achievement of domestic price and exchange rate stability

2. Maintenance of a healthy balance of payments position
3. Development of a sound financial system
4. Promotion of rapid and sustainable rate of economic growth and development.

For Ajayi and Ojo (2006), it is usual these days to state that the major objective of monetary policy is the maintenance of price stability. This is because, according to them, inflation is known to be inhibitive of economic growth.

Instruments/Tools of Monetary Policy

Broadly speaking, instruments of monetary policy can be classified into **direct monetary control instruments** and **indirect monetary control instruments**.

The direct monetary control instruments include:

- Interest rate control
- Credit ceiling measures
- Direct lending, moral suasion, etc.

On the other hand, the indirect instruments, which are also referred to as the traditional instruments of monetary policy, are:

- Open market operation (OMO)
- Reserve requirement
- Discount rate policy

A. **Open Market Operations (OMO):** OMO is the sale or purchase of government securities in the open market often at the initiative of the Central Bank. It was introduced by the end of June, 1993. If the Central Bank buys securities, their price rise, interest rates fall, and the money supply increases. If the Central Bank sells securities their prices fall, interest rates, and the money supply decreases. Ajayi and Ojo (2006) state that the success of OMO depends on several factors namely:

    i. The existence of a broad and active market for government securities, so that the ability of the central bank to engage in OMO on a large scale does not lead to violent fluctuations in the price of the securities.

    ii. The maintenance of a fixed ratio between deposit liabilities and cash reserves by the commercial banks.

B. **Reserve Requirement:** This is the minimum percentage of the total assets which banks and other financial institutions are required to hold in money balances, or in some form of highly liquid assets. If the Central Bank target is to reduce the amount of money in circulation, it increases the reserve requirement ratio of the commercial banks. On the other hand, a decrease in the ratio means that the banking system can increase its loans and investments and possibly hold excess reserves.

C. **Discount Rate Policy:** This is a tool of monetary policy designed to influence the cost at which commercial banks can borrow from the Central Bank. If the discount rate is increased, the Central Bank credit to the commercial banks reduces. When the Central Bank wants to expand the money supply, it decreases the discount rate.

Constraints to Monetary Policy Management in Nigeria: The Transmission Mechanism

According to Nnanna (2001), despite the efforts in the past few years to evolve a monetary policy framework that would enhance the achievement of macroeconomic and price stability in Nigeria, there have been constraints militating against the attainment of such objectives. These constraints include:

i. **Fiscal dominance**: Fiscal expansion and the concomitant large deficits averaging about 3.0 per cent of GDP have militated against the efficacy of monetary policy in Nigeria. In 1999, the level of fiscal deficit was 8.4 per cent of GDP.

ii. **Liquidity Overhang**: There are various sources of liquidity in the Nigerian economy. Predominant in this regard is the growth of credit to the government. Others include:

iii. **Oligopolistic Banking System**: The oligopolistic structure of the Nigerian banking system is another constraint on the efficient transmission of the monetary policy instruments. Very few large banks control a greater proportion of the liquidity in the banking system.

iv. **Data**: poor quality of data is a major constraint in the formulation of monetary policy in Nigeria.

v. **Inefficient Payments System**: Nigeria is cash based economy. Almost all payments are made in cash and, as such, the large volume of currency in circulation or high-powered money renders monetary control difficult, if not impossible.

ITQ

Question

- What are the tools of monetary policy in Nigeria?

Feedback

- The tools of monetary policy in Nigeria are:
  - i. direct monetary instruments; and
  - ii. indirect monetary instruments.

  Note that, each of them is sub-divided into three respectively.

2.2.2 Fiscal Policy

Fiscal Policy The use of taxation and government spending to influence the economy.

The term **fiscal policy** as Bamidele and Englama (1998) put it, refers to government revenue generation through a variety of taxes (corporate and personal), royalty, investment income, etc the expenditure profile, transfer, distribution and all other related policies of the public sector activities.

Objectives of Fiscal Policy in Nigeria

Ever since her independence, Nigeria has made a number of developmental plans. Each of these plans has its fiscal policy objectives. One can therefore summarise Nigeria's fiscal policy objectives for the period of 1970-93 as follows:

1. generation of significant additional revenue
2. reduction in the tax burden on individuals and corporate bodies
3. promotion of self-reliant development
4. substantial and progressive reduction and elimination of government budget deficit
5. maintenance of economic equilibrium with regard to employment, output, balance of payment and the general price level.
6. enhancing productivity in agriculture and boosting capacity utilization in the manufacturing sector.
7. promotion of transparency and accountability in the management of public finance
8. reduction of the heavy burden of both external and internal debts.
9. guaranteeing effective protection of domestic industries;
10. integrating the informal sector of the economy into the mainstream.

11. correction of the distorted patterns of both domestic consumption and production

Fiscal Policy Instruments

The two main fiscal policy instruments adopted in Nigeria include:

1. changes in the rate of taxation (taxes on personal income, petroleum profits, royalties, export and excise duties, import duties etc) and
2. Government expenditure (recurrent and capital).

Note

Taxation is the most effective of the two instruments.

How Fiscal Instruments Work

1. **Expansionary Fiscal Policy**: Under this policy, the CBN aims at expanding the amount of money in the economy. To do this, the CBN initiates measures that would increase expenditure and reduce taxation.
2. **Contractionary fiscal policy**: This is a policy that targets at reducing the amount of money in the economy. Here, what the CBN does is to ensure that the government expenditure is reduced while at the same time increasing taxes.

ITQ

Question

- What do you understand by the word "fiscal policy"?

Feedback

- The word "fiscal policy" simply connotes the use of government revenue and expenditures to control and regulate economic activities within an economy.

2.2.3 Exchange Rate Policy

Exchange rate is simply the price of one currency in terms of another. According to Osigwe (2005), Exchange rate policies are those policies geared towards the determination of the prices of the domestic currency in terms of other currencies. Nigeria's exchange rate policy can be examined in two different time periods, namely, the pre-SAP period and the post-SAP period.

Pre-Sap Exchange Rate Policy

In a nutshell, the exchange rate policy of Nigeria prior to the introduction of SAP could be better described as a passive one. To be precise, the pre-SAP here dates back to 1959 when the value of the Nigerian pound was fixed at par with the British pound sterling.

In 1967, the Nigerian Pound appreciated in value following the devaluation of the British pounds sterling. Thus, the exchange rate of one Nigerian pound became 1.7 British pound sterling. At this time, exchange rate was fixed.

In 1974, the adjustable peg system of exchange rate determination was adopted. This regime lasted from 1974 – 1977 but was modified with the pegging of the value of the Naira to a system of import.

Tip

The exchange rate policy in the pre-SAP era exhibited two main characteristics, namely:

1. Ensuring that the balance of payment remains at equilibrium in the short-run, influencing relative price structures in domestic currency terms between the tradable, non-tradable and overall domestic prices.
2. It targeted at a high exchange value instead of on the long-run BOP viability.

Exchange Rate Policy under SAP

Structural Adjustment Programme (SAP) was introduced in 1986. The exchange rate policy within this period was more dynamic than it hitherto was. Exchange rate became determined by the forces of demand and supply. Here came the regime of "unfettered floating exchange rate". The Second-Tier Foreign Exchange Market (SFEM) was introduced in September 1986; the United Official Market in 1987; the Autonomous Foreign Exchange Market (AFEM) in 1995; the Inter-Bank Foreign Exchange Market (IFEM) in 1999, and the Dutch Auction System (DAS) in 2002 (Osigwe, 2005).

Bureax de changes were licensed in 1989 to accord access to small users of foreign exchange and enlarge the officially organised foreign exchange market (CBN, 2002).

All in all, we can conclude that *Nigeria's exchange rate policy under SAP was more pragmatic.*

ITQ

Question

- Mention types of exchange rate practised by Nigerian economy during both pre-SAP and post-SAP era?

Feedback

- Fixed exchange rate and Flexible exchange rate.

2.2.4 Trade Policy

Trade policy refers to the way in which an economy's goods and services are valued vis-à-vis its import and the ease with which commodities flow in and out of the country. Indeed, it is a vital instrument for directing the external sector (trade sector) towards the achievement of external balance and economic growth. However, for this to take place, it needs to be supported by an appropriate exchange rate adjustment capable of stimulating the external trade sub-sector (Essien *et al*., 1996).

Ogunkola (2009) posits that trade policy in general entails actions and measures of a government that are directed at manipulating the composition and direction of trade to the benefit of a country. He went further to argue that the goal of trade policy is to influence the structure, volumes and proportion of production and consumption of tradable.

Nigeria's trade policy has been pursued for the attainment of macro-economic stability through the restricted (prior to SAP) and liberalised trade regimes (since 1986). On a general note, policy instruments in this direction involved fiscal devices, including tariffs, export taxes and subsidies, and is usually complemented with other instruments, such as quantitative restriction and outright ban of some products (Obadan, 1996).

However, the major outcome of the trade reforms that characterised the introduction of SAP was the correction of the distortions in relative prices that had before now discouraged agricultural output and fostered a highly import dependent industrial development.

The gross value of trade in Nigeria has improved nominally. For instance, output rose from ₦7,062 million in 1985 to ₦449.7 billion in 1996. Trade liberalisation, which started after the introduction of SAP, successfully eliminated price control, boarding and queues for essential commodities, but the problem of dumping persisted.

ITQ

Question

- What is the major aim of trade policy?

Feedback

- The major aim of trade policy is to achieve external balance and economic growth.

Study Session Summary

Summary

This Study Session examines the objectives and types of monetary policies in Nigeria. The types of monetary instruments employed in Nigeria includes:

- monetary policy
- fiscal policy
- exchange rate
- trade policy.

Assessment

Assessment

SAQ 2.1 (tests Learning Outcome 1)
What are the objectives of macroeconomic policies?

SAQ 2.2 (tests Learning Outcome 2)
Examine some of the macroeconomic policies been adopted by Nigeria economy.

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Study Session 3

The Nigerian Agricultural Sector

Introduction

Memory and records indicated that Nigeria was an agricultural country. At least, some three decades ago, some 90% of the country's teeming population regarded agriculture as their principal occupation even if the total production of the household was for mere subsistence. Many families however had large holdings in cash crops with which income were derived. In this Study Session, efforts will be exerted to expose you to the contributions of agricultural sector to the economy as well as various policy measures that had been adopted in the past to revamp the sector.

Learning Outcomes

Learning Outcomes

When you have studied this session, you should be able to:

3.1 *highlight* the nature of agricultural organisations, production and other general characteristics.

3.2 *present* the importance of agricultural sector.

3.3 *point* out the problems of agricultural sector.

3.4 *analyse* the past policies of governments on agriculture.

3.1 Agriculture

Agriculture The art and science of crops and livestock production.

In Nigeria, the agricultural sector produces a variety of products. These products include the important **export crops** like palm produce, rubber, groundnut, cocoa and cotton.

However, a large number of food crops are grown mainly for **domestic consumption**.

The Nigerian Agriculture can be categorised into:

1. **Subsistence agriculture** type which is characterised by low productivity.
2. **Mixed agriculture** which produces for domestic and export markets.
3. **Plantation** type which adopts modern techniques of production and caters mainly for the commercial markets.

Reading Activity

Allow 15 minutes

You may study the resources in the following links for more information on the identified categories of agriculture with reference to Nigeria.

- http://ageconsearch.umn.edu/bitstream/108942/2/64apata_folayan_apata_akinlua.pdf
- http://en.wikipedia.org/wiki/Plantation
- http://library.thinkquest.org/26634/forest/farming/plantation.htm
- http://thinkafricapress.com/nigeria/fixing-nigerias-agriculture
- http://www.ng.boell.org/downloads/Agriculture_-_Green_Deal_Nigeria_study.pdf

3.1.1 Components of Agriculture

The following are the components of agriculture in Nigeria:

A farmer in crop farm

Crop production

This involves the cultivation of different types of crops. Crops are divided into two main categories, namely: food and cash crops. The food crops are mainly for consumption and they include corn, rice, yam, cassava, millets, cocoyam, etc. Cash crops can also be called commercial crops, and they include palm oil, groundnut, cocoa, cotton, rubber etc.

Forestry

This involves the planting, preservation and maintenance of economic trees or plants. Among the items derived from the preserved trees or plans are- rots and herbs, food, electric poles, grazing ground, etc.

Fish harvest at Argungu festival in Nigeria

Fishing

This deals with the breeding and catching of fishes for human consumption. The riverine people engage in a lot in fishing. Despite this, Nigeria is not yet self sufficient in terms of fish production and as such still imports fish.

Livestock

This is the form of agriculture that involves the rearing of domestic animals. The animals reared include goat, poultry, pig, dog, sheep, horses, cows etc. This form of agriculture is largely practised in the Northern part of Nigeria.

ITQ

Question

- Which pattern of agricultural production is mostly practised in Nigeria?

Feedback

- Subsistence Agriculture.

3.2 Importance of the Agricultural Sector

As noted earlier in the introductory part of this Study Session, agriculture still remains the mainstay of the Nigerian Economy. Its contributions to the economy are in the following ways:

A. 70 –80 per cent of the country's labour force are employed in the agricultural sector. According to Tomori (1987); it is pertinent to note that although the percentage of the population engaged in agriculture has declined over the years, there is no doubt that in absolute terms, the agricultural sector is the primary source of employment in the country. It must be emphasised, however, that there is considerable under-employment in the sector due to the seasonal nature of agricultural activities.

In Table 3.1, we observe that in terms of sectoral distribution of our real GDP, agriculture got the highest share within the period of 1960-1975. It was beyond this period; precisely in 1976, the industrial sector first exceeded agriculture. No doubt this was as a result of the little attention given to the sector as soon as the first oil boom took place between 1973/74.

Table 3.1: Percentage presentation of sectoral Distribution of Real GDP from 1960-2005

Real GDP: 1960-2005 (₦ Million)

		1960	1965	1970	1975	1980	1985	1990	1995	2000	2005
1.	Agriculture	1,57.8	1,742.2	188.7	7,639.4	6,511.8	65,748.4	84,344.6	96,220.7	117,945.1	231,463.6
2.	Industry	145.6	370.8	819.1	7,463.0	10,922.9	85,097.4	115,591.4	108,162.7	121,756.6	159,161.4
3.	Buildings construction	110.8	162.2	221.0	1,932.5	3,056.0	3,308.0	4,524.8	5,221.7	6,433.8	8,544.5
4.	Wholesalers and Retailers trade	309.4	418.4	512.9	5,718.3	6,318.0	27,876.7	35,837.7	39,310.1	43,161.9	77,283.1
5.	Services	323.4	453.2	778.3	4,418.3	4,748.1	19,005.7	27,425.6	32,492.3	39,881.5	85,478.8
Total (GDP)		2,489.0	3,146.8	4,219.0	27,192.0	31,546.8	201,036.3	264,550.0	281,407.4	329,178.7	561,931.4

Source: CBN Statistical Bulleting (2008)

We also notice from the table that agriculture rose from ₦1, 599 million in 1960 to ₦7, 639.4 in 1975 to ₦6, 501.8 in 1980. By 1985, it returned to its upward moving trend. The sector almost doubled itself in value between the years 2000 and 2005 and, for the first time after ranking below the industrial sector in 1980, it assumed a value greater than that of industrial sector (precisely in 2002 when it assumed the figure of ₦190,133.4 million against the industrial sector that had ₦123,553.5million).

What indeed emerges from the above discussion is that agriculture still remains the backbone of our economy.

Tip

> *"No matter how much development and structural transformation is achieved, agriculture will retain its relative dominance in the economy for many decades to come. More importantly, it is from agriculture, and in particular from agricultural exports, that the economy has received its principal stimulus to economic growth.*
>
> - Helleiner (1966)

B. Provision of foodstuffs for the rising population.

C. It also assists through the exportation of principal primary commodities, which will increase Nigeria's foreign exchange earnings and which can be used to finance a variety of developmental projects.

D. The growth of the agricultural sector can make a substantial contribution to the total tax revenue, as well as having important implications for inter-sectoral terms of trade.

E. The quest for providing the enabling infrastructure that would enable agriculture to thrive would indirectly stimulate rapid economic development.

