

Nigeria's Economy Challenges: Causes and Way forward

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Abstract: Nigeria has been going through a lot of economic problems in the recent years. This paper discusses the challenges of Nigeria's economy problems, causes and the way forward. Ineffective Leadership and Corruption, Over Reliance on Oil, inflation, unemployment, Government policy, Monetary policies, Inadequate infrastructures and power supply, Inadequate health facilities, Insecurity were identified as the major causes of the challenges of Nigeria's economy and some way forward were identified from the study which are The study noted that strong law against corrupt practices should be put in place, Development of both Private Sector and Small Businesses, Unity, Implementation of the right monetary policy, Provision of employment opportunities for the youth, Provision of adequate security, Improvement on housing and home ownership for Nigerians and Diversification of the economy. To ensure future economic stability in Nigeria, government should engage the services of the proper economic team that can rescue the nation out of the present economic situation and put the national interest first before political interest.

Keywords: Nigeria's Economy, Challenges and Way forward

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I. Introduction

Nigeria's economic potential is well recognized. It is the biggest economy in the West African sub region. Given the country's considerable resource endowment and coastal location there is potential for strong growth. Yet Nigeria has realized very little of this potential. Previous efforts at planning and visioning were not sustained. The history of economic stagnation, declining welfare and social instability, has undermined development for most of the past 30 years.

But in recent years, Nigeria has been experiencing a growth turnaround and conditions seem right for launching onto a path of sustained and rapid growth, justifying its ranking amongst the N11 countries. These are the countries identified by Goldman Sachs to have the potential for attaining global competitiveness based on their economic and demographic settings and the foundation for reforms already laid. Nwogu 2014

The country is endowed with abundant natural resources ranging from solid minerals(crude oil, gold, tin, iron ore, niobium, lead, zinc, lime stone, salt etc) to arable land with varieties of agricultural produce such as palm oil, cocoa, groundnut, beans, melon, corns, rice, among others. The hub of Nigeria economy before the advent of Oil in commercial quantity was agriculture, but with the emergence of oil, there were focus shift from being agricultural dependent country to crude oil dependent nation. Since the era of oil boom in the 1970's, Nigeria has been a victim of monolithic economy and since then have been enjoying crude crash without adequately evolving a sound policy that will put the nation's economy on a firm foundation for steady growth. Today, oil revenue accounts for almost 90% of the nation's gross export revenue, leaving a paltry 10% to other commodities such as agricultural produce and solid minerals. From the 1970 oil boom era in the country, to date, heavy reliance was on oil revenue and with the fluctuation of oil prices and a subsequent sharp decline in the world oil price in the recent periods, it is obvious that over dependence on oil as major source of revenue could fail the country as it can't finance the budget as usual. Ikpor 2015

It thus becomes imperative that the main problem confronting the growth and development of Nigeria is governance and that is due largely because those charged with the responsibilities of the country have failed to manage it for the good of the people. The expectation since the attainment of independence is that an independent Nigeria will present and expand equal opportunities of economic, social and cultural advancement of the people; but a critical analysis of the indices of development points to the fact that these expected benefits have been undermined by successive Nigerian leaders.

Nigeria has grown to a level that it does not need to wait for any organization or country to dabble and meddle in its fiscal and monetary challenges. Doing these amounts to selling our government or country, which will further impact negatively on the country and the people? While it is not wrong to engage in genuine mutually beneficial partnership with the IMF or any other body, it must be cautioned that the Nigerian government should beware of any agenda or policy inimical to the economic and other interests of the Nigerian

masses. Policies that do not work for the good of the country should not be embraced. It is understandable that debt servicing constitutes a serious burden to our budget. Fiscal and monetary policies must work in tandem so as to impact positively on the country and the economy. Wike 2016

Statement of the Problem

It is crystal clear that Nigeria is in a deteriorating financial condition Wike 2016. The Nigerian economy in the last few years has been going through some turbulence. A country that recorded an average GDP growth of 6.5 per cent, one of the highest in the world less than a decade ago, is now projected to grow at about 2.3 per cent in 2016. It is no longer news that Nigeria's economy is experiencing total collapse and if nothing is done to put the peg in the right spot something worse than what we are witnessing may soon be on sight. Based on some of all these issues, Nigeria was said to be technically recess (Adeosun 2016). Recession is a situation where the country's state of the economy declines, there is widespread decline in GDP and per capital income, decline in employment and trade lasting from 6 months to a year. If Nigeria must maintain our current status as the largest economy in Africa, then drastic measures must be put in place to address this drastic situation.

