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THE CHALLENGES OF SUSTAINABLE INCLUSIVE AND INTEGRATED DEVELOPMENT OF NIGERIA: HOW NIGERIAN LEADERS UNDERDEVELOPED NIGERIA, 1999 – 2015

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Abstract

The research problem that informed the study related to the various challenges, nay impediments that have apparently placed insurmountable barriers on the path to sustainable development of Nigeria. The research objective was to find out if the challenging variables have had any significant impacts on the Gross Domestic Product (GDP) used as proxy for the economic growth and sustainable development of Nigeria from 1999 to 2015. The period covered the time accountable governance and democracy was restored before transition to new administration last year. The research method employed selected secondary data as indices for measuring development. The data were sourced from the Central Bank of Nigeria, CBN Statistical Bulletin and were subjected to multiple regression analysis. The data were: The exchange rate of the United States dollar (USD), Percentage of Commercial bank loan to Small/Medium Enterprises (SMEs), The level of manufacturing output and capacity utilization in industry. To operationalize the study the researcher used the data as variables to formulate 4 (four) guiding null hypotheses. The findings were that (1) Exchange rate was negatively related to GDP. (2) Other variables were either positively or negatively related. The conclusion was that ineffective political leadership and bad economic management have created barriers to sustainable inclusive and integrated development of Nigeria during the period under study: Nigerian leaders underdeveloped Nigeria, increased poverty level and inequality. Based on the findings appropriate policy recommendations were made to chart a new course for sustainable development of the country.

Keywords: Sustainable development, Exchange rate, Commercial bank loans, Electricity generation, Capacity utilization, Imports, Political leadership.

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Background of the Study

Development as an all round economic, social, political, and technological advancement as well as its sustainability in a given environment is an issue that cuts across all academic disciplines.

In recent times development experts have added two more sides to the *prism*, namely: inclusive and integrated development and the literature is awash with researches on these concepts. In other words development is not only advancement in economic, social, political and technological life of a nation it should also be pro-poor sustained and involve all sectors of the ecosystem including health, education, housing, transport/communication, environmental sanitation, portable water supply, governance at all levels and so on. Furthermore, it should be seen as integrating the rural and the urban sectors (WCED, 1987; Tutu, 2011). Looking at these issues from all sides of the prism the impression one gets is that Nigeria is underdeveloped and the leaders are still under developing the country. If we discount the military era as years the locusts had eaten because soldiers were not accountable to the people what about the period from 1999 to 2015 before a new civilian administration took over. From 1999 to date evidences abound on how the leadership have underdeveloped and literally raped the country. By 2014 when the Gross Domestic Product, G.D.P, used as proxy for economic growth was rebased the Nigerian G.D.P was N84 trillion ($510 billion). Nigeria was rated as the largest economy in Africa and the 26th globally topping Austria 27th and South Africa 28th (Okeke, 2014 p.6). The growth rate was also put at 7.5% (NBS, 2014). The average exchange rate was N92.69 to one US Dollar (1 USD). Just a year after, the bubble burst. The exchange rate climbed to N300.00 on the average, all because there was a slump in the export price of oil and the leadership had not been creative and proactive enough over the years to diversify the economic base. The country had relied on crude oil export almost 100%. At the current exchange rate the G.D.P of N84 trillion in 2014 is now devalued to about N24 trillion. This is not sustainable development. The growth rate of 7.5% is now negative implying that the economy is in recession. In the first quarter of 2015 unemployment rate according to statistics from the National Bureau of Statistics (NBS) was 17.7 million people. Today it is tending towards 20 million and this is just a conservative estimate. The rate of inflation has gone double-digit again to 16.5% inflicting hardship on the poor. This also does not show inclusive development. There is also nothing integrative when the leaders are playing politics with the 2016 budget and education, health care and other sectors are suffering.

Statement of the Research Problem

From the above background the research problem this paper intends to investigate relates to the lack of sustainable, inclusive and integrated development of Nigeria and how the leadership through their actions and inactions have brought about the underdevelopment.

Statement of Research Objectives

Given the above problem statement the objectives of this study are four fold:

1. To find out if there is any significant relationship between the exchange rate of the naira and the Gross Domestic Product, G.D.P., used as proxy for the economic growth of Nigeria.
2. To find out if there is any significant relationship between capacity utilization in manufacturing industry and the G.D.P. used as proxy for the economic growth of Nigeria.

3. To find out if there is any significant relationship between the level of manufacturing output and the G.D.P. used as proxy for the economic growth of Nigeria.
4. To find out if there is any significant relationship between percentage of commercial bank loans to Small/Medium Enterprises (SMEs) and G.D.P of Nigeria used as proxy for the economic growth of Nigeria.

