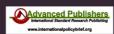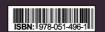# 21ST CENTURY
AFRICAN ECONOMY:
CHALLENGES & PROSPECTS

The Book "21st Century African Economy: Challenges and Prospects, examines contemporary issues facing the African continent. Discussion by experts offers strategic "remedies" to some of these burning issues. The book identifies policy guidelines that can positively affect the machinery of public policy, institutional capacity-building, good governance, and efficient resource deployment for sustainable development.

The issues examined are broad-based. At the economic level contributions advocates for the reduction and containing inflationary pressures, increasing the ratio of domestic savings, strengthening fiscal performance, increasing private sector investment, restructuring public expenditures, improving export performance, and generating employment opportunities. At the level of security and governance, the government of African countries must improve the capacity of their military and administrative institutions. The submissions highlight a number of key policy-related and conventional variables that have significantly affected the growth performance of developed countries and that can affect African states.

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AFRICAN ECONOMY:
CHALLENGES & PROSPECTS

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21ST CENTURY AFRICAN ECONOMY: CHALLENGES & PROSPECTS

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DEDICATION

Dedicated to the International Institute for Policy Review & Development Strategies for providing a platform that supports Institutional and Collaborative Research for Sustainable Development.

ACKNOWLEDGEMENT

Contents   Page

Contents	Page

Contents | *Page*

African Economic Challenges and Prospects in the 21st Century: Identifying Inclusive Alternatives

Bassey Anam
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The African continent is faced with several economic challenges. Some of these challenges date back to independence. The effect of colonialism has equally contributed to Africa's present predicament; the slave trade, colonialism, and neocolonialism to which Africa has been subjected continue to curtail freedoms, violate human rights, and degrade the dignity of the continent's peoples. Some of the challenges facing Africa include;

1. Poverty
2. Insecurity
3. Food crisis
4. Low education
5. Poor income
6. Unsecured borders
7. Crime and violence
8. Bad governance
9. Social and moral decay
10. Inadequate health care
11. Adverse climate change
12. Inadequate transportation
13. Highly dependent economy
14. High rate of unemployment
15. Low productive economic sector

Despite the above-listed challenges, Africa at the end of the first decade of the twenty-first century is not the same as Africa in the early 1960s, when it had just gained independence from colonial authority. The issues that the continent is facing today are not the same as they were in the 1960s. Although there are difficulties that date back to the early years of independence, they are of a different order and are currently being

discussed with greater intensity and urgency. This is especially true of governance and development challenges, the majority of which have yet to be resolved. Economic development in Africa is slow. The region is vulnerable to domestic and external shocks. "Despite some upturn in economic growth rates, poverty is still widespread and in many parts of the continent extremely acute. Investment remains subdued, limiting efforts to diversify economic structures and boost growth" (Anupam, Evangelos, Calamitsis, and Dhaneshwar, 2020).

According to *Ndulu* (2007), "poverty in Africa is largely the outcome of slow growth. With the region hosting 10 percent of the world's population but a staggering 30 percent of the world's poor, the challenges it faces are enormous but not insurmountable" Anupam et al (2020) added that, "Africa is the world's poorest continent". On a promising note, they observed that "An increasing number of countries in sub-Saharan Africa are showing signs of economic progress, reflecting the implementation of better economic policies and structural reforms. These countries have successfully cut domestic and external financial imbalances, enhancing economic efficiency. They have given greater priority to public spending on health care, education, and other basic social services". In addition, there has been a growing effort to achieve more open and participatory forms of government that encourage cooperation between the state and civil society.

Insecurity in most of Africa has emerged to be a serious concern that affects governance. and development. The IPOP movement in South East, Boko Haram, and Baditts are a few cases that can be mentioned in Nigeria. While the government is battling with the occasion of the challenge by the activities of these terrorist groups, hunger and pervasive poverty have adverse effects on citizens' responsiveness.

Governments of the continent have taken proactive policy and administrative steps in addressing these challenges. The Nigerian economic recovery and growth plan, of 2015 have gained some advantages. Anupam et al (2020) added that "the evidence for sub-Saharan Africa suggests that the recent economic recovery was underpinned by a positive economic environment influenced—either directly or indirectly—by improvements in macroeconomic policies and structural reforms". The report revealed that "the estimated growth equation indicates that per capita real GDP growth is positively influenced by economic policies that raise the ratio of private investment to GDP, promote human capital development, lower the ratio of the budget deficit to GDP, avoid overvalued exchange rates, and stimulate export volume growth". The key results are the following:

1. The effect of an increase in the private investment-GDP ratio on economic growth is large and statistically significant; also this effect is larger than that of an increase in the government investment-GDP ratio.

2. The policy environment matters for growth. Per capita, real GDP growth is positively influenced by reductions in the budget deficit-GDP ratio, enhancements in external competitiveness, and expansions of export volume.

3. The results support the view that countries that implemented IMF-supported programs on a sustained basis were able to achieve faster rates of growth than others. The fact that this effect is significant after controlling for the effects of the macroeconomic policy-related variables suggests that it is most likely capturing the independent effects of structural reforms.

4. The effect of an increase in human capital is positive, but not robust when other factors affecting growth are taken into account.

5. These results suggest that macroeconomic stability, the implementation of structural reforms, and increases in private investment are necessary for boosting growth in sub-Saharan Africa (Anupam et al, 2020).

Progress has remained relatively slow, and hence reform efforts have not achieved stated objectives. Lessons learned from developed countries in recent years offer some useful policy direction to strategize development patterns for Africa. "African countries need strong policy actions and further support from the international community in averting a debt crisis and protracted low growth" (United Nations Department of Economics and Social Affairs, 2021). The report added that "African countries are experiencing an unprecedented economic downturn with major adverse impacts on development. Lower commodity prices, the collapse of tourism, and lower remittances – exacerbated by much-needed domestic lockdowns and other measures to control the spread of the pandemic – have caused a severe and widespread deterioration of the economic situation. Limited fiscal space, challenging financing conditions, and rising public debt have increased the risks of debt distress". The report underscores that "sustained recovery from the pandemic will depend not only on the size of the stimulus measures, and the quick rollout of vaccines, but also on the quality and efficacy of these measures to build resilience against future shocks" United Nations Department of Economics and Social Affairs, 2021).

The Book "21st Century African Economy: Challenges and Prospects, examines contemporary issues facing the African continent. Discussion by experts offers strategic "remedies" to some of these burning issues. The book identifies policy guidelines that can positively affect the machinery of public policy, institutional capacity-building, good governance, and efficient resource deployment for sustainable development.

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Policies and Legal Perspectives to Economic Development in Tanzania

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Introduction

Economic development implies the rising incomes and related increases in consumption, savings, and investment. Its realization is however impractical without clear programs, policies or activities that seek to improve the economic well-being and quality of life for the community in question. With an average real GDP growth rate of 6.3% over the past decade (2010-2019), Tanzania is among the fastest-growing economies in Africa and in the world. According to the Bank of Tanzania (BOT) and the International Monetary Fund (IMF), the real GDP of Tanzania grew by 4.9% in 2021 reaching USD 70.28 billion. Tanzania has a mixed economy with variety of private freedom, combined with centralized economic planning and government regulation. The country's economy manifests through different economic activities including tourism, mining, construction, agriculture, forestry and fishing.

Significant steps have been taken to improve the Tanzanian economy in line with the market and encourage investment from the private sector domestically and abroad. Such move has seen economic transition from a command economy to a market economy since 1985.This is evidenced by efforts to move away from socialism to private sector involvement in the economy. The plan included a well-planned policy framework that reduced the size of the insufficient budget and improved economic regulation. It also created free market economy eliminated many price control regulations, loosened restrictions on the food products market, lowered interest rates, and stimulated redevelopment of the financial sector. In order to further energize the Tanzanian economy, policies, legislations and regulations have been enacted to cover specific economic activities as enunciated hereunder.

Economic Policies

Economic development is impractical without clear policies reflecting the course of action aimed at influencing or controlling behavior of a particular economy. Economic

policies are typically implemented and administered by the government. By the mid-1980s, the government had realised that the past development policies and strategies were not adequately responding to changing market and technological conditions in the regional and world economy and were also not adapting to changes in the domestic socio-economic conditions. In response, beginning mid-1986, the Government adopted socio-economic reforms which continue to be implemented to date. Manifestation of the current efforts to build the Tanzanian economy can be seen in the Tanzanian Development 2025(TDV 2025) which is set to ensure among others a competitive economy capable of producing sustainable growth. The National 5 year development plan 2021/22-25/26 further reiterates country's need to increasing capacity for production, and building a competitive economy that will stimulate the country's participation in trade and investment.

The realization of such vision has been through design of sector specific economic policies in the country. For instance the undoubted massive contribution of agriculture to the country's economy called for design of the Agriculture and Livestock Policy[1] in that respect. The same goes for the National Mineral Policy[2] which aimed at strengthening country's economy through mining adding to the National Tourism policy[3], National Energy policy[4], National Investment promotion policy[5], the National Microfinance Policy[6] and the Banking Policy[7] to mention a few. These policies were designed with a view to better the specific important economic sectors carrying significant contribution towards the country's economic development. For practical implementation of the policy directives specific laws and regulations have been enacted to that effect as discussed hereunder.

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[1] The Agricultural and Livestock Policy of 1997
[2] The National Mineral Policy of 2009.
[3] The National Tourism policy of 1999.
[4] The National Energy Policy of 2015
[5] National Investment Promotion Policy of 1996.
[6] The National Microfinance Policy of 2017.
[7] The Banking Policy of 2020.

Laws and Regulations for Enhancing Economic Development in Tanzania
It is known that policies set out the goals and planned activities whereas laws enable government to put in place the necessary institutional and legal frameworks to achieve the goals as set out in the policy. In the same vein specific laws and regulations have been enacted in Tanzania to operationalize specific economic policies as provided under 2.0 above.

Such laws pertain to those responsible for agriculture development including the Land Act[8], environmental management; energy generation to power important economic activities including the Electricity Act[9], the Energy and Water Utilities Regulatory Authority Act[10], the Rural Energy Act 2005. Sector specific laws have also been enacted including the Mining Act[11], and the Tourism Act[12]. In order to enhancing economic growth through financing processes the parliament enacted the Banking and Financial Institutions Act[13] read together with the Banking and Financial Institutions (Development Finance) Regulations[14].

Despite existence of relevant policies and corresponding policies aiming at fostering economic development sectors it is worthy considering control of public expenditures following mobilization of revenues. Regulation of public expenditures is handled by the Public Finance Act[15] which provides for revenue collection, allocation and expenditure. In compliance with the Tanzanian Constitution, the PFA requires all revenues derived from various sources for the use of the government (including those from the mining sector) to be paid into one special fund known as the Consolidated Fund (CF)[16]. The Minister of Finance has powers to draw money from the CF and allocate it to various budget votes[17].

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[8]The Land Act, No. 4 of 1999.
[9]The Electricity Act of 2008
[10]Energy and Water Utilities Regulatory Authority Act CAP 414, of
[11]The Mining Act, [Cap. 123 R.E. 2019]
[12]The Tourism Act of 2008.
[13]The Banking and Financial Institutions Act
[14]The Banking and Financial Institutions (Development Finance) Regulations of 2012.
[15]The Public Finance Act, Cap. 348 R.E. 2002]
[16]Art. 135, Constitution of the United Republic of Tanzania and s. 11, Public Finance Act, [Cap. 348 R.E. 2002].
[17]Section 13 read with section 18 of the Public Finance Act.

It is important to appreciate the presence of special mechanisms set by the government to ensure equity principle in allocation of resources to different social groups. These include the 10% allocation from LGAs' budget for interest-free loans to women, youth and persons with disabilities under the President's Office - Regional Administration and Local Government (PO-RALG) budget vote, improvement in agriculture and livestock keeping sectors where women are mainly engaged, special funds to improve maternity health systems which benefit women, budget allocation for improvement of water supply which ultimately benefit women and special funds for supporting girl child education.

Policy and Legal Challenges Affecting Economic Development in Tanzania
Despite existence of different policies geared towards enhancing economic development supported by corresponding legislations and regulations as discussed above a number of challenges downplay the main objective. Such challenges pertain to lack of direct link between policies and laws on regulating some economic sectors with other sectoral policies especially on gender rights and economic empowerment. For instance

While laws are generally expected to be facilitative tools for achieving policy goals, the mining laws of Tanzania lack affirmative provisions to echo stipulations of the Mineral Policy and the government commitment towards inclusion of specific groups in mining economy including women. As a result, the practice in the sector has imitated the mining laws by not taking women onboard. This state of affairs minimizes significant opportunities for gender mainstreaming and addressing women's interests in mining sector thus little benefits from the mining value chain. Tanzania's economic development is further flawed by inadequate regulatory framework for investment purposes adding to poor infrastructure for both agricultural and other economic activities.

Conclusion and Recommendations
In order to foster economic development in the country it is important to ensure that sector specific policies are religiously taken up by the corresponding sector legislations which is not the case at the moment. The same goes for gender mainstreaming in both economic activities. On the side of investment it is also considered important to ensure accessibility of investor rights and obligations for investment promotion in the country.