Objectives of the Study

The paper seek to identify the causes of the economic challenges of Nigeria and the way forward to improving the economy of Nigeria

II. Causes of Nigeria's Economic Challenges

Ineffective Leadership and Corruption: Corruption is a big cankerworm that has really eaten deep into the fabric of our nation. The malaise of corruption is a threat to the survival of the Nigeria economy, no doubt. Dangote 2016 The political, socio-cultural and economic crisis the country is witnessing today is borne out of a system influenced by bad or ineffective leadership and corruption. While the various policies and programmes of successive government have become the source of deprivation, frustration, poverty and hunger to the poor majority, the few ones in government leadership positions channel resources meant for the provision of basic facilities and services like good roads, water, health, education etc into their private pockets. Even with the advent of democracy, where the people are supposed to decide those that are elected into certain offices, what we have since the 13 years of its existence are leaders who lack the temerity, will power, and patriotism to provide effective leadership to the people. What they do not lack however is the ability to siphon public funds into private pockets. (Usman 2016) Corruption is at the root of many of Nigeria's problems in totality. Corruption takes many forms and infiltrates all political institutions and economic sectors. Transparency International deemed Nigeria one of the most corrupt nations in the world, ranking as 144th in Corruption Perception Index out of the 177 countries measured. Darwinek 2016 According to Sanusi 2015, Nigeria loses \$1 billion (over N260 billion) Monthly through corruptions.

Over Reliance on Oil: Our over reliance on oil has comes back to haunt us 'unexpectedly'. (Analysts have always predicted this though!) Over the years, we have paid lip service to the development of the Non –oil sector. A significant drop in oil prices has depleted our revenue earnings and the effect is visible to all; less money for the Government to spend and undue pressure on the available foreign exchange! As a country heavily dependent on imports, this has been our albatross. Nigeria's exports dropped about 40 per cent in 2015, pushing the current account from a surplus of 0.2 per cent of GDP to a deficit projected at 2.4 per cent of GDP. With foreign portfolio inflows slowing significantly, reserves fell to \$28.3 billion at end-2015.

Foreign Exchange Policy: The new CBN's foreign exchange policy is worthy of note. However, the time taken to do the needful cannot be overlooked. Considering the dearth of foreign exchange available to manufacturers and business people, there was an urgent need to announce a flexible exchange rate regime aimed at making foreign currencies more accessible. It was a well taught out policy but the timing left a lot to be desired. Many analysts have also questioned the wisdom of announcing a major shift in policy without spelling out how to implement it. Abe 2016

Unemployment: Unemployment is a great and pervasive problem in Nigeria. But the point must be made that it is not peculiarly a Nigerian problem. All over the world, there are growing issues of unemployment. And what we are saying is that the government can achieve a remarkable success in this regard if it declares an emergency on unemployment and tackle it decisively. You know the organized private sector will or should play a key role in this. And that is why we are concerned. Nigerian government needs to make unemployment, increased power generation and corruption his top priorities Dangote 2016 Unemployment is a hot issue in Nigeria, and many people are frustrated with widespread joblessness. Unemployment in Nigeria is like a disease that the cure is not

yet discovered. According to official statistics, 24% of Nigerians are unemployed. These numbers are worse for young people. Official Nigerian statistics say 38% of those under 24 are unemployed, but the World Bank estimates this number to be closer to 80%. In March 2014, 16 people were killed in stampedes when 500,000 desperate job-seekers rushed to apply for under 5,000 vacancies at the Nigeria Immigration Service

Inflation: Inflation climbed to 11.4 percent in February 2016. The multilateral agency noted that the recovery in economic activity was likely to be modest over the medium term, but with significant downside risks. It stated that Nigeria's growth in 2016 was expected to decline further to 2.3 per cent, with non-oil sector growth projected to slow from 3.6 per cent in 2015 to 3.1 per cent in 2016 before recovering to 3.5 percent in 2017, based on the results of policies under implementation—particularly in the oil sector—as well as an improvement in the terms of trade. Chima 2016

Insecurity: Nigeria is presently faced with a lot of security challenges such as the kidnappers, Farmers/herdsmen clashes, Boko haram insurgency, conflict, robbery cases and even road accident as a result of bad road. All these do not encourage investors coming into the country to invest. Aregbesola 2015

Inadequate power supply and infrastructural development in Nigeria: This is also an issue infrastructure may seem a trivial issue following other problems. The Nigeria power sector has been thriving to survive over the years but due to some unknown circumstances it has been mismanaged, and many workers in the electricity sector are not equipped with the proper skills or training. Domestic production suffers in these conditions, but many foreign companies also find it difficult to conduct business in Nigeria because of frequent power failures. The problem of bad road networks has made a lot of businesses suffer in Nigeria as the roads are not dependable. This problem keeps Nigeria a Third World country from year to year. Nwadinobi 2016

Inadequate health facilities: A healthier Nigeria will be a wealthier Nigeria. For those who do access healthcare, it's expensive. According to the World Bank, roughly 750 out of every 1,000 Naira spent on health in Nigeria comes directly from Nigerian citizens' pockets. (Compare this to smaller economies and poorer African countries like Kenya, Ghana, and Tanzania, where citizens spend roughly 250 out of every 1,000 Naira spent on health.) Especially for those without extra Naira to spend, these high costs mean oftentimes people either won't seek treatment or are forced to sell belongings or forego other essentials—like food for their family—feeding into the cycle of poverty and poor health. Majange 2016

