



EFFECT OF POLITICAL TRANSFORMATION ON ECONOMIC GROWTH IN NIGERIA

YAKUBU, Yunana Aku

**Department of Political Science,
Faculty of Social Sciences,
Nasarawa State University, Keffi, Nigeria**

Abstract

This study examined the effect of political transformation on economic growth in Nigeria. Neo-classical political economy theory was used as a guide, while data were obtained from 201 respondents. The sources of primary data were through questionnaires administered to teachers from some selected schools to represent the Northern, Western and Eastern Nigeria. Secondary data were obtained from Central Bank of Nigeria and National Bureau of Statistics. Simple descriptive statistics such as percentages, tabulation and graphs were used for the data analysis. The result revealed that there is a positive relationship between political transformation and economic growth in the state. In the same vein, the finding also showed that there is a positive relationship between lack of good governance and underdevelopment in Nigeria. The study therefore recommends that government should make sure that peace, justice and stability be maintained in the state, most especially through dialogue, consensus, tolerance and respect for one another because economic development thrives best only if peace and justice are available. Also, economic reform based on self-reliant programme is what Nigeria needs to cope with the global trend and achieve rapid economic development. Lastly, government should embark on serious political reform that will encourage investment and by extension economic growth.

Keywords: Political Transformation, Economic Growth, Politics, Governance, Reform

JEL Classification:

Introduction

The economic situation of Nigeria can be attributed to the nature and practice of politics and government, and the collapse of the economy is an upshot of bad governance. With a population of over 190 million people (NBS, 2018), Nigeria is the most populous country in Africa, with a GDP second only to South Africa's yet following several years of military rule and poor economic management, Nigeria has experienced a prolonged period of economic stagnation, rising poverty levels, and the decline of its public institutions. By most measures, human development indicators in Nigeria were comparable to that of other least developed countries while widespread corruption undermined the effectiveness of various public expenditure programs (Aderonke, 2012).

The lack of public investments in previous decades meant that there were several infrastructural bottlenecks that hindered private sector activities. In particular, the poor condition of the power sector prior to economic transformation illustrated the severity of

Nigeria's infrastructure deficit. The government could not transform the power sector to bring in economic growth and development. Per capita power consumption in Nigeria was estimated at 82 kilowatts (kW) compared with an average of 456kW in other sub-Saharan African countries and 3,793kW in South Africa (Adam, 2006).

Despite all these challenges, the democratic administration from 1999 to 2015, introduced various developmental programmes basically designed to alleviate or eradicate poverty by successive democratic governments both at the Federal and State levels in Nigeria. For instance, in 1999, Poverty Alleviation Programme (PAP) was introduced under Obasonjo which was later renamed National Poverty Eradication Programme (NAPEP). In 2003, still under the same government, National Economic Empowerment and Development Strategy (NEEDS) at the Federal level, State Economic Empowerment and Development Strategy (SEEDS) and at the State level, Local Economic Empowerment and Development Strategy

(LEEDS) were introduced. The brief regime of President Yar'adua introduced the seven point Agenda with poverty eradication as a focus. The regime of President Goodluck Jonathan retained some of the old programmes of its predecessors such as the NDE. Empowerment from National Directorate of Employment in 2009, NAPEP, NEEDS, Millennium Development Goals (MDGs) and recently launched Youth Enterprise with Innovation "You Win" and SURE-P among others.

Democracy is a vital instrument that is expected to propel political proficiency, economic development and social stability of any nation state. Therefore, in Nigeria, democracy has been a mere political need hanging on a limping utopia (Adewusi, 2011). A true democracy is essential for the development of all sectors of any country's economy.

Regrettably, the practice of democracy in the 21st Century particularly from 1999 to 2015, in Nigeria, has been characterized by political instability, socio-cultural decay and economic difficulty, resulting in unemployment and in all forms, leading to abject poverty and extreme hunger. The attendant

Literature Review

Political Transformation

Politics is power relation between people and political groups. As a general concept, is the practice of the art or science of directing and administrating states public affairs of a country? Transformation means a thorough or dramatic change relating to the government or the public affairs of a country. Therefore, transformational leadership is the type in which a person engages with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. Political transformation is an inevitable process of attaining political and economic development. This process is expected to engender economic growth, guarantee their citizens' unfettered access to good governance and sustainable democracy (Adesola, 2015).

