

## The Political, Economic and Social Dynamics of Nigeria: A Synopsis

Aregbeshola R. Adewale

The political economy of a country is pivotal to its economic dynamics as well as its social system. While politics and the process of politicking do not necessarily give rise to the social structure of a people, the institutional framework, process and outcome of this exercise do influence the course and outcome of achievable socio-economic status of the nation and its people. Inasmuch as the primary expectation of electorates is to reap the benefits of democracy through their improved standard of living and sustainable socio-economic prosperity, failure to deliver on these measurable indicators are bound to be unsettling. Although these obligations are always seen as the benchmark for every political leadership (including in Nigeria), the practical reality of events has been one-dimensional. As the second-largest economy and the most populous country on the African continent, the prospect of economic advancement and social prosperity are largely evident and supported by the regulatory environment. However, the prospect of their realisation in a country that was beleaguered by a chequered history of political imbalance, including a thirty-month civil war, thirty years of military rule, and highly diverse and polarised ethnic and religious groupings that are perennially at friction with one another, appears to be challenging.

### Background Information and Introduction

Nigeria lies between latitude 40° and 140° north of the equator and longitudes 30° and

140° east of the Greenwich Meridian. The country lies entirely within the tropical zone. It occupies about 923 773 km<sup>2</sup> (about 3% of Africa's landscape). According to the 2006 census, Nigeria's population was 140 million in March

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Aregbeshola R. Adewale is a lecturer in the Department of Business Management (International Business) at the University of South Africa.

Figure 1 The geopolitical map of Nigeria.



of that year, of which more than 50% live in the urban areas (NBS, 2010). According to the same source, the country's population consists of seventy-two million males and sixty-eight million females, thereby making it the most populous country in Africa (about 14% of the total African population). However, the exact size of the population and its growth rate have long been a contentious issue because of their implications for ethnic balance, electoral competition and the allocation of federal revenue.

Although the 2006 census indicated an annual population growth of 3.2%, most independent assessments toned down the growth rate. The United Nations Population Fund (UNPF, 2009) expects Nigeria's population growth to fall from 2.8% in 1975–2005 to 2.2% in 2005–15. The organisation projects a population of 203 million in 2025 and 279 million in 2050, when Nigeria is expected to have the world's 6<sup>th</sup> largest population; in 2000 it had the 10<sup>th</sup> largest. Nigeria's total labour force grew from 54.9 million in 2003 to 58.9 million in 2006 and was projected to have risen to 61.2 million in 2007, making it one of the few countries with an actively growing population.

The country is 1 hour ahead of Greenwich Mean Time (GMT), and it has a gross domestic product (GDP) per capita of US\$2,385 (at purchasing power parity (PPP)). The official language is English, while Hausa, Yoruba, Igbo and many other local languages are widely spoken (Economic Intelligence Unit (EIU), 2010).

## The Geopolitical Attributes of Nigeria

The country Nigeria is a complex conglomeration of diversities that will return multifarious interpretations and identities depending on the investigator. Its unique position as an Anglophone country completely enveloped by 3 Francophone countries: Benin, Niger and Cameroon, attests to the obvious uniqueness of its geographic position in Africa. In other words, Nigeria is a giant Anglophone island in a sea of Francophone countries. Its geopolitical position is by no means a handicap as it towers above its neighbours with a landmass covering close to 1 million km<sup>2</sup>. It further intimidates the same neighbours and others beyond with its staggering population, nicknamed giant of Africa primarily because of this massive population and partly because of its economic potential.

To a few observers, Nigeria is synonymous with such abhorrent crimes as drug peddling, money laundering, corruption and recently terrorism. To the then war-torn and eventual beneficiary countries like Liberia and Sierra Leone, Nigeria is a bully and its former leader, Sani Abacha, was considered a dictator by some of the citizens of these 2 countries. To many others however he was a hero and a liberator. On the contrary, Paden (2008) contends that Nigeria is globally significant for a multitude of reasons, including its political resilience in spite of its complex ethno-linguistic and religious diversity. He argues that Nigeria, with a near parity Muslim and Christian population, could serve as a unique model for interreligious political accommodation and as a bridging

actor in global politics between the West and the Muslim world.