III. Way Forward to the economic challenges of Nigeria

Unity: If we must reclaim Nigeria, we must in the first instance see unity as the weapon with which we can dislodge this present crop of leaders. Our ethnic and religious difference is what our elites have used in manipulating us over the years, but if we can put aside our differences irrespective of the tribe and religion we represent, we will destroy that weapon they have always used against us. If those in the ruling class can unite to steal our wealth, why won't we unite also to change policies and programmes of selfish government, and vote in worthy, qualitative and efficient people into positions of leadership? The bond that ties us together as a nation runs very deep, deeper than any individual cause or interest. Therefore, we must prove to the world that we are standard bearers of an independent country which we must stand to safeguard and secure for the generations yet unborn.

Development of both Private Sector and Small Businesses: These initiatives create the condition for economic growth. The government need not be deceived on the right solutions to Nigeria's economic recession. These solutions would be valuable in shaping his economic direction and also tackle the problems of unemployment in Nigeria,

Diversification of Nigeria economy: We can recover from the current economic crisis if government diversifies the economy and repairs the refineries so that the impact of the drop in crude oil prices which is having a toll on the economy will be cushioned. It is up to the government to act and respond appropriately.

Improvement on housing and home ownership for Nigerians: This is quite important because many poor Nigerians have to go for many years without a mortgage plan and this is hurting the economy.

Provision of adequate security: Security will put more confidence in the mind of investors and even tourist that want to invest in the country so therefore the government should increase security in the country and hire youth as security agents which will in turn reduce unemployment too.

Provision of employment opportunities for the youth: The issue of absence of profitable job for our young people should likewise be tended to. An unmoving personality they say is the fallen angel's workshop.

Unemployed young people are perilous species as they can be controlled by deceitful components and used to do accursed acts. On the off chance that the approaching government can give profitable work to our childhood, it will thusly help our economy to develop. On the economy, we should start to move far from our over-reliance on oil as our fundamental wellspring of income. We should start the procedure of encouraging so as expanding our income drive states and nearby governments to add to the assets inside of their space to create elective wellsprings of income. They should be given a time span inside of which to accomplish this and have appropriate checking component set up to guarantee consistence with the strategy on the way forward on Nigeria economy development. Joecity 2016

Implementation of the right monetary policy: For the Nigeria budget to stimulate economic growth, it must be backed up with the right monetary policy and it is pertinent to point out that so long as Nigeria continues to depend on oil exports for the bulk of its revenue, the value of the naira will continue to affect the price of oil, so there is the obvious need to diversify the economy. One of the ways out is to create the enabling environment for the productive sector to thrive. The agricultural sector must be developed for us to be able to produce goods and have agro-based industry as well as have enough to feed and to export. There is also the need to harmonise the fiscal policy and the monetary policy before the value of the naira can be determined. It is crystal clear that Nigeria is in a deteriorating financial condition, so it needs fiscal and monetary policies to actually stabilize the situation for us to have a recovery.

IV. Conclusion

This study has examined the causes of economic challenges in Nigeria and the way forward. The eight major causes of Nigeria economic challenges identified by the study include: Ineffective Leadership and Corruption, Over Reliance on Oil, inflation, unemployment, Government policy, Monetary policies, Inadequate infrastructures and power supply, Inadequate health facilities, Insecurity and some way forward were identified from the study which are Development of both Private Sector and Small Businesses, Unity, Implementation of the right monetary policy, Provision of employment opportunities for the youth, Provision of adequate security, Improvement on housing and home ownership for Nigerians and Diversification of the economy Improvement of the economy is a collective responsibility of all Nigerian so all hands should be on desk to promote the economy.

V. Recommendations

Based on the finding of the study, the following recommendations were made:
Government needs to look beyond oil and start the production of other essential commodities which will be a future idea on the growth of the economy.
Government should do everything in his power to solve the problem of power generation in Nigeria.
Timely implementation of the nation's budget should be ensured by all agencies in charge of the budget implementation.
Government should focus on agriculture as a means of diversifying the economy and also creating employment for youths interested in agriculture.

The Federal government should come up with a formidable economic policy that would arrest the continuous decline in the economy of the nation to forestall the present hardship been experienced in the country.

Nigeria should lift the ban on the importation of some essential commodities. There is nothing too bad in importing what we don't have. In international trade context for instance, countries depend on each other. Using Adam Smith theory of absolute advantage and Ricardo's theory of comparative advantage, Nigeria has to concentrate in the production of goods for which she has absolute advantage.

All security agencies should work together for a better and secured Nigeria

Corruption should be eliminated completely; Corruption can be beaten if we work together. To stamp out the abuse of power, bribery and shed light on secret deals, citizens must together tell their governments they have had enough. (Ugaz 2015)

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