EXECUTIVE SUMMARIES

EXECUTIVE SUMMARIES

Regional Economic Outlook. Sub-Saharan Africa: Recovery Amid Elevated Uncertainty

Papa N'Diaye
International Monetary Fund, Washington, DC.

Two-Track Recovery Amid Elevated Uncertainty

The economic recovery in sub-Saharan Africa continues, but there is duality in growth performance and prospects within the region. Aggregate growth is set to pick up from 3 percent in 2018 to 3.5 percent in 2019 and stabilize at slightly below 4 percent over the medium term or about 5 percent, excluding the two major economies, Nigeria and South Africa. These aggregate numbers mask considerable duality in growth prospects within the region. About half of the region's countries, mostly non-resource-intensive, are expected to grow at 5 percent or more, and see a faster rise in income per capita than the rest of the world on average over the medium term. However, the remaining countries, comprising mostly resource-intensive countries are expected to fall behind. And as these countries including Nigeria and South Africa are home to more than two-thirds of the region's total population, it is important for the policy uncertainties that are holding back growth to be addressed for the lion's share of sub-Saharan Africans to enjoy improved standards of living.

External and domestic headwinds are weighing on growth prospects.

1. The global expansion is losing momentum, including in key trading partners such as China and the

2. Euro area; trade tensions remain elevated; global financial conditions are volatile and have tightened somewhat relative to October 2018; and commodity prices are expected to remain low. On the domestic front, climate shocks are likely to impact agricultural output in southern Africa, while policy uncertainty is weighing on growth prospects in several countries.

3. Debt vulnerabilities remain elevated in some countries. Weaknesses in public balance sheets are also weighing on countries' external positions, with reserve buffers below levels typically considered adequate in more than half of the countries in the region.

4. At the same time, high nonperforming loans continue to put a strain on financial systems, while weaknesses in public financial management systems are manifesting themselves in large domestic arrears with potential effects on growth and domestic financial systems.

5. The familiar challenge of finding ways to address human and physical capital investment needs is being complicated by declining fiscal space and a less supportive external environment. Central to resolving this challenge is building fiscal space, enhancing resilience to shocks, and fostering an environment conducive to sustained, high and inclusive growth. Meeting this challenge would be even more difficult if the downside risks to growth materialize (for example, if global growth is even weaker than envisioned in the current baseline). This underscores the need to accelerate reforms and calibrate the size and pace of policy adjustments to ensure that any shift in policies is consistent with credible medium-term macroeconomic objectives, available financing, and debt sustainability.

6. While the dualism between resource-intensive and non-resource-intensive countries is manifest in their economic prospects, policy priorities, and the severity of their budgetary constraints, these countries also share the challenges of strengthening resilience and creating sustained high and inclusive growth. Addressing these challenges would require:

7. Stepping up revenue mobilization, ensuring efficient public investment, strengthening public financial management, containing fiscal risks from state-owned enterprises, improving debt management and resolution frameworks, and enhancing debt transparency. Enhancing exchange rate flexibility, in countries that are outside monetary unions, and strengthened monetary policy and financial systems are also key.

Regional Economic Outlook: Sub-Saharan Africa
Raising both productivity and private investment, while ensuring a more equitable sharing of the benefits of increased prosperity. Achieving this will require policies to enhance the contestability of markets and create an environment that fosters a dynamic private sector, such as addressing salient constraints to business operations and deeper trade integration (notably through the African Continental Free Trade Area, AfCFTA), and by improving access to and the provision of financial services and basic services (including health and education).

The Economic Consequences of Conflict
Although the intensity of conflicts in recent years is lower than that observed in the

1990s, the region remains prone to conflicts, with around 30 percent of the countries affected in 2017. Moreover, the nature of conflicts has changed, with traditional civil wars being replaced by non-state-based conflicts, including the targeting of civilians through terrorist attacks. Conflicts in the region are associated with a large and persistent decline in per capita GDP and have significant spillover effects on nearby regions and countries. They also pose significant strains on countries' public finances, lowering revenue, raising military spending, and shifting resources away from development and social spending, which further aggravates the conflicts' economic and social costs.

The findings highlight the significant costs and formidable challenges faced by countries suffering from conflict and underscores the need to prevent conflicts, including by promoting inclusive economic development, building institutional capacity, and social cohesion. For countries in conflict, efforts should focus on limiting the loss of human and physical capital by protecting social and development spending. While this may be especially daunting given fiscal pressures, well-targeted and coordinated humanitarian aid and concessional financial assistance can provide some relief.

Is the African Continental Free Trade Area a Game Changer for the Continent?
The AfCFTA agreement envisions elimination of tariffs on most goods, liberalization of trade of key services, addressing nontariff obstacles that hamper intraregional trade, and eventually creating a continental single market with free movement of labor and capital. The AfCFTA will likely have important macroeconomic and distributional effects. It can significantly boost intra-African trade, particularly if countries tackle nontariff bottlenecks to trade, including physical infrastructure, logistical costs, and other trade facilitation hurdles. The picture is not uniform. More diversified economies and those with better logistics and infrastructure will benefit relatively more from trade integration. Fiscal revenue losses from tariff reductions are likely to be limited on average, with a few exceptions. Moreover, deeper trade integration is associated with a temporary increase in income inequality.

The findings suggest that, in addition to tariff reductions, policy efforts to boost regional trade should focus on reforms to address country-specific nontariff bottlenecks. To ensure that the benefits of regional trade integration are shared by all, policymakers should be mindful of the adjustment costs that integration may entail. For less developed and agriculture-based economies, trade policies should be combined with structural reforms to improve agricultural productivity and competitiveness. Furthermore, governments should facilitate the reallocation of labor

and capital across sectors (for example, active-labor market programs such as training and job-search assistance, and measures that enhance competitiveness and productivity) and bolster safety nets (income support and social insurance programs) to alleviate the temporary adverse effects on the most vulnerable.

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EXECUTIVE SUMMARIES

Strengthening Africa's Capacity to Trade

World Trade Organization, Geneva, Switzerland

The multilateral trading system overseen by the WTO has helped to spur economic development for both developing and developed economies by creating a more predictable, fair and transparent trading system that encourages investment and industrialization. However, in recent times, this progress has been slowed by crises such as that triggered by the COVID-19 pandemic. This new health and economic crisis has caused major disruptions to trade. In its October 2020 forecast, the WTO predicted that the volume of world merchandise trade would decline by 9.2 per cent in 2020, followed by a 7.2 per cent rise in 2021. In its October 2020 World Economic Outlook, the International Monetary Fund (IMF) forecast negative growth of -4.4 per cent for the world in 2020, with a rebound to 5.2 per cent in 2021. For sub-Saharan Africa, these figures are -8.0 per cent and 3.0 per cent, respectively.

In Africa specifically, the high prevalence of informal employment has been particularly affected by the social distancing measures implemented in an effort to control the spread of COVID-19 and by the disruptions to trade, particularly in services such as tourism and travel, which are important sources of revenues for African countries. The World Bank's April 2020 "Africa's Pulse" report (World Bank, 2020a) projected that, as a result of the pandemic, economic growth in sub-Saharan Africa would decline from 2.4 per cent in 2019 to between -2.1 per cent and -5.1 per cent in 2020. The October 2020 "Africa's Pulse" report (World Bank, 2020b) confirmed that growth in sub-Saharan Africa is predicted to fall to -3.3 per cent in 2020, pushing the region into its first recession in 25 years, driving up to 40 million people into extreme poverty across the continent and erasing at least five years of progress in fighting poverty. The downturn in economic activity will cost the region at least US$ 115 billion in output losses in 2020. These numbers have been driven to an extent by resource-intensive countries, particularly metal and oil exporters. Diversified economies expect more moderate declines. Forty-four out of the 55 member states of the African Union are members of the WTO. These economies are supported by the Development Division of the WTO Secretariat through the work of the African Group. African

countries also benefit from other forms of support from the WTO, as well as capacity-building activities run by other divisions of the WTO or by WTO-sponsored facilities and initiatives. This report also outlines collaborative efforts undertaken in 2019 by the WTO with the African Union in African countries in order to increase the continent's industrial and manufacturing capacity.

African trade in goods and services has amounted to around 3 per cent of global exports and imports on average. In 2019, African countries recorded exports of US$ 462 billion and imports of US$ 569 billion in merchandise trade. This constituted a fall of 3 per cent on average compared to 2018. Between 2005 and 2019, Africa's commercial services exports nearly doubled in value. However, this picture is incomplete; the continent's exports are dominated by one region. North Africa has accounted for about a third of all African goods and services trade, despite comprising only five of the continent's 55 countries. However, the share of exports contributed by sub-Saharan Africa has been steadily increasing and accounts for 70 per cent of all African goods and services exports. The WTO has made broad and diverse efforts to support trade development in Africa over the last 10 years. For example, WTO members, through the different bodies that comprise the organization, and the WTO Secretariat have implemented a broad range of agreements, decisions and technical assistance programmes, ranging from trade facilitation to government procurement regulations. Through technical assistance programmes and support for economic diversification and industrialization on the African continent, the WTO has played a role in fostering economic transformation. The WTO has supported trade development in Africa through its leadership on Aid for Trade. Since the launch of the initiative in 2006, donors have disbursed US$ 451 billion in official development assistance to help developing countries build trade capacity and infrastructure. US$ 163 billion of this amount has gone to African countries, with US$ 16.9 billion being disbursed in 2018, representing a 180 per cent increase from the 2006 baseline.

The Aid for Trade initiative focuses on economic diversification as being key to development; in the 2019 Aid for Trade monitoring exercise, 97 per cent of African respondents pointed to economic diversification as a priority. The Aid for Trade Work Programme for 2020-21 reiterates the importance of investments in digital connectivity, which have become more important as a result of the COVID-19 pandemic. Development financiers have also introduced new aid programmes, including a US$ 160 billion World Bank fund to address the economic impacts of the COVID-19 pandemic and a US$ 10 billion COVID-19 Response Facility from the African Development Bank (ADB).The Trade Facilitation Agreement (TFA) expedites the movement, release and clearance of goods and establishes measures for effective

cooperation between economies to establish customs compliance. The TFA entered into force on 22 February 2017 after two-thirds of the WTO membership completed their domestic ratification processes. Studies show that full implementation of the TFA could reduce trade costs by an average of 14.3 per cent and boost global trade by up to US$ 1 trillion per year, with the largest gains in the poorest countries. For the African region, the reduction in trade costs would average 16.5 per cent, with many countries facing reductions of between 15.8 and 23.1 per cent. Across coastal and landlocked Africa, reductions would average 16.8 per cent and 15.7 per cent, respectively.1This is significant, since the central African region has some of the highest trade costs in the world. As the cost of implementing trade agreements is significant for many economies, the WTO created the Trade Facilitation Agreement Facility (TFAF) to support implementation of the TFA. The TFAF has, for instance, funded the participation of African representatives at meetings and workshops focusing on capacity-building and utilization of the TFA.

The WTO also provides support for developing economies and least-developed countries (LDCs) through the Standards and Trade Development Facility (STDF), which helps imports and exports to meet sanitary and phytosanitary (SPS) requirements for trade based on international standards. The STDF has provided support for the implementation of Africa's SPS policy framework and has helped to strengthen sanitary capacity in many industries. The African Group2 has taken an active role in the implementation of another WTO agreement, the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). While Article 66.1 of the TRIPS Agreement provides that the Agreement is not immediately binding for LDCs, TRIPS Agreement rules have served as the basis for intellectual property regulations that have helped innovators to market their goods and limit the spread of counterfeit goods. An amendment to the TRIPS Agreement, which took effect in 2017, establishes a secure and legal pathway for developing countries to obtain affordable medicine from generic suppliers. For example, a national workshop held in Dakar, Senegal in July 2019 covered the use of the TRIPS Agreement's special compulsory licence system to obtain affordable intellectual property for the advancement of public health. Transfers of technology to African LDCs, facilitated by the TRIPS Agreement, have played a significant role in the plan to enhance cotton production and processing in Benin, Burkina Faso, Chad and Mali.

Closely related to WTO development initiatives, the Agreement on Government Procurement (GPA) recognizes the importance of government procurement in ensuring sustainable consumption and production patterns. While no African country is currently a party to the GPA, adopting GPA disciplines such as the Article

IV principle of non-discrimination can help members to attract foreign direct investment. GPA initiatives to increase competition and develop e-procurement capacity are designed to help reduce the costs of procuring vital foreign-sourced goods and services. The Enhanced Integrated Framework (EIF), an Aid for Trade facility purely dedicated to supporting trade development in LDCs, has successfully supported African LDCs in building trade-related institutional and productive capacity. One example is an EIF project in Burkina Faso that has helped to increase the production and export of cashew nuts and dried mangoes to create jobs and increase profits for producers. Another example is the Benin Agricultural Development Company which, with the help of the EIF, has increased its production by 25 per cent and generated new exports to West Africa. Both projects provide concrete examples of the WTO's successful combination of development aid and technical expertise at the service of LDCs.