F. As the economy expands, agriculture has the potentials of releasing labour to the modern sectors of the economy.

G. In the area of capital formation, the savings generated from the agricultural sector can be mobilised for development purposes while increase in rural income as a result of increasing agricultural activities can further stimulate the industrial sector by creating additional demand for the products of the 'modern' sectors.

ITQ

Question

Why do we refer to agriculture as the backbone of Nigeria economy?

Feedback

The sector (agricultural sector) is still the primary source of employment in the country despite the fact that the percentage of the population that engaged in it has declined over the years, due to development and improvement in other sectors within the economy.

3.3 Problems of the Agricultural Sector

There are several problems confronting agriculture in Nigeria. Here, we shall present these constraints as clearly contained in the 2004 NEEDS document.

1. The rapid shift of the population from rural to urban areas and the shift in consumption patterns from local to imported food items.
2. The oil boom, policy inconsistency, and the decline in political commitment to agricultural and rural development.
3. Inadequate incentive framework and pervasive distortions in the macro-economy.
4. Absence of a price support mechanism and pervasive distortions in macro-economic and sectoral policies, including misaligned exchange rates and heavy taxation of agricultural exports.
5. Continued dependence on rain-fed agriculture and the absence of economies of scale.
6. A land tenure system that inhabits the acquisition of land for mechanised farming.
7. Inadequate agricultural extension services and the lack of indigenous agricultural capacity or technologies responsive to local conditions.
8. Finally, a degraded environment that has reduced agricultural yields.

ITQ

Question

- What is the most common problem militating against agricultural practises in Nigeria?

Feedback

- Problem of oil boom, policy inconsistency, and the decline in political commitment to agricultural and rural development.

3.4 Past Policies of the Government towards Transforming Agriculture

Discussion Activity

Introduction: In this activity, we shall collaboratively review the past policies of federal government of Nigeria towards transforming agriculture.

Study the resource below and respond to the task that follows.

Agricultural Development Process and Land Use, Tenure and Conservation in Nigeria in Agriculture, Renewable

Natural Resources, Animal Husbandry & Health (pages 1-16) by F. Okunmadewa, V.O. Okoruwa, R.A. Adegboye.

Task: In the resource above, some past policies of government were discussed. Some of the discussed policies include:

1. National Accelerated Food Production Project (1973)
2. Nigerian Agricultural and Cooperative Bank (NACB) (1973)
3. The River Basin Development Authorities (RBDAs) (1973)
4. Operation Feed the Nation
5. Agricultural Credit Guarantee Scheme
6. Rural Banking Scheme
7. Agricultural Commodity Boards
8. Land Use Decree
9. The Green Revolution
10. Agricultural Development Projects
11. The National Agricultural Development Authority (NADA)

Which of these policies will you ascribe as the most effective? Post your response on Study Session Three Forum Page on this course website.

3.4.1 The Policy Trust of Agriculture in Nigeria

To ensure a higher productivity and the proper modernisation of the agricultural sector in Nigerian, NEEDS also provides the following policy thrust;

1. Provide the right policy environment and large incentives for private investments in the sector.
2. Implement a new agricultural and rural development policy aimed at addressing the constraints in the sector.
3. Foster effective linkages with industry to achieve maximum value-added and processing for export.
4. Modernise production and create an agricultural sector that is responsible to the demands and realities of the Nigerian economy in order to create more agricultural and rural employment opportunities, which will increase the income of farmers and rural dwellers.
5. Reverse the trend in the import of food (which stood at 14.5 percent of total imports at the end of 2001), through a progressive programme for agricultural

expansion. The government should not relapse in its commitment towards reducing the growing food import bill to stem the rising trade imbalance as well as diversity the foreign exchange earning base.

6. Strive towards food security and a food surplus that could be exported.
7. Invest in improving the quality of the environment in order to increase crop yields.

Study Session Summary

Summary

In this Study Session, you learnt the major agricultural products in Nigeria. We also explored the nature of organisation and production in this sector. Lastly, we examined the problems and finally the policy thrust of agriculture in Nigeria.

Assessment

Assessment

SAQ 3.1 (tests Learning Outcome 3.1)
Outline the various components of agriculture.

SAQ 3.2 (tests Learning Outcome 3.2)
How significant is the agricultural sector to the Nigerian economy?

SAQ 3.3 (tests Learning Outcome 3.3)
What are the challenges confronting agricultural practises in the economy?

SAQ 3.4 (tests Learning Outcome 3.4)
Mention some agricultural policies and programmes embarked upon by Nigeria government since independence till date.

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Study Session 4

Industrialisation and the Nigerian Economy

Introduction

Industrialisation is a process that developed alongside scientific and technological advancement. It is one of the mainstreams for development. In this Study Session, you will look into what constitutes the industrialisation policy in Nigeria: the objectives of the industrial policies, forms of industrialization, and the contributions of the sector to the development of the Nigerian economy.

Learning Outcomes

Learning Outcomes

When you have studied this session, you should be able to:

4.1 *define* the term “industrialisation”.

4.2 *discuss* briefly the various types of industry.

4.3 *present* the relevance of industrialisation to the Nigerian economy.

4.4 *state* the indicators of industrial sector performance

4.5 *highlight* problems of industrialisation in Nigeria.

4.6 *explain* the industrialisation strategies adopted in Nigeria.

4.1 What is Industrialisation?

Industrialisation is a process that developed alongside scientific and technological advancement. Industrialisation is conventionally defined as the process by which inanimate energy or mechanical power replaces human energy in production (Ukaegbu, 1991).

Basically speaking, to industrialise is to replace the manual labour by the machine and power tools. It also means to witness social and economic transformations in the life of a nation. A nation is industrialised if she is capable of building many industries that work to transfer her raw materials to semi or finished goods.

Industrialisation creates production which brings about abundance of goods and services. In Nigeria, it is hoped that industrialisation will help in moving the country away from dependence on petroleum towards a diversified and healthy economy.

An underdeveloped country that is endowed with modest natural resources, but wishes to industrialise, must endeavour to look inwards on her agricultural sector from which she stands to obtain exportable items that would boost her foreign exchange earnings and the standard of living of her people.

ITQ

Question

- What does the word “industrialisation” connotes?

Feedback

- It simply connotes transformation from manual labour to the use of machine and power tools

4.2 Types of Industries

4.2.1 The Processing Industry

This is the form of industry that involves the extraction of raw materials or unfinished goods from the ground or sea. For some of these raw materials to be useful, they are converted into semi-finished goods. Raw materials in Nigeria that fall within this category includes; cocoa, timber, palm oil and kernels, cotton, hides and skins, rubber, groundnuts etc.

4.2.2 The Manufacturing Industry

This captures all firms that transform raw materials into finished goods; for example, the use of hides and skins in the manufacturing of shoes and bags.

4.2.3 The Mining Industry

This refers to those industries that extract minerals and other natural resources from the ground. Also included in this category of industries is quarrying. Crude oil, coal, tin, diamond etc are among the minerals extracted in the mining industry.

4.2.4 The Construction Industry

This refers to industries that deal with the assembling of different components into unified whole. They include; carpentry and welding works, roads and bridge construction, etc.

4.2.5 The Transport Industry

Industries that go by this name typically engage in the movement of passengers and goods from one place to another. Examples are Imo Transport (ITC), Nigerian Airways, etc

ITQ

Question

- Extraction of crude oil and bitumen falls under which form of industry?

Feedback

- Mining industry.

4.3 Positive Contributions of the Industrial Sector to the Nigerian Economy

- The computations done by the author from the data presented in Table 1.1 shows that the contribution of industry to the overall Real Gross Domestic Product (RGDP) of Nigeria has been fluctuating since independence. In 1960, the sector contributed to the tune of 5.8%. It was 19% in 1970, 34% in 1980, 43% in 1990, 37% in the year 2000 and 20% in 2005. A closer examination of the above values reveals that the sector recorded its highest contribution in 1990 and lowest in 1970. The above contribution though presented in percentages represents millions of naira which goes to raise the national income of Nigeria,
- Another way through which the industrial sector contributes positively to the economy of Nigeria is by creating employment opportunities for the unemployed Nigerians.
- It also brings about economic growth and development. The sector drives growth in infrastructural developments.

ITQ

Question

- Which year did industrial sector recorded its greatest contribution to Nigerian GDP?

Feedback

- 1990, wherein the industrial sector contributed 43% to RGDP.

4.4 The Indicators of Industrial Sector Performance

The performance level of the industrial sector can be assessed using the following indicators;

1. The annual industrial growth rate
2. The gross value of industrial output
3. Number of industrial employers and employees
4. The gross value added by industries

ITQ

Question

- Which of the indicators of measuring the performance of industrial sector is mostly used in Nigeria?

Feedback

- Gross value of industrial output.

4.5 Challenges in the Industrial Sector

The industrial sector of Nigeria faces the following constraints:

1. Lack of demand for the products and services of small and medium-size enterprises, and ineffective linkages between industry and research institutes and universities.
2. Unhealthy competition arising from dumped, second hand, counterfeit, smuggled, and substandard products.
3. Poor infrastructure, especially, road and power supply
4. High cost of loan.
5. Nigerian industry is premised on import-substitution whereas industries in the developed countries aim at generating, accumulating and producing capital. Industrial raw materials and other equipment are transported into Nigeria, installed, and used for routine productive activities.
6. Materials technology is much more emphasized than the knowledge technology in the work flow.
7. Ukaegbu (1991) maintains that Nigerian industries tend to be characterised by routine production activities, lack of backward linkages in the economy, prevalence of highly-package technology, performance of minor operations, lack of ancillary industry and insignificant or non-existent research and development (R & D) activities.

ITQ

Question

- What is the most serious challenge confronting industrialisation in Nigeria?

Feedback

- Lack of infrastructural facilities such as good roads and power supply

4.6 Industrialisation Strategies Adopted in Nigeria

Different countries can adopt different strategies in order to become industrialise. Nigeria over the years has adopted some of these strategies, such as:

1. Import substitution strategy
2. Export promotion
3. Small-scale versus large scale industrial development strategy and
4. Balanced growth strategy

Let us examine these strategies one after the other.

4.6.1 Import Substitution Strategy

The hallmark of this strategy is to replace the hitherto imported goods with the domestically produced ones. It targets at discouraging the consumption of foreign made goods at the expense of the domestic ones. This strategy allows for the importation of the component parts and assembling locally. Indeed, this cannot make much benefit to any economy and as such should be considered with utmost caution.

4.6.2 Export Promotion Strategy

The major aim of the government, through this strategy, is to encourage local industries that can produce and export goods. Sometimes, the government goes as far as giving incentives to these industries to enable them compete favourably with their foreign counterparts. In Nigeria, the body established by the government to see to export promotion is the Nigerian Export Promotion Board (NEPB).

4.6.3 Small-Scale Versus Large-Scale Industrial Development Strategy

The advocates of small-scale industrialisation strategy anchor their argument on to the fact that Nigeria is among the poor nations of the world and as such should start her industrialisation process from the rudimentary level. They also believe that small-scale industries could better be used to process raw materials that are in abundance in the rural areas.

Contrary to the above, the proponents of large-scale industrial development strategy maintain that the establishment of large-scale industries also known as the "big push" would enable the developing countries to achieve their target of self-sustaining growth. To them, small-scale method, which follows step-by-step progress, is sluggish and will delay industrialisation.

4.6.4 Balance Growth Strategy

The advocates of this strategy opine that all the sectors of the economy should be developed through industrialisation so that none would remain deficient. The strategy is aimed at discouraging lopsidedness in the achievement of industrialisation. All in all, the strategy recommends a synonymous development of all the sectors of the economy.

ITQ

Question

- What is the primary function of the Nigerian Export Promotion Board (NEPB)?

Feedback

- Nigerian Export Promotion Board (NEPB) is the body charged with the responsibility of ensuring export promotion in the country.

Study Session Summary

Summary

In this study session, we have succeeded in addressing the following issues:

- The detailed meaning of an industry and industrialisation.
- The different types of industries that are found in the Nigerian economy.
- The positive contributions of the industrial sector to Nigerian economy and the industrialisation strategy adopted in Nigeria.

Assessment

Assessment

SAQ 4.1 (tests Learning Outcome 4.1)
Explain the meaning of the word "industrialisation"

SAQ 4.2 (tests Learning Outcome 4.2)
Explain the various brands of industry

SAQ 4.3 (tests Learning Outcome 4.3)
Justify the significance of industrialisation to the Nigerian economy

SAQ 4.4 (tests Learning Outcome 4.4)
What are the measures through which performance of the industrial sector can be assessed?

SAQ 4.5 (tests Learning Outcome 4.5)
What are the challenges confronting industrialisation in Nigeria?

SAQ 4.6 (tests Learning Outcome 4.6)

Discuss some strategies of industrialisation used by the Nigerian government to boost the industrial sector of the economy.

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Study Session 5

Oil Resources and the Nigerian Economy

Introduction

Oil is one of the numerous energy sources in Nigeria. It is also the current mainstay of the Nigerian economy. We shall therefore discuss its contributions from a holistic standpoint in this Study Session. We shall also highlight the issues in this sector; and examine some organisations in this industry.

Learning Outcomes

Learning Outcomes

When you have studied this session, you should be able to:

5.1 *show* how oil has contributed to the Nigerian Economy.

5.2 *present* the key issues in the oil sector.

5.3 *highlight* the roles of key organisations in the oil sector.

5.1 Contributions of Petroleum to Nigerian Economy

We will examine this section under two headings: positive contribution and negative contributions.

5.1.1 Positive Contributions of Petroleum to Nigerian Economy

According to Adedipe (2004), the massive increase in oil revenue as a result of the Middle East war of 1973 created an unprecedented, unexpected and unplanned wealth for Nigeria. In order to make the business environment conducive for new investments, the government began investing the newfound wealth in socio-economic infrastructure across the country, especially in the urban area. As well, the services sector witnessed growth.

Naira, the Nigerian national currency became strengthened as foreign inflows outweighed outflows and the country's foreign reserves were built up. Until 1985, the Naira was stronger than the US Dollar.

The data in Table 5.1 shows that crude petroleum has maintained a steady increase in its contribution to the Nigerian GDP. It only assumed a downwards trend in 1990 and later recovered and made the highest contribution to the GDP in the year 2000. Indeed, oil resources have been contributing largely to the Nigerian GDP.

Table5.1: Nigeria: Sectoral Contribution to GDP

Sector	1969 (%)	1970 (%)	1980 (%)	1990 (%)	2000 (%)
Agriculture	64.1	47.6	30.8	39.0	35.7
Manufacturing	4.8	8.2	8.1	8.2	3.4
Crude oil	0.3	7.1	22.0	12.8	47.5
Others	30.8	37.1	39.1	40.0	13.4
Total GDP	100	100	100	100	100

Source: CBN, changing structure of the Nigerian Economy (2000).

More so, inadequate supply of oil resources constraints industrial and social activities and result in high economic and social costs. Indeed, the level of oil production and consumption are important indices of the state of industrialisation and/or development of any Nation.

Iwayemi *et al*., (2007) maintain that petroleum and Natural gas sector accounted for about 44% of GDP in 2003, contributed to over 95% and 70% of export earnings and total government revenue, respectively, but employed only around 5% of the labour force. It is also a major contributor to Nigeria's energy needs; 43% of energy consumption in 2002 was met from petroleum products (excluding natural gas).

Tip

On the average, oil accounts for 70 percent of government revenue, 90 percent of foreign exchange earnings, and 12 percent of the Real Gross Domestic Product (RGDP)

5.1.2 The Negative Contributions of Oil Resources to the Nigerian Economy

Despite the massive positive contributions of oil resources to the growth of the Nigerian economy, it equally has negative contributions;

1. The black gold (oil) drove Nigeria into a mono-economy; agriculture which used to be the mainstay of the economy becomes relegated to the background.