At home and to its citizens, Nigeria is an artificial creation by the British to serve their administrative convenience and whet their colonial appetite for an easy source of revenue and raw materials. The cultural, religious, and social heterogeneity remain agents of diversity rather than unity. Continued attempts at massaging the artificiality created by Britain into a unified entity have not yielded the anticipated political dividend. The country has grappled with the funnelling of 250 languages and ethnic groups, thirty-six states, the North and South geopolitical duality and a bipolar Muslim and Christian religious stratification into a single, indivisible state without success. Many of the internal conflicts witnessed in the country are aftermaths of the polarisation and have remained the bane of Nigeria's tortuous history of instability and underdevelopment that has not known any détente.

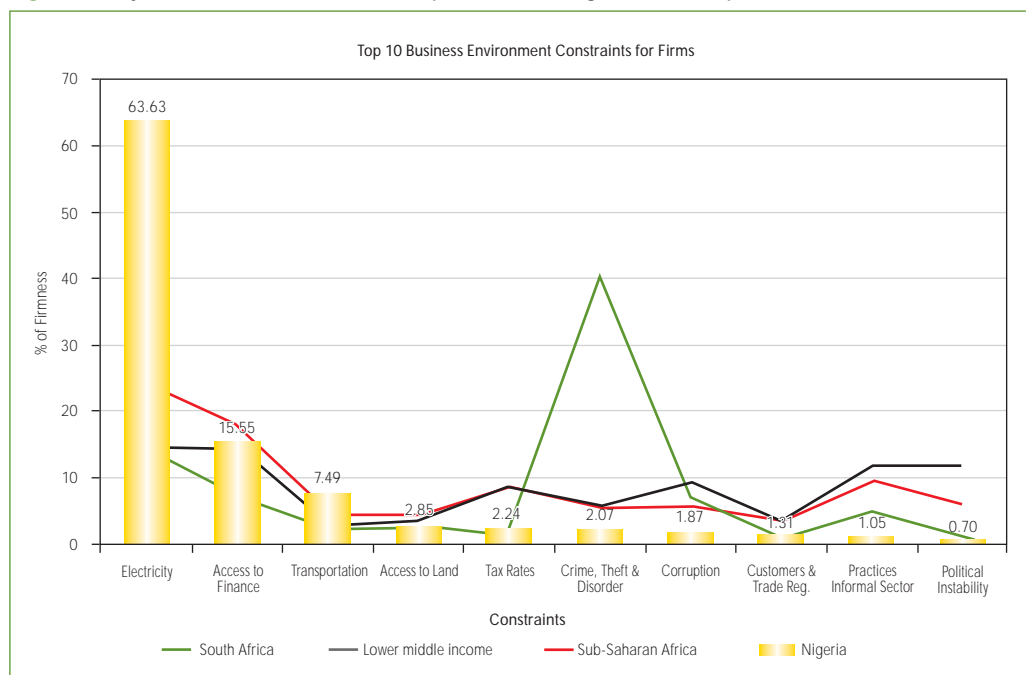
The intersocial, interethnic and intercultural tensions within the country continuously precipitate domestic political conflagrations of immense and diversified proportions. Kalu (1996) blames the British indirect rule strategy for magnifying and nurturing the country's ethnic differences rather than its similarities. With ethnicity deeply embedded in politics and governance, it is no wonder that government controls a system of provision and distribution of social amenities and development infrastructures that is not based on compatibility or need but rather to advance political

agenda. This major shortcoming partly explains the misplaced rationale of concentrating social, industrial and development infrastructure in major cities like Lagos, Abuja, Kano, Port Harcourt, etc., which serve as the centres of political power for the ruling elites.