Economic Growth: Economic growth is a component of macro-economic analysis best understood as an increase in the level of Gross Domestic Product (GDP) of an economy over a given period of time, usually one year. It is a sustained increment in the level of output of goods and services in an economy. Traditionally, economic growth has been attributed to the accumulation of human, natural resources and physical capital, those that increase productivity arising from labour force and technological innovation. Economic growth is the result of developing new products and services which have been described as 'demand creating.' However, when the supply of labour exceeds or outstrips the

implications of these anomalies have been the existence of all manners of crimes, kidnapping, armed robbery, prostitution, sexual slavery, pen-robbery, and election bickering and hooliganism (Nwanolue & Ojukwu, 2012) as the main features of Nigeria's political economy. A new Survey released by Bloomberg has projected that Nigeria, China, the Philippines, Kenya, India and Indonesia ranked among the 20 fastest growing economies in the world this year (This Day Live Feb. 2015).

Nigeria also became Africa's largest economy, after Nigeria rebased GDP calculation to more than \$500bn (Aljazeera April, 2014). However, despite the series of reforms and restructuring of the political and economic sectors, problems still persist. Therefore, this study addressed the extent to which political transformation influences economic growth and development in Nigeria. The study aimed at investigating the effect of political transformation on economic growth in Nigeria. The study is structured in five sections: the introduction, literature review and theoretical framework, research methodology, discussion of results and finally the conclusion and recommendations.

demand for labour, it causes joblessness or unemployment; with young people at the receiving end (McCallum, 2001).

Ike and Benjamin (2013) investigate the effect of political transformation on economic growth and development of Nigeria. 250 individuals were selected from the organizations of study. Responses from the questionnaire were complemented with personal interview of some selected management staff. The data obtained were analyzed using frequency tables and the values expressed in percentages. Pearson Product Moment Correlation was used for testing the hypotheses and t-test was used for testing the level of significance of correlation coefficient at 5% error and 3-degrees of freedom. The findings of this study are there is a positive relationship between political instability and low investment in Nigeria; and there is a positive relationship between lack of good governance and low per capita income.

Hairong and Ferenc (2009) analyze the impact of global financial and economic crisis on the process of system transformation in China. First, it details the direct impact of global growth on macroeconomic development and its indirect impact on economic transformation. Second, it analyzes the direct impact of global crisis on macroeconomic decline and its indirect impact on the prospects of political transformation. The study builds on the basic principles and ideas of the

Interactive Party State model to introduce the concept of transformation dynamics. This concept implies the direction and speed of change of the retreating party state sphere and the emergence of the field outside of it during the process of transformation. Using this concept a statistical survey was carried out on the economic transformation of the Chinese party state. Results revealed the disparities of the dynamics of transformation in time, in space, and at different levels of aggregation between 1999 and 2004. A dominant type of transformation dynamics is revealed during this period and the shift of dominant type within that period.