2. Oil industry is a capital-intensive industry and as such does not perform satisfactorily well in the recruitment, training and consequent utilisation of local manpower.
3. Increase in the price of oil products affects the cost of profitability of many Nigerian firms, as well as the welfare of a vast number of Nigerians.
4. Oil exploration in Nigeria has caused soil, water and air pollution in many parts of the country and this is one of the major causes of the Niger Delta crises.
5. The oil boom of the early 1970s encouraged import oriented consumption habit that soon turned Nigeria into a perennial net importer, which became a major problem when oil earnings decreased with lower international oil prices. In addition, external reserves collapsed, fiscal deficits mounted and external borrowing ensued with the "jumbo loans" taken in 1979. Most of Nigeria's macro-economic indices became unstable and worrisome.

ITQ

Question

- Why is the Nigerian Oil sector referred to as a "two edged sword"?

Feedback

- This is because the sector has both positive and negative contributions to the economy.

5.2 Key Issues in the Oil Sector

Oil and gas sector as contained in the NEEDS Document is seen as an external sector, because there is no link between it and the other sectors of the economy. The key issues requiring attention in this sector include the following:

1. Low local content level and community unrest in locations of proven reserves.
2. Absence of indigenous technical know-how and a deficient capacity-building programme.
3. Multiplying of legislations infrastructure (national gas grid system).
4. Absence of an independent industry regulator for the various subsectors.
5. Inefficiency and widespread fraud.
6. Poor safety and regulating systems.

7. Inadequate financing arrangement for operations.
8. Petroleum product supply constraints, including inadequate local refining and distribution capacity.
9. Lack of value-adding activities and processes (integrated petro chemicals capacity).

ITQ

Question

Why is oil and gas sector referred to as an external sector to the economy?

Feedback

- This is because there is no link between this sector and other sectors of the economy.

5.3 Organisations in Petroleum Industry

Reflection

" The energy policy makers in Nigeria should have a better understanding of how the world's oil markets are likely to evolve in the future and how the total world demand for crude oil is likely to change in response to the changes in oil prices initiated by the OPEC Cartel, and in response to future change in prices resulting from changing supplies in non - cartel countries". – Osigwe 2009

5.3.1 Nigerian National Petroleum Corporation (NNPC)

The Nigerian National Oil Corporation (NNOC) was established by a decree promulgated in 1971 to enable the Nigerian government to strengthen its control of the oil industry. On 1^{st} April 1977, NNOC became merged with the ministry of petroleum Resources to give birth to what is today known as Nigerian National Petroleum Corporation (NNPC). NNPC has the mandate of overseeing all the activities of all the companies licensed to engage in oil activities in Nigeria so as to ensure their compliance with the relevant laws and regulations guiding the oil sector. In addition to this, NNPC is supposed to see to the successful conducts of all Nigeria's petroleum business. Whether this duty is indeed being carried out by the NNPC or not is an issue that begs for an unbiased investigation.

5.3.2 Organisation of Petroleum Exporting Countries (OPEC)

OPEC came into being following the 10^{th} – 14^{th} September, 1960, meeting of Iran, Iraq, Kuwait, Saudi Arabia and

Venezuela which was held in the capital of Iraq-Baghdad. This meeting was convened to discuss how these countries could protect their mutual interest and to counter the atrocious act of foreign oil companies who produce and sell oil only in accordance with their own interest and the dictates of their governments' foreign policies. Ever since its creation, OPEC has ensured that the activities of these foreign oil companies are curtailed and that the downward trends in crude oil prices are forestalled. This acts attracted some oil producing countries to the membership of OPEC. Qatar become a member in (1961), Indonesia and Libya (1962), United Arab Emirate (1973), Algeria (1969), Nigeria (1971), Ecuador and Gabon (1973).

ITQ

Question

- Nigerian became a member of OPEC in what year?

Feedback

- Nigeria joined OPEC in 1971.

Study Session Summary

Summary

In this Study Session, you learnt:

- that crude oil was first discovered in commercial quantities in Nigeria in 1956, while actual production started in 1958. It became the dominant resource in the mid 1970s.
- that oil, as an energy resource, affects all modes of transportation, (air, rail, road and sea) and thus has obvious implications on the movement of goods and people.
- that developments in the oil sector also have major implications for industrial production as oil and its derivatives are used in the production of goods and services.
- how organisations were established to strengthen the control of oil industry.

Assessment

Assessment

SAQ 5.1 (tests Learning Outcome 5.1)
In what ways has Oil sector contributed to the growth of Nigerian economy in recent times?

SAQ 5.2 (tests Learning Outcome 5.2)
What are the fundamental problems plaguing the oil sector in Nigeria?

SAQ 5.3 (tests Learning Outcome 5.3)
Discuss the responsibilities of the major institutions regulating Nigerian oil sector.

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Study Session 6

Transport and Communication Sectors and the Nigerian Economy

Introduction

In this Study Session, we will explore the different modes of transportation in Nigeria. We will also highlight the means of communication in Nigeria.

Learning Outcomes

Learning Outcomes

When you have studied this session, you should be able to:

6.1 *present* the different modes of transportation in Nigeria.

6.2 *highlight* the means of sending messages in Nigeria.

6.1 Transportation in Nigeria

Transport is an indispensable element in the socio-economic transformation of any nation. If adequately provided, transportation has the potentials of quickening the pace of industrial growth of a country. In Nigeria, it is one of the major means of holding the geo-political, social and economic systems together. It offers support to the services, productive and social sectors and has a way of enhancing poverty reduction and wealth creation. In playing these developmental roles, one agrees that all the modes of transport system should be given adequate attention.

Tip

"Good roads, canals and navigable rivers, by diminishing the expense of carriage, put the remote part of the country more nearly upon a level with those in the neighbourhood of the town. They are upon that account the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most expensive circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighbourhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its

produce" – Adam Smith (1976).

In Nigeria today, all the transport sub-sectors suffer from the effects of past shortages of resources and this inadequacy has constantly reflected in the neglect of their maintenance. More so, the interaction among the different modes of transport in Nigeria is very low.

In the light of long distances, difficult terrain, and climatic conditions, the Nigerian transport system poses special problems, if the economy must advance its developmental trend. The cost of constructing transportation facilities is generally high in Nigeria because of her difficult topography, especially in the south-eastern parts and the central and north-eastern parts. The nature of the soils, the heavy rainfall in the coastal regions in particular, and the poor drainage conditions in general make it difficult and very expensive to maintain road and rail transport facilities. Be that as it may, significant efforts have been made at improving the sector in the past five years. The railway system is being rehabilitated and maintained with the hope of their better repositioning. In the aviation sub-sector, an extensive level of liberalisation has been witnessed in the recent years. Evolving a transportation system that is public-private partnership driven is the focus of the government. Therefore, the government aims to develop an adequate environmentally safe, sound, efficient, affordable and seamless intermodal transport system in line with the global best practice.

ITQ

Question

What is the bane of transportation system in Nigeria?

Feedback

Shortages of resources and poor maintenance.

6.1.1 Modes of Transportation in Nigeria

According to Ukpong (1987), the transportation modes in operation in Nigeria are road, railway, air, inland waterways, sea (coastal shipping and shipping engaged in international trade), and pipelines. We shall examine these modes one after the other.

Roads

In Nigeria, it is the roads that carry the bulk of products and passenger traffic. Road networks are limited and in poor condition, with only about 31 percent of them paved. The poor state of road networks in Nigeria has greatly contributed to the high cost of living and doing business. The responsibility of road development in Nigeria is shared among the three tiers of government; namely, the federal, the state and the local government.

Ukpong (1987) asserts that in terms of length of roads maintained in 1972, the federal government owned 11.12 per cent, the state governments 22.2% and the local authorities 66.68%. In terms of the conditions of roads, 61.07 percent of the federal roads were paved as at 1972, followed by state roads with 41.72 per cent, and then the local authority roads with only 4.40 percent. It is in feeder road construction (local government roads) that Nigeria has made the greatest use of unemployed labour in creating capital. However, the greatest handicap of the feeder roads' projects is that most of them are isolated projects instead of being a part of a rural development investment package.

With the road density of about 64.4 kilometres per 100 square kilometres and over 4,189 persons per kilometre of road, Nigeria's road network is grossly inadequate. Ukpong (1987) goes on to state that with poor interconnections between existing roads, and between roads and other transportation modes, and coupled with poor maintenance, the road transport situation in Nigeria is really chaotic. According to the World Bank, inadequate transport facilities in Nigeria make marketing costs rather high. *The Federal Roads Maintenance Agency (FERMA) is responsible for road maintenance and rehabilitation in Nigeria.*

ITQ

Question
What is the primary responsibility of FERMA?

Feedback
The Federal Roads Maintenance Agency (FERMA) is the body charged with the responsibility of road maintenance and rehabilitation in Nigeria.

Railways

It was the railway, supported by coal that opened up trade and other relations between the northern and the southern parts of Nigeria and facilitated the movement of groundnuts and cotton to Lagos and Port Harcourt for an onward shipment to overseas markets. Obviously, the railway has contributed to the industrial and commercial growth of Lagos, Port Harcourt, Enugu, Zaria, Ilorin, Ibadan, Jos, Kano, Aba and Kaduna. The railways system of Nigeria comprises two main lines; namely, the western and the eastern lines, with each starting from a port and running northwards.

At this juncture, suffice to say that lack of resources needed to keep rail tracks, rolling stocks and maintenance of facilities so as to be in reasonable working condition, has made the railway system deteriorate rapidly.

The agency legally established to manage and control the Nigerian railways is the Nigerian Railway Corporation (N.R.C). It was established in 1955. NRC operates as a commercial enterprise but being a public utility corporation, the federal government sometimes influences its policies, including pricing.

Study the article below on Efficiency and Economy of Service in Nigerian Railway and join Study Session Five Forum.

Efficiency and Economy of Service in Nigerian Railway

Going by the existing trend in the railway sub-sector of the transport sector, one would adjudge the performance to be abysmal. A comparison of railway and road statistics of passenger and freight traffic shows that the railway has indeed lost its premier position to the road transport (Ukpong, 1987).

This loss in passenger and goods traffic means a loss in the revenue of N.R.C. Ukpong asserts that the cumulative loss by the railway on passenger traffic from 1960/61 to 1972/73 amounted to ₦31.83 million.

The major factors responsible for the loss of revenue by the railway transport system in Nigeria are the following:

- The major factor is that almost all the railway lines in Nigeria are paralleled (side by side and having the same distance) by heavily used trunk A and B (roads owned and managed by the Federal and state governments respectively) highways, and this has brought about a high level of competition between the railway and the road transport systems in both passenger and goods traffic.
- The railway is no longer able to provide efficient and reliable services to consumers.
- The stations lack the basic facilities for passenger comfort.
- Inadequate and inefficient equipment, defective locomotives and rolling stock.
- The low average speed of 32 kilometres per hour maintained by the rails has contributed to the loss in passenger traffic.

Efficiency and maximum productivity have thus turned to luxury as the government owns, operates, manages funds and control the Nigerian railways system.

Plans for Improving the Railway

The following captures the plans towards improving the railway sub-sector;

- Modernisation of the railway system based on international design criteria and on an entirely new road-bed and track system at standard gauge.
- In the opinion of Ukpong, all new projects in the sub-sector, especially construction of new lines and the connectivity of new areas should be based on realistic forecast of traffic demand, especially the freight traffic.
- Concession of the lines.
- Rehabilitation of locomotive and rolling stocks.
- Tracks’ repairs.

- Institutional restructuring of NRC as regulatory and development authority.
- Commencement of Lagos-Abuja-Kano standard gauge.
- Extension of the central line standard gauge.

ITQ

Question

Is there any organisation managing / controlling railway in Nigeria?

Feedback

Indeed yes; the Nigerian Railway Corporation (N.R.C) established in 1955.

Airways

The Muritala Muhammed Airport, Lagos

The main transport mode used for tourists, high-value exports and imports; and perishable goods is the air transport. Air travel can as well be called commercial aviation. Ukpong (1987) states that Nigeria moved into the air transport age in 1959 when it took over the operation of Nigerian Internal Air Services from the West African Airways Corporation Ltd. (WAAC) which was set up in 1946 by the former British West African Countries Gambia, Ghana, Nigeria and Sierra Leone.

Before the liberalisation witnessed in the Nigeria aviation industry, Nigeria Airways Ltd was the body that managed Air transport in Nigeria and it was solely owned by the Federal Government. Airports staffed and operated by the Civil Aviation Division of the Federal Ministry of Transport include; Lagos (Ikeja), Port Harcourt, Kaduna, Kano, Jos, Benin, Enugu, Calabar, Maiduguri, Ibadan, Sokoto, Yola, etc.

However, some degree of liberalisation has taken place in the Nigerian aviation industry in the recent past. This was a follow-up from the collapse and final liquidation of the Nigeria Airways. The liberalization of the aviation industry has resulted in active private sector participation in the industry. Efficiency and high productivity are beginning to set into the industry.

Problems of Air Transport in Nigeria

- Poor investment and weak regulatory oversight over the years have rendered the Nigerian Airspace unsafe.
- Lack of funds and high-level managerial personnel have affected the operational efficiency of the Airways.
- There is shortage of aviation engineers and technicians.

Prospects and Improvements

In 2006, the Federal Government enacted the Civil Aviation Act with the aim of making the Nigerian Civil Aviation Authority autonomous with increased funding. An Accident Investigation Bureau was also created. The decision to concession the Abuja Airport is another notable step taken in the aviation sub-sector.

ITQ

Question

What advantages does air transport have over other modes of transportation in Nigeria?

Feedback

Air transport is the fastest means of transportation and the most suitable means of conveying fragile and perishable goods.

Sea Transport

A ferry arriving Lagos

The management and control of **sea transportation** (through the ports) is the sole responsibility of the Nigerian Port Authority (NPA) created in 1954. The high level of corruption that has bedevilled the authority as was made public in the recent court recommendation of a 2 year jail term for its former chairman, Chief Bode George, has not allowed the authority to appreciate the virtue of efficiency and optimum performance. It is not disputable that maritime transport offers one of the lowest costs in terms of transporting heavy and bulky items. In Nigeria, 8 ports are in existence. There are 25 terminals most of which have been conceded to the private participants in the sub-sector.

However, the two main ports in Nigeria are the Lagos and Port Harcourt ports. Together, they handle about 90 per cent of the country's imports and 80 per cent of her exports. It is notable that Lagos is the larger of the two. Other minor ports that exist include Bonny, Sapele, Burutu, Warri, Calabar, Koko etc. The export of petroleum necessitated the development of the bonny sea port.

Problems of Sea Transport in Nigeria

- The problems of sea transport in Nigeria are multifarious. We shall now present them as capture in Ukpong (1987).
- Inadequate facilities at the ports have increased the turn-round time of ships, thus causing continued increase in freight rates and an increase in social costs generally
- Deficiency in port operation and administration
- Inability to forecast demand for port facilities

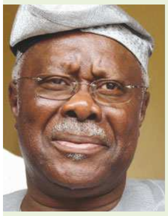
- Deficiency in port maintenance service, leading to frequent breakdown of plant and equipment, thus causing congestion at ports and unnecessary delays to ships
- Poor technological and economic forecasting in relation to port developments.
- Poor communications with customers, shippers, forwarding agents, shareholders, Nigerian Railway Corporation and road haulers.

Prospects and Improvements

The 1970s-74 Development Plans had large allocations to affect an increase and improvement in port facilities. In addition, the 1975-1980 Development Plans paid greater attention to improvement in port facilities, port management and operations.

In recent times, the government conducted a performance evaluation of ports and realised the urgent need to carry out reforms in the sub-sector through the concession of the ports.

Hint



The 2 year jail term recommended for the former chairman of NPA – Bode George - would serve as a deterrent to some other corrupt minded staff members of the Authority.

Inland Waterways

Oni (2002) maintains that the Inland Water Transport (IWT) in Nigeria is at infancy. To him, the sub-sector has remained underdeveloped and under exploited as a mode of transport in spite of its important role in transporting human and goods from the coastal areas to the hinterland.

Ukpong (1987) is of the view that the locations of Nigeria's inland waterways are such that if developed, Benin, Ivory Coast, Niger, Chad, and Cameroon could be linked, and could be of strategic importance to the Economic Community of West Africa States (ECOWAS). Nevertheless, Oni holds that the future looks bright for the development of multi modal transport based on complementary inland waterways improvement. At least, the lower River Niger is being dredged as ports and jetties along the River Niger receive construction/rehabilitation.