Thus, industrial location is not solely a function of reasoned entrepreneurial planning and decisions, rather political considerations are often given undue weight (Ikpeze, Soludo and Elekwa, 2004). Even civic operations such as elections, population censuses and data gathering for more efficient revenue collection and allocation are politicised and ethnically charged and misconstrued. In a diversified, large and ethnically plural Nigeria, these exercises are considerably more problematic especially when undertaken in an atmosphere of mutual ethnic distrust (Ahonsi, 1988). It is in this light that the country is tethered to the political hegemony of the northern Muslim oligarchy which perpetuates its domination of the political (and by extension), the economic scene thereby immersing the country into an economic limbo which is un-diversified and ruled by hydrocarbons such as oil and gas (Rice, 2010).

The chronological account of the country's woes is inexcusably linked to the rancour in its internal geopolitics. For instance, in the country's fifty years of post-independence existence, the military has ruled it for thirty odd years; there have been nearly 7 coup d'états including palace and attempted coups; and numerous religious and ethnic eruptions have garnished and beclouded

Figure 2 Major Constraints to Business Operations in Nigeria – a comparison



Source: Adapted from The World Bank Group website: <http://www.enterprisesurveys.org/Custom/Default.aspx>.

its political arena. Eruptions of significant magnitude were the civil war of 1967–1970, the Ogoni riot and the murder of the Ogoni Nine in 1995, the ever lingering Niger Delta crisis, the annulment of the 12 June 1993 elections and numerous religious uprisings in the North. These were unequivocal portrayals of the incontrovertibility of the social and political fracture and deep intolerance that pervaded the country's body politics.

### The Economic Landscape

The business outlook for Nigeria is both challenging and promising. While the political economy of the country is increasingly investor-friendly, the state of the country's infrastructural development remains abysmal. Nigeria rates far better than most sub-Saharan African countries in terms of business constraints, with the main challenges lying in electricity supply, access to finance and transportation (World Bank, 2010), and infrastructural and institutional inefficiencies. From Figure 2, the greatest challenge and one of the major failings of the past administrative leadership appears to be the willpower to diagnose the country's enervating electricity supply problems. The war on corruption appears to be paying dividends, as corruption is rated far lower in Nigeria than in any other sub-Saharan African country.

The energy sector is the driving force of Nigerian economy. The country is the largest oil-producing country in Africa, and in the first digit in the world (World Bank, 2010). This sector, being the nerve centre of the economy, has witnessed many challenges that precipitated a series of reforms – mainly regulatory. As a result, the government is currently carrying out a series of reforms. Notable among these reforms is the deregulation of the downstream sector of the oil and gas industry. This means that the economy will be more efficient and the government will be less bloated and corrupt. Egypt's economy exploded after instituting similar reforms in 2004 (IMF, 2007).

In addition, the government is proposing to channel about US\$4 billion of oil revenues into other sectors of the economy to further boost the national diversification agenda. The investment is channelled towards infrastructure, especially oil sector infrastructure and power, where it is more useful. Other sectors like real estate, infrastructure and construction are booming. The performance of the agricultural sector is particularly appealing. Five years ago, two state governments imported human capital from Zimbabwe to spur

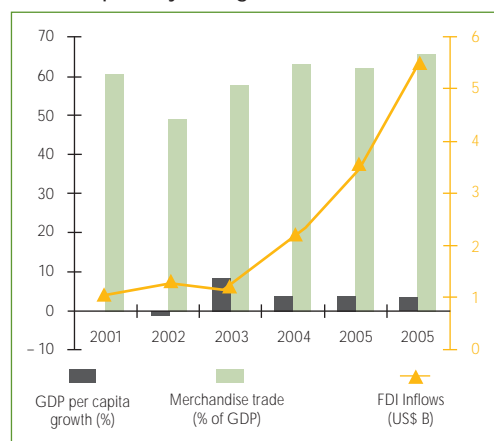
this sector and presently, industries have sprung up around agriculture. In addition, the largest cargo airport in Africa, targeted towards exporting agricultural products, is currently under construction. Apart from the mainstream economic growth (oil), growth in the non-oil sector is expected to remain buoyant, especially in sectors such as agriculture, telecommunications and construction (Nellor, 2008).