Statement of Hypotheses

To guide the study, the following hypotheses in the null version were formulated

1. There is no significant relationship between the exchange rate of the naira and the G.D.P used as proxy for the economic growth of Nigeria ($P \leq 0.05$).
2. There is no significant relationship between capacity utilization in manufacturing industry and G.D.P. used as proxy for the economic growth of Nigeria ($P \leq 0.05$).
3. There is no significant relationship between the level of manufacturing output and G.D.P. used as proxy for the economic growth of Nigeria ($P \leq 0.05$).
4. There is no significant relationship between percentage of commercial bank loans to SMEs and the G.D.P used as proxy for the economic growth of Nigeria ($P \leq 0.05$).

Review of Related Literature

The review of literature in this work is meant to situate the paper in perspective with previous studies in the area and supply the missing links by which the study makes its contribution to knowledge.

The Current State of the Nigerian Economy

Available statistics from the National Bureau of Statistics show that the Nigerian economy which made a beautiful outing in 2014 is now regrettably in recession. Then in 2014 the Gross Domestic Product G.D.P after the rebasing exercise recorded N84 trillion ($510 billion), with a growth rate of 7.5% and global ranking 26th (and 1st in Africa).

By the end of the first quarter of 2015, the contribution of services to G.D.P was 54.56%. Industry was 25.6% Agriculture was 19.79%. The emergent fourth sector comprising of telecommunication, e-commerce, entertainment etc also made impressive outing (Enebili – Uzor, 2015 pp 18 – 46). By year end 2015 the bubble had burst and the economy was recording volatile and negative growth. As recorded by Okeke (2015 p. 5) "By the close of 2015, all economic indicators literally went haywire (off target)". This was consequent on the continuous fall in the price of the crude oil in the export market uptill the first and second quarter of 2016 when observations were recorded by the NBS.

The implication of the economy in recession is that unemployment had risen to 46% from 19.6% in 2015 because of job cuts. The Small and Medium Enterprises (SMEs) sector alone had recorded 57% job losses by June 2016 (Madike, Chukwuyem, Yusuf & Hassan, 2016 p. 4). Power supply had been epileptic, coupled with difficulty in accessing foreign exchange to import raw materials and equipments in an economy that is highly import dependent. There is also infrastructure deficiency, low capacity utilization in industry and unclear policy framework. Inflation rate consequently had risen from 9.6% by the close of 2015 to 16.5% on the average during the second quarter of 2016. The flexible exchange rate policy introduced in June, 2016 had seen the naira exchange rate hovering around N350.00 to a dollar and as at the time of writing it had risen to N400.00, thus effectively devaluing the G.D.P to $296billion and giving way again to South Africa as the largest economy in Africa (Vanguard Newspaper Vol 25, No 6 3090 Thursday August 11, 2016, p.1)

All these are attributable to the slump in the price of crude oil as well as vandalization of oil and gas pipelines in the Niger Delta which reduces production. Nigeria had been dependent on revenue from crude oil export over the years and the leaders paid deaf ear to the call for economic diversification. From the foregoing it is clear that economic growth, *ipso facto*, economic development has not been sustained.

The Concept of Sustainable Inclusive and Integrated Development

Development is the process of making better the living standards of the people of a particular economic area. It has implications for both individual and group development and has social, economic, political and technological perspectives (Mbaegbu, 2016). As Ekpo (2015) pointed out, economic growth and increase in Gross Domestic Product G.D.P of a place is not a sufficient condition for sustainable development. It is only a necessary condition "Economic development goes beyond sustained growth. It must deal with distribution, fairness and equity" (Ekpo, 2015 p 43). Development is sustained or sustainable if all the indices for measuring development in an area are plotted on a graph over time and the curves are upward slopping to the right. In other words for development to be sustainable the rate of development must be increasing in arithmetic progression if not in geometric progression. This implies that the natural resources are being exploited in such a manner that the development efforts of the future generations are not put at a disadvantage (WCED, 1987). Development is not sustained if the economy moves one step forward and two steps backwards, increasing misery and poverty. Development is inclusive if all strata of the population are carried along. In other words inclusive development is pro poor. It aims at bettering the lives of people generally including the poorest poor (Koroneos & Rokos, 2012). On the other hand, integrated development targets the various sectors; health, education, transport and communication, housing governance etc. It also aims at bridging the gap between the rural and the urban sectors.