ITQ

Question
How many sea ports are in existence in Nigeria and where are they?
Feedback
There are eight (8) sea ports in Nigeria. These are located in Lagos, Port Harcourt, Bonny, Sapele, Burutu, Warri, Calabar, Koko.

Pipeline Transport

Pipeline mode of transport is mainly used in the transport of crude oil to the refineries. For instance, the refinery in Kaduna is being supplied with crude oil from the south through a pipe-line. At the Bonny Port, crude oil tankers are loaded by submarine pipeline. This mode of transport has the advantage of relieving the road of petroleum tankers that cause damage and accidents. Its greatest challenge is that it can be vandalised by the militants or encourage siphoning of oil by some unpatriotic Nigerians.

ITQ

Question
What is the main challenge confronting pipeline transport in Nigeria?
Feedback
Vandalisation and theft problem.

6.2 The Communication Sub-Sector

Communication, in this context embraces the means of sending messages and orders which includes mail, telephone, telegraph, telex, radio and television. Communications have since 1970, absorbed huge amounts of public capital expenditure. Evidences have shown that this has not been reflected in its efficiency or rationality, neither has the huge expenditure, in any way, promoted the integration of the national economy, or its self-reliant development. For instance, the entire telecommunications systems were characterised by serious shortfalls between planned and realised targets due, largely, to poor management and low level of executive capacity. The quality of services was generally described as unsatisfactory, unreliable and expensive.

Communications sub-sector was allocated ₦125 million under the second national development plan period (1970-1974), out of which only ₦44 million was spent. This did not improve the post and telecommunications services. A massive capital expenditure of ₦1.779 billion was sunk into this sector under the period of the third development plan period. To raise the number of telephone lines to 552,000 by 1980, communications was the target of much sub-sector expenditure. By 1980, it was reported that telephone lines increased only to 241,000 as against the target of 552,000

Efficiency of the postal services was not better off as it has distinctly deteriorated over the past decades thereby making communications between people, institutions and organisations in various parts of the country much more difficult.

However, the sector improved largely following the introduction of the Global System for Mobile communications (GSM) in 2001. For instance, from US$50.0 million in 1991, cumulative foreign private investment rose remarkably to US$7.5 billion as at December 2005. At this same December 2005, the sector had 1,223,258 connected fixed lines and 18,587,000 mobile lines, giving a combined subscribers strength of 19,810,258 lines with a teledensity of 15.7 lines per 100 inhabitants (CBN, 2005).

The contribution of the sub-sectors to GDP increased by 27.8% from ₦ 6.7 billions in 2004 to ₦ 8.6 billions by the end of 2005. About 5,500 professionals are directly employed in the communications industry and over 450,000 indirect jobs were created by the sector in 2005 (CBN, 2005)

Despite this growth, the quality of services provided by the operators in the industry has remained unsatisfactory, possibly due to poor interconnectivity between the different networks and other unidentified factors. According to CBN (2005), the problems of constant call droppings, message and call failures, and overloaded billings have not been effectively addressed, despite numerous complaints from the consumer by the government agency that regulates the activities of players in the communications industry of Nigeria.

ITQ

Question

Which factor accounted for tremendous improvement recorded by Nigerian communication sector in the early twentieth century?

Feedback

The introduction of Global System for Mobile communications (GSM) in 2001 accounted for this.

Study Session Summary

Summary

In this Study Session, we proved that transport is an indispensable element in the socio-economic development of any nation. It was made obvious that all the modes of transport in Nigeria have room for improvement. We equally acknowledged that the cost of constructing transportation facilities in Nigeria is generally high because of her difficult topography. The last section of this Study Section dwelled on the communications sub - sector.

Assessment

Assessment

SAQ 6.1 (tests Learning Outcome 6.1)

What are the different means of transportation in Nigeria?

SAQ 6.2 (tests Learning Outcome 6.2)

Discuss ways of disseminating information and their contributions to Nigeria GDP.

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Study Session 7

The Nigerian Banking and Financial Sector

Introduction

In this Study Session, you will examine the Nigerian banking and financial sector. Specifically, you will explore the evolution of this sector and its performance over the years.

Learning Outcomes

Learning Outcomes

When you have studied this session, you should be able to:

7.1 *present* an overview on the banking and financial sectors in Nigeria.

7.2 *analyse* the financial sector of the Nigerian economy.

7.1 Overview of the Banking System in Nigeria

Banking system The system that consists of commercial banks, merchant banks, development banks and community banks.

The **banking system** in Nigeria has since independence undergone radical changes. Banking in Nigeria developed from an industry, which at the time of independence in 1960 was essentially dominated by a small number of foreign banks, into one in which the public sector ownership of banks predominated in the 1970s and 1980s; and in which the Nigerian private investors have played an increasingly important role since the mid 1980s. The banking industry also went through phases of regulation and deregulation. In the 1960s, extensive government intervention characterised the financial sector. This was intensified in the 1970s. The objective was to influence the efficiency of resource allocation and promote indigenisation. Since the adoption of the Structural Adjustment Programme (SAP) in 1986, the financial sector has been liberalised and measures have been put in place to enhance prudential guidelines and tackle bank distress - Ajayi and Ojo (2006).

The banking system is the most developed segment of the Nigerian financial structure. To Olaloku (1987), banking system consists of the Central Bank of Nigeria and all the commercial banks with a network of all their branch offices across the country. Based on this last definition, we shall now set out to examine the activities of banks in Nigeria starting from the apex bank - the Central Bank of Nigeria (CBN).

ITQ

Question

- What is the major characteristic of Nigerian banking sector between 1970s and 1980s.

Feedback

- Between 1970s and 1980s, Nigerian banking sector was characterised by public sector ownership of banks.

7.1.1 The Central Bank of Nigeria (CBN)

Central Bank, according to Anyaele (1990), can be defined as the only financial institution established and charged with the day to day management and control of the nation's monetary affairs, the supervision and co-ordination of banking and financial activities of the country. No country in the world has two central banks. In Nigeria, the body that is established to perform the functions captured in Anyaele's definition is called the Central Bank of Nigeria. Anyaele went further to state that with the dissolution of the West African Currency Board (WACB), which served the four British colonies of Nigeria, Ghana, Sierra Leone and Gambia as central bank, Nigeria established her own Central Bank in 1958.

ITQ

Question

- Which institution regulated the Nigerian financial system before the advent of Central bank of Nigeria?

Feedback

- The institution was West African Currency Board (WACB).

Rationale for Central Bank in Nigeria

Olashore (1985) noted that following the mushrooming of commercial banks in Nigeria in the late forties and early fifties and the eventual collapse of most of the banks with the consequent loss of public confidence in banking, it became inevitable for the authorities to impose regulatory and supervising control on banks in order to achieve a restoration of public confidence in the banking system and safeguard the interests of both savers and depositors, while at the same time ensuring a balanced management of monetary system for national economic development.

Indeed, the above expression aptly captures the need for the establishment of the Central Bank in Nigeria.

ITQ

Question

- On what ground was Central bank of Nigeria established?

Feedback

- Central Bank of Nigeria was established purposely with the aim of safeguarding and ensuring balanced management of the financial system toward national economic development.

The Roles of Central Bank of Nigeria

Olaloku (1987) maintains that the CBN performs the traditional role of a central bank, such as:

- issuing of currency.
- acting as the lender of last resort.
- as the bankers bank,.
- supervising and regulating the commercial banks.
- advising the government on monetary and debt policy.

Tip

In addition to these traditional roles, the CBN has also assumed a non-traditional role which can be described as developmental and promotional. The exercise of this role involves granting assistance to the government in the fulfilment of its goal of economic development, a function it has been doing in two ways. Firstly, by making credit available for the financing of government programmes of economic development and secondly by promoting and developing the structure of institutional facility.

- Olaloku 1987

ITQ

Question

- What is the fundamental function of Central bank of Nigeria?

Feedback

- The primary function of CBN is issuance of the country’s currency.

7.1.2 Commercial Banking In Nigeria

According to Ajayi and Ojo (2006), commercial banking activity started in Nigeria in 1872 with the establishment of the African Banking Corporation, which was saddled with the responsibility of distributing Bank of England notes for the British treasury. They went on to assert that the three first generation banks (banks licensed before Nigeria's independence in 1960) had their origin in the colonial period. The Bank of British West Africa (later called Standard Bank, and now called First Bank Nigeria Plc) was set up in 1894. The next commercial bank to appear was Barclays Bank Dominion, Colonial and Overseas, (now known as Union Bank Nigeria Plc) in 1917. The British and the French Bank, the precursor of the United Bank for Africa Plc started operations in 1949.

ITQ

Question

- Which bank represents the first commercial bank in Nigeria?

Feedback

- The first commercial bank in Nigeria was The Bank of British West Africa, later known as Standard Bank, and now called First Bank Nigeria Plc established in 1894.

Banking Regulation/Legislation

Governmental control of commercial banks is exercised mainly through the CBN. Commercial banks typically perform the crucial role of mobilising resources from the surplus sector and directing to the deficit sector for the purpose of stimulating economic growth and development.

Ajayi and Ojo (2006) are of the view that other industries are not regulated as the banking industry. The reasons for its tight control include:

1. Since the product of activities of banks is money, if left unchecked, it can cause irreparable damage to the economy.
2. If uncontrolled, banks can create excessive money and cause inflation.
3. Banks need to be protected from total collapse or distress.

4. There may be need to direct resources to a certain section of the economy and, without regulation; banks may not direct resources to such a sector.
5. Banks are also put under surveillance in order to dispel monopoly tendencies that may hinder healthy competition and hence efficiency of the financial sector.
6. The sure means of sustaining public confidence in the banking system is to ensure that there are regulations.
7. The initial attempt at regulating the banking industry came through the enactment of the 1952 Banking Ordinance.

Functions of the Commercial Banks

Commercial banks may be defined as financial institutions set up for keeping and lending money to people, institutions owned by individuals, organisations or governments, for the main purpose of making profits (Ayaele 1990). Such banks perform functions that include:

1. Acceptance of deposits from members of the public for safe-custody.
2. Lending of money to industrialists, business men and other members of the public in form of loans and overdrafts.
3. They advice their customers on business matters before giving out the loans.
4. They can act as agents of payments for those deposit money with them.

ITQ

Question

- What is the primary role to be performed by commercial banks?

Feedback

- The primary role of commercial banks is the mobilisation of funds from the surplus consumption units/ section to the deficit consumption units of the economy.

7.1.3 Development Banks and Nigeria

By Development Banks, we mean specialised financial institutions that provide medium to long-term credit for the expansion of agriculture, commercial and industrial enterprises in developing countries, such as Nigeria. It is the government that in most cases has the capability of establishing such banks. Examples of such banks are the Asian Development Bank and the African Development Bank. Nigeria Industrial Development Bank, established in 1964, is an example of such banks in the Nigeria economy.

ITQ

Question

- Mention a typical example of a development bank in Nigeria

Feedback

- A typical example of is the Nigeria Bank for Commerce and Industry (NBCI).

7.1.4 Merchant Banks in Nigeria

As contained in the Nigerian Banking Amendment Decree (No. 88) of 1979, a merchant bank refers to any person in Nigeria who is engaged in wholesale banking, medium and long-term financing, equipment leasing, debt factoring, investment management, issue and acceptance of bills and the management of unit trusts. Merchant banks are also referred to as discount or acceptance houses. Many of such banks have being in existence in Nigeria. Some of these banks still exist whereas some that sprang up to take advantage of the SAP programme of the federal government have collapsed following the reversal of the policy/programme.

7.1.5 Community Banking In Nigeria

Community banking entails grassroots banking. It refers to self-sustaining financial institution that is owned and managed by a community or group of communities for the purpose of providing credit, deposit, banking and financial services to its customers, based on largely on their credit-worthiness and self-recognition. Community banks promote rural development by providing financial and banking services as well as other facilities to communities who hitherto have inadequate supply of such services.

ITQ

Question

- How will you describe the major characteristic of Nigerian banking sector between 1970s and 1980s.

Feedback

- Between 1970s and 1980s, Nigerian banking sector was characterised by public sector ownership of banks.

7.2 The Financial Sector and the Nigerian Economy

We shall aptly capture the financial sector of the Nigerian economy and its activities from the Annual Report and Statement of Accounts of CBN for the year ended 31st December, 2005.

See the CBN release as contained in box 4 of the annual report below.

Annual Report and Statement of Accounts of CBN for the year ended 31st December, 2005

The recent banking sector reforms commenced with the announcement of a 13-point reform agenda by the CBN on July, 2004. A major element of the reform programme was the requirement for banks to achieve minimum shareholders' funds of ₦ 25.0 billion by the end of December 2005. Banks were specifically required to achieve this through fresh capital injection, where applicable, but were most importantly encouraged to explore merger/acquisition arrangements with other banks. A major objective of the reform is to enable Nigerian banks become active domestic and global players in the financial market.

At the end of December, 2004, nine groups had indicated interest in merger, while seventeen (17) banks had raised funds from the capital market. By the end of the first half of 2005, not less than twenty-five (25) banks had raised funds from the capital market through POs, while others were at different stages of merger talks. Specifically, twenty-one (21) groups, involving sixty-four (64) banks, had signed Memorandum of Understanding (MOUs) during the period. At the expiration of the deadline on 31 December 2005, twenty-five (25) groups emerged from seventy-five (75) banks out of the eighty-nine (89) banks that existed at the end of December, 2004. The successful banks accounted for 93.5 percent of the total deposit liabilities of the banking system. Fourteen banks, which had negative shareholders' funds and, therefore, insolvent had their licences revoked by the CBN. Consequently, the Nigerian Deposit Insurance Corporation (NDIC) was directed to obtain court approval to commence the process of liquidation of the affected banks. The grouping of the twenty-five consolidated banks is as follows:

Component Members of Consolidated Banks		
S/N	**Bank Name**	**Members of the Group**
1.	Access Bank Plc	Marina Bank, Capital Bank International, Access Bank
2.	Afribank Plc	Afribank Plc, Afribank International Ltd (Merchant Bankers)
3.	Diamond Bank Plc	Diamond Bank, Lion Bank, African International Bank (AIB)
4.	EcoBank	EcoBank
5.	ETB Plc	Equatorial Trust Bank (ETB), Devcom
6.	FCMS Plc	FCMB, Co-operative Development Bank, Nigerian-American Bank, Midas Bank
7.	Fidelity Bank Plc	Fidelity Bank, FSB, Manny Bank
8.	First Bank Plc	FNB Plc, FBN Merchant Bank, MBC
9.	First Inland Bank Plc	IMB, Inland Bank, First Atlantic Bank, NUB
10.	Guaranty Trust Plc	GT Bank
11.	IBTC-Chartered Bank Plc	Regent, Chartered, IBTC
12.	Intercontinental Bank Plc	Global, Equity, Gateway, Intercontinental
13.	NIB	Nigerian International Bank
14.	Oceanic Bank Plc	Oceanic Bank, In’t Trust Bank
15.	Platinum-Habib Bank	Platinum Bank, Habib Bank
16.	Skye Bank Plc	Prudent Bank, Bond Bank, Coop Bank, Reliance Bank, EIB
17.	Spring Bank Plc	Guardian Express Bank, Citizens Bank, Fountain Trust Bank, Omega Bank, Trans-International Bank, ACB
18.	Stanbic Bank Ltd	Stanbic Bank
19.	Standard Chartered Bank Ltd	Standard Chartered Bank Ltd

20.	Sterling Bank Plc	Magnum Trust Bank, NBM Bank, NAL Bank, INMB, Trust Bank of Africa
21.	UBA Plc	STB, UBA, CTB
22.	Union Bank Plc	Union Bank, Union Merchant Bank, Universal Trust Bank, Broad Bank
23.	Unity Bank Plc	New Africa Bank, Tropical Commercial Bank, Centre-point Bank, Bank of the North, NNB, First Interstate Bank, Intercity Bank, Societe Bancaire, Pacific Bank.
24.	Wema Bank Plc	Wema Bank, National Bank
25.	Zenith International Bank Plc	Zenith International Bank Plc

In the process of complying with the minimum capital requirement, ₦ 406.4 billion was raised by banks from the capital market, out of which ₦360 billion was verified and accepted by the CBN as at end-December 2005. The programme also attracted ₦ 350.2 billion (about US$3.0 billion) as a new investment and US$666.6 million and GP£0.16 million from Foreign Direct Investment (FDI) inflow.

