



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH: B
ECONOMICS AND COMMERCE

Volume 13 Issue 5 Version 1.0 Year 2014

Type: Double Blind Peer Reviewed International Research Journal

Publisher: Global Journals Inc. (USA)

Online ISSN: 2249-4588 & Print ISSN: 0975-5853

An Assessment of the Economic Development Existence in Nigeria

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Abstract - Poverty incidence and unemployment rate of the developing countries have been increasing as they claimed development in their economies, the situation in which Nigeria is not an exception. Thereby, this study set to investigate whether economic development existed in the country in the past 27 years, covering the periods of 1986 – 2012. Likewise, to inform the decision makers and policy implementers about the appropriate usage of the words 'economic development', and as well portends its redefining and differentiation between 'GDP growth and GDP widening'. The study stipulated ideal methods of assessing the existence of economic development based on the extant definitions from the most relevant authors in the field of Development Economics.

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GJMBR-B Classification: *JEL CODE: C13, O47, O10*



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An Assessment of the Economic Development Existence in Nigeria

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Abstract- Poverty incidence and unemployment rate of the developing countries have been increasing as they claimed development in their economies, the situation in which Nigeria is not an exception. Thereby, this study set to investigate whether economic development existed in the country in the past 27 years, covering the periods of 1986 – 2012. Likewise, to inform the decision makers and policy implementers about the appropriate usage of the words 'economic development', and as well portends its redefining and differentiation between 'GDP growth and GDP widening'. The study stipulated ideal methods of assessing the existence of economic development based on the extant definitions from the most relevant authors in the field of Development Economics. More so, the study finds new ways of using time-series regression analysis in answering logic-form question of economic development, and this goes with variables' signing rather than contributions. Based on partial comparative statics analysis, the study finds that economic development only existed in the country in the year 1988 – 1990, and 1994 fiscal years during the years in consideration. In addition, based on partial comparative dynamic analysis, the study finds that no economic development has existed in the last 27 years in the country.

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I. INTRODUCTION

Economic development is an invented compound concept for recognizing economically backward or lagging behind countries, compared to other countries who are topping in term of economic well-being of their citizens. Economic development is generally used in synonymous terms such as economic growth, economic welfare, secular change, social justice and economic progress, (Somashekar, 2003). Media circuses of economic development in the country, each fiscal year is not on a lighter mood, even though, it is development without trickle down effects towards masses.

However, from 20th century to date, only comparative statics perspective of economic development and growth has been under the limelight of economists, while an extensive part of its dynamic analysis is

excluded and silent about with the exception of token aspect of 'economic development measurement'. Quah (2001) buttresses its empirical measurements, even though, painstakingly. Little wonder, that the use of the term economic development is losing grip and turning to be academic mess and political propaganda. Since, the masses could not witness any trickle down effects of the proclaimed economic development constantly sing by the government agents, especially, the policy-makers and implementers. The indigence has started seeing it as political brouhaha, cajoling, and hiding pillar for political leaders. This calls for a shift of economic development measurement from a mere comparative statics to a partial comparative dynamic measurement. This will help in differentiating between Gross Domestic Products (GDP) widening – increment in the size of Gross Domestic Products (GDP) warranted by increase in the number of people who are either producing or consuming- and economic development, which trickle down to reduce poverty incidence, unemployment, and inequality level in the society. Ultimately, it will be imperative to assess Nigeria's economic development in the light of new economic view of development by deviating from its traditional view, which has no impressing measurement, but ordinary figure statement of national outputs.

Historically, economic development and growth became a concern of the so-called developed countries, with the notion that 'poverty anywhere is a threat to prosperity everywhere', besides, it has been an arrow of the concerned-countries' leaders, in bid of breaking off the yoke of vicious cycle of poverty on their citizens which was not a flickering fire as it is today.

a) Objective

Universally, economists unanimously agreed that economic development bring about reduction and/or elimination of poverty, inequality and unemployment. Nevertheless, myriads of journal articles experimenting on the country's data failed to relate the inconsistencies in the universal believe of the economists. This study tends to bridge the gap between the general believe of the economists and the happenings in Nigeria, with respect to the indigent population. On this backdrop, the study sets to answer this question, 'Does economic development in Nigeria implies reduction and elimination of poverty, inequality and unemployment? More so, the following are the specific objectives of the study:

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- i. To investigate the existence of economic development in Nigeria between the periods of 1986 - 2012.
- ii. To correlate existence of growth in figure wise with/ to its impact on the country's teeming population.