African countries continue to be major beneficiaries of several other WTO technical assistance initiatives: 16 per cent of all technical assistance activities in 2019 were focused on African countries. This includes the Netherlands Trainee Programme, which sponsors junior public officials and provides them with the opportunity to learn about matters dealt with within the WTO, under the direction of staff members of the WTO, with particular attention given to African countries. The French and Irish Mission Internship Programme also sponsors the attachment of officials to their countries' Geneva resident missions, with priority given to African members and LDCs. The WTO Secretariat has also continued to provide technical support with regard to the implementation of regional trade agreements between WTO members in Africa. The WTO Secretariat also works in cooperation with other regional bodies, including the Economic Community of West African States (ECOWAS). The WTO has organized virtual training activities on trade in services, trade facilitation and market access for officials of ECOWAS institutions in both English and in French since mid-2020. Likewise, the WTO collaborated with the Union économique et monétaire ouest-africaine (UEMOA) on a sub-regional training activity on intellectual property in 2019, and it cooperates directly with many African WTO members to collect information on their services policy regimes in the context of the Integrated Trade Intelligence Portal (I-TIP) database.

A stable multilateral trading system and access to international markets has had positive effects on the development and industrialization of Africa, and efforts to build capacity, to enable African countries to take fuller advantage of the benefits that trade brings, are continuing. In recent times, the COVID-19 pandemic has slowed these efforts and reduced the developmental gains of recent years. African countries

are particularly vulnerable to the effects of the pandemic because of several factors that affect large swathes of their populations, such as informal employment, weak health systems, few social safety nets, and difficulties in mobilizing resources not only to fight the pandemic directly, but also to summon the fiscal and monetary resources needed to contain its economic impact. Keeping markets open and predictable, as well as fostering a more generally favourable business environment, will be critical to spur the renewed investment that is needed for a swift recovery. The multilateral trading system and the WTO stand ready to continue providing the necessary framework for this to happen.

1WTO Secretariat calculations using disaggregated estimates from Moïsé and Sorescu (2013) based on Organisation for Economic Co-operation and Development (OECD) trade facilitation indicators.2The African Group is the coordinating informal body comprised of African members and observers. Currently this group comprises Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Egypt, Eswatini, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, South Africa, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

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A Challenges of African Growth Opportunities, Constraints and Strategic Directions

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This report is one of a series of "Flagship Studies" intended to help clarify the opportunities, constraints, and strategic directions facing Africa and its partners as they attempt to accelerate economic growth to reduce poverty and put Africa on a path toward meeting the Millennium Development Goals (MDGs). It is part of the analytic work promised in a plan entitled "Meeting the Challenges of Africa's Development," also known as the African Action Plan (AAP), discussed at the World Bank Board in 2005. The AAP has a strong focus on "increasing shared growth," and recommends several actions by the World Bank that will support accelerating growth. Offering both a long-term approach and country-specific analysis, the report recommends learning from history and from diverse experiences to guide countries' growth diagnostic work and strategies for scaling up growth. The World Bank's Africa Region intends to provide further studies in this series that will examine several of the areas critical to growth in much greater depth. A study on financial markets is nearing completion. Another on infrastructure is being drafted.

Substantively, this report draws lessons from 45 years of growth experience in Africa and around the world, providing an important repository of lessons learned to shape growth strategies in Africa. It is influenced by, and builds upon, three major studies—The Political Economy of Economic Growth in Africa, 1960–2000, conducted under the African Economic Research Consortium (AERC); Can Africa Claim the 21st Century? produced collaboratively between the World Bank and African partner institutions; and the World Bank's study, Economic Growth in the 1990s: Learning from a Decade of Reform, which draws from in-depth reflection on growth experiences by respected practitioners.

The current report will seek to answer three key issues:

1. The opportunities and hence, options for growth available to the diverse range of African countries;
2. The major constraints to exploiting these opportunities; and
3. The strategic choices to be made by African governments as well as by development partners, including the World Bank, in supporting actions taken by African countries.

The distinguishing characteristic of this study is its long-term perspective, together with its analysis and description of the African growth experience from 1960 (the time when most African countries became independent) to the present. Although there are some commonalities among countries, the growth experiences are also quite diverse, with a few countries experiencing consistent long-term growth, a few experiencing long-term stagnation and decline, and the majority experiencing growth between 1960 and 1973, the decline between 1974 and 1994, and renewed growth since 1995. This long-term perspective explains the current situation in which African countries, for the most part, find themselves—low levels of per capita income and high levels of poverty.

Six countries have more than tripled their per capita incomes between 1960 and 2005, nine countries have per capita incomes equal to or less than where they started in 1960 and the rest have seen some net improvement, but not enough to make a real dent in poverty levels. Many countries seen as fast growers in 1970, such as Côte d'Ivoire, flamed out and have found themselves stagnating or declining during the past 30 years. The critical point is that frequently, over the long term, the tortoise beats the hare. Steady progress and consistent performance, in good times as in bad, are the watchwords. Many African countries made policy choices in 1974 that continue to haunt them today, whereas a few are experiencing the blessings of different choices made at the same time.

The report draws six key lessons to inform the growth strategies in Sub-Saharan Africa.
1. African countries' growth experience is extremely varied and episodic. From a regional strategic perspective, addressing two challenges peculiar to the region is the key to success—the slow growth of large countries and the extreme instability of growth across a large number of African countries. Countries with large populations, such as the Sudan, the Democratic Republic of Congo, Nigeria, and Ethiopia, will have to grow more rapidly and on a more sustained basis to improve the livelihood of a "typical" African and to generate regional traction though positive spillover effects, similar to the

experiences in Southern Africa and East Asia. Another crosscutting challenge for the region is how to best manage responses to shocks, particularly in the resource-rich countries, in which their fortunes are currently closely tied to the fortunes of key minerals in the world market.

2. Although lower levels of investment are important for explaining Africa's slower growth, it is the slower productivity growth that more sharply distinguishes African growth performance from that of the rest of the world. Investment in Africa yields less than half the return measured in growth terms than in other developing regions. This situation clearly calls for looking beyond creating conditions for attracting new investors to more explicitly pursuing measures that help to raise productivity of existing and new investment. These include reducing transactions costs for private enterprise, particularly indirect costs; supporting innovation to take advantage of new technological opportunities; and improving skills and institutional capacity to support productivity growth and competitiveness. African countries and populations are still highly dependent on agriculture for food, exports, and income earning more broadly. Productivity in this sector lags far behind the phenomenal progress made in Asia and Latin America, and should be a key target for raising overall productivity of African economies.

3. Consistent with much of the cross-country growth analysis, evidence from the research reviewed earlier suggests that policy and governance matter a great deal for growth. Taking 45 years of African growth experience as a whole and controlling for differences in the composition of opportunities, the impacts of poor policy have been shown to typically account for between one-quarter and one-half of the difference in predicted growth between African and non-African developing countries. However, the evidence also suggests that the importance of policy in explaining the growth differential between African countries and others may have waned since the 1990s as a result of major reforms implemented in the region, which have moved policy performance in African countries much closer to the global average. Thus, whereas it is imperative for countries to identify and address other binding constraints, sustaining these gains in the improvement of the policy environment will have to be a permanent feature of any growth strategy adopted by a country. In particular, it means maintaining durable macroeconomic stability and continued propping up of efficient market functioning. Overcoming disadvantages arising from geographic isolation and fragmentation, as well as natural resource dependence, will be necessary if Africa is to close the growth gap with other regions. Estimates show that taking actions to compensate for these disadvantages may facilitate closing

up to one-third of the growth gap with other developing countries. With much higher proportions of countries and populations in Africa being landlocked and resource-rich, it is necessary to compensate for these disadvantages, primarily by closing the infrastructure gap and better managing and using resource rents.

4. Growth of trading partners' economies has a very powerful influence. The key transmission mechanisms are trade and capital flows, requiring greater openness, strengthening capabilities for taking advantage of the rapid growth in the global markets, and improving the investment climate to make African countries better destinations for global capital than in the past. On the side of trade, evidence shows that integration with global markets is associated with higher growth, underpinning the need for growth strategies to emphasize scaling up and diversifying exports. Enhanced competitiveness and reduced barriers to trade are the two critical areas of action. It is important to note that although concerns with border trade policies and facilities (for example, port capacity and efficiency) are still crucial, increasingly, constraints such as infrastructure, standards, and access to information have become much more binding. A core part of any growth strategy, therefore, will need to target reducing the costs of transacting trade, particularly reducing supply chain costs, as well as the cost of trade processes.

5. The analysis points to a very large role played by the delayed demographic transition in Africa in explaining its relatively slower growth performance. In all the empirical studies of the sources of growth differences, the demographic variables consistently predict two-thirds of the observed difference between average growth in Sub-Saharan Africa and other developing regions. Two types of consequences from this delayed transition are particularly important. The first, and probably the biggest challenge is the uncharacteristically high level of age dependency, with its implications on fiscal and household/parental pressure for taking care of the overwhelming number of the young. The second relates to the rapid growth of the labor force, potentially a positive driver of growth but also possibly a negative force if employment opportunities do not keep pace. The latter concern relates to the growing potential instability from rapidly rising youth unemployment. Whereas the strategy needs to address the fundamentals of the slow demographic transition such as how to speed up a reduction in fertility, appropriate actions are also needed to increase the employability of youth and expand opportunities to engage in a growing private sector at home.

This analysis then leads to a set of four specific pillar areas where investment is needed to accelerate growth. These four pillars are critical but not comprehensive. They are as follows:

Improving the investment climate, mainly focused on reducing indirect costs to firms (which are generally infrastructure-related), with energy and transportation topping the list of major impediments; and reducing and mitigating risk, particularly those relating to the security of property, such as poor adjudication of disputes, crime, political instability, and macroeconomic instability. Although effort in individual countries is the focal point of action, we also suggest pooling efforts to develop cohesive investment areas by coordinating investment promotion, coordinating policy, improving security, and increasing connectivity.

The second pillar is infrastructure, mainly targeting transaction costs in the production of goods and services. Transportation and energy make up the largest proportion of indirect costs for businesses, weighing heavily on the competitiveness of firms in most African countries in which investment climate surveys were conducted. Particular focus would be on how to reduce the high costs associated with the remoteness of landlocked countries to facilitate trade with neighbors, as well as with the rest of the world. It is clear that there will be a need to look beyond individual country borders and adopt a regional approach to coordinate cross-border infrastructure investment, maintenance, operational management, and use (for example, power pooling) to lower costs.

The third pillar is innovation, primarily emphasizing investment in information technology and skill formation (higher education) for enhanced productivity and competitiveness. The potential comparative advantage of low wages in Africa can be nullified by low productivity. Surveys of investors show that labor is not cheap where productivity is low. Information and communication technology (ICT) is now the main driver for productivity growth. There is strong empirical evidence that shows that investment in ICT and in higher education boosts competitiveness, making both key parts of the growth agenda. African countries can make a huge leap forward and over antiquated technology by exploiting the ICT technological advantages as late starters.

The fourth pillar is institutional capacity. The results from the investment climate assessment surveys and analysis for the World Development Report (2005) identify costs associated with contract enforcement difficulties, crime, corruption, and regulation as being among those weighing most heavily on the profitability of

enterprises. The main focus of action here would be partly to strengthen the capacity of relevant public institutions for protecting property rights, and partly to strengthen scrutiny of, and accountability for, public actions.

Building institutional capacity entails strengthening individual competencies, organizational effectiveness, and rules of the game. Under this pillar, particular attention should be paid to capacity and space for scrutiny of public action mainly within a framework of a strong domestic accountability system and capacity to clarify and protect property rights to spur private enterprise. The key strategic areas of action, therefore, include enforcement of contracts (for example, commercial courts); exercise of voice as an agency of restraint with enhanced involvement of civil society, media, and parliament; enhanced revenue transparency in resource-rich countries; and prevention of corruption as a country-driven agenda—including checks and balances.

Applying these strategies in a specific country context is beyond the scope of this study. Each country faces its own challenges and opportunities. Each country has to work within its own historical and geographical resources and constraints. Dealing with these specific situations is a subject of specific analysis and beyond the scope of a generalized study such as this one. Nevertheless, we hope that the ideas and approaches raised here will enable analysts and policy-makers at the country level to approach their particular challenges with a more informed sense of what may be important, and of what has worked in the past in other situations.

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Chapter-1

Examining Stock Market Operations in Nigeria: An Issue for Investors' Profitability and Stock Returns

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Abstract

The global corporate scandals at the start of the century and the worldwide financial predicament that started in 2007/2008 as well as the latest downfalls of Carillion, Patisserie Valerie London Capital and others have dwindled investors' confidence worldwide Nigeria inclusive. The objective of the study is to examine stock market operations in Nigeria with a view to give hope to investors. The study uses secondary data from a wide range of relevant literatures such as books, journals, newspapers. The findings revealed that emerging market like Nigerian stock markets, for example, have different architecture and institutional attributes than stock markets in developed countries. Returns were employed by publicly traded companies to communicate their degree of success to shareholders and the general public. The study found and advised that performance evaluations based on traditional metrics of shareholder wealth and profit be reevaluated to include measurements relating to other stakeholders' groups with equity stakes.