The bank consolidation programme has brought a number of positive developments to the banking sector, in particular, and the economy in general. The consolidation has produced relatively well-capitalised banks, which has engendered greater public confidence in the system. It has also brought greater public awareness and a deepening of the capital market. The resulting liquidity in the system also induced a significant fall in interest rates. Banks now have greater potential to finance big-ticket transactions with higher single obligation limit. Ownership of banks has been diluted and this should in no small way, tame the monster of insider and corporate governance abuse. The banks will of course enjoy economies of scale and, consequently, pass on the benefit in the form of reduced bank charges to their customers. With virtually all the banks now publicly quoted, there is a wider regulatory oversight, with the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) joining the regulatory team. These regulators will oversee and focus on fewer banks, thereby fostering effectiveness and efficiency in supervision.

ITQ

Question

- How many banks emerged through merger and acquisition in Nigeria?

Feedback

- There are twenty-five (25) banks that emerged through merger and acquisition in Nigeria.

Study Session Summary

Summary

In this Study Session, we have been able to examine the following issues:

1. The radical changes undergone by the banking system of Nigeria since her independence;
2. The definition of a banking system;
3. The need for the CBN;
4. The history of central bank;
5. The traditional and non traditional roles of a central bank;
6. Commercial banking in Nigeria and how it began;
7. Banking Regulation/Legislation;
8. Functions of the commercial banks ;
9. Development banks in Nigeria;
10. Merchant Banks and what they do;
11. What Community Banking entails in Nigeria; and

Lastly, the financial sector of the Nigerian Economy

Assessment

Assessment

SAQ 7.1 (tests Learning Outcome 7.1)
Provide a detailed summary of the banking and financial sectors in Nigeria

SAQ 7.2 (tests Learning Outcome 7.2)
Examine the performance of the Nigeria financial sector and the recent reforms therein.

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Study Session 8

The Social Services Sector and the Nigerian Economy

Introduction

History does not know any country in the world that has attained development with neglect to her social and economic service sector. The definition of a nation's wealth has indeed widened to accommodate not only physical capital but also human capital as an independent factor of production required to achieve high and sustainable economic growth rates. In recognition of this relationship, developing nations have, in varying degrees, attempted to stimulate the accumulation of human capital through public education expenditure as well as government spending on health and related social services. These services are indeed, the strong foundation that must be laid before any meaningful socio-economic transformation of a country can take place. We will therefore explore the developments in this sector in relation to the Nigerian economy.

Learning Outcomes

Learning Outcomes

When you have studied this session, you should be able to:

8.1 *highlight* and *discuss* at least three social services rendered in Nigeria.

8.1 Education Sub-Sector

It is a widely held view that no meaningful economic growth will take place in the absence of adequate human and natural resources. The concept of human capital refers to the abilities of skills of human resources of a country, while human capital formation refers to the process of acquiring and increasing the number of persons who have the skills, education and experience that are critical for economic growth and development of a country (Okojie, 1995).

Education Transfer of culture and / or survivalist skills from one generation to another.

Education is concerned with the cultivation of “the whole person” including intellectual, character, and psychomotor development. It is the human resources of any nation, rather than its physical capital and material resources, which ultimately determine the character and pace of its economic and social development (Adebiyi, 2003). Education occupies a central stage in the socio-economic transformation of any country. It is the supplier of trained manpower and prerequisite for the actualisation of other developmental goals.

8.1.1 Importance of Education

The benefit of education in the development of any nation cannot be over-emphasised. Education raises the standard of living of the people; it brings about improvement in the quality of health, facilitates access to quality paid jobs; enhances the productivity level of the entire nation and also facilitates social and political participation of the people.

ITQ

Question

Why is “education” a fundamental tool for economic development?

Feedback

Education is a necessary tool for economic development because it helps in ensuring effective and efficient use of other resources for optimal productivity, thereby promoting growth and development.

8.1.2 The Structure of Education in Nigeria

Hint

There are three basic systems of education in Nigeria; they are formal education system, informal education system and non-formal education system. For the purpose of our study, focus will be on formal education system.

Formal education system in Nigeria

This system is categorised thus:

1. The Primary Education
2. The Secondary Education
3. The Tertiary Education

The Primary Education

This is the first basic education received by any child in Nigeria. As revealed in NEEDS, access to basic education is inhibited by gender issues and socio-cultural beliefs and practices, among other factors. Primary school age in Nigeria is 6-11 years.

The Secondary Education

In Nigeria, secondary education is divided into two sections, namely, junior and senior secondary education. The age groups found mostly in the secondary education are mostly between 12 – 18 years. In 2002, only 33% of this age group attended secondary school and only 4% joined the tertiary level.

Tertiary/Higher Education

The institutions of learning found under the tertiary education include: colleges of education, universities, and all other monotechnics. Nigeria regards higher education as essential for the development of high quality manpower. University of Ibadan is an example of tertiary institution.

8.1.3 Financing of Education in Nigeria

Despite the importance of educational institutions, Nigeria spends an almost insignificant proportion of her financial resources on education. In Nigeria, education expenditure as a proportion of GDP average 1% between 1986 and 1990, compared to 0.72% between 1995 and 1990. This performance fell below those of other developing countries, which in 1960 and 1977, were spending averages of 11.7 and 16.3% of their total expenditure on education respectively. The United Nations recommended that 26% of the government budget be devoted to education. Seychelles had committed 10.2% of its GNP to total education in 1985-87 and 7% in 1995-97. Ghana allocates an average of 20% of its total expenditure to education yearly. Between 1986 and 1992, Botswana spent 21% of her expenditure on education; Malaysia, 19%; Kenya 20%; Uganda 15% and Nigeria 3% (Olaniyi and Adam, 2003).

8.1.4 Problems of Educational System in Nigeria

The educational system in Nigeria suffers from the following problems;

1. Inadequate funding: - As it was highlighted in the last section, the budgeting allocations to education in Nigeria still remains low.
2. There are acute shortages of infrastructure and facilities at all levels.
3. There is the problem of gender issues and socio - cultural beliefs and practices.
4. Inadequate attention to policy frameworks within the educational sector.
5. Low morale of Teachers caused lack of basic infrastructure, poor remuneration, late and irregular payment.
6. Non periodic review of school curricula.
7. Lack of qualified staff especially in the areas of science and technology.
8. Indiscipline on the part of students and some teaching staff.

ITQ

Question

What is the greatest challenge confronting education sector in Nigeria?

Feedback

The primary problem facing this sector is problem of poor funding and management by the Nigeria government.

8.2 Health Sub-Sector

Health can simply be defined as a state of being free from illness or injury as well as enjoying complete physical, mental and social well being. According to Aboyade (1981), some improvements in health lead directly and immediately to improved economic performance. To him, investments in health are rewarded through time by streams of benefits from greater vitality and productivity at work and by reduced absenteeism and longer working life.

8.2.1 Levels of Health Care in Nigeria

As we have three tiers of government in Nigeria, so do we have three levels of health care with each corresponding to a particular tier. These levels of health care are:

1. ***The Primary Health Care (PHC)***: which corresponds to the local government. PHC basically emphasises preventive medicare, health clinics, dispensaries etc.

PHC ensures the bringing of health care nearer to the people.

2. ***Secondary Health Care (SHC)***: This basically exists to provide specialised services to patients referred to it by the PHC. The SHC is equally expected by law to provide administrative, training and technical support and supervision to the lower level. An example of health institution that falls under this category is the general hospitals.
3. ***Tertiary Health Care (THC)***: THC offers specialised health services and training. Special health institutions like the specialist hospitals (e.g. orthopaedic, special eye hospitals, etc), teaching hospitals like the university teaching hospitals etc. are under the category of THC.

ITQ

Question

Name the various stages of health care facilities available in Nigeria.

Feedback

There are three (3) stages/ levels of health care facilities in Nigeria, these are; Primary Health Care (PHC), Secondary Health Care (SHC) and Tertiary Health Care (THC).

8.2.2 Health and Economic Development in Nigeria

There is a close connection between health and economic development. Whether it is good health that causes economic development or the other way round is not yet resolved among scholars. The relationship between health and economic development looks like that of the hen and the egg. But one thing that is obvious is that a relationship exists.

However, Aboyade (1981) asserts that subsisting in a strongly unhealthy environment is coterminous with chronic or sustained long illnesses, which obviously limit the range and intensity of economic activity. Low outputs and incomes contribute to poor nutrition, which further enhances the rate of morbidity and mortality. It has been estimated that at least 10% of the normal activities of people in the underdeveloped countries are disturbed by illness directly.

8.2.3 Requirements of the Health Sector in Nigeria

Here, we present the policy thrusts of the health sector as vividly captured in NEEDS:

1. Improve its stewardship over policy formulation, health legislation, regulation, resource mobilisation, coordination, monitoring and evaluation.
2. Strengthen the national health system and improve its management.
3. Improve the availability and management of health resources (financial, human, infrastructure and so forth).
4. Reduce the disease burden attributable to priority diseases and problems including malaria, tuberculosis, HIV/AIDS, and reproductive health-related illnesses.
5. Improve physical and financial access to good-quality health services.
6. Increase consumers' awareness of their health rights and obligations.
7. Foster effective collaboration and partnership with all health actors.

ITQ

Question

Is there any relationship between good health and economic development, if yes what form of relationship exist between them?

Feedback

Yes. There exist a positive relationship between good health and development because a healthy environment goes a long way in enhancing productivity of human capitals, which drive other forms of capital toward the actualisation of the desirable growth and development.

8.2.4 Problem of Health Care Delivery in Nigeria

The following problems affect the health sector in Nigeria;

1. Medical personnel are generally in short supply in Nigeria. Under the second National Development Plan (1970-74) the ratio of doctors to population was about 1:22,000.
2. Inefficient management of existing hospitals and other health facilities.
3. Poor data on the burden and socio-economic impact of diseases in Nigeria.
4. Policy inconsistencies.
5. Poor budget allocation to the health sector.

6. Lack of effective supervision of hospital staff-both the medical and non medical.

ITQ

Question

Why is heath care delivery in Nigeria not effective?

Feedback

The problem of ineffectiveness of health care delivery in Nigeria is largely due to poor funding and management of the existing hospitals and other health facilities.

8.3 Power Supply in Nigeria

In Nigeria, the history of power supply is mainly the history of the generation and consumption of electricity which dates back to 1896 when the first power plant was installed at Marina in Lagos for residential consumption and street lighting around government quarters (Ukpong, 1987). Today, power supply has touched all the states in Nigeria.

In 1950, the Electricity Corporation of Nigeria (ECN) was established to take over the generation, control and distribution of electricity from Nigerian Government Electricity Undertaking. The Niger Dams Authority (NDA) was created in 1962 for the development of the hydro-electrical potential of the River Niger and its tributary, the Kaduna River. The Co-operation of NDA and ECN saw the construction of Kanji Dam.

In 1972, the Electricity Corporation of Nigeria was merged with the Niger Dams Authority to form the National Electric Power Authority (NEPA). In 2003, the present day Power Holding Company of Nigeria came on board. In Nigeria, the demand for electricity is higher than the supply. This has greatly affected-economic progress and social well being. The power system in Nigeria is unreliable and incapable of meeting the demands placed on it.

ITQ

Question

What is the name of the first organisation that took charge of the control, generation and distribution of electricity in Nigeria?

Feedback

The name was Electricity Corporation of Nigeria (ECN) established in 1962.

Challenges Mitigating against Power Supply in Nigeria

According to NEEDS, the following faults underscore the neglect of the sector:

1. No new power stations were built between 1990 and 1999.
2. No major overhaul of plants was carried out between 1990 and 1999.
3. Only 19 out of 79 generating units were in operation in 1999.
4. Actual daily generation fell to less than 2000 megawatts (MW) in 1999.
5. No transmission lines have been built since 1987.
6. Federal government funding to the sector decreased continually between 1980 and 2000.

8.4 Water Supply in Nigeria

Water supply in Nigeria is the responsibility of the state governments. Virtually in all the states in Nigeria, water supply is the responsibility of the ministry of works. Most states have water boards for the production and distribution of water, mostly in the urban centres.

However, Nigeria does not seem to realise the seriousness of her water resource problems. Ibadan, Lagos and Kano, the largest urban centres in the country have been having problems of water shortage for many years. Only very few towns in the federation have organised water supply systems, and in none is the system efficient in terms of regularity of supply (Ukpong, 1987).

Water wells exist in some rural areas. A good number of these wells go dry during the dry season when their services are most desired. The federal office of statistics 1999 multi-indicator cluster survey estimated that only 52% of urban dwellers (48% including semi-urban dwellers) and 39% of rural dwellers have access to potable water. Water shortage is on the increase in the North, major pollution is being experienced in the Delta area, and gully erosion is occurring in the southeast.

8.4.1 Policy Thrust for Water Resources in Nigeria

The key objectives of the water resources policy as presented in NEEDS include:

1. Ensuring the development and management of water resources in an integrated manner and as a national strategic resource.
2. Protecting water resources and the environment for balanced social and economic development.
3. Involving all stakeholder-particularly the private sector in the sustainable development of water resources through coordinated management and holistic utilization.
4. Optimising the use of water resources at all times for present generations to survive without compromising water supplies for future generations.

Tip

The success of government initiatives in social sector can be gauged from the fact that in the late eighties, all developing countries allocated an average of 4.0 per cent of their gross domestic product to public education and health expenditure. However, although this represents an improved performance on previous years, comparable data show that during the same period, the average defence burden (defence spending as a share of GDP) in developing countries amounted to 6.5 per cent (World Bank, 1992).

ITQ

Question

What factor(s) militate against the effectiveness of water supply/ provision in Nigeria?

Feedback

Lack of organised water supply systems by both states and federal government impedes the effectiveness of water supply/ provision in Nigeria.

Study Session Summary

Summary

In this Study Session, we have been able to show how essential the economic and social services sectors are in the developmental process of any country. We identified the challenges mitigating against these sub-sectors in Nigeria. The various explored sub-sectors are education, health, power and water supply.

Assessment

Assessment

SAQ 8.1 (tests Learning Outcome 8.1)

Justify the link between any three (3) social services rendered in Nigeria and development.

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Study Session 9

International Trade and Balance of Payment in Nigeria

Introduction

Every country in the world depends on the global economy for inflows of human and financial capital, technology, imports of goods for production for consumption and as a market for its output and investment.

Learning Outcomes

Learning Outcomes

When you have studied this session, you should be able to:

9.1 *analyse* international trade and balance of payment issues as it affects Nigeria.

9.2 *outline* the development of international trade.

9.3 *present* the rationale behind international trade.

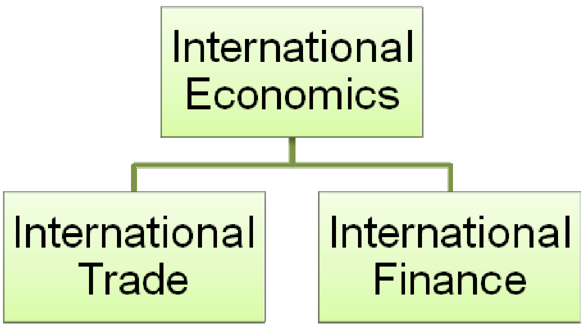
9.4 *present* Nigeria's direction of trade.

9.1 The Meaning of International Trade

International trade The exchange of goods and services by two or more countries across their international borders.

The study of economy of the whole world is rightly referred to as **international economics**. **International trade** is just one leg of international economics and the second leg is international finance as reflected in Fig 9.1.

Fig 9.1



Nature has made it known that no country in the world can be said to be self sufficient. All country no matter how highly developed still imports one good or the other from other countries. This indeed is international trade.

International trade, according to Iyoha and Unugbro (2002), is an economic force that has spurred commerce, promoted technology and growth, spread cultural patterns, stimulated exploration and colonization, and frequently fanned the flames of war. According to Tajana (1987), Nigeria is basically an open economy, with international transactions constituting a significant proportion of her aggregate economic activity.

