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Growth without Development in Nigeria: Issues and Way Forward

By Olayiwola O. Olaniyi & Titilola S.O

Nigeria Institute of Social and Economic Research, Nigeria

Abstract- Development has long been a catch-all phrase and it now seems that everybody has something to say on the subject. It is indeed crucial to know what one is talking about, if only to allow for the differentiation of development from economic growth with which it is equated all too often. In point of fact, it is believed that the apparent failure of the development project can be attributed to precisely this misunderstanding surrounding the notion of development itself.

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Growth without Development in Nigeria: Issues and Way Forward

Olayiwola O. Olaniyi ^α & Titilola S.O ^σ

Abstracts- Development has long been a catch-all phrase and it now seems that everybody has something to say on the subject. It is indeed crucial to know what one is talking about, if only to allow for the differentiation of development from economic growth with which it is equated all too often. In point of fact, it is believed that the apparent failure of the development project can be attributed to precisely this misunderstanding surrounding the notion of development itself.

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I. INTRODUCTION

Economic development of a country is defined as the development of the economic wealth of the country. Economic development is aimed at the overall well-being of the citizens of country, as they are the ultimate beneficiaries of the development of the country. The definition of economic development given by Michael Todaro 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, HDI, which takes into account the literacy rates and 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. Gallopin (1994), emphasized that development is not synonymous with economic growth. Development according to him involves qualitative transformation, while growth is essentially quantitative increase. The goal of development is to increase the quality of life of the human population; economic growth is only one mean to this end. Furthermore, quality of life embodies the satisfaction of material and non-material human needs and the fulfillment of human desires and aspiration. Many writers argue that, after decades of the so called development project aimed at raising the Third World out of poverty and improving the well-being of its citizens, one can speak of anything but true transformation. Yet thousands of children still die of malnutrition-related diseases every day, and millions of

people still do not have access to clean water. Inequalities within countries themselves persist. (Katarzyna Karpowicz, 2008). Development has long been a catch-all phrase and it now seems that everybody has something to say on the subject. It is indeed crucial to know what one is talking about, if only to allow for the differentiation of development from economic growth with which it is equated all too often. In point of fact, it is believed that the apparent failure of the development project can be attributed to precisely this misunderstanding surrounding the notion of development itself.

In the words of Seabrook (1993: 7): "All over the world, more and more people are being disadvantaged by a version of development which, even if it creates wealth, leaves them with a sense of loss and impoverishment". Thus, based largely on the comparison of two indicators used by major international bodies dealing with development – Gross Domestic Product (GDP) and Human Development Index (HDI), it is argued that growth and development are, actually, two different phenomena. In fact, economic growth is but a step in the direction towards development – one of major significance, indeed a precondition to it, but by no means can it be conceptualized as development itself. For a country to be generally recognized as a developed one, it also needs to be able to provide its citizens with basic resources and services, such as food, healthcare and schooling. The problem with seeing development purely in terms of a country's economic performance is clearly visible if one considers the method used for measuring it. For a long time, the indicator used for measuring development was Gross Domestic Product (GDP) expressed in per capita terms. Those who support this view of development would have it that unless a rise in GDP per capita takes place, no development whatsoever is bound to happen (Storey 2003: 29). What follows is that the increase in GDP per capita is a sine qua non of development. True as it may be the fact that GDP is a purely economic indicator and, as such, does not allow for a change in social, cultural or political conditions. Also, it has been blamed for its falling short of providing a true image of the country's development, or the lack of it. Another major problem with GDP, and thus with the perception of economic growth as equal to development, is that it gives no indication of how fairly resources are distributed in the country. If development

Author α: *Development Policy Centre, Ibadan, Nigeria.*
e-mail: olubodun_2008@yahoo.com

Author σ: *Professor, Nigeria Institute of Social and Economic Research (NISER), Nigeria.*

cannot solely be based on economic growth, as reflected in the increase in GDP, then what else does it encompass? Having stated that economic growth is but one of many elements of development, one may then try to look at some of the other factors that would be included in the definitions of development. In doing so, we may want to consider the UN's Human Development Index (HDI). HDI has been designed to remedy the shortcomings of GDP as a measurement of the progress achieved by developing countries. It not only allows for the growth in income per capita, but comprises also two other elements crucial to human well-being: life expectancy and educational attainment. Thus, development is seen as a "process of enlarging people's choices" in order for the people to "lead long and healthy lives, to be knowledgeable and to have a decent standard of living" (Human Development Reports.)