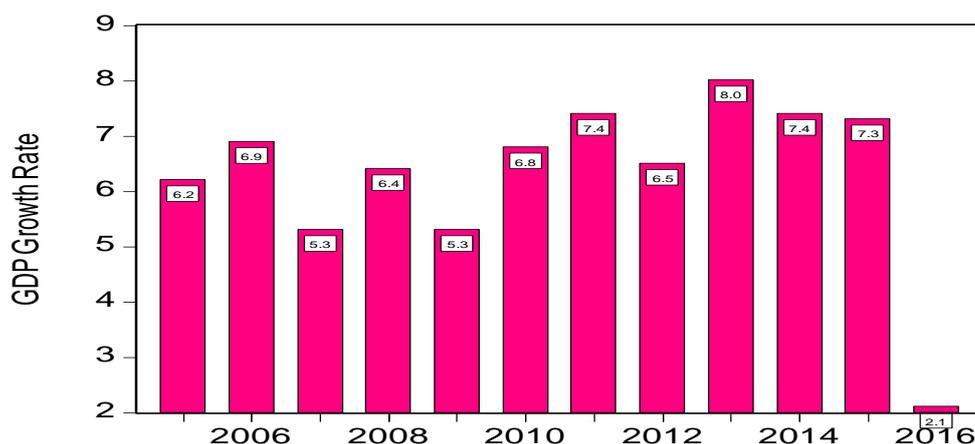
Politics in Nigeria

Political developments in Nigeria have unearthed the true depth of the underlying spirit of her nationhood. It has also put to a simple test, the character of our political leaders; who are supposed to be advocates of sound democratic political culture. But as it is now, the parochial interests of the nation’s political, tribal, and religious leaders have made nonsense of the character of sound political leadership as prescribed in every healthy presidential democracy (Ike and Benjamin, 2013) It is most absurd to note that the political class has shamelessly turned Nigeria’s democracy on its head. This sad development is a clear demonstration that the noble democratic culture of good governance has been deliberately drowned in the pool of negative political scheming. This anomaly is hugely responsible for why the issue of tribal lineage is regarded far above every other factor in the Nigerian society. In a nutshell; tribalism can only become rife in a country where

there is no transparency, accountability, justice, and fair play (Gabriel, 2011). Furthermore, tribalism promotes national poverty. It compels citizens to be lazy. In a tribal-induced bureaucracy, even people that sow nothing can reap bountifully simply because their tribesperson is in power. This affect the growth and development of Nigerian economy.

Economy of Nigeria

The economy of Nigeria is a middle income, mixed economy emerging market with well-developed financial, legal, communications, and entertainment sectors. It is ranked 31st in the world in terms of GDP (PPP) as of 2009, and its emergent, though currently underperforming manufacturing sector is the third-largest on the continent, producing a large proportion of goods and services for the West African region. Previously hindered by years of mismanagement, economic reforms of the past decade have put Nigeria back on track towards achieving its full economic potential. Nigerian GDP at purchasing power parity more than doubled from \$170.7 billion in 2005 to \$374.3 billion in 2010, although estimates of the size of the informal sector (which is not included in official figures) put the actual numbers closer to \$520 billion. Correspondingly, the GDP per capita doubled from \$1200 per person in 2005 to an estimated \$2,500 per person in 2009 (again, with the inclusion of the informal sector, it is estimated that GDP per capita hovers around \$3,500 per person). It is the largest economy in the West Africa Region, 3rd largest economy in Africa (behind South Africa and Egypt), and on track to becoming one of the top 30 economies in the world in the early part of 2011 (Rogers, 2011).



Source: Central Bank of Nigeria, 2017

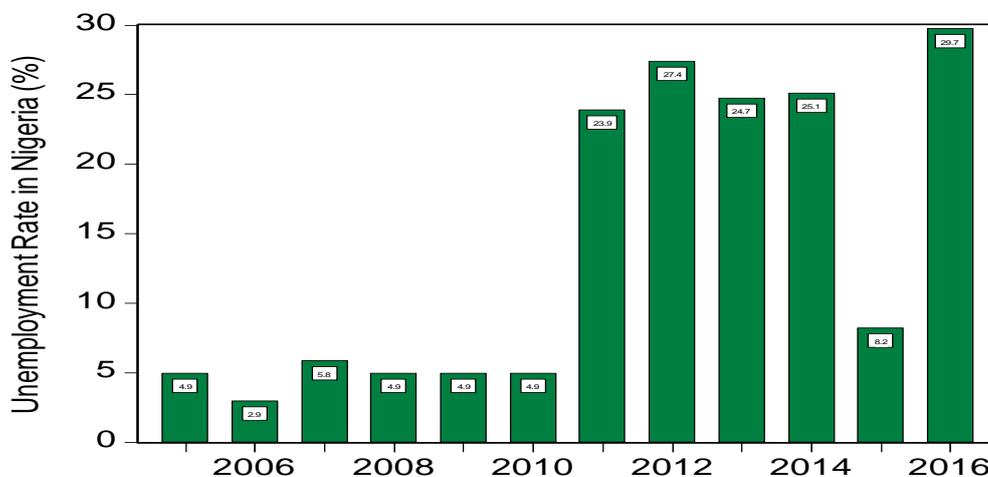
Fig. 1: Graph on Trend of GDP growth Rate in Nigeria (2005-2016)