Keywords: Stock Market, Investors' Profitability, Stock returns, Stakeholders

Background to the Study

Every nation's economy relies heavily on the stock market. The importance of stock markets to economic growth is predicated on the fact that resources are directed to the most profitable investment opportunities (Kumar, 2012). They act as a marketplace for securities, as well as a platform for effective and efficient exchanges between savers

and consumers of capital through the pooling of money, risk sharing, and wealth transfer among stakeholders. Equity shares are a major source of investment that has the potential to offer investors with significant profits. Returns on equity investments can change due to a range of reasons such as market conditions, regulatory activity, and the performance of certain equities, among others. Understanding such aspects and their possible impact on share prices is extremely beneficial since it allows investors to make more educated investment decisions and companies to raise their market value. Companies receive finances through money and capital markets in order to meet conflicting needs. The corporation can get finance through the sales of shares and other securities. The capital market is where they can put their funds in the hopes of gaining a return. Gitman and Zutter (2015) opined that stock investments bring rewards in the form of dividends and capital gains. Capital market participants need to look for information that is relevant to the current state of the capital market in order to make investment decisions.

Statement of the Problem
The global corporate scandals at the turn of the century, as well as the global financial crisis that began in 2007/2008. The recent implodes of Carillion, Patisserie Valerie, and London Capital and Finance in the United Kingdom, and also failures in South Africa's state-owned entities Transnet, Eskom, and South African Airways, and the 1MDB controversy in Malaysia, to name a few, have all eroded investor confidence worldwide. Investors have lost faith in publicly reported results, and they are no longer used to make investment decisions. Furthermore, the issue of how companies choose and modify their strategic mix of securities to maximize stock return has sparked a lot of discussion and controversy in the corporate financial literature. A big challenge is determining what factors influence stock returns.

Objective of the Study
To examine stock operations in Nigeria for investors profitability and stock returns.

Research Methodology
The main sources of data for the study were obtained from a wide range of relevant literature, such as books, journals, newspapers and other publications that deal with stock market operations and the conclusion and suggestions were reached using both deductive and inductive reasoning.

Literature Review
Conceptual Framework
Concept of Stock Returns

A stock is a share of a company's ownership that can be bought or sold. A claim on a corporation's assets and incomes is represented by stock. The quantity of stocks purchased from the company's stocks reflects the percentage investment held by an investor. As a result, the larger one's ownership rights in the company, the more shares one purchases. When a person owns stock in a company, he or she is one of the firm's stockholders and thus has a claim (though generally tiny) to anything the company has. A stock certificate represents an investor's ownership of a company's stock. This is a piece of paper that proves one's ownership. Ordinary stock, according to Beni and Alexander (1999), merely represents a corporation's ownership interest. However, in today's business world, such records are hardly handed to shareholders since brokerage companies retain these data automatically, a practice acknowledged as "keeping shares in street name." This is done to improve the stock's trading ability. Stocks can now be sold with just a click of the mouse or a phone call, unlike in the past when one had to physically take a share certificate to a brokerage to sell. The financial advantages obtained as a result of making an investment are referred to as return. The nature of the return is determined by the type of investment. For example, a corporation that invests in fixed assets and activities expects profit, which can be evaluated before interest, before tax, or after tax, as well as increasing cash flows. Ordinary shares are purchased with the expectation of dividends and capital gains (stock price upsurges).

When a person buys corporate bonds, he or she anticipates receiving monthly interest payments (Frimpong, 2010). Stock market returns refer to the profits made by investors in the stock market. This return could come in the form of trading gains or periodic dividends given to shareholders. Firms can leverage their dividend announcements to increase stock market performance. A profitable corporation often distributes a portion of its profits to its shareholders at the conclusion of each quarter. One of the potential sources of stock market profit is this. The most popular way to earn a profit from the capital market is by dividends. Transaction in the secondary market is one way to do this. In the secondary market, you can make money by buying a stock at a cheaper price and reselling it at a premium price, an investor can profit from the stock market. Share market returns are not guaranteed, and they are subject to market risk. They have the potential to be beneficial or detrimental. Stock market returns are not always consistent, and they might differ from one investor to the next based on the quantity of risk a person is ready to take and the quality of his Stock Market Analysis. The stock market returns are variable in nature, in contrast to the

fixed returns given by bonds. Stock return is the concept of buying low and selling high. However, risk is inherent in this market, and erroneous speculations might result in negative results. Stock return is crucial because it is the primary goal of investing in common stocks. Existing and potential investors consider return to be the most important factor in determining investing in a given corporation. Capital appreciation or depreciation (as measured on the Nigerian stock exchange) plus any dividends earned are examples of stock returns. The performance of the stock market is mostly determined by stock prices. As a result, the value connected to them is extremely important to both current and potential stock market investors. Stock prices are determined by many elements in the stock market. These variables include both accounting and non-accounting data. The profits or gains made by stock market investors are known as stock market returns (Lin and Zhan, 2011).

Trading on the secondary market is the most frequent approach for making stock market gains. In the secondary market, one can make money by purchasing a stock at a cheaper value and reselling it at a better value, an investor can profit from the stock market. The accounting-based value for owners is called book value of equity, and it can be used to determine the true worth of equity (Hallefors, 2013). The capital market is a gathering abode for investors and investees. The attributes of the corporate firm, which usually affect the price, determine the price at which a share is sold. The maximum amount of capital a corporation can raise on the share exchange. The share market connects firms in need of funding with investors eager to make a profit. As a result, it serves as a marketplace for investors to purchase and sell stocks, with share values determined by supply and demand, which is impacted by company-specific characteristics and/or macroeconomic circumstances (Adedoyin, 2011). Accounting fundamentals (firm specific ratios) can be used to forecast stock market returns because they highlight expected future returns. Leverage ratio, profitability, and market capitalization are three examples of accounting basics. Investors, according to Aldin, Dehnari, and Hajighasemi (2012), want to maximize their yield and are keen to forecast firm stock returns. They anticipate dividends and/or capital gains from their equity investments. Stock Market Returns are vulnerable to market risks, according to Al-Tamimi (2007). He goes on to state that they aren't all the same, and that they can differ from one investor to the next base on the quantity of risk they're ready to take and the quality of their stock market analysis. This means that the extra capital invested, the bigger the risk, and thus the larger the predicted stock market profits. Investors are interested in developing judgments about predicted stock returns because of the relevance of the "tradeoff between risk and returns," and many studies have been undertaken that have identified models and business-specific ratios that can influence market stock returns (Wajid, Arab, Madiha, Waseem and Ahmad, 2013).

Sharpe (1964), Linter (1965), and Black (1976) developed the CAPM (Capital Asset Pricing Model) as a standard model for predicting market returns. It claims that assets are appropriately priced in an efficient market, and returns are essentially determined by the level of risk taken. This method is insufficient for forecasting stock market returns on its own, and it has a defect of its own (Uwubanmwen and Obayagbona, 2012). According to a recent study, other parameters exceed CAPM (measured by a corporation's systematic risk or beta) in efficiently analyzing or predicting stock market outcomes. Variations in Beta, according to Basu (1997), do not justify or explain stock return differences. Fama and French (1992) raised another criticism of CAPM, claiming that the affirmative association between beta and average stock returns established by CAPM was due to the adverse association between firm size and beta. This demonstrates that the beta is inversely proportional to the size of the firm. Clearly, the bigger the company, the smaller the risk for investors. They went on to say that once this link was realized, the connection between beta and stock returns would vanish. Drew (2003) also said that beta by itself is inadequate for understanding stock returns, and that the market to book value ratio and firm size are both necessary and advantageous in characterizing typical stock returns.

Concept of Stock Market
The stock markets play critical role in every economy of a nation. The importance of stock markets to economic growth is predicated on the fact that resources are directed to the most profitable investment opportunities (Kumar, 2012). They act as a marketplace for securities, as well as a platform for effective and efficient exchanges between savers and capital users, such as fund pooling, risk-sharing, and wealth transfer among stakeholders. Equity shares are a popular form of investment that can give investors with significant profits. However, there are a variety of variables to consider, including market conditions. Returns on equity investments can fluctuate due to a variety of factors such as market conditions, regulatory activities, and the performance of specific stocks, among others. Understanding these factors and their potential impact on share prices is extremely valuable because it allows investors to have good investment choice and firms to increase their market value.

Empirical Review
Sugito, Noormansyah, and Nursanita (2019) used inflation as a moderator to look into the effect of profit on stock returns Profitability proxies for Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), inflation, and stock returns are among the variables examined in this study. 12 automotive firms and automotive components that have consistently filed financial statements on the Indonesia Stock Exchange were included in the research sample from 2013 to 2017. Purposeful

sampling was used to gather the samples, which is a method of obtaining samples based on specific criteria. Panel data regression was used to investigate these variables. The t test, F test, and Moderated Regression Analysis were used to test hypotheses in this study (MRA). The adjusted R-squared for panel data regression was 0.153836, this equation model can explain 15.38 percent of inflation on the dependent variable affected the size of the independent variable. Factors that aren't included in this regression model impact the other 84.62 percent. The results show that ROA has a significant positive impact on stock returns, while ROE has a negative impact, NPM has no impact on stock returns, and ROA moderated by inflation has a negative impact on stock returns. Stock returns are significantly influenced by ROE tempered by inflation, whereas stock returns are unaffected by NPM moderated by inflation.

The connection between capital structure, profitability, and stock returns was explored by Chandra (2019). Firm size, growth potential, tangibility, liquidity, volatility, and originality are independent constructs, while capital structure, profitability, and stock returns are dependent constructs. The sample population for August 2016 is a corporation that is listed on the Compass Index 100. This study has a sample size of 64 businesses. The analysis unit is made up of 448 data points. Path analysis with the help of AMOS was the data analysis technique used. Only profitability criteria that effect stock returns are included in the data. All other factors, such as capital structure, firm size, growth potential, tangibility, and liquidity, are meaningless. Firm size, growth opportunity, distinctiveness, and volatility are the primary elements that determine capital structure, while other variables have no bearing on profitability. As a major concern for practice and academic study, Olowoniyi and Ojenike (2012) set out to uncover the elements that influence stock returns. The factors of listed company stock returns in Nigeria are investigated in this article. The panel data for the years 2000-2009 was analyzed using a panel econometric technique. Based on the difference between fixed and random effects estimators, the fixed effect (FE), random effect (RE), and Hausman-test were used in this work. Expected growth and size had a positive impact on stock return, while tangibility had a negative impact on listed business stock return, according to their research. After 2012, this study can no longer be used to make educated business decisions due to changes in governance, economic fluctuations, and other regulatory constraints. Mutiso (2011) used a sample of companies registered on the Nairobi Stock Exchange (NSE) from 2005 to 2010 to investigate the link between dividend payment ratio, firm size, and shareholder dispersion. The study covers a sample of 31 companies from the total of 55 companies that were listed on the NSE by December 2010. Over the course of the study, the tested companies regularly paid dividends to their owners. The

researchers also looked at whether the DPOR of NSE-listed companies supports various dividend payout policy theories. The information from secondary sources was properly evaluated, and the dispersion of shareholders was computed through dividing the number of shareholders by the total number of shares in each corporation. The natural log of each firm's average market capitalisation was calculated, as well as the average DPOR. The findings were evaluated using descriptive statistics and regression after parmetric analysis and regression on the various variables were completed. The study's findings revealed that the DPOR is unaffected by firm size or shareholder dispersion. Although the previous study was conducted in Nairobi, this one is being carried out in Nigeria.

Theoretical Framework
Stakeholder Theory
The stakeholder hypothesis was presented by Edward Freeman in 1984. The agency paradigm is a variant of stakeholder theory in which the board of directors is expected to protect the interests of shareholders. Boards are increasingly expected to consider the interests of a broad range of stakeholders, including those concerned about social, environmental, and ethical issues (Freeman, 1984; Freeman, et al., 1991; Donaldson and Preston, 1995). The creation of stakeholder theory has resulted from this shift in the board's responsibility. "Companies and society are interrelated, thus the business serves a greater social purpose beyond its responsibility to shareholders," according to stakeholder theory (Kiel and Nicholson, 2003). Shareholders are described as "any group or individual who can affect or is affected by the attainment of the organization's objectives" by Freeman (1984), one of the initial advocates of the theory. Scholars debate on whether to regard a company's stakeholders broadly or narrowly. The above-mentioned definition of stakeholders, proposed by Freeman (1984), encompasses a wide range of bodies and almost all sorts of stakeholders. Clarkson (1994), on the other hand, takes a more limited approach, arguing that voluntary stakeholders are exposed to risk as a result of investing resources, or any valuable thing in a company. As a result of a company's activity, unwitting stakeholders are put in danger. There is no stake if there is no element of risk. Risk allows stakeholders to have a genuine claim irrespective of their potential to impact a corporation's decision-making "People or groups have genuine interests in procedural and/or substantive aspects of corporate action," according to Donaldson and Preston (1995). Stakeholders listed by Wheeler and Sillanpaa (1997) Investors, managers, workers, consumers, business associates, communities, civil society, the natural environment, coming generations, and nonhuman animals, most of whom are unable to advocate for themselves, are among those who are affected. According to Mitchell, Agle, and Wood (1997), stakeholders can be recognized by possessing one, two, or all three of the

following characteristics: authority to affect the company, legitimacy of connection with the company, and immediacy of claim on the company. Managers can use this category to give heed to and react to specific stakeholder groups. Many groups are affected by the corporation's decisions because of their ties to it, according to stakeholder theory. "Business is about putting together a transaction so that suppliers, customers, employees, communities, managers, and shareholders all win continually over time," observes Freeman et al. (2004). Donaldson and Preston (1995) point to the large number of people who are pursuing several, sometimes conflicting goals. Managerial behavior is influenced by managers' perceptions of stakeholders' roles in the company. Freeman et al (2004) noted that managers, on the other hand, should attempt to maximize value for stakeholders by resolving current disputes among them so that the stakeholders do not abandon the transaction. While Carver and Oliver (2002) are of the view that stakeholder perceptions of non-financial outcomes the public may want benefits "such as the satisfaction of pioneering a specific breakthrough, supporting a particular sort of corporate behavior, or, where the owner is also the operator, operating in a particular way." It indicates that stakeholders have "no equity stakes," which means that management must cultivate and maintain relationships with all stakeholders, not just shareholders. This argues that performance evaluations based on standard measures of shareholder wealth and profits should be reassessed to include measurements relating to non-equity stakeholder groups. Nonetheless, many organizations strive to maximize shareholder value while simultaneously taking other stakeholders' interests into account. The goal of increasing shareholder value, according to Sundaram and Inkpen (2004), is significant since it is the only purpose that results to decisions that favor all stakeholders. Managers should not be required to recognize a huge number of stakeholders and their key values, according to them (Sundaram and Inkpen, 2004).