This research article would help in informing decision makers and policy implementers about what they might probably need to do, in ensuring economic development translation from figure to reality in betterment of the citizens and society. More so, it will portend whether growth exist or not.

The study is structured into five sections. Section I, which is the introductory part, and study objective inclusive. Section II covers the background information about the operational concept of the study and its overall observed performance in the country. Section III covers the model specification and methodology, and Section IV deals with estimation of results and analyses, while Section V concerns with conclusion and policy recommendations.

II. LITERATURE REVIEW

According to Schumpeter (1934), economic development is a discontinuous and spontaneous change in the stationary state, which forever alters and displaces the equilibrium state previously existing. While economic growth is a gradual and steady change in the long-run, which comes about by a gradual increase in the rate of savings and population.

Robbins (1968) accepted the concept 'development' in terms of increases in income per head or capacity to produce that income, as his working definition. However, cautioned about the narrowness of the concept, and chose to define it (economic development) in terms of increasing real income per head or increasing potential to produce such income. Detailed

technicalities of the concept 'economic development' needs being overlooked and conceived it in relation to comparatively long periods (Ibid.)

Seer (1969) defined development as the occurrence that goes with reduction and elimination of poverty, inequality and unemployment within a growing economy. Furthermore, to sufficiently determine what economic development means, he asserted:

The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result "development" even if per capita income doubled.

UN Rio Declaration (1992) defined sustainable development to be development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sen defined development to consists of the removal of various types of unfreedoms that people with little choice and little opportunity of exercising their reasoned agency (Corbridge, 2002), which is still on the same page with other definitions.

In generic understanding, economic development refers to the problems of underdeveloped countries and economic growth to those of developed countries (Jhingan, 1997). Thorough observation of situation in some of the third world countries, especially, Nigeria accentuate the fact that economic development are directly proportion to poverty, inequality and unemployment. Meanwhile, the relationship supposed to be inverse.

Table 1 : Showing relationships among variables of interest

Year	GDP Growth rate	Poverty Incidence (%)	*Population in Poverty (Million)	*Change in Indigent Population (%)	Unemployment Rate (%)	Life Expectancy at Birth (Years)
2008	6	54.0	80.78		14.9	54
2009	7	54.0	83.32	3.05	19.7	54
2010	8	69.0	109.91	24.19	21.4	54
2011	7.4	71.5	120.04	8.44	23.9	47.6
2012	6.6	72.0	121.17	0.93	25.7	47.6

Source: Central Bank of Nigeria(A) (2012), with the exception of the asterisked columns, which are authors' calculations.

In addition, with this development, there is need to ascertain whether the country is really experiencing economic development. As this study would relate to the academic world what the happenings are, and re-orientate the populace about the nature and circumstances surrounding the acclaimed economic development, which the indigent population have termed to be political jamboree. Recently, CBN's annual report confirmed

economic growth for the year 2012 to be 6.6 per cent, while NBS confirmed poverty rate to be 72 per cent.

a) Economic Growth and Development

The concepts become important as it is used to determine progress in its core values. It is relevant because it is used to evaluate the following according to Todaro and Smith (2011):

i. *Sustenance*

The ability to meet basic needs: economic development takes account of how much people are becoming more capable in providing for their basic needs in term of goods and services, such as food, clothing, and shelter, which are the least things to survive.

ii. *Self-esteem*

This is simply feeling of worthiness that a society enjoys. This point is so cogent that 'a just and egalitarian society' was entrenched as number one objective in the national education policy.

iii. *Freedom*

This stands for ability of having a number of alternative means to satisfy wants, that is, people especially the indigent are not constrained with the choices available to them in satisfying their wants.