Although much has been made of its status as a major exporter of oil, Nigeria produces only about 3.3% of the world's supply, and though it is ranked as 6th in production at 2.2 million barrels per day. The largely subsistence agricultural sector has not

kept up with rapid population growth, and Nigeria, once a large net exporter of food, now imports a large quantity of its food products. In 2006, Nigeria successfully convinced the Paris Club to let it buy back the bulk of its debts owed to the Paris Club

for a cash payment of roughly \$12 billion (USD) (World Bank, 2011). The high rate of unemployment and poverty in Nigeria had affected

economic growth and development in the state. Figure 2 shows the trend of unemployment in Nigeria.

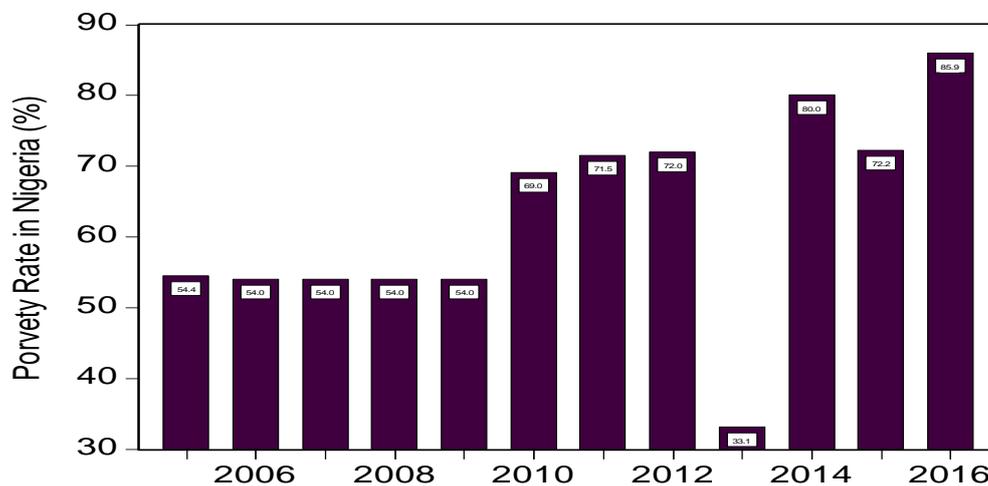


Source: National Bureau of Statistics, 2017

Fig. 2: Graph on Trend of Unemployment Rate in Nigeria (2005-2016)

From figure 2, unemployment rate was moderate between 2005 and 2010 ranging between 2.9 per cent to 5.8 per cent. The unemployment rate shoots to 23.9 per cent in 2011 from 4.9 per cent in 2010 and becomes very high in 2016 (29.7) per cent. These may be due to current economic recession experiencing in the Country by negative growth

rate, high inflation rate and high exchange rate. We can observe that the movement of unemployment rate and poverty rate is positive. As unemployment rate is increasing, the level of poverty in the country is also increasing. In 2016, poverty rate is about 85.9 per cent while unemployment rate is about 29.7 per cent.



Source: National Bureau of Statistics, 2017

Fig. 3: Graph on Trend of Poverty Rate in Nigeria (2005-2016)

Neo-Classical Political Economy Theory

The neo-classical political economists forcefully argued against the claims made by the classical or bourgeois political economist that freedom from state intervention and belief in market system would ensure optimum resource allocation (Scholars in the

Keynesian and neo-keynesian, 2000). These schools of thought believe in state intervention and participation in economic activities which will bring in political transformation and eventually result to economic growth and development. They argued that for there to be full employment equilibrium, the control of

inflationary gap and general recession, government intervention was needed to inject money into the economy, and to embark on fiscal and monetary policies to correct these distortions (Nadeau, 2008).