Notably, globalisation has brought about the emergence of multinational firms with strong presence in strategically located markets and a convergence of consumer tastes for the most competitive products, irrespective of where they are made.

9.1.1 Features of International Trade

Two things that are involved in international trade are:

1. Is either a nation is obtaining from another nation those goods and services that she cannot efficiently produce (or cannot even produce at all domestically i.e. import).
2. Or, that such a nation is sending to the other nations of the world those goods and services which she feels she can efficiently produce (export).

9.1.2 Terms of Trade

Terms of trade can simply be defined as the comparison of a country's exports and her imports, expressed in prices. Put differently, it means the price at which the exports of a country exchange for her imports. Mathematically, we state thus:

$$\text{The index of terms of trade} = \frac{\text{price index of exports}}{\text{price index of import}} \times 100$$

A country is said to have a favourable terms of trade if the price at which her exports exchange for her imports is greater. If the reverse of this condition holds, we say that such a country is experiencing an unfavourable terms of trade.

ITQ

Question

Which aspect of economics does international trade falls as its subset?

Feedback

International trade is a subset of international economics.

9.2 The Development of International Trade

The views that shall be shortly presented under this section are that of two erudite economics scholars – Prof. Iyoha and Unugbro.

The history of international trade has gone hand in hand with the development of civilisations. From the ancient times, international trade brought about the exchange of products and raw materials between one land or nation and another. Although such trade was often conducted in barter form and was of small volume by today's standard, this interchange of products was important in economic and historical development.

International trade in its early beginnings was necessary, not just because it provided one society with products such as cowries from West Africa to other areas; international trade also formed the basis for cultural interchange, thus trading not only on product, but also on life-style, customers, and technology.

In addition international trade prompted the development of monetary system, of record keeping and accounting, and of an entire vocation of commerce. In fact, international trade aided in public displeasure towards usury (interest in excess of legal rate charged to a borrower for the use of money).

One can state that the economic and political development of the entire Western world was spurred on and enhanced by international trade. Another distinct contribution of international trade was the strong promotion given to field of exploration, map making, and ship construction technology. Early international trade routers ranged over vast expanses, thus requiring advances in transportation to make possible further search for new products and markets.

Let us not forget, of course, that such a desire for new trade routes, products, and markets was the driving force that launched a full scale exploration leading to the discovery of the New World.

Columbus set out, as you can recall, not to settle in a new nation, but to discover a new trade route to the Orient. The interest upon his return to Europe centred not on his accounts of forest and soil, but on the new products available, such as tobacco, corn, cowries etc.

As international trade progressed and technology developed, these explorations were to turn up another area of foreign trade, still important today. This was the import of raw materials by a nation and the re-export of finished and manufactured products. As a result, not only were living standards advanced, but national incomes were also increased.

ITQ

Question

Which other forms of exchange does international trade promote apart from products?

Feedback

Apart from products, international trade also facilitate cultural interchange such as life-style, customs, and technology.

9.3 Rationale behind International Trade

The following reasons justify the need for countries to trade among themselves:

- International trade makes it possible for a country to get those goods and services that she cannot produce.
- Human and natural resources are unevenly distributed among countries. Through trade among nations, natural resources found in one country can be used in other countries of the world.
- International trade brings out specialisation and healthy competition among the countries of the world. It encourages countries to specialise in the production of those goods and services in which they have the greatest cost advantage over others.
- It fosters friendly economic relations among the countries of the world.
- Government generates huge amount of revenue taxes levied on imported goods.

ITQ

Question

Why do countries engage in international trade?

Feedback

Countries engage in international trade because no country is self-complacent. No country can produce all the goods and services needed for survival, hence the need for exchange.

9.4 Nigeria's Direction of Trade

According to Fajana (1987), one of the main features of Nigeria's international trade is the predominance of developed industrialised economies as customers of her exports and suppliers of her imports. This predominance is hardly surprising in view of the complementarities of Nigeria's economy with those of the industrialised countries. The developed countries import much of the Nigeria's primary products whereas Nigeria imports the manufactured consumer and capital goods which form the main products of export of these countries.

9.4.1 Trade Policy and Development

The NEEDS document agrees that Nigeria is a coastal African country with the potential to become the gateway to much of West and Central Africa. Much of this potential has not been realised because of a number of constraints, these are:

1. The high cost of doing business in Nigeria which has constrained investment and production.
2. Weak Infrastructure.
3. Sometimes poorly implemented incentives, especially fiscal and tariff regimes.
4. Massive smuggling, counterfeiting, and dumping of products.
5. Lack of standardisation, required for products to compete internationally.
6. Unfavourable international trade rules.

Another constraint has been Nigeria's trade policy stance. Although significant improvements have occurred in trade policy since the late 1980s (with large reductions in tariff rates and non-tariff barriers), policy is still unpredictable. Especially, in the application of tariffs and exemptions, transactions costs at ports, customs clearance procedures, and the use of import bans. Nigeria's tariff and non-tariff barriers have on average exceeded those of the other ECOWAS countries.

ITQ

Question

Which distinguish feature of international trade describes the direction of Nigeria trade with the rest of the world?

Feedback

Nigeria direction of trade is characterised by prevalence and dominance of developed economies in its imports and exports. Nigeria mostly directed its exports toward the industrialised economies and import consumer and capital goods from them as well.

Trade Statistics

Below is the **trade statistics** of Nigeria for the years 1987 to 2007.

Table 9.1

Source: The World Bank Group (2008)

Trade *(US$ millions)*	**1987**	**1997**	**2006**	**2007**
Total exports (fob)	7,532	15,539	59,113	64,047
Fuel	6,994	14,850	53,464	56,577
Liquefied natural gas	......	......	4,602	6,110
Manufactures	......	40	......	......
Total imports (cif)	6,392	10,246	30,911	38,944
Food	671	1,219	......	......
Fuel and energy	27	143	......	......
Capital goods	......	......	......	......
Export price index *(2000=100)*	64	71	229	261
Import price index *(2000=100)*	89	109	125	126
Terms of trade *(2000=100)*	71	65	182	20

9.4.2 Nigeria's Balance of Payment (BoP)

For Ajayi and Ojo (2006), the term Balance of Payment (BOP) can be defined as a systematic record of all economic transactions between the residents of the reporting country and the rest of the world during a given period of time. They went further to maintain that the major reason for keeping such a record is to inform government authorities of the position of the country in the international trading market, so that appropriate monetary and fiscal actions can be taken when the BOP calls for such actions.

The BOP of a country is said to be at surplus if the total receipts received from such a country exports of goods and services exceeds the payments she makes on the goods and services she imports from other countries. W hen the reverse occurs; we say that the BOP is in deficit. If the receipts from exports equal the payments on imports, we say that the BOP is at equilibrium.

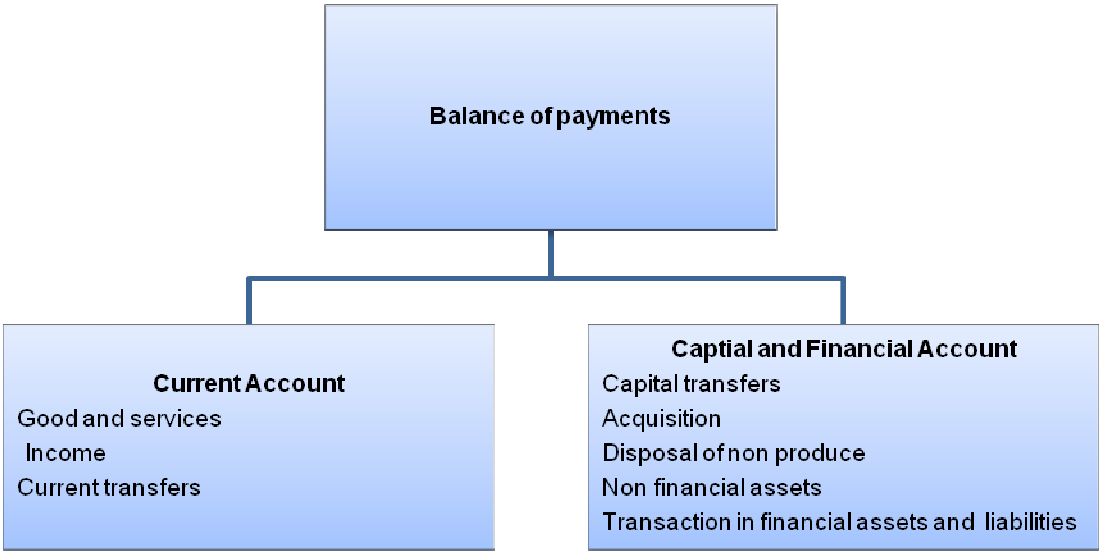
However, Ajayi and Ojo are of the opinion that BOP, since the fifth edition of the IMF, BOPs Manual (1993), can be divided into two –

(1) **CURRENT ACCOUNT,** which records transactions in goods, services, income and other current transfers; and

(2) **THE CAPITAL** and **FINANCIAL ACCOUNT,** which records capital transfers, acquisitions as well as disposal of non-produced, non-financial assets, and liabilities. Capital transfers now include items previously included in the Current Account, such as debt forgiveness, foreign aid to acquire goods and migrants' capital transfer.

This situation can be simply represented as shown below.

Fig 9.2



Below is the Balance of Payments Statistics of Nigeria from 1987-2007.

Table 9.2

Balance of payment US$ (millions)	**1987**	**1997**	**2006**	**2007**
Exports of goods and services	7,757	15,661	62,613	67,225
Imports of goods and services	6,689	12,448	40,766	49,641
Resource balance	1,058	3,213	21,847	17,584
Net income	-2,770	-2,215	-11,254	-17,531
Net current transfer	-	1,841	3,400	3,414
Current account balance	-1,727	2,840	13,994	3,467
Financing items (Net)	1,649	221	-97	6,037
Changes in Net Reserves	78	-3,061	-13,897	-9,503
Memo Reserves including gold	-	-	41,830	51,333
Conversion rate (Dec, local/ US$ (millions)	4.6	81.1	127.4	125.8

Source: The World Bank Group

ITQ

Question

Rent, Royalties and profits of government transactions with the rest of the world falls under which balance of payment account?

Feedback

They all fall under the Current account transactions.

Study Session Summary

Summary

In this Study Session, we explored the origin of international trade, rationale for international trade, and the trade direction of Nigeria. Finally, we examined trade policy and development in Nigeria.

Assessment

Assessment

SAQ 9.1 (tests Learning Outcome 9.1)

Discuss international trade and balance of payment as it relates to the Nigerian economy.

SAQ 9.2 (tests Learning Outcome 9.2)

Outline how international trade evolved.

SAQ 9.3 (tests Learning Outcome 9.3)

What are the justifications behind the existence of international trade?

SAQ 9.4 (tests Learning Outcome 9.4)

Present Nigeria's direction of trade.

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Reading

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Notes on Self Assessment Questions

SAQ 1.1 Nigeria is a nation endowed with resources both natural and human. Before the exploration and exploitation of oil in large quantities in the 70s, agriculture was the mainstay of the economy. Also, it remains the highest employment generation of the economy and the major source of foreign exchange earnings then. With the oil boom in 1970s, agriculture fails to set the pace as the source of revenue generation in the country.

Despite the dominant role of the petroleum sector as the major foreign exchange earner, agriculture remains the mainstay of Nigeria's economy. The sector provides employment for 70 to 80 per cent of the country's labour force. Also, agriculture is the largest non-oil export earner and a key contributor to wealth creation and poverty alleviation, as a large percentage of the population derives its income from it and its related activities. It is worthy to mention that system of agriculture in Nigeria include peasant farming and plantation farming respectively. Pattern of agricultural production and specialisation is based on variations in the country's natural vegetation, soil and climatic conditions. The southern parts of the country are known for the production of staple tree and root crops that require much rain, whereas grains and livestock that require the little rain to produce are largely produced in the northern parts.

Mineral resources are available across towns and cities within the economy. Minerals like tin, columbite, lead and zinc are mostly found in Jos, Plateau State. Lead and Zinc can also be found in places like Abakaliki, Ebonyi State and Owerri in Imo State. Coal mining is centred on Enugu in the south-eastern part of the country. Lokoja areas of Kwara State and Enugu State have been confirmed to be having considerable deposits of iron ore. Oil wells exist in Rivers, Bayelsa, Cross River, Delta, Imo and in all other Niger Delta member states.

Manufacturing activities includes micro-small and medium size enterprises, which are been carried out in major commercial cities like Lagos, Port Harcourt in Rivers State, Aba in Abia State, Onitsha in Anambra State, Enugu in Enugu State and Owerri in Imo state. Manufacturing activities also go on in these cities located in the Northern part of the country –Kaduna, Kano, Zaria etcetera.

SAQ 1.2 The most widely accepted macroeconomic framework that explains the structure of an economy is the Gross Domestic Product (GDP) or the Gross National Product (GNP).

GDP describes the totality of goods and services produced by the residents of a country over a given period of time, usually a year. GNP on the hand describes the totality of goods and services produced by the nationals of a country plus the net income from abroad over a given period of time, usually a year. The difference between them is the net income from abroad.

Thus, GNP = GDP + net factor income from abroad.

It must be noted that GDP is the mirror through which the economic activities of any nation can be seen. GDP is calculated, using three approaches namely the income approach, the output approach and finally the expenditure approach.

SAQ 1.3 Economic Growth is a narrower concept than economic development. It is an increase in a country's real level of national output which can be caused by an increase in the quality of resources (by education, etcetera), increase in the quantity of resources & improvements in technology or in another way an increase in the value of goods and services produced by every sector of the economy. Economic Growth can be measured by an increase in a country's GDP (gross domestic product).

Economic development is a normative concept i.e. it applies in the context of people's sense of morality (right and wrong, good and bad). Economic development is an increase in living standards, improvement in self-esteem needs and freedom from oppression as well as a greater choice. The most accurate method of measuring development is the Human Development Index which takes into account the literacy rates & life expectancy which affects productivity and could lead to Economic Growth. It also leads to the creation of more opportunities in the sectors of education, healthcare, employment and the conservation of the environment. It implies an increase in the per capita income of every citizen.

Economic Growth does not take into account the size of the informal economy. The informal economy is also known as the black economy which is unrecorded economic activity.

Development alleviates people from low standards of living into proper employment with suitable shelter. Economic Growth does not take into account the depletion of natural resources which might lead to pollution, congestion & disease. Development however is concerned with sustainability which means meeting the needs of the present without compromising future needs. These environmental effects are becoming more of a problem for Governments now that the pressure has increased on them due to Global warming.

Economic growth is a necessary but not sufficient condition of economic development.

SAQ 1.4 Agriculture was the major driving force of Nigerian economy immediately after independence. The sector accounted for up to 80% of Nigeria GDP that time, and also provides employment opportunity to over 70% of the labour force, which made it the leading exporting sector of the economy.

Between 1960 and early 1970s, the contribution of the manufacturing sector to GDP also rose exceedingly. This pattern was however short-lived following the emergence of oil and rise in world supply-price connection of oil. The world price of oil rise sharply following the Middle-East war of 1973 which resulted in an unprecedented, unexpected and unplanned wealth for Nigeria.

According to Busari (2006), the international price of crude oil collapsed following the recession in advanced Western economies which started in the late 1970s due to rising interest rates and high production costs, led to a sharp decline in Nigerian exports. Thus, growth of Nigeria GDP fell drastically till 1980.

However, in 1986, Nigeria adopted a far-reaching economic reform known as the Structural Adjustment Programme. The programme came with various forms of deregulation and plans to diversify the economy.

A critical examination of sectoral performance shows that the pre-1980 position of agriculture is yet to be restored and, the contribution of the extractive mineral and quarrying sector to GDP has increased over the years, so also in the contribution of the services sector (Busari, 2006).

SAQ 1.5 There are two primary methods of achieving economic growth, these are increasing the quantity and quality of resources. Each method expands the economy's production capabilities, which can result in a greater quantity of production that can then lessen the fundamental problem of scarcity. Economic growth is commonly illustrated as either an outward shift of the production possibilities curve or a rightward shift of the long-run aggregate supply curve.