Stakeholder advocates also believe that maximizing shareholder value will result in the expropriation of non-shareholder value. Freeman et al. (2004), on the other hand, concentrate on two key questions: 'what is the firm's purpose?' and 'what is the firm's mission?' 'What are management's stakeholder responsibilities?' Both of these challenges, they claim, are intertwined, and that managers must form relationships with their stakeholders, motivate them, and create communities in which everyone wants to produce the corporation's value. As a result, the stakeholder theory is said to enable managers to better express and build their company's common purpose.

Research Finding
Since investors in developing markets, such as Nigeria, are keen to know further about company operations, it is crucial to examine how share returns in Nigeria react

otherwise to impacts of company level qualities (Adedoyin,2011). Thus, it's best to observe indications that signal an increase in share prices. This study shows that returns are encouraged by the fact that listed companies use them to communicate their accomplishment to shareholders and the wider public. Higher returns are expected to be generated by more prosperous companies. Because a greater EPS signifies a greater revenue generated from each price made by the corporation, the greater market accustomed return and abnormal return that may be achieved by the firm's shares. Furthermore, present, forthcoming earnings, and earnings steadiness are crucial to investors/shareholders, therefore they concentrate their investigation on the profitability of a company.

Conclusions and Recommendation

To protect investors and potential investors from possible ripoffs, the Securities and Exchange Commission (SEC) should submit stated earnings to stress quality testing on a regular basis. It is necessary to reevaluate performance evaluations grounded on standard indicators of stockholder wealth and profitability by integrating measurements relating to non-equity stakeholder groups. Institutional shareholding should be encouraged by corporations. This is because institutional ownership affects stock returns since the more the institutional ownership, the stronger the company's external control, which may drive managers to increase dividend payments.

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Chapter-2

Impact of Bank Lending Facilities and Sustainable Financing on SMEs Growth and Expansion in Nigeria

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Abstract
The issue of the growth of small and medium scale businesses and how they would impact the economy has been a recent issue to the Nigerian government. This qualitative study, therefore, examined the challenges of small and medium scale businesses in Nigeria most especially from the funding aspect. Several literatures were reviewed and also several past government programmes aimed at funding the small and medium scale businesses were also examined. Findings showed that challenges like high cost of doing business, higher interest rates, shorter loan terms, and stricter collateral requirements were some of the challenges banks faced in lending to the small and medium scale businesses in Nigeria. The study therefore recommended, amongst others, that policies like tax incentives and subsidies should be made by the government to support the small and medium scale businesses in Nigeria.

Keywords: Small and medium scale businesses, Lending, Bank Lending, Small and Medium Industries Equity Investment Scheme, Cooperative Society

Background to the Study

Nigeria's successive governments have concentrated on growing development and overall domestic economic growth since the country's independence in 1960. Since then, the Federal Government has formulated and enforced several national economic policies to increase efficiency and diversify the economy's domestic capital (Omankhanlen, Ilori, and Isibor, 2021), thereby supporting the country's small and medium businesses (SMEs). On the other hand, according to Akin, Ikpefan, and Isibor (2019), small and medium businesses (SMEs) must invest in restructuring and

innovation in order to grow and remain in business. Hence, investment in SMEs necessitates funding, that is, access to short and medium-term financing. Akin, Ikpefan, and Isibor (2019) also opined that SMEs are the backbone of any economically resourceful and productive nation. Despite their nature, SMEs contribute to the economy in terms of quality goods and services output, job creation at a low capital cost, provision of a vehicle for reducing income inequality, and development of a pool of skilled and semi-skilled workers as a base for future economic growth are just a few of its potential benefits and contribution to any economy. SMEs are the catalyst and primary drivers of equitable and long-term economic diversification in most countries, and this is particularly true in a developing economy like Nigeria, where expansion is needed to promote inclusive growth and development (Ndigwe, Omankhanlen, Isibor, Okafor, Ighodalo, and Achugamonu, 2020). After the 1986 implementation of the structural adjustment programme (SAP) in Nigeria, there has been a paradigm and strategic shift away from exuberant, capital-intensive, and major industrial projects and toward the philosophy of import substitution and export promotion (Etebefia and Akinkunmi, 2013). This has resulted in the emergence of small and medium enterprises with enormous potential for developing domestic linkages for sustainable and inclusive economic growth (Etebefia and Akinkunmi, 2013).

The Nigerian federal government had at various times introduced programmes aimed at providing funding facilities to SMEs. Examples of such programmes include Small Scale Credit Scheme, Peoples Bank Scheme, Community Banks Scheme, Nigerian Industrial Development Bank (NIDB), National Economic Reconstruction Fund (NERF), Nigerian Industrial Development Bank (NIDB), Nigerian Agricultural and Cooperative Bank (NAC), Nigerian Industrial Development Bank (NIDB), Nigerian Agricultural and Cooperative Bank (NACB). However, despite these various programmes, the Nigerian Government has failed to provide services (especially credit) to SMEs. One major reason for this according to Bello, Jibir, and Ahmed (2018) was the high risk associated with the small and medium enterprises (SMEs). As a result, small and medium businesses' inability to access funding is a constraint that jeopardizes their development, growth, and expansion.

On the other hand, policymakers and scholars are concerned about improving access to capital for small and medium enterprises. Despite this, small and medium businesses have historically found it challenging to obtain internal and external financing. However, loans to small and medium enterprises are starting to decline in some emerging and developing countries, while countries most affected by the global financial crisis are stagnating (Otugo, Edoko, and Ezeanolue, 2018). Small and

medium enterprises rely on credit and cash flow mechanisms, but due to their small scale, lack of diversification, and weak financial structure skills, they encounter financing constraints. As a result, productivity declines, and growth potential is restricted. Other constraints remain, such as delayed receivables payments, diminished liquidity, and increased insolvencies and bankruptcies among financially strained small and medium enterprises. This study is necessary because Nigerian deposit money banks need to know how to manage such large amounts of loans and advances. Their practice must be adaptable for banks to handle lending facilities efficiently and reliably to achieve the essential goals of liquidity, profitability, and solvency. In addition, operate in a way that attracts and maintains future customers' benefits (Babafemi, Ilori, and Zenith, 2015).

According to Agbonjinmi, Bewaji, and Omojuyigbe (2021), Nigeria's ranking in the world for ease of doing business is a positive sign. However, the country still needs to make substantial progress in obtaining sufficient access to long-term financing to achieve its expansion and growth goals and provide job opportunities for its people. In view of this, the study added to the literature by conceptualizing the impact of bank lending facilities for sustainable financing on the growth and expansion of small and medium enterprises (SMEs) in Nigeria. This study's findings are meant to add to the existing body of knowledge, giving small and medium enterprises owners/managers and financial analysts a better understanding of the subject matter and serving as a frame of reference for researchers, educators, and students' future.

Literature Review
Conceptual Framework
A well-functioning financial system and activity are essential for small and medium enterprises functioning to aid economic development. Bank lending is the primary source of external funding for small and medium enterprises in Nigeria, and it is critical to the country's economic growth and development. As a result, the banking sector must respond quickly and efficiently to the needs of small and medium enterprises (Babafemi, Ilori, and Zenith, 2015).

Small and Medium Enterprises (SMEs)
The expansion of small and medium enterprises necessitates and requires the facility of financial institutions. Businesses, individuals, and governments all need loans and advances from banks to engage in viable, cost-effective investment and project activities, thereby enabling and ensuring their expansion and growth or contributing to the country's overall economic development is achieved and attained (Babajide, Okunlola, Adedoyin, Okafor, and Isibor, 2020). However, what one person considers a

small business can be regarded as a large enterprise by another. Many experts, for example, would argue that an automobile manufacturing firm is a large company based on their reasonable assessment. Other questions, however, centered around what standard should be used to describe what constitutes a small, medium, or large business. SMEs do not have a widely accepted meaning or explanation. According to Otugo, Edoko, and Ezeanolue (2018), the criteria for classifying a company as small, medium, or large vary by area and whether the country is either an emerging or developing economy.

SMEs, as described by the Small and Medium Industries Equity Investment Scheme (SMIEIS), are businesses with a total capital employed of not less than 1.5 million naira and not more than 200 million naira, excluding the cost of land and including working capital, and a workforce of not less than ten and not more than 300 (Babafemi, Ilori, and Zenith, 2015). Both developed and emerging economies understand the importance of small and medium enterprises for economic growth. The SMEs act as engines and propelling forces towards innovation and economic development. SMEs contribute to poverty reduction by providing a source of productivity growth through innovation and a significant source of employment. They also intend to expand into large industries that will spur economic growth (Isibor, Ojo, and Ikpefan, 2018), and they also serve as sources of technology transfer, economic diversification, and entrepreneurial creation. However, according to Isibor, Omankhanlen, Mathias, Komolafe, and Okereke (2020), bank lending conditions and provisions have made obtaining credit difficult, limiting their ability to expand and develop their companies.

Small and medium enterprises (SMEs) in Nigeria, however, have been unable to play the crucial roles of economic diversification, innovation, and technology mechanisms, due to the magnitude of challenges they face (Akin, Ikpefan, and Isibor, 2019). Examples of such challenges include insufficient resources resulting from a lack of access to bank financing facilities, weak operating environments engendered by poor infrastructure, and low entrepreneurial skills. To address the issue of financial constraints, the government has put in place several programs to ensure the flow of investable funds into the small and medium enterprises initiative programs, which will aid in the sustainable growth and expansion of their businesses, ultimately contributing positively to the country's development.

Bank Lending
Banks often use diversification, derivatives, and either on and off-balance sheet operations to handle and control credit, solvency, interest rate, liquidity, and other

risks to allow Startups to create new companies that drive innovation and economic growth as banks and other financial services provide quality banking operation to aid and assist entrepreneurs or small and medium enterprises in actualizing growth and expansion of their business. Deposit Money Banks play a vital role and mechanism in lending facility operations and activities (Olokoyo, Isibor, Adegboye, Adesina, Osuma, and Adebayo, 2020). These are part of their intermediation and essential purpose, lending their deposits to the deficit economic unit on a short, medium, or long-term basis. This helps them meet their benefit and other targets. The lending practices of deposit money banks have been scrutinized extensively. Some points of view focused on the factors that affect banks' willingness to lend large amounts of credit to specific sectors of the economy. At the same time, others concentrate on recognizing such credit for efficiency and development by equipping small and medium enterprises to actualize the needed growth and expansion of business and contribute to the development of the economy (Olokoyo, Isibor, Adegboye, Adesina, Osuma, and Adebayo, 2020).

Lending is undoubtedly the banking industry's lifeblood and liveliness. As a result, the bank's administration processes demand a high degree of competence and mastery from its management. Although a bank's irrevocable obligation to pay interest on deposits originating from various sources necessitates a high level of pragmatic policy formulation and application, the ability to articulate loanable avenues where deposit funds could be placed to generate equal income, maintain liquidity, and ensure safety necessitates a high level of pragmatic policy formulation and application. Furthermore, bank lending decisions are typically high-risk, thereby necessitating extreme caution and tactics in banking. Credit analysts' ability to perform comprehensive credit analysis, presentation, structuring, and reporting is crucial to any lending operation's performance (Olokoyo, Isibor, Adegboye, Adesina, Osuma, and Adebayo, 2020). According to a study on the roles and shortcomings of financial intermediation by Nigerian banks, deposit money banks can lend on a short and medium-term basis without jeopardizing their liquidity. The maturity pattern and length of their loans should be short-term rather than long-term if they want to make a meaningful contribution to providing sustainable financing for small and medium enterprises.

Challenges and Issues of Small and Medium Enterprises in Nigeria Accessing Funds
Despite the efforts and support of governments and multilateral organizations such as the world bank, small and medium enterprises have not been able to have the desired impact on Nigeria's economy. However, the fact that fundamental issues confronting

small companies have not been adequately addressed appropriately and effectively is a challenge that requires prompt financial policy schemes that are flexible enough to ease accessing financial facilities to boost small and medium enterprises' growth and expansion in the economy.