Therefore, HDI is a comparative measure of life expectancy, literacy, education and quality of life. It is a standard of measuring well-being, and is used to distinguish whether a country is a developed, developing or an underdeveloped country. HDI was introduced as an alternative to conventional measure of national development such as level of income and rate of economic growth. Nigeria HDI is 0.459, which gave the country a rank of 156 out of 187 countries with comparable data. Nigeria has attempted through various reform programmes to better the lots of her citizens by providing dividend of development, such as education, health, social infrastructure. Broadly speaking, the features of an underdeveloped economy create obstacles in the way of economic development, and hamper economic progress. These features emerge out of economic, social, political, religious and institutional factors. It would be wrong however to conclude that only economic factors are responsible for poverty or economic backwardness of a country. Non-economic factors are equally responsible for the under development of an economy. The factors discouraging economic development may be classified into economic and non-economic factors which are:

A. *Economic Factors*

- Vicious Circle of Poverty
- Deficiency of Capital
- Market Imperfections and International Forces

B. *Non-Economic Factors*

- Underdeveloped Human Resources
- Political Instability
- Socio-cultural constrains and Religious factors

Available evidence from other countries seems to suggest to some extent that economic growth lead to economic development when properly administered. In Nigerian today it is apt to ask: Why is economic growth not leading to development? With respect to the current

situation in Nigeria, the following issues relevant to development are:

II. CORRUPTION AND GOVERNANCE CHALLENGE IN NIGERIA

The most basic requirement for faster rate of development is improved governance, stability and peace. Some observers have noted that absence of these virtues is inimical to sustainable development. Nigeria is currently being affected by these problems to the extent that in large areas of the nation real development is impeded. The causes/reasons for this situation varied across the nation but the underlining causes could be traced to poverty, under-development, and lack of economic diversification and marginalization of the population. Unless these issues are redress, development however perceived will be difficult to achieve despite high GDP. Corruption is a major obstacle to meaningful development in Nigeria. This fact is acknowledged locally and internationally. Government has however put in place institutions to combat this menace, but we all know that the problem is far from over. Recently, the World Bank in its report, as reported in Punch Newspaper (August, 10, 2012) noted that "investors in Nigeria lost 10% of their revenue to poor quality infrastructure, crime, insecurity and corruption in 2011". The 2011 Corruption Perception Index (CPI) published by Transparency International ranked Nigeria as 143 out of 183 surveyed countries. The CPI for Nigeria is 2.2 (with 10.0 being a clean country and 0 being the most corrupt). The government and in particular, the people of Nigeria must agree to put a stop to corrupt practices as government alone is not capable without the cooperation of the populace. The current report of foreign firms relocating to nearby nations is a clear reflection of the negative impact of corruption and insecurity on development.

In a remark on Institutional and Governance Reforms in Nigeria by the The Brookings Institution (2007), it noted with concern the effect of corruption on the growth and development of the nation. The report posited thus: "a bane of Nigeria's existence since the oil boom of the 1970s has been the reputation for corruption, largely justified, but also partly the result of perception. Corruption and poor governance affected growth and public service delivery in Nigeria in various ways. Corruption distorts the climate for doing business and serves as a tax on private investments. In a corrupt environment, resources for human capital and other needed investments, such as in infrastructure, health and education are often diverted. There are various ways in which this may occur, including procurement fraud, patronage for access to services, absenteeism and misuse of facilities. In particular, poor households are disproportionately hurt in communities where corruption is most prevalent. A key tenet of the reform

program, therefore, was to prioritize anti-corruption measures as a central component of the reforms."Effort at combating corruption in Nigeria is an on-going but complex problem. Corruption has devastating effect on the nation, reduces our citizens to poverty and deprived the nation of any sustainable development. As a result of massive corruption, Nigeria faces many challenges in sustaining economic growth and improving its broad development indicators.

III. ADDRESSING POVERTY & INEQUALITY

The current Nigerian Poverty Profile Report of the Nigerian Bureau of Statistic 2010 (NBS) reveals a disappointing scenario. The following measurements are used to evaluate poverty in Nigeria:

- Relative Poverty (RP) is defined by reference to the living standard of majority of a given society. In 2004, the Nigerian RP measurement was 54.4% but increased to 69.0%, or 112.518million, in 2010.
- Absolute Poverty (AP) is defined in term of the minimal requirement necessary to afford minimal standard of food, shelter, clothing etc. 54.7% Nigerians were living in poverty in 2004 but this increased to 60.9% or 99.28 million Nigerians.
- The Dollar-per-day measurement refers to the proportion of those living on less than \$1 per day poverty line. With respect to this measurement, 51.6% Nigerians were living below US\$1 per day in 2004 but increased to 61.2%