The Concept of Leadership

In this work leadership is defined is the act of leading; the act of setting the pace for others to follow willingly and any person in the position to guide and influence other people and carry them along in the achievement of a particular goal or objective is a leader (Mbaegbu & Ghandi 2012). The leader ministers to execute the will of his or her followers; their collective will, their needs. The leader is not just the boss he is the "servant leader" to use the words of Keating (1982). If the leader is designated Prime Minister or a President for that matter he is the highest servant of the people because the word "minister" in Latin means "servant". The collective will of the people which the servant leader executes and promotes naturally includes their development, the enhancement of their living standards, their general economic, social, political and technological welfare as well as its sustainability. The instant leadership positions in Nigeria includes those of all political appointees, top brass, security officers, and the positions of public servants in charge of Ministries, Department and Agencies (MDAs) who help the governments to formulate and implement policies. It also includes the positions of industry leaders in the organized private sector who ought to speak up when things are going wrong. As Wole Soyinka said: "*The man died in him who kept quiet in the face of injustice*". Our *aprior-ori* reasoning is that it is the actions and inactions of these leaders that have underdeveloped Nigeria.

Theories of Sustainable Development

Theories of sustainable development are basically prescriptive theories of the determinants of the level of Gross Domestic product, G.D.P used as proxy for economic growth and well being of the people of an economic area.

In perspective the first of these theories were the classical theories propounded by Adam Smith, David Ricardo and others of the Classical School of Economics in the C 18th England (Jhingan, 2010). The classical, as it were, prescribed that G.D.P was a function of labour and capital used in agreeable proportions. The assumptions were that the economy had a self equilibrating mechanism by which all inputs could be absorbed to attain full employment and uptinum G.D.P. in the long run with no intervention. However, it was during the Great Depression in the 1930s when there was unemployment and misery and the economy not be restored in the long run to full employment as expected by the classicals that the theories failed and gave way to the Monetary Theories (Samuelson, 1986). The monetarists were represented chiefly by Lord John Maynard Keynes (See Keynes, 1936). The monetarists believed strongly that employment generation, wealth creation and economic development depended on the availability of funds to investors (fiscal policy) and credit for purchasing power of consumers (monetary policy) to increase aggregate demand in order to jack up production (G.D.P). They believed in systemic intervention by government.

With regard to the third world countries of which Nigeria is typical the Neo-classicals represented by Solow (1956) believe that G.D.P is still a function of labour and capital used in the right proportions baring entrenched interests and bottlenecks in production function (see Perkins, 2001). These entrenched interests and bottlenecks of course include corruption, economic mismanagement, exchange rate disability etc associated with Nigerian leaders and other African leaders (Tutu, 2011).

Exchange Rate Disability and Nigeria's Underdevelopment

One of the most formidable challenges facing development planning in Nigeria is exchange rate disability caused by ineffective leadership. Nigeria earns much of its revenue from the sale of crude oil. Over the years the leadership had not been able to diversify the sources of export revenue. The result is that any shock in the export price of crude oil would have dire consequences on the people, increase poverty and underdevelopment.

Before oil became the life wire of the economy Nigeria had groundnut pyramids in the North, palm produce in the East and cocoa in the West. In the export market the country was a leading exporter of these agricultural products and earned good foreign exchange to beef up foreign reserves. In spite of the challenges of adverse terms of trade in some years the reliance on agriculture in the first republic paid off. There was massive investment in education, health care delivery, social infrastructure etc and Nigeria was developing, such that Nigeria marched ahead of Malaya (Malaysia and Singapore). Foreign exchange control policy was adopted in 1962 and the leadership operated the fixed exchange rate that put the Nigerian pound at par with the British pound (Ogundipe, 1987 pp 2- 27). The foreign reserves were so much that Nigeria prosecuted the civil war without borrowing from any country. Then the civil war (1966 – 1970) came and derailed the march to sustainable, inclusive and integrated development by implanting the military and ineffective leadership in the post war years. The oil-boom of the post war years in the 1970s could not be managed effectively. All attention was focused on oil and agriculture was neglected. Potential farmers migrated from the rural areas to the urban areas as emergency contractors of the government.