A new land reform bill which was introduced last February, when passed is set to radically change the way business is done in Nigeria. By making it easier for business to acquire land, it is expected to boost growth and investment in the real estate and agriculture sector (EIU, 2010). It will also make land easier to use as a convertible asset and a means of accumulating capital. In the currency market, the Nigerian Naira is expected to appreciate by the end of 2010. This is due to the projected increase in global demand for commodities and foreign investment as the global economy recovers. Given its current US\$22 billion current account surplus, the economic outlook is but promising (CBN, 2010).

According to the EIU (2010), economic growth in Nigeria is expected to be buoyed by moderate oil sector growth and more robust performance in the non-oil sector. The country's real GDP growth is expected to improve from an estimated 5.4% in 2009 to 6.2% in 2010, surpassing the world averages of 3.6% in 2009 and 3.5% in 2010. The macro-economic stimulus of the country is also healthy with the projected current account surpluses of 11.9% of GDP and 9.1% of GDP expected in 2010 and 2011 respectively (EIU, 2010).

The foreign investments outlook is impressive and promising. The stock of foreign direct investment inflow reached a record US\$83 million in 2008 and has since continued to increase (FDI.

Figure 3 The impact of invest inflows and poverty in Nigeria



Source: World Bank Database Group and UNCTAD

net, 2010). This has been driven by not only the commodity sector, but the non-oil sector as well. With the consumer price index kept at bay, the merchandise trade has continued to increase, albeit with little effect on the per capita GDP (FDI net, 2010). Figure 3 further lays credence to this observation.

On the migration outlook, Nigeria has an emigration rate of 0.8%. The major continent of destination for migrants from Nigeria is Africa with 62.3% of emigrants living in the continent (UNDP, 2009). The country is one of the few with tenacious growth in remittance over years because of the quality of Nigerian emigrants. For example, of the total US\$370 billion remitted globally in 2007, more than half relocated to countries in the medium human development category against less than 1% to low human development countries. In the same year, US\$9,221 million in remittances were sent to Nigeria, with an average remittance per person reaching US\$62, compared with the average for sub-Saharan Africa of US\$26 (UNDP, 2009).

## The Capital Market

The historical background of banks or banking is very difficult to trace with accuracy: as to when or how the banking system came into existence. Arguably, the modern banking system did not arise through any form of revolution, although its invention may not be unrelated to a series of industrial revolutions that occurred in continental Europe and the United States. Banks came into existence as a result of human curiosity and economic desire to acquire excess funds from the venture-capitalists, with the aim of making such funds available to lenders on agreed terms in order to create wealth.

Continental Europe was notable among a few governments that took the initiative to establish state-owned banks. History has it that the earliest government bank in Continental Europe was the Bank of Venice in Italy, which was established in 1157. That was closely followed by the establishment of the first state-owned bank in Sweden in 1556. The London goldsmiths may arguably be observed to have contributed to the advent of state-owned banks in the United Kingdom.

The Central Bank of Nigeria (CBN) was established in 1958, closely followed by the Lagos Stock Exchange which was formed in 1960. The stock market was later renamed the Nigerian Stock Exchange (The NSE) in December 1977 with its headquarter in Lagos. In 1961, The NSE