Resource Quantity

The first, and perhaps most obvious, method of achieving economic growth is to increase the quantities of available resources. A direct implication of scarcity is that limited resources mean limited production of goods and services.

Labour: Labour-human effort--is involved in virtually every act of production, from mining manganese to baking bread. As such, if the economy has more workers, then it can produce more goods. The quantity of labour is typically expanded in three ways:

The first is natural population growth. Because labour is people, more births today, mean more workers in 20 years. So long as the birth rate exceeds the death rate, the size of the population increases.

Immigration from other nations is a second way. Workers who move from one country to another immediately add to the labour force of the destination nation. Industrialized countries, such as the United States, have always relied on the immigration of workers from other nations to expand the quantity of labour.

The third way is an increase in the labour force participation rate. That is, to have a larger fraction of the population engaged in working. The pool of labour increases when a larger fraction of the population is willing and able to work.

Capital: The factories, machinery, equipment and other capital goods that workers use to assist their production efforts are critical to economic growth. Capital must be produced using resources that could have been used to make something else, such as a want-or-need satisfying hot fudge sundae. This act of producing capital, which enables greater future production but which means giving up goods that would have provided current satisfaction, is commonly termed investment.

Natural Resources: Natural resources provide the economy with the materials that are transformed into goods. If the economy has more materials, then it can produce goods. Because natural resources are natural, that is, they come with the planet, the key to increasing their quantity is not creating more so much as just finding them.

Resource Quality

The second method of achieving economic growth is to increase the qualities of available resources, that is, to improve the productivity of a given quantity of resources.

Education / The Quality of Labour: Education is the primary method of increasing the quality of labour resources. This also goes by the term human capital. Better educated workers are more productive workers. Education can be of the formal, sitting-in-a-classroom variety that awards diplomas and forces students to expand their conceptual understanding. Or it can be of the informal, on-the-job-training variety that comes from experience and learning-by-doing.

Technology / The Quality of Production: Technology is the knowledge and information that society as a whole possesses about the production of goods and services. Improving technology makes it possible to produce more output with the same resources or to use fewer resources to produce the same output, that is, to improve technical efficiency. While technology concerns all aspects of production, it most often surfaces in the quality of capital. That is, the economy uses technological improvements to build better, technically more efficient, machinery and tools.

SAQ 1.6 We don't know exactly what you viewed, but you probably thought of some of the following:

- Inconsistent macroeconomic policy
- Instability and policy reversals
- Conflicts between different macroeconomic goals
- Public sector dominance in production and consumption
- Inadequate and decaying infrastructure
- High and rising population

You may see more factors in Study Session One – Section Six (1.6)

SAQ 2.1 Broadly, the objective of macroeconomic policies is to maximize the level of national income, providing economic growth to raise the utility and standard of living of participants in the economy. There are also a number of secondary objectives which are held to lead to the maximization of income over the long run. While there are variations between the objectives of different national and international entities, most follow the ones detailed below:

1) Sustainability - a rate of growth which allows an increase in living standards without undue structural and environmental difficulties. 'Economic growth' will be studied later on in this book.
2) Full employment - where those who are able and willing to have a job can get one, given that there will be a certain amount of frictional, seasonal and structural unemployment (referred to as the natural rate of unemployment).
3) Price stability - when prices remain largely stable, and there is not rapid inflation or deflation. Price stability is not necessarily the same as zero inflation, but instead a steady level of low-moderate inflation is often regarded as ideal. It is worth noting that prices of some goods and services often fall as a result of productivity improvements during periods of inflation, as inflation is only a measure of general price levels. However, inflation is a good measure of 'price stability'. Zero inflation is often undesirable in an economy.
4) External Balance - equilibrium in the Balance of payments without the use of artificial constraints. That is, exports roughly equal to imports over the long run.
5) Equitable distribution of income and wealth - a fair share of the national 'cake', more equitable than would be in the case of an entirely free market.
6) Increasing Productivity - more output per unit of labour per hour. Also, since labour is but one of many inputs to produce goods and services, it could also be described as output per unit of factor inputs per hour.
7) Thermal Equilibrium - equilibrium in the Balance of payments without the use of artificial constraints. That is, exports roughly equal to imports over the long run.

SAQ 2.2 In order to achieve its macroeconomic objectives, Nigeria has embarked on various macroeconomic policies which include:

- monetary policy
- fiscal policy
- exchange rate policy, and
- trade policy

MONETARY POLICY: Monetary policy is the macroeconomic policy laid down by the central bank. It involves management of money supply and interest rate and is the demand side economic policy used by the government of a country to achieve macroeconomic objectives like inflation, consumption, growth and liquidity. The major aim of monetary policy in Nigeria is the development of a sound financial system, toward enhancing rapid and sustainable rate of economic growth and development. Some of the tools of monetary policy commonly used include: Open market operation (OMO), Reserve requirement, Discount rate policy, Interest rate control, Credit ceiling measures, direct lending, moral suasion, etc.

FISCAL POLICY: This can be defined as the use of government revenue and expenditures to control and regulate economic activities within an economy. The main objective of fiscal policy in Nigeria is to enhance the maintenance of economic equilibrium with regard to employment, output, balance of payment and the general price level. The major fiscal policy tools commonly used in Nigeria are: changes in the rate of taxation (taxes on personal income, petroleum profits, royalties, export and excise duties, import duties etc) and Government expenditure (recurrent and capital).

EXCHANGE RATE POLICY: Exchange rate is the rate at which one currency changes for another currency; that is, the price of one currency in terms of another. Exchange rate policies are those policies geared towards the determination of the prices of the domestic currency in terms of other currencies. Nigeria has embarked on both fixed and flexible exchange rate policy during pre-SAP and post-SAP era respectively.

TRADE POLICY: This can be defined as deliberate efforts and measures taking by the government aimed at directing, protecting, and regulating trading patterns and relations of a country with the rest of the world. It refers to the way in which an economy’s goods and services are valued vis-à-vis its import and the ease with which commodities flow in and out of the country. Indeed, it is a vital instrument for directing the external sector (trade sector) towards the achievement of external balance and economic growth.

SAQ 3.1 Components of agriculture include the following:

Crop production

- This refers to cultivation of different types of crops. Crops are divided into two main categories, namely: food and cash crops.
  - Food crops are mainly for consumption and they include rice, yam, cassava, etc.
  - Cash crops are mainly for commercial purposes. They include palm oil, groundnut, cocoa, cotton, rubber etc.

Forestry

- This deals with the planting, preservation and maintenance of economic trees or plants. Items derived from the preserved trees or plans are include: herbs, food, electric poles, grazing ground, etc.

Fishing

- This is the science and art of breeding and catching of fishes for human consumption. This is mostly common among the people of the riverine areas.

Livestock

- This form of agriculture deals with the rearing of domestic animals. The animals reared include goat, poultry, pig, dog, sheep, horses, cows etc. There is heavy rearing of cows and production of poultry in the north and south of Nigeria respectively.

SAQ 3.2 It is not a gain saying that agriculture still remains the mainstay of the Nigerian Economy. The sector has contributed to the economy in the following ways:

- Agricultural sector is the primary source of employment in the country: This sector has employed nothing less than 70 –80 per cent of the country's labour force. Although the percentage of the population that engaged in agriculture has declined over the years due recent improvement and development in the other sector. Yet this sector still remains the primary source of employment in the country.
- Foodstuffs provision for the teeming population: It is not doubt that bulks of the foodstuffs available in the economy are products of the sector.

- It serves as a major source of export: This is carried out through the exportation of principal primary commodities, which will increase Nigeria's foreign exchange earnings and which can be used to finance a variety of developmental projects.
- It contributes to the growth of the country's GDP: Agricultural sector makes a substantial contribution to the total tax revenue, as well as having important implications for inter-sectoral terms of trade.
- Provision of raw materials to other sectors of the economy: Raw material like cotton, latex from rubber trees, cashew oils and nuts etc which are mostly used by industrials sectors are made available by agricultural sector. Also, the sector has the potentials of releasing labour to the modern sectors of the economy.
- It helps in capital formation: Savings generated from the agricultural sector can be mobilised for development purposes while increase in rural income as a result of increasing agricultural activities can further stimulate the industrial sector by creating additional demand for the products of the 'modern' sectors.

SAQ 3.3 There are several challenges confronting agriculture practises in Nigeria. We don't know exactly what you viewed, but you probably thought of some of the following:

- The rapid shift of the population from rural to urban areas and the shift in consumption patterns from local to imported food items.
- The oil boom, policy inconsistency, and the decline in political commitment to agricultural and rural development.
- Inadequate incentive framework and pervasive distortions in the macro-economy.
- Absence of a price support mechanism and pervasive distortions in macro-economic and sectoral policies, including misaligned exchange rates and heavy taxation of agricultural exports.
- Lack of irrigational facilities and the absence of economies of scale.
- A land tenure system that inhabits the acquisition of land for mechanised farming.
- Inadequate agricultural extension services and the lack of indigenous agricultural capacity or technologies responsive to local conditions.

- Reduction in agricultural yields due to environmental degradation.

SAQ 3.4 Since independence till date, Nigerian government has embarked on various agricultural programmes and policies aimed at boosting and improve the structure, pattern and organization of agricultural production. We don't know exactly what you viewed, but you may see section 3.4 for some of these programmes and policies.

SAQ 4.1 The word "industrialisation" has been given various meanings and interpretations by scholars, particularly the industrialists, business experts and entrepreneurs. Some refers to it as a process that relates to technological advancement aimed at enhancing efficient productivity. Ukeagbu, 1991 defined industrialisation as a process that developed alongside scientific and technological advancement. Industrialisation is conventionally defined as the process by which inanimate energy or mechanical power replaces human energy in production.

Common to all these definitions is the fact that industrialisation deals with transformation from manual labour to the use of machine and power tools. Also, it connotes social and economic transformations in the life of a nation. A nation is industrialised if she is capable of building many industries that work to transfer her raw materials to semi or finished goods. One significant attribute of industrialisation is that, it enhances production which brings about abundance of goods and services.

SAQ 4.2 There are five (5) brands of industry, these are discussed below.

The Processing Industry

- This type of industry deals with the extraction of raw materials or unfinished goods from the ground or sea. These materials could only be useful when they are converted into semi-finished goods. Raw materials in Nigeria that fall within this category includes; cocoa, timber, palm oil and kernels, cotton, hides and skins, rubber, groundnuts etc.

The Manufacturing Industry

- This captures all firms that transform raw materials into finished goods; for example, the use of hides and skins in the manufacturing of shoes and bags.

The Mining Industry

- This form of industry extracts minerals and other natural resources from the ground. . Crude oil, coal, tin, diamond, quarrying etc are among the minerals extracted in the mining industry.

The Construction Industry

- This refers to industries that deal with the assembling of different components into unified whole. They include; carpentry and welding works, roads and bridge construction, etc.

The Transport Industry

- This form of industry engages in the movement of passengers and goods from one place to another. Examples are Imo Transport (ITC), Nigerian Airways, etc.

SAQ 4.3 The significance of industrialisation to any nation, including Nigeria cannot be overemphasised. This is because a nation cannot develop beyond its level of advancement in terms of industrialisation. See below a brief on the relevance of industrialisation to the Nigerian economy.

- Industrial sector forms an important index that explains Nigerian GDP's performance. Relevant statistical data explained that, the sector contributed to Nigerian GDP up to the tune of 5.8% in 1960. It was 19% in 1970, 34% in 1980, 43% in 1990, 37% in the year 2000 and 20% in 2005. A closer examination of the above values reveals that the sector recorded its highest contribution in 1990 and lowest in 1970.
- Industrial sector contributes positively to the economy of Nigeria by creating employment opportunities for the unemployed Nigerians.
- It also brings about economic growth and development. The sector drives growth in infrastructural developments.

SAQ 4.4 The performance of the industrial sector can be assessed using the following measures. These include;

- The annual industrial growth rate
- The gross value of industrial output
- Number of industrial employers and employees
- The gross value added by industries.

SAQ 4.5 Similar to other sectors of the economy, industrial sector faces some challenges that hinder its growth and contribution to the aggregate Gross Domestic product of the Nigeria economy.

Some of the constraints facing industrial sector in Nigeria include:

1) Ineffective linkages between industry and research institutes and universities.
2) Lack of demand for the products and services of small and medium-size enterprises due to total dependence on foreign goods and services.
3) Poor infrastructure facilities like good road network and power supply.
4) Unhealthy competition arising from dumped, second hand, counterfeit, smuggled, and substandard products.
5) Lack of knowledge based technology due to great emphasis on materials based technology, especially in Nigeria.
6) Lack of funds for the industrialists and entrepreneurs due to high cost of loan.
7) Over-concentration on import-substitution strategy instead of engaging on strategies that will generate, accumulate and produce more capitals

SAQ 4.6 Nigeria over the years has made frantic efforts aimed at boosting the image of the industrial sector by employing various forms of industrialisation strategies. Some of the strategies employed include:

i. Import substitution strategy
ii. Export promotion
iii. Small-scale versus large scale industrial development strategy and
iv. Balanced growth strategy

Import Substitution Strategy

The strategy is aimed at replacing the previously imported goods with the domestically produced ones. It main purpose is to discourage the consumption of foreign made goods at the expense of the domestic ones. However, it allows for the importation of the component parts and assembling locally. The problem with this form of strategy is that utmost caution has to be considered and taken because country cannot make any reasonable profit when it chooses to import most components or parts of an item.

Export Promotion Strategy

Government chooses to adopt this strategy so as to encourage local production of the earlier imported goods and made them available for production. Sometimes, the government goes as far as giving incentives to these industries to enable them compete favourably with their foreign counterparts. In Nigeria, the body established by the government to see to export promotion is the Nigerian Export Promotion Board (NEPB).

Small-Scale Versus Large-Scale Industrial Development Strategy

As advocated for by the proponents of this strategy, the path of industrialisation should commence right from the scratch otherwise known as rudiment. Small-scale industries could also be used to facilitate the processing of raw materials that are in abundance in the rural areas.

Contrary to the above, the proponents of large-scale industrial development strategy maintain that the establishment of large-scale industries also known as the "big push" would enable the developing countries to achieve their target of self-sustaining growth.

Balance Growth Strategy

This strategy aims at fostering the development of all the sectors of the economy through industrialisation, so that none would remain deficient. The problem of lopsidedness that characterises the achievement of industrialisation is reduced and alleviated. Thus, the strategy recommends a synonymous development of all the sectors of the economy.

SAQ 5.1 The large inflow of foreign exchange earnings from oil export arising from the large expansion in the production of oil and its share price in prices in the world oil market make the sector the leading one in terms of growth dynamics in Nigeria. The oil sector offered three (3) major roles in freeing the economy from some major constraints confronting economic development in Nigeria. Two of such roles are financial:

- It helps in freeing the economy from the binding constraints of low saving and foreign exchange non-availability.
- The large increase in savings and investment, real per capital income and consumption, imports and exports in the 1970s were made possible largely by the inflow of foreign exchange earnings from the oil sector.

The third role performed by the oil sector was its growth-inducing effect through its encouragement of intra-sectorial and inter-sectorial linkages in the economy.

However, the flow of essentially financial resources from the oil sector to the sector of the economy was ineffective in inducing any significant economic diversification largely because the mechanism of transfer that, mainly through the government, squandered much of the oil revenue in investment with limited economic returns in almost all the sectors of the economy.

SAQ 5.2 There are numerous challenges confronting the oil sector in Nigeria. These challenges have formed basic issues within the sector that require urgent attention. Though, we don't know exactly what you may think of concerning these problems. However, you may consider any of the following:

1) Low confined content level and community disturbances in locations of confirmed reserves.
2) Lack of home-grown technical know-how and a poor capacity-building programme.
3) Multiplying of legislations infrastructure (national gas grid system).
4) Nonexistence of an independent industry regulator for the various subsectors.
5) Ineffectiveness and pervasive fraud.
6) Poor safety and regulating systems.
7) Inadequate financing plan for operations.
8) Petroleum product supply constraints, including inadequate local refining and distribution capacity.
9) Lack of value-adding activities and processes (integrated petro chemicals capacity).