Income inequality, measured by Gini coefficient rose from 0.429 in 2004 to 0.447 in 2010 indicating greater income inequality during the period. Forecast by NBS for 2011 is not cheering as it estimate that poverty , using relative, absolute and dollar-per-day may further increase to about 71.5%, 61.9% and 62.8% respectively. It is an unexplained paradox, a self –contradictory statement, that despite the fact that Nigerian economy is said to be growing, the proportion of people living in poverty increases yearly, because economic growth is not development and economic growth has not been successfully translated to development through appropriate government policies. Consequently, the number of poor people continues to increase despite several development and poverty reduction programmes and rural citizens constitute the majority of the population and poverty is deemed to be acute in the rural relative to the urban sectors. The number of poor people will continue to increase except correct national steps are put in place involving the opinions and consultation with poor rural dwellers. In effect, poverty assessment and reduction must be participatory.

Nigeria is a large country with higher concentration of rural dwellers. The rural dwellers are about 80% of the population. Economic development in Nigeria is unlikely to succeed unless the issue of (rural) poverty is addressed. The problems associated with

poverty are enormous. They include issues such as: education, health, land tenure, credit, production and marketing processes. The causes of poverty in Nigeria are very complex but the basic causes are closely related to problems of access and endowment. Specifically, they are according to the World Bank (1985);

- Inadequate access to employment opportunity for the poor;
- Inadequate asset such as land and capital for the poor;
- Inadequate access to the means of authority in poor regions;
- Inadequate access to market for goods and services which the poor can sell;
- Inadequate access to education, health, and water services;
- Inadequate involvement of the poor in the design of development programmes;

Regarding the characteristics of poverty, it can be safely assumed that:

- While rural poverty dominates in Nigeria, urban poverty is a growing and explosive problem propelled by employment crises especially of the youth.
- Gender inequalities are a key feature of poverty pattern.

The character of poverty as described above seems to suggest that the poverty reduction strategy will include:

- Labour intensive growth;
- Agricultural growth and provision of basic health services, education and infrastructure in particular to rural areas;
- Investment in human resources, encouragement of growth of investment and employment in urban areas with the focus on the informal sector.

IV. BUILDING HUMAN RESOURCES

Building human resources involve investing in people, through education and health. Education, including skills acquisition is the basic foundation for development. A literate and skilled society is better organized, productive, active and development oriented. Also investing in people is essential for growth, development and poverty reduction. Developed countries have invested massively and continuously on human resources development. Given the present situation, Nigeria needs to invest on its human resources development through adequate education of its youth, via skill acquisition and formal education of its people, especially women. Goal 3 of the MDG is to Promote Gender Equality and Empower Women. Recent evaluation however shows that a gradual improvement in the proportion of girls enrolled in primary school, though noteworthy, is not yet enough to

meet the target. There are still fewer girls than boys in school. There are signs of backsliding in the number of girls in tertiary education. Measures to encourage girls to attend school, particularly by addressing cultural barriers in the north of the country, and to provide the economic incentives for boys to attend school in the south-east, are urgently required. Confronting regional variations in the determinants of gender inequality requires policies based on an understanding of the underlying socioeconomic, social and cultural factors. State and local government efforts will thus be critical to the achievement of this goal. UNDP (2007).

The government has been implementing education reforms since 2006 to improve access to education, especially with the introduction of Universal Basic Education. The government increased the share of education in budget spending from 4% in 2010 to 6% in 2011. There have been some positive results. The literacy rate for the 15-24 age groups was 80% in 2008, up from 64.1% in 2000. Education quality is, however, generally low and varies considerably across the country. The West African Examination Council said that in 2010 only 25% of Nigerian candidates obtained credits in English language, mathematics, and at least three other subjects (the minimum requirement to enter a tertiary institution). Social indicators on health and education remain weak. The 2011 UN Human Development Report ranked Nigeria 156th out of 187 countries. In 2010, Nigeria was 142nd out of 169 countries. The government has sought to improve the health care system. Health spending in the federal budget increased from 4% in 2010 to 6% in 2011. Also, the Federal Government has adopted several policy initiatives to strengthen the health system, including a National Strategic Health Development (HSHD) plan. Despite these efforts, health outcomes remain poor. According to the United Nations 2010 MDG Report, the infant mortality rate was 75 deaths per 1 000 live births, the under-five mortality rate was 157 per 1 000, the maternal mortality rate was 545 deaths per 100 000 live births and the proportion of births attended by skilled personnel was 39%.