However, banks must weigh all of these factors when providing credit to small and medium enterprises; thus, it is acknowledged that the cost of doing business is so high that the banks' ability to recoup their investment is uncertain. By no other means, bank contribution to financing small and medium enterprises by showing apathy towards them and preferring to provide services to larger multinational companies, despite the Nigerian macroeconomic climate's shortcomings poses a problem to internal small and medium enterprise

Most countries continue to restrict debt funding for small and medium enterprises, with higher interest rates, shorter loan terms, and stricter collateral requirements (Babafemi, Ilori, and Zenith, 2015). Alternative financing options, such as equity financing, are often restricted and unpredictable. Small and medium enterprises are hampered by a lack of management skills, talent, and capacity-building prospects. They are yet to fully realize the value of technology and its services to boost productivity in the digital era. The financial challenges that these companies are facing are complicated. It could be anything from a lack of adequate startup capital to a lack of working capital. In addition, the poor record-keeping culture of small and medium enterprises are the factors that have led to their constraints and realizing the benefits of achieving their results. The high mortality rate among developed small and medium enterprises in developing economies is a significant source of concern, given their importance in any economy.

Furthermore, the reasons for the difficulty small and medium enterprises experience in accessing funds from the banks are due to the inability to meet stringent conditions set by the financial institutions. However, the banks find funding small and medium enterprises highly risky, and as such, defaulters of such funds being loaned by the Bank put the banks in an uncomfortable position. Also, the project of small and medium enterprises might not be bankable projects. The inability to convince banks of such projects' viability becomes a considerable concern for funding. Hence most of these banks will prefer to ask for collateral in lending to small and medium enterprises because of the transaction cost involved (Akin, Ikpefan, and Isibor, 2019); the aim is to minimize such risk involved in funds not being recovered. This invariable discourage startups be why the banks' demand for collateral might be a considerable burden to meet by sourcing such funds from the banks. Baker, S. (2017) examined the effect of

bank capital requirements on corporate borrowing and investment using French loan-level data. They discover that raising capital requirements decreases lending to businesses, which has a negative effect on investment at the firm level.

Sources of Finance through Bank Lending to SMEs
Small and medium enterprises (SMEs) are critical drivers of economic growth; therefore, the banks are designed in ensuring the provision of the needed platform by way of using a country to pool capital from surplus to deficit units to promote investment innovation, efficiency, and, as a result, growth, and development actualized within the economy. In Bosnia and Herzegovina, the degree of small and medium enterprises' banking growth was investigated, focusing on the drivers and obstacles to banks' involvement with small and medium enterprises. However, banks started looking for ways to address the challenges posed by the high credit risk borne by small and medium enterprises in the country, resulting in a more flexible credit scheme to aid small and medium enterprises' investment in the country. Furthermore, the banks provided small and medium enterprises with a wide variety of financial services and loans, which helped offset the segment's higher risks (Etebefia and Akinkunmi, 2013).

Commercial Bank
Small businesses can access structured financing through deposit money banks. Since most commercial banks' deposits are subject to withdrawal on demand by customers, lending for very long-term or permanent funding may be risky. The interest rate charged by most commercial banks is calculated by the economy's interest rate, which the central bank sets typically (Omankhanlen, Ilori, and Isibor, 2021). While Nigeria's financial system is not short on liquidity, banks have been hesitant to lend to small and medium enterprises, which they regard as a high-risk market. Most banks would rather pay the penalty for failing to reach the minimum exposure to favoured sectors of the economy than risk being exposed to them in the first place (Omankhanlen, Ilori, and Isibor, 2021).

The Small and Medium Industries Equity Investment Scheme (SMIEIS)
The scheme was approved by the Bankers Committee (a body made up of Nigerian banks) in 1999 as a policy measure to promote SMEs. The scheme was first introduced on August 21, 2001. All Nigerian banks must set aside 10% of their profit before tax (PBT) for equity investment in SMEs under the scheme. The scheme aims to establish new, viable small and medium enterprise ventures, thereby stimulating economic growth, local technology creation, indigenous entrepreneurship, and job generation.

Financial Cooperatives and Traditional Societies

These are grassroots indigenous organizations that have made substantial contributions to the creation and growth of micro and small businesses that use savings, credit cooperatives, and other informal mutual-aid institutions. Given the scarcity of finance capital and the country's socio-economic crises, the role of these societies in establishing, especially micro and small-scale enterprises, is significant. More precisely, they have acted as alternate sources of funds for their members in a country with no adequate banking service in remote areas. As a result, grassroots businesses do not have access to institutional credit.

Conclusion and Recommendation

The study revealed that the federal government has implemented several programs to improve SMEs' access to capital. Similarly, financial institutions, and non-financial institutions, have made significant efforts to alleviate small and medium enterprises' financial problems. Still, little has been accomplished in an attempt to bring the sub-sector into the mainstream of economic growth. This demonstrated that drastic measures must be taken for small and medium-sized businesses in Nigeria to prosper in the future, with deposit money banks undoubtedly being their primary source of financing. On the other hand, small companies can procure and access microfinance primarily from the informal sector, such as cooperative societies, which have the power and ability to place themselves in rural areas where deposit money banks are unable to enter. As a result, the study recommended that the government should increase the supply of credit facilities to the small and medium enterprises sector as a priority to provide financing for its economic expansion. Tailored guarantee programs and general support should support small and medium enterprises for commercial banks (through tax incentives, regulation, subsidies, liquidity guarantees, and so on) and strategic partnerships with financial institutions. Small businesses should have more access to capital from commercial banks.

Banks' strict requirements for small and medium enterprises should also be relaxed. The interest rate can be cut to the absolute minimum. For example, Germany, Japan, and a few Asian nations have interest rates ranging from 1% to 5%. Our banks must adopt a real-sector financing culture. They also need training in business skills and access to marketing information to expand to take advantage of domestic and international markets and create decent jobs. Operators of small scale businesses should operate in such a way that the commercial banks will be able to improve their confidence in them and thereby see a prospect in them.

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Chapter-3

An Overview of Nigeria Globalization Stride in its Trading Activity (2002 – 2018)

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Abstract

In international competition, openness is critical in the development of programmes that streamline and deregulate exchange and trade systems. As a result, the economy is compelled to completely utilize its relative advantage via trade. Globalization has widened the divide between affluent and poor countries, which is widening at an alarming rate. Nigeria's Gross Domestic Product (GDP) has been insufficient for some time, resulting in a low standard of living and bad living conditions in comparison to certain wealthy countries. The study's goal is to look into how globalization affects economic growth. The study employs a quantitative research approach. The evaluation was conducted using secondary data from the CBN statistical bulletin for the years 2002 to 2018. The first and second stages of contrasting show that foreign direct investment outflow from direct investment inflow, import total, trade total, and balance of trade are stationary, however the levels of differencing after the second differencing show that GDP and total export are non-stationary. According to the results of a correlation test, GDP is positively and substantially related to foreign direct investment (FDI) inflow, FDI outflow, total trade, total import, and total export. The balance of trade, on the other hand, has a minor association with GDP. The findings of regression analysis using GDP as the dependent construct and FDI inflow, outflow, import total, balance of trade, trade total, and export total as the independent constructs demonstrate that all of the independent constructs are positively and significantly related to GDP, with the exception of total export, which is negatively related to GDP. Based on these outcomes, the report suggests that the government offer dependable and transparent circumstances for businesses, simplify the process of conducting business, both domestically and internationally, and encourages export to .enable domestic enterprises compete globally and enhance economic output

Keywords: *Nigeria, Globalization, Trading activity*

Background to the Study

Success in open markets and drawing new investment and innovative technologies means that the economic structure is evolving at a faster rate than ever before. As with any structural shift, some elements of society will be disadvantaged in the short term, while others, as well as the economy as a whole, will profit (Obaseki, 2000). Extension of division of labour internationally beyond finished goods offers Nigeria a wide choice of industrialization. Countries effort to remove obstacles in international trade led to the idea of globalization. Globalization has been celebrated as key to development. The global competition that came from the world integration has led to tremendous progress in the economy of the world. But in Nigeria its economy is below expectation compared to other nations in the world. According to the results, globalization, which is anticipated to result in global economic growth and development, has created a gap between affluent and poor nations, which is rapidly widening. The distribution of losses and earnings over emerging nations was mostly determined by advanced nations.

Statement of the Problem

The issue for emerging regions, mainly African regions, is to implement programs that maximize the potential benefits of globalization while reducing the risks of volatility and/or isolation. Despite the fact that most African countries have been doing so for some time, none of these policies are now in effect. African nations have made tremendous headway in allowing international trade into their markets. The fact that 31 countries from Sub-Saharan Africa have taken responsibility for article viii of the fund's articles of agreement, almost all of them since 1993, is a good indication of this. The lot of nations have achieved success on trade and exchange deregulation, eliminating numerous exchange rates and nontariff barriers while also lowering tariff protection. UNDP (1992) noted that 20% of population of the world in developed nations got 82.7% of the total world income; 20% of population of the world in developing nations got only 1.4% of the total world income. A difference of 81.3% is noted when the two economies were compared and it indicated distribution index marginalization between the underdeveloped countries and developed countries. Nigeria situation is not an exception. Nigeria's GDP has been insufficient for a long time, resulting in a low standard of living and bad living conditions. Therefore, this study aim is to investigate Nigeria globalization stride in its trading activity from 2022-2008 and proffer solution for economic growth.

Literature Review
Conceptual Review
The Concept Globalization

Globalization can be described as the interconnection of economies around the globe via trade, framework movements, technology and information interchange, and people migration. Giddens (2006) defined globalization as an economic sense which pertain transactional corporations, whose actions expand to national borders, global process of production is influence and flow of international global capital. Akindele, Gidado and Olaopo (2002) opine globalization is a structure of integrating, economic, and social relations between international boundaries with the objective of making present being global, worldwide and at global arena or world stage. They assert that globalization increases global finance of national state operation; distribution of political and economic power; division of labour internationally; form social contact between government and labour. OECD (2005) explain that globalization is multidimensional and dynamic structure of mixing economic where national resources become internationally mobile and national economies become interdependent. This means globalization depicts internationalization of market of services and goods and also financial markets. The growing significance of global trade and money movements in the global economy reflects the magnitude of the trend to integration. A growing portion of global GDP is created by activities that are directly or indirectly related to international trade.

Benefit of Globalization

The benefit of globalization is easily recognized; consumers and producers now have a larger selection of low-cost goods because to increased trade. More modern technology was frequently used, allowing for extra proficient utilization of worldwide resources. Continued awareness to global markets has allowed countries to maximize their competitiveness. Simultaneously, they expose their economy to the benefits of increased international competition. The enormous growth in capital and private investment flows has enhanced the resources available to countries that can access them, enabling them to grow more quickly than they could otherwise. UNCTAD (2002) noted that globalization is motivated by improved competition and transportation; technological campus; promote trade; reduce risk of doing business; improve Information and Communication Technology. Onwuka and Eguavon (2007) specify the advantage of globalization; it lead improvement in competition and efficient use of productive resources; exposing nation to new product and idea; specialization; opportunities for acquisition and mergers and its leads to power of corporation and growth size. Obaseki (2000) pointed out that the globalization leads to increase in efficiency and specialization; best quality of products at cheaper price;

improve competition; production economic of scale; increase improvement in managerial capabilities; it counter fiscal imbalances and inflationary growth with real interest rate. This means it brings prospects for structural reforms and investment especially for transition economies. Lotto (2011) noted that its stabilizes and opens the economy by means of export strategy. The Structural Adjustment Program (SAP) introduced in Nigeria was a strategy adopted as a liberation action to open up Nigeria economy and enter international market.

Risks to Globalization
The capability of investment capital to find out the most efficient market, as well as the capability of producers and consumers to reach the most economical source, reveals and exacerbates fundamental vulnerabilities in economic systems. Furthermore, with the rapid dissemination of knowledge, the local policy margin of adjustment is much limited, and policy blunders are promptly penalized. Higher capital movement has the potential to destabilize transfers and enhance exchange rate volatility. Ogboru (2004) observed that globalization favour nations that adopted ardent sectoral and macroeconomic policies. This is an unequal situation of benefits distribution of loss between different economies of weak and strong countries. Obaseki and Ojo (1998) pointed out that globalization does not motivate global welfare, there are macroeconomic differences, structural and sectoral policies of nations which led to different gains and losses of rapid goods integration, financial and services sector loss nationwide. It does not help nations which macroeconomics policies are weak in terms of exchange rate and financial stability.

Concept Foreign Direct Investment (FDI)
According to Santander Trade (2020) Nigeria has benefited from bilateral investment agreement with different countries such as, Germany, Italy, North Korea, Netherland, Montenegro, Jamaica, Spain, South Korea, South Africa, Serbia, Romania, United Kingdom, Uganda, Turkey, Taiwan, Switzerland and Sweden. Government has come up with many programmes for boosting FDI, such as agriculture, gas, oil extraction, mining, exploitation and also the export section. Incentives on tax are given to new industries for development of workforce. Girman, Greenway and Wakelin (2001) assert that transfer of technology is facilitated through foreign direct investment, a system that allow to host economy unaffiliated firms which lead to gains of efficiency and productivity of local firm. Dutse (2008) noted that in Nigeria, foreign direct investment creates both efficiency, technological and productivity spillover by foreign companies on local firms subdued by medium and small scale business. Aswathappa (2015) noted that FDI is a way of closing the opening between supply of savings of domestically, foreign exchange, human capital, government revenue and

resources to achieve development and growth targets. This means if savings created locally are insufficient to fetch investment, it is expected that foreign capital will be needed to bridge the gap between desired investment or targeted and locally savings.