In 1972 the Nigerian pound was decimalized and rebranded. The new currency became Naira and Kobo. One naira was at par with 10 shillings and two naira was at par with one pound sterling. The naira was higher in value than the US Dollar. Trade was liberalized and Nigerians imported anything they fancied from any part of the world giving rise to congestion at the sea ports. The Head of State then was quoted as saying that Nigeria's problem was not how to make money but how to spend it. A jamboree festival of black arts and culture was organized in 1977 and foreign reserves were squandered. In the 1980s the bubble burst as the Middle East War ended and there was oil glut and the naira began its journey to the abyss. In 1983 1.00 US Dollar was exchanged with N1.3359. The dollar had overtaken the naira and continued to increase the gap till today. In 1985 the second republic was held culprit and the administration was terminated by the military again. In 1986, as part of the Structural Adjustment Programme (SAP) of the new regime, a two-tier foreign exchange market was introduced. On 25th September of that year 1986 the exchange rate of the naira in the first tier of the market was N1.5535 to a dollar and the sterling rate was N2.2477 (Ogundipe, 1987). In the second tier the dollar sold for N4.00. The two-tiers later emerged to form the Inter Bank Foreign Exchange Market (IFEM) and the free fall of the naira continued till now it N400.00 to a dollar, thirty years after it was N4.00. One defect of the Nigerian foreign exchange market which has contributed to the free fall of the Naira is the operation of an illegal *black market* side by side with the official *forex* market. The black market, particularly serves the needs of importers who cannot wait for the authorized dealers, the banks to process their papers for foreign exchange. The operations of the *black market* signify the inability of the Nigerian leadership to manage the exchange rate for the development of the people and the economy. In the *black market* some mean looking agents sell *forex* for their principals who are people in leadership positions in Nigeria and who have access to the official Central Bank of Nigeria forex market and other sources such as proceeds from their so called *oil blocks* which they drill and sell abroad. These shareholders of *Nigeria plc* buy forex at lower rates at the official market and sell at higher rates at the black market to traders in the huge Nigerian consumer market with preference for foreign and imported goods and earn arbitrage income. The arbitrageurs by their actions mount pressure on the demand for *forex* and cause havoc to exchange rate.

Owing to the operations of the *black market,* Nigeria has no control of the *forex* market and therefore cannot regulate it. The result is the free fall if the naira in the *forex* market against all convertible currencies; the US dollar and the pound sterling. Unfortunately the operations of the *black market* are well known to everybody but nobody cares about the havoc it wreaks on the economy as the leaders turn blind eyes. The police, the immigration and the customs are all aware and even patronize the *black market* when it pleases them to make profit.

In the developed countries *forex* is bought and sold at the official designated markets both in space (Continental system) and in real time (Anglo-American system). This way the government regulates the markets to shore up the value of their currencies. The consequence of the volatile foreign exchange market in Nigeria is that the real sector hardly gets access to cheap *forex* to import raw materials and equipments for industrialization and diversification of the economy. The effect is high cost of production, low capacity utilization in industry, high rate of unemployment and inflation, mass poverty, misery, ignorance, diseases, inequality etc which are correlates of underdevelopment (Mbaegbu, 2016).

In table 3 we present the exchange rate of the naira vis-à-vis the dollar from 1999 to 2015 to show how the naira has had a free fall during this third republic and democratic dispensation. No matter the hypocrisy of the ruling class to pretend to love Nigeria so long as they cannot abolish the *black market* the naira will continue to depreciate in value and Nigeria will continue to remain underdeveloped.

Official Corruption and Nigeria's Underdevelopment

In a paper presented at the 9th Annual Conference of the Academy of Management in July 2016 we (Mbaegbu, Okonkwo & Agbajeogu, 2015) traced the history of corruption in high places from the pre-independence and the first republic era to the present third republic which started in 1999. The findings of the paper lead to the conclusion that there has been a correlation between the incidence of mass poverty and official corruption in Nigeria. Poverty is the evidence of underdevelopment. Corruption, therefore is related to mass poverty and underdevelopment. For the purpose of this paper we shall focus on the devastating effect of corruption on sustainable, inclusive and integrated development of Nigeria from 1999 to 2015. One of the sectors of the economy where official corruption is hindering development is the energy sector. As stated by Ayodele (1988) the energy sector has always been in crises such that the per capita consumption of electricity in Nigeria was estimated at 100 kilowatts per hour (Kwhr) as against 4,500 Kwhr in South Africa, 1934 Kwhr in Brazil and 1379 Kwhr in China (Tell Magazine May 21, 2007 p 32). According to this source, Egypt, Senegal, Zambia, Ghana, Kenya and Zimbabwe, all sister African countries consume more electricity per head of the population than Nigeria.