V. MAKING AGRICULTURAL DEVELOPMENT A PRIORITY IN NIGERIA

Despite oil's revenue dominance, agriculture plays a significant role in the Nigerian economy, accounting for 34.5% of GDP in the first quarter of 2012 according to the National Bureau of Statistics. Sustainable expansion of agriculture should play a key role in unleashing inclusive economic growth, reducing poverty and enhancing food security. The government's Agricultural Transformation Agenda targets these objectives. Agriculture's importance to poverty reduction goes far beyond its direct impact on farmers' incomes. There is evidence that increasing agricultural

productivity has benefited millions through higher incomes, more plentiful and cheaper food, and by generating patterns of development that are employment-intensive and benefit both rural and urban areas. More importantly, it has provided the spur to economic development outside agriculture where growth and job creation are faster and wages higher. Rapid increases in agricultural output, brought about by increasing land and labour productivity, have made food cheaper, benefiting both the urban and rural poor, who spend much of their income on food. In a special report on Development Outreach (vol.10, no.3, 2008), the editor advocated for making agriculture a priority and called for renewed effort to place agriculture at the center of the development agenda in order to meet the MDG goal of halving extreme poverty and hunger by 2015. As an economic activity agriculture contributes to development as a source of livelihood and food security and provider of environmental services. Agriculture can be

- The main source of growth for national economy,
- Provider of investment opportunities for the private sector,
- A private driver of agric-related industries and rural non-farm economy

Majority of poor people live in the rural area and they live on less than \$2 a day and must depend on agriculture. Given where they live and what they do, promoting agriculture is imperative for meeting the MDG of halving poverty and hunger by 2015. And continue to reduce poverty and hunger several decades after. Though agriculture alone will not be enough to massively reduce poverty, but poverty reduction will not happen without agriculture. Poverty is overwhelmingly a rural problem. That is so, and that it endures is the failure of agriculture to deliver livelihood for the large proportion of our people who depend on it. Agriculture growth can reduce poverty directly, by raising farm income and indirectly, through labour market and by reducing food prices. Increased farm productivity increase farm income and participation of smallholders in this agricultural growth will obviously benefit them. Agricultural growth also reduces poverty via labor market because agricultural growth is capable of creating employment opportunities for the poor. Lastly, ability to increase non-tradable staple foods will reduce domestic food prices, especially to the poor, in addition to the urban dwellers, who spend a substantial amount of their income on food. Agriculture has a special poverty reducing power. China, India and Ghana, for example, have all had relatively high agricultural growth rates and reduced poverty substantially as a result. As noted by Development Outreach (vol10, no. 3, 2008), Ghana's growth and poverty reduction over the last 15 years is Africa's success story. Real GDP has grown at more than four percent a year since 1980 and at more

than five percent since 2001. The poverty rate fell from 52% in 1991 to 29% in 2005, making Ghana the only country in sub-Saharan Africa to have already met the MDG goal of halving poverty. Similarly, IFAD (2005) in its publication noted “that reversing recent disappointing trends in agriculture’s performance is critical if poor countries are to escape the trap of slow growth and poverty. This is particularly true in sub-Saharan Africa, where growth in agricultural output has barely kept pace with population. Productivity has stagnated, slowing wider economic growth and exacerbating poverty with it.”

VI. CONCLUSION

Economic development refers to a sustainable increase in living standard. It implies higher per capita income, better education and health and environmental protection. Public policy must generally aim at continuous national and sustained economic growth and expansion of the nation’s economy so that “developing countries” become “developed”. The economic development process involves the adjustment of national institutions to give incentives for innovation and investment so as to develop an efficient production and distribution system of goods and services. When discussing the link of growth to development, one often hears that whereas growth is quantity, development is quality. Simplistic as this comparison is, it shows the inherent difference between the two phenomena. Indeed, the actual income of a country is of relatively lesser importance when compared to the way in which this relative wealth translates into the quality of services the state renders to its citizens. And it is precisely those services – education, healthcare, the provision of basic resources such as food or water – that define how developed a country really is. It is essential that policy-makers and all those preoccupied with development, professionally or otherwise, are fully aware of this seminal difference. Until such holistic definition of development is not only adopted on an international arena, but also truly applied in all actions related to the countries of the so called Third World, the gap between the rich and the poor will keep widening, and the answer to the question: “Is development a failure?”, will always be positive. (Katarzyna Karpowicz, 2008). Economic development is a sustainable boost in the standard of living of the people of a country. It implies an increase in the per capita income of every citizen. It also leads to the creation of more opportunities in the sectors of education, health, employment and the conservation of the environment.

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