International Trade

Dorubush and Fischer (1994) defined foreign trade as an international transactions and payments between countries through export and import where a domestic money can be exchanged for another in a global market. Lipsey and Chrystal (2004) assert that it is a purchases and sales of services and goods that happen thru global borders aiming at attaining standard of living and economic growth. In the words of Blanchard (2009) growth in competition is a key repercussion of foreign trade which constitute a grave issue to development nations, If the country's foreign commerce is not effectively managed, it could have disastrous economic implications. Its trade system will suffer if its main export, agriculture, continues to be subjected to various forms of exploitation by industrialized countries throughout the world. Likewise, Iyoha (2003) stated that this issue gets up via great instability in main product prices, strong reliance on exportation of a restricted series of main products, high import dependence on consumer goods, overreliance on the oil trade, decreasing trade terms, little share and dwindling export revenue, and bleak prospects for the future (marketing skills). All countries stand to benefit from trade. Nevertheless, many countries may fall out as a result of freer trade, as a result of a ruinous rivalry from a competitor who works under strong technology and globalization circumstances, overwhelming production hurdles and deluging the global market with products at ever-lower prices (Case, Fair and Oster, 2009).

Concept of Export and Balance of Trade

About-Strait (2005) observed that export is important for development of economy; it augment revenue and lead to in economic development; it is important for economic development and growth. Adenugba and Dipo (2013) pointed out that exportation as long as the exporting nation's sales substantially surpass its imports, it can achieve a promising balance of trade and balance of payment condition. Nigeria's investment level is low, and foreign cash is required to drive the country's economic progress.

Empirical Review

Odebode and Aras (2019) looked at the effect of globalization on Nigerian industrial production. From 2010 Q1 to 2018 Q4, studies using structural vector autoregressive (SVAR) techniques demonstrated that industrial production and transportation output reacted considerably to external events resulting from globalization. The analysis found that manufacturing production responded badly to exchange rates,

which is critical to Nigeria's industrial industry. Exchange rate variations had a favorable and major influence on the manufacturing industry, as well as transportation, financial integration, and globalization. The effects of globalization on Nigeria's manufacturing industry growth was investigated (Ali, Obayon, and Obayori, 2018). The objectives of the study were to examine how trade intensity index, portfolio investments and trade restrictions influence on the growth of the manufacturing industry in Nigeria. The data was collected from 1980 to 2016, and the sources included the CBN Statistical Bulletin and the United Nations, World Bank Index. The data was analyzed using the Philips-Perron unit root test, Johanson co-integration, and a parsimonious error correction model (ECM). The unit root test revealed that at first difference, all of the indicators were stable. The indicators, according to the results of the Johansen Co-integration test, are co-integrated. The error correction model result showed that manufacturing sector growth lagged for one period is positively related to current growth of the manufacturing sector. Also, trade intensity index has a significant positive impact on manufacturing sector growth.

Agu, Anichebe and Maduagwu (2016) studied the influence of globalization on Nigeria's manufacturing industry. The study had three goals: to assess the influence of trade liberalization on Nigerian product consumption, to measure the influence of technology on product quality in the Nigerian manufacturing industry, and to assess the influence of globalization on worker alliances in the Nigerian manufacturing industry. A total of 640 people were enrolled in the study, with 246 chosen as a sample. The major data-gathering instrument was a questionnaire and an interview. The linear regression statistical method was used to examine three hypotheses. The data show that trade liberalization has a considerable negative influence on Nigerian product consumption. In the Nigerian manufacturing industry, technology has a favorable impact on product quality. Globalization has a significant positive effect on employee job relations in the manufacturing industry.

The Theory
Internationalization Theory (IT)
Buckley and Casson (1976) explain that the theory gives details on the factors which propel organization to extend their operated further away from their environment and make decision on the mode of entry. The internationalization theory explains the relative benefits and cost of serving foreign country market internally through multinational corporation than making it externally. That the decision of an organization to enter foreign market or create an internal market depend on the presence of conditions like transaction cost. The internationalization theory is base on

the idea that an organization will choose the option of creating its internal market if the cost of business transaction is lower and it will like to go into a foreign market when it has a great competitive advantage over indigenous companies and could protect some unique specific advantages.

Research Methodology
The analysis utilizes quantitative method and source data from 2002-2018 from CBN bulletin.

Model Specification
Empirical model used to incorporate the relationship are: Inflows of FDI, outflows of FDI, total imports, balance of trade, total trade, and total exports all serve as proxies for globalization and economic growth, respectively. The following is the functional model:

GDP   =   f (FDII, FDIO, IMP, BOT, TT, EXP)

Where	GDP	=	Gross Domestic Product
	FDII	=	Inflow of Foreign Direct Investment
	FDIO	=	Outflow of Foreign Direct Investment
	IMP	=	Import Total
	BOT	=	Balance of Trade
	TT	=	Trade Total
	EXP	=	Export Total

The model is detailed as:

$$GDP = \beta_0 + \beta_1 FDII + \beta_2 FDIO + \beta_3 IMP + \beta_4 BOT + \beta_5 TT + \beta_6 EXP + \mu t$$

β_0	=	Model Intercept
$\beta_1 - \beta_6$	=	Coefficients
μt	=	Error term

Analysis of Data and Results Presentation
Descriptive Analysis

Year	FDI Inflow	FDI Outflow	Trade Total	Import Total	Export Total	Balance of Trade	GDP (Current Basic Prices)
2002	8988.50	438114.90	3256.87	1512.70	1744.18	231.48	11332.25
2003	13531.20	429230.00	5168.12	2080.24	3087.89	1007.65	13301.56
2004	20064.40	456970.00	6589.83	1987.05	4602.78	2615.74	17321.30
2005	26083.70	468980.00	10047.39	2800.86	7246.53	4445.68	22269.98
2006	41734.00	497246.00	10433.20	3108.52	7324.68	4216.16	28662.47
2007	54252.20	501571.60	12221.71	3911.95	8309.76	4397.81	32995.38
2008	37977.70	522928.80	15980.87	5593.18	10387.69	4794.51	39157.88

2009	56297.30	560835.30	14086.98	5480.66	8606.32	3125.66	44285.56
2010	65130.40	669935.60	20175.45	8163.97	12011.48	3847.50	54612.26
2011	72428.40	684211.90	26232.53	10995.86	15236.67	4240.80	62980.40
2012	80822.50	697831.10	24905.88	9766.56	15139.33	5372.77	71713.94
2013	90526.80	7109864.00	24701.44	9439.42	15262.01	5822.59	80092.56
2014	93411.30	7927512.00	23499.27	10538.78	12960.49	2421.71	89043.62
2015	94218.40	7983623.00	19921.23	11076.07	8845.16	-2230.91	94144.96
2016	96255.30	8012863.00	18315.98	9480.37	8835.61	-644.75	101489.49
2017	98292.20	8042103.00	24792.99	10804.85	13988.14	3183.30	113711.63
2018	99065.90	8071343.00	32725.15	13445.11	19280.04	5834.93	127762.55

Source: CBN Statistical Bulletin, 2019

Unit Root Test
Augmented Dickey-Fuller Unit Root Test Results

Variable	ADF Lags	ADF test statistics with constant but no linear trend	Critical Value for ADF at 95%	Order of Integration
D (INFLOW of FDI)	1	-3.360079	-3.1003	1
D (OUTFLOW of FDI)	2	-3.731320	-3.1003	1
D (GDP)	2	-2.267755	-3.1222	1
D (IMPORT TOTAL)	1	-4.042640	-3.1003	1
D (TRADE TOTAL)	2	-3.466977	-3.1222	1
D (BALANCE OF TRADE)	1	-3.648835	-3.1003	1
D (EXPORT TOTAL)	2	-3.037178	-3.1222	1

The above table shows that FDI Inflow, FDI Outflow, Total Import, Total Trade, and Balance of Trade are static at their first and second variations, whereas GDP and Total Export are non-stationary at the second variation. Each's ADF test results are smaller than the absolute value, or 95 percent critical value. Thus, the determinants of GDP in Nigeria are influenced by FDI inflow, FDI outflow, total import, total trade, and balance of trade. The t-adf should be bigger than the chosen critical values for the variables to be stationary. FDI Inflow, FDI Outflow, Total Import, Total Trade, and Balance of Trade are all static at the first and second levels of differencing, as indicated in the table above. Moreover, after the second differencing, the degrees of the differencing demonstrate that GDP and Total Export are non-stationary.

Correlation Analysis

Correlations

		Foreign Direct Investment (Inflow)	Foreign Direct Investment (Outflow)	Total Trade	Total Import	Total Export	Balance of Trade	Gross Domestic Product
Foreign Direct Investment (Inflow)	Pearson Correlation	1	.811**	.898**	.944**	.808**	.059	.953**
	Sig. (2-tailed)		.000	.000	.000	.000	.823	.000
	N	17	17	17	17	17	17	17
Foreign Direct Investment (Outflow)	Pearson Correlation	.811**	1	.624**	.740**	.493*	-.244	.880**
	Sig. (2-tailed)	.000		.007	.001	.044	.345	.000
	N	17	17	17	17	17	17	17
Total Trade	Pearson Correlation	.898**	.624**	1	.962**	.974**	.370	.884**
	Sig. (2-tailed)	.000	.007		.000	.000	.144	.000
	N	17	17	17	17	17	17	17
Total Import	Pearson Correlation	.944**	.740**	.962**	1	.876**	.103	.943**
	Sig. (2-tailed)	.000	.001	.000		.000	.695	.000
	N	17	17	17	17	17	17	17
Total Export	Pearson Correlation	.808**	.493*	.974**	.876**	1	.569*	.785**
	Sig. (2-tailed)	.000	.044	.000	.000		.017	.000
	N	17	17	17	17	17	17	17
Balance of Trade	Pearson Correlation	.059	-.244	.370	.103	.569*	1	.011
	Sig. (2-tailed)	.823	.345	.144	.695	.017		.967
	N	17	17	17	17	17	17	17
Gross Domestic Product	Pearson Correlation	.953**	.880**	.884**	.943**	.785**	.011	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.967	
	N	17	17	17	17	17	17	17

As shown in the result above, GDP is significantly and positively related to FDI Inflow (0.953), FDI outflow (0.880), Total Trade (0.884), Import Total (0.943) and Export Total (0.785). Balance of Trade (0.011) is not significantly linked to GDP in Nigeria at $P<0.05$.

Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-598.983	4929.673		-.122	.905
	FDI (Inflow)	.225	.211	.195	1.066	.307
	FDI (Outflow)	.004	.001	.386	3.793	.003
	Import Total	4.414	1.482	.469	2.979	.012
	Balance of Trade	.728	.959	.045	.759	.462
	Trade Total	10.348	1.675	2.355	6.179	.000
	Export Total	-11.740	2.964	-1.510	-3.962	.001

a. Dependent Variable: GDP

Reg. equation results:

GDP = -598.983 + 0.225FDII + 0.004FDIO + 4.414IMP + 0.728BOT + 10.35TT – 11.74EXP
(-0.122)   (1.066)   (3.793)   (2.979)   (0.759)   (6.179)   (-3.962)

 * The parenthesized figures below the coefficients are the t-values.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.984[a]	.968	.958	7631.60149	1.072

 a. Predictors: (Constant), Balance of Trade, FDI Inflow, FDI Outflow, Import Total, Trade Total, Export Total.
 b. Dep. Variable: GDP

With a t– ratio of 1.066, FDI Inflow is judged to be positive, and it has a positive influence on GDP, with a coefficient of 0.225. The sign indicates that the FDI Inflow is linked to GDP in a favorable way.

With a t– ratio of 3.793, FDI Outflow is judged to be positive and significant, and it has a positive influence on GDP, with a coefficient of 0.04. The indicator indicates that FDI Outflow is associated to GDP in a favorable way.

At a t– ratio of 2.979, Total Import is shown to be positive and significant. It has a 4.414 coefficient, which indicates that it has a positive influence on GDP and that it is positively correlated to GDP, as seen by the sign.

With a t– ratio of 0.759, Balance of Trade is determined to be positive and insignificant,

and it has a positive impact on GDP, with a coefficient of 0.728, showing that Balance of Trade is favorably associated to GDP.

With a t– ratio of 6.179, Trade Total is positive and significant, and it has a positive impact on GDP, with a coefficient of 10.348 suggesting that Trade Total is favorably associated to GDP.

With a t– ratio of -3.962, Export Total is judged to be negative and negligible. Export Total has a negative influence on GDP, with a coefficient of -11.740, showing that it is negatively associated to GDP.