Against this background in 1999 when democracy was restored Nigerians were assured of more regular supply of electricity. In 2006 the administration pumped in a whooping $16 billion into the power sector (Ajanaku, 2015 p 24). Yet until the end of that administration after 8 years power generation was on the average as low as 2,800 megawatts. The real sector was flattened and many vibrant industries relocated to Ghana to develop the country by creating jobs there while using Nigeria as market for their products. The sum of $16 billion has not been accounted for to date. More funds were pumped in subsequently before the power sector was privatized into generating companies (Gencos) and Distribution companies (Discos). Yet the problem of power supply has worsened. There have been days during the first quarter of 2016 when electricity generation from Gencos was zero megawatts partly because of vandalization of gas pipelines and partly because of corrupt practices. The various administrations from 1999 to 2015 made noise about fighting corruption yet the anti-corruption organizations they set up, the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC) have not seriously prosecuted any corrupt official and jail him or her to serve as deterrent. The case of Haliburton Bribery Scandal involving a total of $182 million bribe paid to powerful Nigerians to secure the contract of $6 billion for the construction of Bonny Island Natural Liquefied Gas Project between 1999 and 2007 has not be resolved (Tunji, 2015 p. 20). The fuel subsidy scam for which Ibrahim (2014 p.1) reported that Nigeria lost N2 trillion annually was never resolved until power changed over in 2015 and nothing has been heard of it again. Newspapers are daily reeling out corruption cases involving the Petroleum Ministry and Industry, arms deal by the military top brass and N40 billion *padding* of the 2016 budget. The issue of the padding of the budget was first reported in 2010. Writing under the heading "Greedy Law Makers' Ayorinde (2010 pp 18-21) reported how the National Assembly arm-twisted the presidency to approve over bloated budgets for their selfish and corrupt uses. The amounts reported run into trillions of naira from 2008 to 2010. In 2008 N2.4 trillion was presented and N2.7 trillion was approved. In 2009, N2.8 trillion was presented but N3.1 trillion was approved. In 2010 N4.1 trillion was presented and N4.6 trillion was approved (see the News June 28, 2010 pp 18 -21). The amount approved included the amounts padded by the law makers for their corrupt uses. It has been estimated that the amount of revenue earned by Nigeria since independence in 1960 was over $600 billion out of which Nigeria has lost $400 billion to corruption (Yusuf, 2015 p1). The current President puts the amount stolen in the past decade alone at over $150 billion (Tribune, 21 July 2015 p.1). These funds could have been used to develop the country if Nigeria had good leaders.

Mismanagement of Resources and Nigeria's Underdevelopment

The difference between corruption and mismanagement of resources is only conceptual. While the latter is due to inefficiency and ineffectiveness in operation the former is due to graft and outright theft. In either case scare resources are lost through leakages in the system giving way to underdevelopment. Many issues are involved in the mismanagement of resources in Nigeria. In the petroleum industry the leaders preferred to abandon the 4 refineries to rot away instead of refurbishing them. They preferred to import refined products at exorbitant prices and export cheap crude oil. To lessen the hardship on the masses and taxpayers the governments resorted to subsidizing the cost of petroleum products imported by licenced independent marketers. These marketers often submitted fictitious bills on products not imported. Then there was the issue of Crude Swaps Deal in which crude oil was exchanged with finished products thereby giving rise to a difference of $600 million between the value of crude oil exchanged in the deal and the value of product received from 2009 to 2001 and in 2012 according to the audit report of the Nigerian Extractive Industries Transparency Initiative (N.E.I.T.T). The emoluments of law makers is another source of mismanagement of resources. The Niche on Sunday July 05, 2015 p. 3 quoted the World Bank in it 2014 development report as saying "Nigeria's parliamentarians are about the most paid in the world with each MP earning (per annum) as much as twice or more the annual salary of the United States President, aside sundry emoluments". Again Nwokoro (2014 p. 3) has reported that the annual basic salary of the Nigerian President is about N3.5 million. His total annual emoluments with allowances added is N14 million. This is the highest in Africa and about the third highest in the world. Any wonder there is gross inequality with the masses impoverished. Unbridled importation or unregulated importation of goods from the world market until recently is another source of mismanagement. Table 1 provides us with the profile of total imports from 1999 to 2011. A comparison with the G.D.P will make the reader appreciate the percentage of G.D.P spent on imports for comparable years. Nigerian leaders prefer to import goods instead of manufacturing to create jobs.

Table 1: Total imports (CIF) from 1999 – 2011 in millions, GDP in billions and percent of GDP

S/N 1	Year 2	Oil (Petroleum Products) 3	Non Oil 4	Total Imports in Millions of Naira 5	GDP at Current Basic prices in Billions 6	Import as % of GDP 7
1	1999	211,661.8	650.853.9	862,515.7	4,679.21	17.9
2	2000	220,817.7	764204.7	985,022.4	6,713.21	12.8
3	2001	237,106.8	1,121,073.5	1,358,180.3	6,895.20	1.4
4	2002	361,710.0	1,150,985.3	1512,695.3	7,795.76	19.4
5	2003	398,922.3	1,681,313.0	2,080,235.3	9,912.52	21.0
6	2004	318,114.7	1,668,930.6	1,987,045.3	11,411.07	17.4
7	2005	797,295.9	2,003,557.4	2,800,856.3	14,610.88	19.2
8	2006	710,683.0	2,397,836.3	3,108,519.3	18,564.32	16.7
9	2007	768,226.8	3,143,725.8	3,911,952.6	20,657.32	18.9
10	2008	1,386,729.9	3,803,072.7	5,189,802.6	24,296.33	21.4
11	2009	1,063,544.2	4,038,990.2	5,102,534.4	24794.24	20.6
12	2010	1,756,724.6	5,857,715.8	7,614,440.5	54.204.80	14.0
13	2011	3,042,785.4	7,194,990.2	10,247,775.6	63,258.58	16.2