SAQ 5.3

There are two major institutions that regulate the Nigerian oil sector, these are: The Nigerian National Petroleum Corporation (NNPC) and Organisation of Petroleum Exporting Countries (OPEC) respectively.

Nigerian National Petroleum Corporation (NNPC)

- What is today known as the Nigerian National Petroleum Corporation was renamed after the Nigerian National Oil Corporation (NNOC) which was established by a decree promulgated in 1971 to enable the Nigerian government to strengthen its control of the oil industry. On 1st April 1977, NNOC became merged with the ministry of petroleum Resources to give birth to what is today known as Nigerian National Petroleum Corporation (NNPC). NNPC was charged with the responsibility of overseeing all the activities of all the companies licensed to engage in oil activities in Nigeria so as to ensure their compliance with the relevant laws and regulations guiding the oil sector. Also, NNPC was in the capacity to see to the successful conducts of all Nigeria's petroleum business.

Organisation of Petroleum Exporting Countries (OPEC)

- OPEC emerged following the 10th – 14th September, 1960, meeting of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela which was held in the capital of Iraq-Baghdad. The essence of the meeting was to discuss extensively on how these countries could protect their mutual interest and to counter the dreadful act of foreign oil companies who produce and sell oil only in accordance with their own interest and the dictates of their governments' foreign policies. Ever since its creation, OPEC has ensured that the activities of these foreign oil companies are curtailed and that the downward trends in crude oil prices are averted. In recent times, following the huge success recorded by OPEC, many countries of the world have decided to join OPEC. Some of these are; Qatar (1961), Indonesia and Libya (1962), United Arab Emirate (1973), Algeria (1969), Nigeria (1971), Ecuador and Gabon (1973).

SAQ 6.1 Means of transportation in Nigeria include the following:

- By Roads
- By Railways
- By Air
- By Water
- By Pipeline

Road Transportation

- This the commonest means of transportation in Nigeria. They are specially constructed for conveying bulk of products and passengers. Problems of road transport system in Nigeria includes poor state of condition, road congestion, susceptibility to attacks such as robbery, and kidnapping . Road transportation in Nigeria is under the control, management and supervision of **Federal Roads Maintenance Agency (FERMA).**

Railway Transportation

- This means of transportation is suitable for conveying lots of passengers at a go, and for conveying heavy and bulky goods across towns and cities in Nigeria. Particularly in the past, railway transportation greatly opened up trade and other relations between the northern and the southern parts of Nigeria and facilitated the movement of goods like groundnuts and cotton to the major seaports in Lagos and Port Harcourt for an onward shipment to overseas markets. Railway transport system in Nigeria is confronted by challenges ranging from lack of resources needed to keep rail tracks, rolling stocks and maintenance of facilities. Railway transportation is managed, controlled and supervised by **The Nigeria Railway Corporation** (NRC) established in **1955.**

Air Transportation

- Air transportation is the fastest and most suitable means of importing and exporting goods and services across countries. It is also the best means of carrying fragile and perishable goods. Air transport system in Nigeria is under the control and management of **Nigerian Civil Aviation Authority (NCAA).** Similar to other means of transportation in Nigeria, the peculiar problems associated with air transportation include: poor investment and weak regulatory oversight, lack of high-level managerial personnel and shortage of aviation engineers and technicians. All these problems have resulted into various plane crashes

Water Transportation

- This is the means of conveying passengers and goods from one place to another and across countries through Rivers, Seas and Oceans. Maritime transport offers one of the lowest costs in terms of transporting heavy and bulky items. The management and control of sea transportation (through the ports) in Nigeria is done by the **Nigerian Port Authority (NPA)** created in **1954.** The greatest challenge confronting this mode of transportation is corruption. This has bedevilled the authority of the agency regulating this system. Nigeria has 8 ports and 25 terminals most of which have been conceded to the private participants in the sub-sector.

Pipeline Transportation

- Pipeline mode of transport is mainly used in the transport of crude oil to the refineries. This mode of transport has the advantage of relieving the road of petroleum tankers that cause damage and accidents. Its greatest challenge is that it can be vandalised. The control and management of pipeline transportation in Nigeria is done by the **Nigerian National Petroleum Corporation** (NNPC) established in **1977.**

SAQ 6.2 The means of sending information in Nigeria cut across various communication channels which include mail, telephone, telegraph, telex, radio and television and Global System for Mobile communication. Since 1970, communication sector in Nigeria has been funded with huge amount of money so as to ensure its success and effectiveness. However, despite this positive move, the sector is yet to consolidate this gesture because in terms of its efficiency or rationality, neither has the huge expenditure, in any way, promoted the integration of the national economy, or its self-reliant development. Until recently, the entire telecommunications systems were characterised by serious shortfalls between planned and realised targets due, largely, to poor management and low level of executive capacity. The quality of services was generally unsatisfactory, unreliable and expensive.

The communication sub-sector was allocated a substantial amount of money both in the second and third developmental plans respectively. However, this did not improve the post and telecommunications services. Efficiency of the postal services was not better off as it has distinctly deteriorated over the past decades thereby making communications between people, institutions and organisations in various parts of the country much more difficult.

However, the sector improved largely following the introduction of the Global System for Mobile communications (GSM) in 2001. According to CBN report of 2005, the sector had 1,223,258 connected fixed lines and 18,587,000 mobile lines, giving a combined subscribers strength of 19,810,258 lines with 15.7 lines per 100 inhabitants by December, 2005.

The contribution of the sub-sectors to GDP, by the end of 2005, has increased by 27.8%. About 5,500 professionals are directly employed in the communications industry and over 450,000 indirect jobs were created by the sector in 2005 (CBN, 2005).

In spite of this growth, the quality of services provided by the operators in the industry has remained unsatisfactory, possibly due to poor interconnectivity between the different networks and other unidentified factors.

SAQ 7.1 Under the British rule, Nigeria effectively had no formal financial control. The first steps toward creating a developed banking sector came in 1948, with the creation of an inquiry to investigate banking practices. The GD Paton report, which came from the inquiry, made it clear that something needed to be done to regulate the banks. As a result, 1952 saw the banking ordinance Act, Nigeria's first banking law. Banks now had to obtain a license to prove they have the enough funds to operate, and were subject to government supervision.

The next step forward came with the establishment of a central bank under the 1958 CBN act, which began operating in mid-1959. The CBN would oversee the distribution of Nigeria's currency, control and regulate the banking sector, such as it was –there were only three foreign banks in the country at the time and two domestic banks, each with 20 branches –lend to these banks and execute government monetary policy decisions.

Nigeria declared independence in 1960. Despite the banking sector's auspicious start, much of the next 25 years saw huge corruption and stagnation in the sector. It was claimed that nationalisation in the1970s and early 1980s would help protect and reform Nigeria's banks, but in fact, nationalisation often just made it easier for the country's leaders to line their pockets. By 1986, a badly capitalised and uncompetitive sector was almost state controlled. Since the adoption of the Structural Adjustment Programme (SAP) in 1986, the financial sector has been liberalised and measures have been put in place to enhance prudential guidelines and tackle bank distress.

After years of underperformance, followed by 2008/9 global financial crisis, in turn followed by the 2009 corruption scandal, Nigeria's powerful banking sector now seems to be better placed than ever before to help develop the country's economy. Despite the difficult economic circumstances, the central bank of Nigeria reform programme, begun in 2004, is still showing result in the banking industry today.

SAQ 7.2 Banking activities had begun in Nigeria some years ago before its independence in 1960. Despite the banking sector's auspicious start after early year of independence, much of the next 25 years saw huge corruption and stagnation in the sector. It was claimed that nationalisation in the1970s and early 1980s would help protect and reform Nigeria's banks, but in fact, nationalisation often just made it easier for the country's leaders to fill their bellies and pockets. By 1986, a badly capitalised and uncompetitive sector was almost state controlled. Since the adoption of the Structural Adjustment Programme (SAP) in 1986, the financial sector has been liberalised and measures have been put in place to enhance prudential guidelines and tackle bank distress.

However, the recent banking sector reforms in Nigeria commenced with the announcement of a 13-point reform agenda by the CBN on July, 2004. The key aspect of the reform programme was the requirement for banks to achieve minimum shareholders' funds of N 25.0 billion by the end of December 2005. Banks were expected to achieve this through fresh capital injection, where appropriate, but were most importantly advised to consider merger/acquisition arrangements with other banks. The basis of this reform is the drive and urge to enable Nigerian banks become active domestic and global players in the financial market.

By the end of December, 2004, nine groups had showed interest in merger, while seventeen (17) banks had raised funds from the capital market. By the end of the first half of 2005, not less than twenty-five (25) banks had raised funds from the capital market through POs, while others were at different stages of merger talks. Specifically, twenty-one (21) groups, involving sixty-four (64) banks, had signed Memorandum of Understanding (MOUs) during the period. At the expiration of the deadline on 31 December 2005, twenty-five (25) groups emerged from seventy-five (75) banks out of the eighty-nine (89) banks that existed at the end of December, 2004. The successful banks accounted for 93.5 percent of the total deposit liabilities of the banking system. Fourteen banks, which had negative shareholders' funds and, therefore, insolvent had their licences revoked by the CBN. Consequently, the Nigerian Deposit Insurance Corporation (NDIC) was directed to obtain court approval to commence the process of liquidation of the affected banks.

SAQ 8.1 The definition of a nation's wealth has indeed widened to accommodate not only physical capital but also human capital as an independent factor of production required to achieve high and sustainable economic growth rates. Human capital refers to the stock of competences, knowledge, social, personality attribute, including creativity, cognitive abilities, embodied in labour so as to perform or produce effectively and efficiently, while human capital formation refers to the process by which a given individual achieves their highest potential and aspiration by integrating and optimizing a combination of ongoing processes such as education, job seeking, employment, skill formation and personal development. In recognition of this relationship, developing nations have, in varying degrees, attempted to stimulate the accumulation of human capital through public education expenditure as well as government spending on health and related social services. These services are indeed, the strong foundation that must be laid before any meaningful socio-economic transformation of a country can take place. Thus, the services to be discussed here include Education, Health and Electricity (Power Supply).

Education

- Education can be defined as the transmission of societal culture, values, norms and beliefs from one generation to another. Some defined it as the cultivation of "the whole person" including intellectual, character, and psychomotor development. Education occupies a central stage in the socio-economic transformation of any country. It is the supplier of trained manpower and prerequisite for the actualisation of other developmental goals.

Health

- Health can be defined as state of being free from illness or injury as well as enjoying complete physical, mental and social well being. Health matter relates to the general well being of individual within the society toward been free from any diseases or mal-functioning of the body system.

Electricity/ Power Supply

- The history of power supply in Nigeria, relates to the history of the generation and consumption of electricity which dates back to 1896 when the first power plant was installed at Marina in Lagos for residential consumption and street lighting around government quarters. Today, power supply has touched all the states, cities and virtually all the major towns including some villages in Nigeria. The excitement that goes with electricity whenever there is light cannot go un-mentioned with the shout of "UP NEPA" in Nigeria.

The Nexus between Education, Health and Electricity

The link between these social services (education, health and electricity) can be captured by their roles toward growth and development of any nation. The benefit of these services in the development of any nation cannot be over-emphasised. Education raises the standard of living of the people; it brings about improvement in the quality of health, facilitates access to quality paid jobs; enhances the productivity level of the entire nation and also facilitates social and political participation of the people.

Also, there exist a close connection between health and economic development. Investments in health are rewarded through time by streams of benefits from greater vitality and productivity at work and by reduced absenteeism and longer working life. Aboyade (1981) asserts that subsisting in a strongly unhealthy environment is coterminous with chronic or sustained long illnesses, which obviously limit the range and intensity of economic activity. Low outputs and incomes contribute to poor nutrition, which further enhances the rate of morbidity and mortality.

Electricity on the hand is an indispensable tool of development. No meaningful industrialization can take place without adequate and constant power supply. With adequate and constant power supply, companies who cannot afford to buy heavy and expensive generating plants needed for production will remain active and relevant in the production of goods and services. Fixing electricity problems right is a right part toward meaningful development to any nation, including Nigeria.

SAQ 9.1 International trade can be defined as a trade between two or more countries. It's a trade across the borders of a country. E.g. trade between Nigeria and Ghana. International trade emerge as a result of the fact that no country in the world is self-complacent / self-sufficient. There is no country in the world that can produce all the goods and services needed by its citizens for survival. Hence the need to relate with other countries of the world by exchanging goods and services that you can produce with those you can't produce with the rest of the world. All country no matter how highly developed still imports one good or the other from other countries. Thus, Nigeria relates with the rest of the world by exchanging its own product with their fellow counterparts across the globe.

It's worthy to note that two things are involved in international trade, these are:

- it is either a nation is obtaining from another nation those goods and services that she cannot efficiently produce (or cannot even produce at all domestically i.e. import); or,
- that such a nation is sending to the other nations of the world those goods and services which she feels she can efficiently produce (export).

Balance of Payment (BOP) on the other hand, can be defined as a systematic record of all economic transactions between a particular country and the rest of the world during a given period of time. The BOP of a country is said to be at surplus if the total receipts received from such a country exports of goods and services exceeds the payments she makes on the goods and services she imports from other countries. W hen the reverse occurs; we say that the BOP is in deficit. If the receipts from exports equal the payments on imports, we say that the BOP is at equilibrium.

BOP manual is divided into two, namely:

1) **Current Account:** this deals with the records of transactions in goods, services, income and other current transfers; and
2) **Capital and Financial Account:** it deals with the records capital transfers, acquisitions as well as disposal of non-produced, non-financial assets, and liabilities. Capital transfers now include items previously included in the Current Account, such as debt forgiveness, foreign aid to acquire goods and migrants' capital transfer.

Nigeria's balance of payment over the years has been stable. Stable in the sense that Nigeria BOP over time has been favourable, though this does not mean that Nigerian economy has not been experiencing unfavourable balance of payment.

SAQ 9.2 What is today known as international trade has been existence from the ancient time. During the ancient time, international trade started with barter system which involves the exchange of goods for goods and services for services. This began with the exchange of products and raw materials between one land or nation and another. Though, such volume compared to today's standard, is assumed to be very small.

International trade in its early beginnings was considered necessary, not just because it provided one society with products such as cowries from West Africa to other areas; international trade also formed the basis for cultural interchange, thus trading not only on product, but also on life-style, customers, and technology.

Also, international trade encouraged the development of monetary system, of record keeping and accounting, and of a complete vocation of commerce. In fact, international trade assisted in public disapproval towards usury (interest in excess of legal rate charged to a borrower for the use of money).

It's worthy to mention that the economic and political development of the entire Western world was spurred on and enhanced by international trade. International trade also contributed vigorously to the promotion and growth recorded in the field of exploration, map making, and ship construction technology. Early international trade routers ranged over vast expanses, thus requiring advances in transportation to make possible further search for new products and markets. Thus, such a desire for new trade routes, products, and markets became the driving force that helped to launch a full scale exploration leading to the discovery of the New World. One should not forget that the setting out of Columbus was not to settle in a new nation, but to discover a new trade route to the Orient. The interest upon his return to Europe centred not on his accounts of forest and soil, but on the new products available, such as tobacco, corn, cowries etc.

As international trade steps forward and technology developed, these explorations were to turn up another area of foreign trade, still important today. This was the import of raw materials by a nation and the re-export of finished and manufactured products. As a result, the living standards of the people is advanced, national incomes has also increased tremendously.

SAQ 9.3 The following justifications explain the rationale behind the existence of international trade:

1) International trade enables countries to have access to those goods and services that she cannot produced.
2) It helps to ensure the usage of natural resources that are not present in one but available in another country.
3) International trade facilitates specialisation and healthy competition among countries of the world. This enables countries to specialise in the production of those goods and services in which they have the greatest cost advantage over others.
4) It promotes friendly economic relations among the countries of the world.
5) International trade remains the major source of revenue for many nations.

SAQ 9.4 The main features of Nigeria's international trade are the predominance of developed industrialised economies as customers of her exports and suppliers of her imports. This predominance is hardly surprising in view of the complementarities of Nigeria's economy with those of the industrialised countries. The developed countries import much of the Nigeria's primary products whereas Nigeria imports the manufactured consumer and capital goods which form the main products of export of these countries.