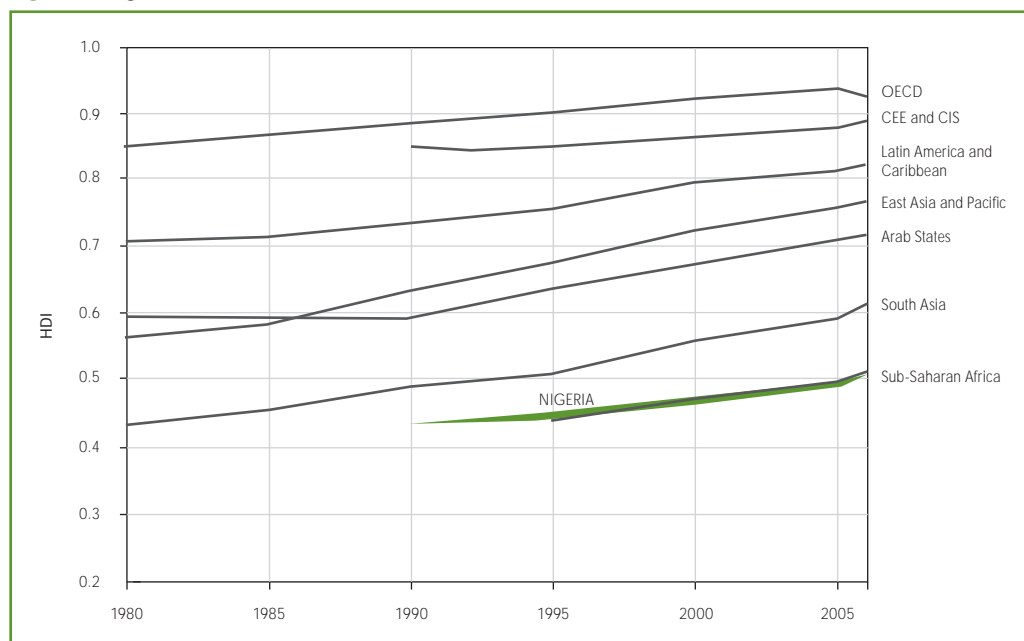
commenced operations with nineteen securities enrolled for trading – mainly comprising local interests. Over time, the number of listed firms has been close to 300, comprising both local and international investors. The trading system on the NSE is fully automatic. The total assets of the CBN stood at N8.8 trillion at the end of December 2008, showing an increase of 14.7% year-on-year. This increase was informed by the increases in External Reserves (12.0%), Nigerian Government Securities (222.4%), Loans and Advances (41.8%), Investments (172.6%) and Fixed Assets (5.8%) (CBN, 2008).

Although the depth and infrastructural capability of African stock markets has not been impressive, this is however rapidly changing as the efficiency of African capital markets continues to improve. In Nigeria for instance, financial technology is transferred to the economy almost simultaneously as it is developed in advanced capital markets (Nellor, 2008). This invariably has positively impacted on the performance of the stock market over a period. For example, as at 31 January 2010, the market value of the 266 listed securities closed at N7.5 trillion, up by 6.45% from N7.03 trillion recorded at the end of December 2009. Also, the all-share index increased by 14.5% from 20,827 at the end of 2009 to 23,846 by 4 February 2010 (The NSE, 2010).

The increasing capacity of the Nigeria capital market further provides institutional investors the prospect of good returns and potential to diversify risk through investments in financial markets. The governor of the Central Bank of Nigeria (CBN), Sanusi Lamido Sanusi, has a reputation for believing in strong corporate governance and conservative risk management. His intent to allow foreign takeover of local banks allude to his credentials in support of liberalising the market to further the attractiveness of the country to foreign capital inflow (EIU, 2010).

Nigeria offers numerous obvious benefits to both current and potential investors, especially in the financial sector. Based on the current population estimate, Nigeria has a population of 150 million people, of which barely 15% (less than 23 million) hold a bank account. Despite all odds, investing in the Nigerian financial sector may provide the navigating gateway to the rest of Africa (especially West Africa, considering its economic dominance in the subregion) in addition to the increasing strategic expansion of Nigerian banks to Asia in order to facilitate the south-south (Afro-Asia) trade. Considering the stock and quality of Nigerian emigrants, an improved banking system may also become more profitable by facilitating

Figure 4 Nigeria HDI measures between 1980 and 2005



Source: Indicator table G of the Human Development Report 2009

remittances from and within the continent, and from the western countries.