In summary, the classical political economy theory made emphasis on Adams Smith's theory of invisible hands that the price of the commodity should be controlled by the forces of demand and supply. And private sector is the best to control the economy, which according to them will bring more productivity in the economy. But the perspective of the neo-classical political economy theory is different, they believe that the sector of the economy requires a strong government intervention to regulate it for better productivity. In the case of Nigeria where the level of

corruption is high and the economy left for the invisible hands to control, surely, the economy would go for recession and the realization of economic growth and development would be insignificant.

The advanced capitalist state for example, United States of America also indirectly controls the prices of her commodity. Therefore, the invisible hand theory propounded by Adams Smith is just a mere imagination. That is why the Neo-classical economic theories which emphasize government control of the economy by investing huge capital bring in political transformation which transforms to economic development makes more meaning and helps us to understand issues this study focuses on.

Methodology

Research Design

Survey research method was adopted for this work. The method seem the best for this study because it is not possible to administer questionnaire to the entire population. In addition, there are few questions to be answered by some selected electorates particularly secondary school teachers. The choice of secondary teachers was influenced by nature and structured of the system in the Country

Method of Data Analysis

The presentations of data were in form of tables and frequency distribution. The data were analyzed using simple descriptive statistics such as percentages, ratio, tabulation and graphs.

Sources and Method of Data collection

The sources of primary data were through questionnaires that were administered to teachers

from some selected schools to represent the Northern, Western and Eastern Nigeria. The Data was collected from 201 respondents. Secondary data were obtained from Central Bank of Nigeria and National Bureau of Statistics of various years.

Research Hypothesis

H₀ = Null hypothesis: There is no positive relationship between political transformation and economic growth in Nigeria.

Presentation and Discussion of Results

The study presented and analysis results generated from questionnaires with the aim of answering the research questions and achieve the research objectives. The study presented and analyzed the results for demographic characteristics of the respondents both in tabula and graphic form, data analysis and finally testing of hypothesis using the Spearman's correlation.

Demographic Characteristics of Respondents

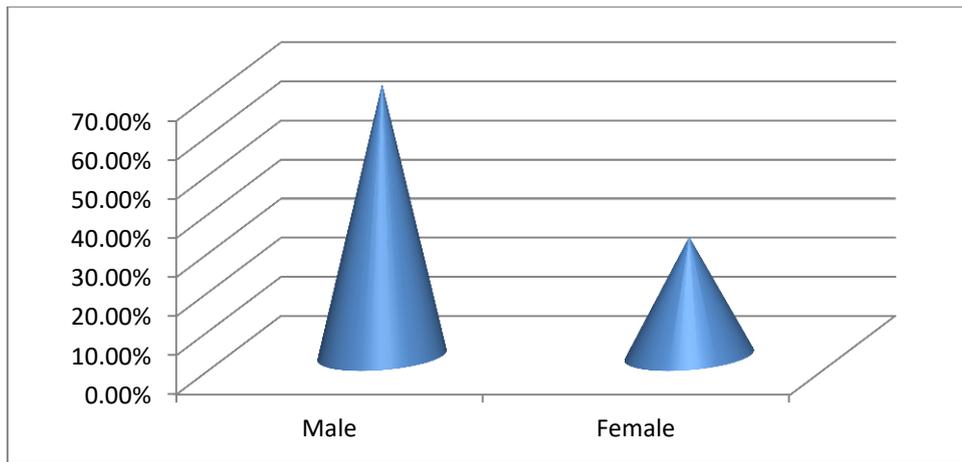
Table 1: Gender of the Respondents

Gender	Frequency	Percentage	Valid percentage	Cumulative percentage
Male	131	65.2	65.2	65.2
Female	70	34.8	34.8	100
Total	201	100	100	

Source: Field survey, 2018

The tables 1 show that 131 respondents are male and 70 respondents are female which represents 65.2% and 34.8% respectively. The result shows

that majority of the respondents under investigation are male. Figure 4 show the clear picture of the sex of the respondents.