When the three items explained briefly above are taking place in a society, it is assumed that such society is actually experiencing economic development. But is very unfortunate that majority of the developing countries leaders and policies managers there found a common ground in hiding their non-performance toward steering economic development parse. Considering economic growth rate figure or increment in Gross Domestic Products (GDP) figure without given its life transformation and betterment effects heavier weight, it will not be worthy to account such increment as development.

b) *Factors of Economic Development*

Economic development could mean sustained increase in welfare of an economy – nation, region, and city – as well as the ongoing changes in that economy's industrial structure; public health, literacy, and demography; and distribution of income (Quah, 2001). Economic theory settled on three factors in broad categorization as the determinants of economic development, which are: (i) the progress of science and productive knowledge; (ii) the growth of individual skills; and (iii) incentives (Ibid). Economic development rests on joint existence of these determinants, and availability of both economic and non-economic factors. Whereby, the country is abundance of these, especially, economic factors.

Economic development is not in a utopian notion but pragmatic and usually stimulated by the presence of some economic factors in which Nigeria as a country is fully endowed with. Although, the utilization and maximization of these factors, non-economic factors inclusive; may not be encouraging but much can still be done to bring its maximization into point of satiety. Those factors as pointed out by Jhingan, (1997) and Somashekar, (2003) are:

i. *Land*

This include natural resources in the earth itself and this is the principal factor among others. It include

quality of the soil, forest wealth, good river system, minerals and oil-resources, good and bracing climate. A country may actually be backward in economic progress if people are indifferent about the resources, which means the presence of this resource is not serving as silver bullet to economic development.

ii. *Capital Formation*

This is the stock of physical reproducible factors of production. Capital formation works out through sound financial system, which further extends to financial deepening and intermediation. Over the years, the country had actually shown reasonable improvement in terms of capital accumulation; in the year 2010 it increases by 79.93 per cent appropriately, compare to the year 2005 figure.

iii. *Technological Progress*

It is equally referred to as widening of capital, and in a very simple term, technological progress is in place because capital accumulation is not possible without technical progress, (Somashekar, 2003).

Other factors such as human resources, population growth, social overheads and transformation of agricultural society. Statistically, the country is fairly playing in respect to all of these factors. population growth is relatively stable over the past period up till 2011 at 3.2 per cent until it fell to 2.3 per cent in the year 2012 (Central Bank of Nigeria (A), 2012). A reasonable part of the country's budget over the years now, goes to social overheads. In addition, the services sector growth rate of 13.2 in the year 2011, which is the highest growth rate in the real sector, as it was in the past years pointed at the transformation of agricultural society to service sector (Central Bank of Nigeria (A), 2012).

c) *Measurements of Economic Development*

According to the United Nations Expert Committee as cited in Somashekar, (2003), "Development concerns not only man's material needs but also the improvement of the social condition of life. Development is, therefore, not only economic growth, but growth plus change – social, cultural and institutional as well as economic". On this note, proxy for economic development, which is commonly taking as GDP will be considered jointly with the development variables. Robbins (1968) was sceptical about measuring economic development and sees it as trying impossible but still believed that measurement can be carried out on partial basis and not absolutely. Quah, (2001) exhibits a parallel ideal with Robbins, by asserting, that entertaining this kind of measurement cannot be possible without guidance about what can be parsed away and what is essential.

Measuring economic development from GNP per capita according to Meier and Baldwin (1957). It is defined 'as the process whereby the real per capita income of a country increases over a long period of time – subject to the stipulations that the number of people

below an 'absolute poverty line' does not increase, and that the distribution of income does not become more unequal.' Although, going with real per capita income as measurement of development had been defined as narrow view of the concept with the experience in 1950s and 60s. When few countries reached their targeted, economic growth rates without changing the levels of living of the masses (Todaro & Smith, 2011); it was around the same time that one of the prominent economists asserted the spread out of economic development analysis.