### The Social Landscape (Human Development Index)

A Nobel Prize-winning economist, Amartya Sen, sees economic development from a human capital aspect. According to Sen (1999), growth should be measured by the capabilities and opportunities that people enjoy rather than through material output measures like the gross national income (GNI) per capita. This author is of the opinion that freedom is both a basic constituent of development in itself and an enabling key to other aspects of national growth. In line with Sen's opinion, the 1993 Nobel Memorial Prize winner in Economics, Douglass C. North, also proposed some measurable indicators of a nation's level of economic development that revolves around human development. According to North (2005), economic development is best measured by institutional factors that support political, economic, social and other human/social capital in a way that creates national wealth. He opines that a country cannot be regarded as economically developed without a corresponding improvement in its citizens' quality of life. He cited China as a living example of such an economic development.

The United Nations concurred to views expressed above by developing the Human Development Index (HDI)<sup>1</sup>. Using the measurable indicators of HDI, quality of life in Nigeria

has been improving over time. Between 1990 and 2007, Nigeria's HDI rose by 0.91% annually, notably from 0.438 in 1990 to 0.511 in 2007 (UNDP, 2009).

According to Figure 4, Nigeria recorded a steady improvement on the HDI scales between 1980 and 2005 (the most recent data). Over this period, the country ranks averaged above the sub-Saharan African index (UNDP, 2009). However, the country ranks lower than many countries in other regions on quite a number of measurable indicators of HDI, thereby rendering it one of the world's developing nations.

Evidence suggests that the current level of political maturity and development in the country will further boost the country's economic development. The trickle-down effect of such economic gains is expected to translate into growth that precipitates development, if the inherent ideological balance observable in the current political leadership is sustained.

### Conclusion

Although in the previous eras the Nigerian political activities and destiny appeared to be modulated by a cabal of dogmatic ethnic, tribal and religious elites who sacrificed national honour and dignity for selfish interests, the political economy of the country appears unquestionably promising in recent time. The recent level of political maturity displayed during the 'power vacuum' era, and the increasing pressure on the political elite

to heed the call for good governance attests to this reality.

On the economic front, the endearing progress made on the reduction of economic crimes and corruption and other forms of institutional inefficiencies, lay credence to the conduciveness of the country's investment environment as one of the most promising to attract lasting business interests to the continent. On the premise that the current economic reforms are sustained, the projected increase in the per capita GNI could precipitate a massive consumer market.

In conclusion, despite the numerous challenges confronted by Nigeria and its people, the spirited pedigree of political elites, as well as the increasing political consciousness of the electorates, is undoubtedly capable of eliciting a lasting commitment to propelling the country towards unprecedented economic prowess. This bears testimony to not only the present economic achievements, but also to a future of hope and prosperity.

## Notes

- 1 The HDI measures the average achievements in a country in three basic dimensions of human development as follows:
- A long and healthy life, as measured by life expectancy of the total population of a country at birth.
  - Knowledge production, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (with one-third weight).
  - A decent standard of living, as measured by GDP per capita in PPP terms in US dollars (Adapted from the United Nations website: [www.un.org](http://www.un.org)).

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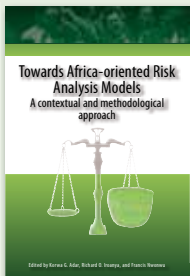
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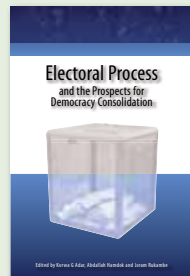
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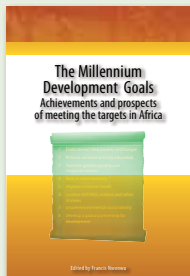
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