Sources: National Bureau of Statistics & Central Bank of Nigeria Statistical Bulletin 2011 p. 211

Similarly we present in table 3, the data on manufacturing and the concomitant average capacity utilization in industry showing that Nigeria manufactures less and imports more leaving industries to operate on half capacity. The table also shows that the percentage of commercial banks loans to the Small and Medium Enterprises (SMEs) that provide employment to the majority of the youth has always been low. In 1999 it was 10.43%. This gradually decreased until it came to 0.15% in 2012. Data are not available for the remaining years. The banks do not support the real sector but they aid and abate capital flight through speculation on foreign exchange. When we come to the state of the health care delivery we see evidence of gross mismanagement. There is no single hospital of international standard including the tertiary teaching hospitals. Consequently, Nigeria leaders habitually jet out to Europe, America, India and Middle East for even minor illnesses while leaving the poor with mere consulting clinics to patronize when they fall sick. Statistics have it that in 2014 Nigeria spent more than N1 trillion on medical tourism to India (Orya, 2015 p. 49). Very few Nigerians have access to essential drugs and there are 3 physicians per 10,000 people (Oteh, 2009 p. 3).

Another area where resources are mismanaged is the education sector. Education in Nigeria is grossly underfunded. The national budget for education hardly exceeds 13% annually. The UNESCO minimum for sustainable development and poverty reduction is 26% of the annual budget. In 2015 education was said to have received the highest allocation of N362 billion out of the total budget of N4493 trillion but this was only 8.7%. With poor funding of education *half-baked* graduates with no skills to develop the country are produced. Lack of quality education gives way to ignorance, superstition, mysticism and little faith in science. In table 2 we present budgetary allocation to education 1999 – 2015.

Table 2: Budgetary Allocation to Education 1999 – 2015

S/N	Year	Allocation in N'billions	Percentage (%)
1	1999	23.047	11.20
2	2000	44.225	8.30
3	2001	39.885	7.00
4	2002	100.2	5.09
5	2003	64.78	1.83
6	2004	72.22	7.80
7	2005	92.59	8.30
8	2006	166.6	8.70
9	2007	137.48	6.07
10	2008	210.00	13.00
11	2009	164.64	13.00
12	2010	149.08	12.00
13	2011	356.51	7.7
14	2012	400.15	8.0
15	2013	427.52	8.6
16	2014	493.45	8.5
17	2015	392.00	8.7

Source: www.newtelgraphonline.com/education Wednesday, May 28, 2014.

Materials and Methods

Methodology

In this study, data that covered the period of 1999 to 2014 were employed. These series were sourced from National Bureau of Statistics (2014)/CBN Statistical Bulletin and it is presented as follows in table 3.

Table 3: Gross Domestic Product (GDP); Manufacturing Product at Current Basic Prices (in N'Billion), 1999 – 2014, Exchange rate, Capacity utilization in industry and Commercial Bank loans

S/N	Year	Gross Domestic Product (GDP)	Manufacturing Product	Average Exchange Rate	Average Capacity utilization	Percentage of Commercial Bank loans to SMEs
1	1999	3,194,014.97	150,946.52	92.6934	34.6	10.43
2	2000	4,582,127.29	168,037.02	102.1052	36.1	7.58
3	2001	4,725,086.00	199,079.32	111.9433	42.7	6.21
4	2002	6,912,381.25	236,825.53	120.9702	54.9	8.68
5	2003	8,487,031.57	287,739.38	129.3565	56.5	7.49
6	2004	11,411,066.91	349,316.32	133.5004	55.7	3.62
7	2005	14,572,239.12	412,706.60	132.1470	54.8	2.54
8	2006	18,546,594.73	478,524.14	128.6516	53.3	0.99
9	2007	20,657,317.67	520,883.03	125.8331	53.4	0.85
10	2008	24,296,329.29	585,573.04	118.5669	53.8	0.17
11	2009	24,794,238.66	612,308.89	148.8802	58.9	0.14
12	2010	54,612,260.00	3,578,610.00	150.2980	55.8	0.15
13	2011	62,930,100.00	4,127,450.00	153.8616	-	0.17
14	2012	71,713,940.00	5,588,820.00	157,4994	-	0.15
15	2013	80,092,560.00	7,233,320.00	163.9500	-	-
16	2014	89,043,620.00	8,685,430.00	196.9500	-	-