From various authors' definitions of economic development as exhibited in some extant studies, the following conditions can be deduced for ascertaining economic development:

First Condition:- $GDP_t - GDP_{t-1} = \Delta GDP > 0$

(Where GDP is the national outputs)

Second Condition:- $PovInc_t - PovInc_{t-1} = \Delta PovInc < 0$

(Where PovInc stands for Poverty Incidence)

Third Condition:- $Unemp_t - Unemp_{t-1} = \Delta Unemp < 0$

(Where Unemp stands for Unemployment rate)

and/or $GiniC_t - GiniC_{t-1} = \Delta GiniC < 0$

(Where GiniC stands for Gini Coefficient)

In the light of the Meier, Seer, and Sen's definitions, if the conditions specified above were not met; it is better for a country to say that, she had actually increase GDP due to widening effect but she could not witness economic development. As masses have taken government declarations in this respect, to be bunch of lies, since they could not witness the trickle-down effects

$$GDP_t - GDP_{t-1} = \alpha_0 + \gamma_1(Unemp_t - Unemp_{t-1}) + \gamma_2(PovInc_t - PovInc_{t-1}) + \epsilon_t$$

Where t stands for the present year and t-1 stands for the immediate previous year, ϵ_t stands for the error term.

a) *A priori*

It is expected that change in Gross Domestic Products (GDP) should be positive, that is, greater than

of the claimed economic development in the country. However, if all the three conditions specified above were met at a time, then, it is worthy of concluding that there is economic development. If condition one and any of two or three are satisfied, it may be concluded that economic development is in process.

III. MODEL SPECIFICATION AND METHODOLOGY

Method of analysis adopted was based on series of definitions as put forward by Somashekar, (2003), Meier, (2001), Seer (1969), Todaro and Smith (2011) among others. First, the examination of existence of development was based on comparative statics analysis rooted in the conditions developed under the measurements as sub-heading. Moreover, this shown whether there is existence of economic development on yearly basis or not. Simply by working on the first difference of the selected appropriate variables (Seers, 1969). According to Meier and Baldwin (1957), time series of national interest should not be less than 25 years since a major business cycle covers normally 6 to 13 years. The second approach was based on time series regression analysis, covering the period of 27 years ranging from 1986 – 2012. The interpretation of which is different from the conventional time-series regression interpretation. Since, the major question, this study is trying to answer is in logic form, variables' contribution are useless but their signing, significant level and their joint significant. Central Bank of Nigeria Statistical bulletin and annual reports various issues are the source of data used.

The time-series regression model adopted is:

zero. While, the two independent variables according to the econometrics term are expected to be negatively signed, that is, less than zero.

IV. ESTIMATION OF RESULTS AND ANALYSES

Table 2 : Showing analysis outputs on yearly basis

year	dgdg	dPovInc	dUnemp	Comparative Statics Analysis Note
1987	-1164.9	-0.6	1.7	No economic development
1988	15069.09	-0.4	-1.7	There was economic development
1989	16853.95	-0.5	-0.8	There was economic development
1990	30820.41	-0.5	-1	There was economic development
1991	-2170.8	-0.5	-0.4	No economic development
1992	5986.38	-1.1	0.3	Economic development at the process
1993	3467.77	6.6	-0.7	Economic development at the process
1994	617.27	5.7	-0.7	Economic development at the process
1995	5956.84	5.3	-0.2	Economic development at the process
1996	12337.98	5.6	1.6	No economic development

1997	8277.1	0.4	-0.2	Economic development at the process
1998	8867.57	2	0	No economic development
1999	1293.43	1	-0.2	Economic development at the process
2000	16995.26	1	1.7	No economic development
2001	27815.52	0	-1.1	Economic development at the process
2002	76209.25	-15.6	8.6	Economic development at the process
2003	44329.47	15.6	2.6	No economic development
2004	50043.06	-15.6	-1.4	There was economic development
2005	34355.35	26.8	-1.5	Economic development at the process
2006	33890.22	-27.2	1.8	Economic development at the process
2007	38429.53	0	0.9	Economic development at the process
2008	37951.41	0	0.3	Economic development at the process
2009	46774.78	0	4.8	No economic development
2010	57354.88	15	1.7	No economic development
2011	57829.62	2.5	2.5	No economic development
2012	54731.17	0.5	1.8	No economic development

Source: Authors' Analysis Outputs

The analysis in the Table 2 above takes care of the study second specific objective and shows that economic development only take place in the year 1988 to 1990, and in the year 2004. While, there were no economic development in the year 1987, 1991, 1996, 1998, 2000, 2003, and 2009 to 2012. However, in the

years, there were widening of Gross Domestic Products (GDP) with exception of the year 1987 and 1991. However, for the other years, economy was in the process of growth or development but the expected conditions could not be attained concurrently on the two variables taking as independent as per econometrics concern.