Source: E-views 7.0

Fig. 4: The sex (gender) of the respondents

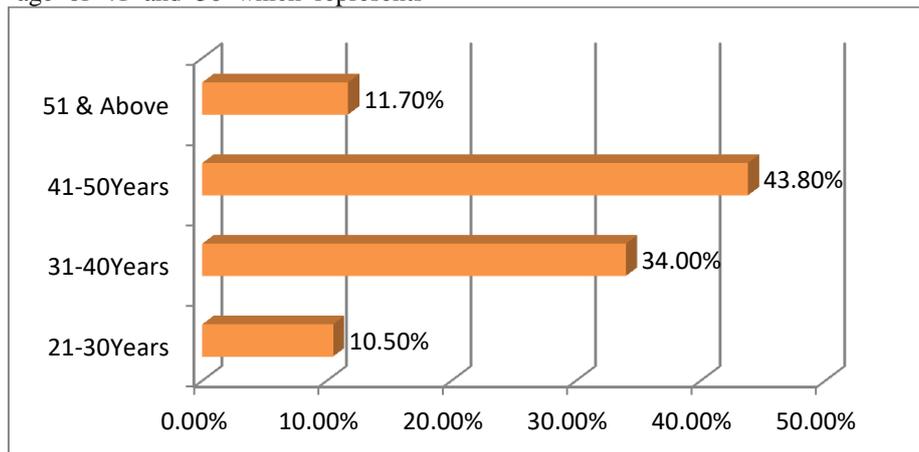
Table 2: Age of the Respondents

Age	Frequency	Percentage	Valid percentage	Cumulative percentage
21 – 30 Years	21	10.5	10.5	10.5
31 – 40 Years	69	34.0	34.0	44.5
41 – 50 Years	88	43.8	43.8	88.3
51 & above	23	11.7	11.7	100
Total	201	100	100	

Source: Field survey, 2018

Table 2 and figure 5 shows that 21 respondents are between the age 21 and 30 which represents 10.5%, 69 respondents are between the age of 31 and 40 which represents 34.0%, 88 respondents are between the age of 41 and 50 which represents

43.8% and 23 respondent is between the age 51 and above which represents 11.7%. The result shows that majority of the respondents were between the age of 41 and 50 years.



Source: E-views 7.0

Fig. 5: Age of the respondents

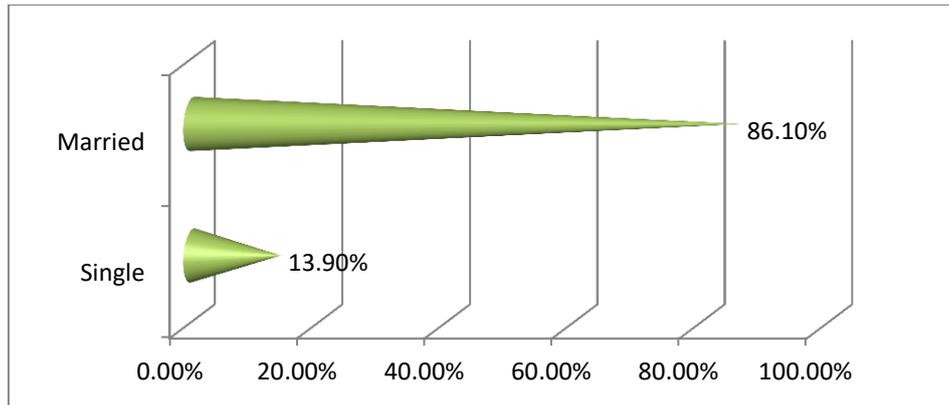
Table 3: Marital Status of the Respondents

	Frequency	Percentage	Valid percentage	Cumulative percentage
Single	28	13.9	13.9	13.9
Married	173	86.1	86.1	100
Total	201	100	100	

Source: Field survey, 2018

Table 3 show that 28 respondents are single which constitute 13.9% of the study while 173 respondents are married which constitutes 86.1% of

the study. This result shows that majority of the respondents are married as clearly indicated in figure 6.