Source: **National Bureau of Statistics (NBS)**

The model can be stated thus:

GDP = F (MANP, EXCR, AVCU, CBLSMES) …………………… (1)

Where GDP = Gross Domestic Product
MANP = Manufacturing Product
EXCR = Exchange Rate
AVCU= Average Capacity Utilization
CBLSMES= Commercial Bank Loan to SMEs

Table 3: a priori Expectation

Dependent Variable: Gross Domestic Product

Variable	Direction of Effect
Manufacturing Product	Positive
Exchange rate	Negative
Average Capacity Utilization	Positive
Commercial Bank Loan to SMEs	Positive

Data Analysis, Interpretation and Test of Hypothesis
Table 4: Multiple Regression Result

Dependent Variable: GDP
Method: Least Squares
Date: 05/15/16 Time: 04:14
Sample: 1999 2014
Included observations: 16

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25818434	13948298	1.851010	0.0912
MANP	8.272792	1.468924	5.631873	0.0002
EXCR	-18451.69	120995.8	-0.152499	0.8816
AVCU	-75422.93	105908.5	-0.712152	0.4912
CBLSMES	-2059696.	437741.0	-4.705284	0.0006

R-squared	0.985084	Mean dependent var	31285682
Adjusted R-squared	0.979661	S.D. dependent var	29732286
S.E. of regression	4240314.	Akaike info criterion	33.60848
Sum squared resid	1.98E+14	Schwarz criterion	33.84991
Log likelihood	-263.8678	F-statistic	181.6207
Durbin-Watson stat	1.004155	Prob(F-statistic)	0.000000

The estimated model can be shown as:

GDP = 25818434 + 8.272792MANP – 18451.69EXCR – 75422.93AVCU – 2059696CBLSMES

Interpretation and Test of Hypothesis
Impact of Exchange Rate on Gross Domestic Product

The coefficient of Exchange rate (EXCR) shows a negative impact on GDP in Nigeria. This implies that a 1% rise in exchange rate will decrease GDP by -**18451.69.** This is in line with theoretical underpinning which postulates that an increase in exchange rate will impact negatively on Manufacturing Export Performance. However, the t- statistic shows that exchange rate has a significant impact on GDP. The decision is made based on the probability level of EXCR which is greater than 0.05 (p- value > 0.05). P-value of exchange rate is **0.8816**, we reject the null hypothesis. High exchange rate devalues the G.D.P.

Impact of Average Capacity Utilization on Gross Domestic Product

The analysis also shows that Average Capacity Utilization have negative impact on GDP. This implies that an increase in AVCU will lead to decrease in GDP in Nigeria. This is not consistent with the 'a priori' expectation. Specifically, a one percent increase in AVCU will reduce GDP by about **– 75422.93**. Interestingly, the t- statistic reveals that the variable is NOT significant at 5% level of significance since the probability value **0.4912** is GREATER than 0.05 (p- value > 0.05). This implies that AVCU has a NEGATIVE and NO significant impact on GDP in Nigeria. We uphold the null hypothesis, the AVCU has to increase substantially before it can impact on G.D.P. It should at least be more than 50%.

The Impact and relationship between Manufacturing Product and Gross Domestic Product
From the result in table 3 and in above equation, the estimated model shows that manufacturing products have positive impact on Gross Domestic Product. This implies that an increase in manufacturing products will lead to increase in Gross Domestic Product in Nigeria. This is consistent with the 'a priori' expectation. Specifically, a one percent increase in manufacturing products will increase Gross Domestic Product by about 8.272792. Interestingly, the t- statistic reveals that the variable is significant at 5% confidence level since the probability value 0.0002 is less than 0.05 (p- value < 0.05). This implies that manufacturing products have positive and a significant relationship with Gross Domestic Product in Nigeria. In conclusion we accept the alternative hypothesis that there is a significant relationship between manufacturing product and GDP.

Impact of Commercial Bank Loan to SMEs on Gross Domestic Product
Commercial bank loans to SMEs have negative impact on GDP. This implies that an increase in Commercial bank loan to SMEs will lead to decrease in GDP in Nigeria. This is not consistent with the *a priori* expectation. Specifically, a one percent increase in Commercial bank loan to SMEs will decrease GDP by about **– 2059696.** This result maybe that the loan given to SMEs was not utilized adequately being that the risk of doing business in Nigeria is too high**.** Interestingly, the t- statistic reveals that the variable is significant at 5% level of significance since the probability value is greater than 0.05 (p- value > 0.05). This implies that Commercial bank loan to SMEs has a negative and a significant impact on GDP in Nigeria. Again the percentage has to increase substantially before it can impact positively on G.D.P.