Table 3 : Showing Outputs of Partial Dynamic Analysis (Log of d_GDP as Dependent Variable)

Variable	Coefficient	S.E	P-Value	Remark
Const	0.0495539	0.00840561	<0.00001	Significant at 1 per cent
d_Unemp	0.00915969	0.00368904	0.02076	Significant at 5 per cent
d_PovInc	-0.000500755	0.000815163	0.54505	Not statistically significant
R-squared	0.255449			≈ 26 per cent
F-statistics	3.945551		0.033635	Significant at 5 per cent
LM statistics	0.675435		0.713397	No serial correlation
χ^2 Normality	0.730373		0.694067	Normally distributed

Source: Extracted from Econometrics Software Output

Table 3 above satisfies the quest of first specific objective. Also from the table, the origin, which is constant, is statistically significant at 1 per cent- the result is 99 per cent not because of chance; then positively signed. First difference of unemployment rate was positively signed and statistically significant at 5 per cent. First difference of poverty incidence is rightly signed in consonance with a priori expectation but not statistically significant, therefore, it becomes irrelevant for decision. The regression line only explain approximately 26 per cent of change in the gross domestic product, the study mute about this because running the time series regression without differencing would indicate high R-squared (92 per cent) and having all the independent variables as Econometrics concerned, positively signed and statistically significant. Since, the main objective here was to answer logic form of question; less should the bothering about detail, which did not affect validity of the study's findings.

The F-statistics value of 3.945551 with p-value of 0.033635 shows that the variables in the model specified are jointly significant, that is, there is no misspecification in combining those variables used

together. LM statistics with high p-value signifies absence of serial correlation, by implication past error value did not affect present error value, and thereby, constant variance exists. Chi-square test statistics value for normality test indicates that error is normally distributed.

V. CONCLUSIONS AND POLICY RECOMMENDATIONS

On a yearly basis, starting from 1986 down to 2012 economic development only existed in some past years, precisely, 1988 – 1990, and year 1994 in Nigeria. However, economic development was in process in the year 1992 – 1995, 1997, 1999, 2001 -2002, and 2005 – 2008, which means increase in the Gross Domestic Products, had either reduced or kept static one of the poverty incidence or unemployment rate in the country. However, there was no economic development in the other years within the range of years in consideration but not mention.

Going by the variable that is statistically significant between the difference of unemployment rate and poverty incidence, for the period of 1986 – 2012, the

study finds that there is no economic development but widening of the Gross Domestic Products.

The study equally finds that starting point of the years in consideration might affect the yearly basis (simple comparative statics analysis) decision of whether economic development existed or not.

The study therefore concludes that following the partial dynamic analysis of existence of economic development, that there is no economic development existed in the country between the periods of 1986 to 2012 fiscal years. This implies that over the years in consideration, the indigent population, which is over seventy (70) per cent of the population, were not able to meet their basic needs, faced with limited means of satisfying their wants, and ultimately, lost a sense of worthiness in the society (Todaro & Smith, 2011).

Based on this major conclusion, government agents would need to adjust in their usage of the word 'economic development' by trying to differentiate development from mere widening of national products. Reasonable enough to know that increase in population goes with shift in population pattern, thereby, resulted to increase in size of each of the population classification. Because of this, ordinarily, Gross Domestic Products should increase because as population increases people produced more and consumed more as well. Therefore, it is not necessarily mean that increment in the Gross Domestic Products implies economic development. Economic development would reduce poverty incidence, unemployment rate and, inequality.

If the poor countries do not want to remain poor, appropriateness in their definition of terms, need to be taken into consideration. So that development variables can be rightly targeted, since the poor countries were poor and remained poor because of inappropriate and damaging government policies (Meier, 2001), and calling Gross Domestic Products widening as development is a tantamount inappropriateness that actually encourages damaging of government policies.

Developing countries need to start using appropriate concept in the light of this study to express their figures, so that, the masses can confide in the government policies and declaration once again; and even help in targeting towards the right variables, realising that economic development has not been in place. This study recommends further investigation by assessing the impact of unearned income, which may make a country to widening her GDP without economic development when the income circulation is restricted systematically.

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