Source: E-views 7.0

Fig.6: Marital Status of the respondents

Analyses of Questionnaire

Table 4: Opinion of Respondents on how democracy promotes economic growth and development

Response	No of Respondents (Electoates)	Percentage %
Agree	132	65.67
Disagree	49	24.38
Undecided	20	9.95
TOTAL	201	100

Source (s): Field Survey, 2018

Responses from Electorates

The result from the questionnaire shows that 132 of the respondents (65.67%) agree that democracy promotes economic development in Nigeria which had led to the enhancement of the living standard of the people, 49 of the respondents (24.38%)

disagree while 20 of the respondents (9.95%) were undecided. From the above responses of the electorates, it is reveal that democracy in Nigeria had substantially brought transformation and enhanced the living standard of the people.

Table 5: Does lack of good governance contribute to the underdevelopment of Nigeria?

Response	No of Respondents (Electoates)	Percentage %
Agree	146	72.64
Disagree	41	20.39
Undecided	14	6.97
TOTAL	201	100

Source (s): Field Survey, 2018

Responses from Electorates

The result from questionnaire shows that 146 respondents (72.64%) agreed that lack of good governance contributed drastically on the underdevelopment of Nigeria. elected officials lack the zeal to personally uplift and improve the living standard of the people, most of them paid more attention to only members of their immediate family at the detriment of the entire citizens. Forty

one (41) respondents (20.39%) disagree that, the Nigerian underdevelopment is not as a result of lack of good governance by our leaders but can be trace from colonial period were the colonial master structured the economy in such a way that we will continue to depend on them. This is the course of our underdevelopment. From the above, it revealed that lack of good governance is really the major course of our underdevelopment.

Test of Hypothesis

Table 6: Correlation

		Political Transformation	Economic Growth
Spearman's Political Transformation	correlation coefficient	1.000	0.81
	Sig. (2-tailed)		0.019
	N	201	201
Economic Growth	correlation coefficient	0.81	1.000
	Sig. (2-tailed)	0.019	
	N	201	201

Source: SPSS 16.0

** Correlation is significant at the 0.01 level (2-tailed).

Interpretation: rho = 0.81, N = 201 and P > 0.005 as shown on the table above, we can conclude that there is a positive relationship between political transformation and economic growth in Nigeria. Therefore, reject the null hypothesis and conclude that political transformation leads to economic growth in Nigeria.

Major Findings

The finding of hypothesis reveals that there is a positive relationship between political transformation and economic growth and development in the state. (65.67%) of the respondents agreed with the above assertion. In the same vain, the finding also showed that there is a positive relationship between lack of good governance and underdevelopment in Nigeria as agreed by (72.64%) of the respondents.

Conclusion and Recommendations

The study was based on exploratory and descriptive research. The conclusion in the data analysis signified that there is a positive relationship between political transformation and economic growth and development in Nigeria. Also, a positive relationship between lack of good governance and underdevelopment in Nigeria was

recorded. These results are in line with some of the literature reviewed. Therefore, Nigerian leaders should sit up in transforming the economic sector for more productivity.

The government should make sure that peace, justice and stability be maintained in the state, most especially through dialogue, consensus, tolerance and respect for one another because economic development thrives best only if peace and justice are available.

Economic reform based on self-reliant programme is what Nigeria needs to cope with the global trend and achieve rapid economic development. Government should embark on serious political reform that will encourage investment and by extension economic growth and development.

Good societal organization should step up mass mobilization of the populace for more participation of the people in democratic activities. The security challenges facing the country should be seriously addressed and any culprit found should be treated accordingly. If this is done it will facilitate political transformation.

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