Findings and Discussion of Findings
From the fore going data analysis we have made the following empirical findings:

(1) There is a significant relationship between the exchange rate of the naira and the Gross Domestic Product G.D.P used as proxy for economic growth and development. As the exchange rate increases it devalues the naira and the G.D.P and affects adversely other variables that reduce the rate of sustainable, inclusive and integrated development. These include inflation rate, interest rate, capital flight, capacity utilization in industry, unemployment rate and so on. This is consistent with the monetarist theory of economic development (Shaw, 1973; McKinnon, 1973).

(2) Capacity utilization on industry by itself poses a challenge to sustainable, inclusive and integrated development of Nigeria. Nigeria needs effective fiscal and monetary policies to increase the capacity utilization in industry significantly so that it can make significant impact on G.D.P. Currently there is no significant relationship contrary to our *apriori* expectation because the capacity level is rock bottom and can not make any impact. It is just about 50% in better years and less than 40% in bad years. The monetarist prescribe effective fiscal and monetary policies to increase production capacity. It is only when this is done that effective mix of labour and capital in industry will yield results (See Todaro, 1971 and other neo classicals).

(3) There is a significant relationship between manufacturing output in Nigeria and G.D.P. Indeed, the contribution of industry to G.D.P was more than a quarter (25.6%) by the end of the first quarter of 2015. An industrialization strategy is needed to support agricultural revolution in the government diversification agenda (Mbaegbu, 2016). This is consistent with the neo-classical growth model (Solow, 1956).

(4) There is no significant relationship between percentage of commercial banks loans to SMEs and G.D.P. in Nigeria. This is contrary to our *apriori* expectation and inconsistent with the monetarist theory of economic growth that there has to be good financial deepening before growth can take place (Shaw, 1973; McKinnon, 1973). From the foregoing the rate of commercial bank loan is too low to be significant.

Conclusion

The conclusions to be drawn from this empirical study using secondary data analysis are four fold, namely: exchange rate disability reduces economic growth and slows down sustainable, inclusive and integrated development. Secondly, the level of output of manufactured goods enhances economic growth and development. Thirdly, capacity utilization has to rise significantly to make an impact on G.D.P. Finally, the percentage of commercial bank loans to SMEs also has to rise significantly for it to impact on G.D.P. In other words there should be adequate financial deepening. All these boil down to good leadership and good economic management which has eluded Nigeria for years.

Contribution to Knowledge

The findings of this study has made substantial contribution to knowledge: sustainable, inclusive and integrated development is a function of leadership quality. This may not be the first time it is being said. Chinua Achebe in *The trouble with Nigeria* stated so, and reinforced his assertion in his last book: *There was a country*. This study, therefore is a colloboration to studies that hold similar views.

Recommendation

From the hypotheses tested, the finding and the conclusion we recommend as follows:

1. The exchange rate of the naira should be effectively managed. To make a difference, the present leadership should abolish the foreign exchange *black market* to shore up the exchange value of the naira.
2. Capacity utilization has to increase to impact on GDP and sustainable development. This will be possible when all bottle necks to capacity utilization are removed namely irregular supply of electric power, exchange rate disability and shallow financing by banks.
3. Industrialization should be encouraged as part of the agenda for economic diversification. This has to do with export promotion through duty-drawback system, availability of forex and independent power project or what they call "captive power" for mapped out industrial zones in all the states. Basic infrastructure should be refurbished. Currently the state of the roads is deplorable. They are riddled with potholes caused by the ubiquitous use of trailers. Instead of trailers there should be a network of railway system for bulk haulage. For the same purpose also there should be a network of inland waterways using the rivers and barges. If these things are done, distribution from railway stations and river ports will be by pick up vans and no more trailers.
4. Finally the banks should be encouraged to finance the real sector for adequate financial deepening. Presently the banks are only financing speculation in exchange rate to profit from arbitrage income. That is why they are downsizing. If they finance the real sector

(assert financing) and make money from the profits of the organized private sector (OPS) they will not have to lay off their employees instead they will employ more to quicken service delivery, grow the economy and increase sustainable inclusive and integrated development.

Some of these recommendations will come into effect in the long run through strategic planning. In the short run the country should be restructured to enable the federating units to specialize according to their core competences and comparative advantages to enable them exploit their natural resources. There is no zone among the six recognized zones that does not have resources they can exploit. There should be fiscal federalism and contribution to the centre. With strong federating units, groundnut pyramids, giant tomatoes, oil palm produce, cottons bales, cocoa, and export of solid minerals will come back. This will require social stability in the Niger Delta and elsewhere. Finally the value chain of crude oil and solid minerals will have to increase as leading sectors that will pull other sectors. Leadership should change in Nigeria for her to develop.

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