Coefficient of Determination (R^2)

The R-Square is 0.968, indicating that the indicator, GDP, and the independent components, FDI (Inflow), FDI (Outflow), Trade Total, Import Total, Export Total, Balance of Trade, and GDP at Current Basic Prices, have a significant positive association. The corrected R2 of 0.958 indicates that the Independent components are responsible for 96 percent of the overall change in GDP.

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.126E10	4	5.315E9	91.262	.000a
	Residual	6.989E8	12	5.824E7		
	Total	2.196E10	16			

a. Predictors: (Constant), FDII, FDIO, IMP, BOT, TT, EXP
b. Dependent Variable: GDP

F-Test

If F*>F, the H0 is rejected; else, the H0 is accepted. The reported F* = 91.262 is based on the ANOVA table results.

When analyzing these results at a 5% significance level, our theoretical F, given our significance level and degree of freedom, is F0.05 = 91.262.
F0.05 > F*

91.262 > 3.23, for example.

As a result of this finding, we reject our HO that all bi are equal to zero and accept our H1 that all bi are not equal to zero.

Conclusion

With tighter economic integration, each nation has a vested purpose in guaranteeing that its partner nations implement acceptable policies. Nations with weak macroeconomics policies in terms of financial stability or exchange rate may not know the benefits that goes with globalization. Because the investigation has proven that local savings are insufficient to bring investment, commerce has prospective profits, and exporting enhance income and results in economic development, this analysis concludes that globalization opens states to prospects. The global economy benefits from an open and liberal system of capital flow. On the other hand, increased capital flows charge greater regulatory and supervisory costs on banks and need more flexible financial structures. Emerging countries are confronted with a new challenge as a result of this aspect of globalization.

Recommendations

In terms of global standard practices, shared regional goals should be identified. Institutions should also strive to force forward changes in areas such as legislative and regulatory regimes, banking sector reformation, labor and investment code reforms, and exchange and trade liberalization. To facilitate the manner of doing business and decrease constraints on FDI inflow and outflow, the Nigerian government should create reliable, honest, and open conditions for various kinds of firms, both local and international. Import will make Nigeria depend on other countries' political and economic power. If it imports commodities such as oil and industrial materials. It is dangerous to rely on foreign materials to keep the population fed. Government ban on the importation of food items is a welcome development. Nigeria should work toward seeing that its exports are more than its value of imports so as to achieve a favourable balance of trade. Export should be encouraged so as to help domestic companies learn how to produce a variety of globally demanded products or services, gain competitive advantage and boost the economic output. The government will have to undertake a more effective information program, clarifying policy aims and requesting feedback from individuals who may be affected by the measures.

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Chapter-4

Deregulation of Petroleum Product Pricing in Nigeria: Prognosis of Economic Determinism

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Abstract

The relative importance of petroleum products, PMS or petrol exceptionally, to the economy of individuals, groups, corporates and governments in Nigeria is very high. As a corollary, a high degree of sensitivity of the condition of all economic units to price oscillation also exists. For the cardinal reason, there is an abundance of practical experience of resentment by all citizens to upward variations in petroleum product prices by the government, notwithstanding the imperative of such action or policy, in line with the dictates of capitalism and the attendant position on economic liberalism. Previous studies reported a high preponderance of exacerbation in the economic well-being of Nigerians due to administrative upward adjustments in prices and the consequent negative public reactions. Against the backdrop of the anticipated total price deregulation, the cardinal objective of this study is to prognosticate the implications of the legal provisions of Petroleum Industry Act, 2021 for the economic and social well-being of Nigerian polity and the probable reactions. Using eclective approaches, the study adopted expository and survey designs. Data obtained from opinion poll were analysed with simple percentage tool, in view of the relative simplicity and ease of comprehension. Critical among the findings was the likelihood of a considerable deterioration in the economic conditions of Nigerians when petrol pricing is abandoned to the market mechanism. Consequently, it was recommended that the government should, as a condition precedent, commission institutions and policies that will substantially increase the existing internal supply capacity of petrol, in order to moderate the anticipated astronomically high inflation, occasioned by unregulated market forces.

Keywords: Petroleum Product, Pricing, Deregulation, Inflation, Economic well-being

Introduction

Petroleum products are many and varied, but the commonly demanded variants in Nigeria include premium motor spirit, otherwise known as petrol; dual-purpose kerosene; automotive gas oil, or diesel; and aviation fuel or Jet A1. In general usage, all the products which are derivatives of hydrocarbon are collectively referred to as oil and gas. The relative importance of oil and gas in the economy of Nigeria has remained steadily high due to the strong foreign exchange earnings potentialities; as a source of domestic energy; and in international politics. Habu (2018) referred to oil and gas as the economic life wire of Nigeria, in view of the contribution to foreign exchange earnings, gross domestic product (GDP) and a host of other socio-economic benefits. To be sure, effective and efficient domestic and international transportation of goods and services is also premised on the availability of the various fuel resources necessary for powering automobiles, including motor vehicles, airplanes and maritime craft. On the international scene, oil had been deployed by Nigeria in bargaining political and diplomatic positions. In this wise, Nigeria expressed displeasure over the inclination of British Petroleum, an oil and gas multinational operating in the country, towards apartheid in South Africa, when far-reaching decisions were taken to nationalize the assets of the oil giant, in order to compel colonial Britain to vacate the extant position, by granting independence to Zimbabwe and all frontline states held down in colonial captivity. Without a doubt, therefore, oil and gas have considerable implications for the welfare and well-being of Nigeria as a nation and Nigerian citizens as corporate or individual entities. This existential nature of oil is the basis of the high elasticity of Nigeria's economic well-being to developments in the oil and gas industry, whether in the domestic or at the international arena.

Inspite of the observable elasticity, it has remained a common-place experience that for several reasons of oil production, distribution and consumption in Nigeria, a notable characteristic of the economic management and pricing policy has been a steady increase in the prices of the various petroleum products, particularly petrol or PMS. For the cardinal reason that petrol is most widely consumed in automobiles and domestic equipment such as generating sets, grinding machines, pumps, etc, the contemplation or actual announcement of petrol price hike often sends shivers to Nigerians and triggers unrest. This, however, is not to suggest that hikes in the prices of kerosene and automotive gas oil are immaterial. For sure, gas is widely used in heavy-duty industries, particularly manufacturing concerns; while kerosene is a major substitute to liquefied natural gas used for domestic cooking.

In an effort at ameliorating the adverse effects of the perennial hikes in the price of petrol, Nigeria government had often provided cushioning palliatives, notably in the form of price subsidy, among others. As it is, with the enactment of the Petroleum Industry Act, 2021("PIA" or "the Act"), it will be unlawful for government or any of the agencies to provide any form of subsidy for the purpose of alleviating or ameliorating adversity caused or inflicted on Nigerians, for reason of appropriate pricing of petrol. In effect, the Act has formally and totally deregulated, liberalized and commercialized the activities of petroleum activities in Nigeria, including pricing. This study is initiated to examine the prognosis of the deregulation of petrol pricing in Nigeria by virtue of PIA, 2021.

Statement of the Problem
The high level of sensitivity of the welfare of Nigerians to unfavorable variations in petroleum price has often been demonstrated through protests when a price hike is contemplated or announced. Labour unions and various interest groups condemn such economic policy, for reason of aggravation of the already deplorable condition of the masses on whom the ultimate impact is most severe. It is expected that with the enactment of PIA, 2021, and the withdrawal of petroleum subsidy hitherto provided by government, the emergent situation can be anything unimaginable with respect to price oscillations. Hoarding and the attendant price increases will embarrass the citizens, most expectedly leading to public outcry and widespread protestations. Notwithstanding the harbinger of poverty which Section 53(7) of PIA, 2021 portends for Nigerians, the focus of public discourse and commentary had been limited to resource reallocation and realignment, through variations in the fiscal federalist arrangement. Instead, the foreseeable challenges of diminution in consumption possibility frontier have been largely ignored or put in abeyance. If the provision for petroleum subsidy is finally terminated from 2023, therefore, Nigerians will be confronted with the adverse implications of the paradigm shift. Against the socio-economic disturbance in the existing equilibrium which the new regime is expected to introduce, this study is instituted to provide the essential, but ignored prognostication of total deregulation of petroleum pricing in Nigeria, courtesy of PIA, 2021.

Objective of the Study
Flowing from the foregoing, the cardinal objective of this study is to examine the implications and consequences of the total deregulation of petroleum prices in Nigeria, by virtue of the provisions of PIA, 2021, for the economic and social well-

being of Nigerian polity.

The specific objectives however include to:

1. provide a prognostic analysis of the impact of the new petroleum pricing regime on the economic and social well-being of Nigerians;
2. examine the anticipated social reactions to the impact; and
3. proffer policy antidotes for ameliorating the emergent situation, in order to guarantee the welfare of the citizenry, and to sustain social peace and harmony.

Research Questions

The critical questions which were asked and to which answers were provided included the following:

1. What is the effect of deregulation of the prices of petroleum products through total removal of subsidy by government, as enshrined in PIA, 2021 on the economic and social of Nigerians?
2. What is the likely social reaction of the polity to the emergent price regime?
3. What policy measures will alleviate the anticipated deterioration in the living conditions of the citizenry as a result of the subsidy removal?

Conceptual Clarification and Review of Previous Empirical Studies

Several concepts have been employed in this paper. Among the salient concepts are economic determinism, petroleum pricing, public policy, deregulation, subsidy, economic and social well-being and Petroleum Industry Act, 2021.

Familoni (2002) described economic determinism as the situation in which people in a country or in economic relations are not free to choose what they are like or how they behave, because those things are decided by their surrounding and factors over which they have no control. Implicit in Familoni (2002)'s position is that exogenous factors are relatively strong influences in determining public policy, particularly where such facts are beyond the total control of decision makers. In pricing petroleum products, and indeed in deciding the appropriate policy approach or model therefore, government must consider the contending economic dictates and contemporary global issues. In Economics, pricing in a monetized economy refers to the determination of the monetary rate at which a product or service is procured. Price theory is therefore concerned with the behaviour of individual consumers, producers and resource owners. It describes the production, allocation, consumption and determination of the prices of goods and services (Jhingan, 2008). Essentially, pricing is concerned with the flow or allocation of productive resources from owners to business firms, with the evaluation and allocation among alternative uses being the

central consideration. Public policy has several meanings and connotations. More roundly and widely adopted, however, is the definition provided by Dye (1976); that public policy is whatever governments choose to do or not to do. In this wise, the decision to discontinue with the policy of supporting public consumption of petroleum products through the provision of subsidies, and the consequential decision to withdraw all subsidies, both fall within the realm of public policy. The essential attributes of a public policy include enactment by government or public authority; and non-excludability its benefits (Ujo, 2003).

Generally, subsidies are payments, direct or indirect, or economic concessions or privileges granted by government to private firms, households or government agencies, so as to promote public objectives (Akawu, 2006). Such objectives maybe to reduce income inequality, through redistribution; implementation of pro-poor programmes for welfarism and to correct the impact of market imperfections, as noted by Akang (2019, p.40). In Nigeria, petroleum subsidies had been extended by the Federal Government, to achieve these objectives, although implementation abuses may have produced rubbishing effects that have subverted the initial intentions. Deregulation refers to the removal of the legal or administrative restrictions or controls hitherto imposed on a system, in order to allow for autonomous and market driven regulation (Moro, 2019,). Salient in the arguments for deregulation are the desire to align with competition offered by market economics, and for the attainment of efficiency in production, distribution and consumption. In Nigeria, proponents of deregulation argue that such policy will reduce government participation in routine economic management; as well as curb the waste and inefficiency often associated with public management. To be sure, economic deregulation is an integral element of contemporary globalism. Economic and social well-being is the improvement of the economic and social conditions of people, arising from higher production and consumption and hence standard of living. Increases in income level, improvement in social amenities and increases in per capita income provide basic indices of economic well-being of the citizens of a country (Jhinghan, 2006)

Petroleum Industry Act, 2021 (PIA, 2021)
Petroleum Industry Act, 2021 is an enactment of Nigerian Legislature ("the National Assembly"). The Act seeks to regulate the conduct and management of the oil and gas industry in Nigeria. Of direct relevance to deregulation with respect to the provisions of the Act are Sections 53(1) and 53(7). Section 53(1) provides for the incorporation of a limited liability company, to be known as Nigerian National Petroleum Company Limited ("NNPC Ltd" or "the Company). In Section 53(7): NNPC Ltd and any of its subsidiaries shall conduct their affairs on a commercial basis in a profitable and

efficient manner without recourse to government funds, and their memoranda and articles of association shall state these restrictions and NNPC Ltd shall operate as a Companies and Allied Matter Act – entity, declare dividends to its shareholders, retain 20% of profits as retained earnings to grow business. Explicit in the provision of Section 53(7) is the total deregulation of the petroleum industry in Nigeria, from the commencement of operation of the Act, after eighteen months of passage. Therefore, pricing of petrol shall be abandoned to the whims and caprices of the market forces, in line with the economic dictates of capitalism.

Very explicit also, Section 57(2) provides that the extant NNPC shall cease to exist after all its assets and liabilities have been transferred to NNPC Ltd or its subsidiaries within 18months from the date of commencement of PIA. As a corollary, it shall be unlawful for any government to make budgetary provisions for petroleum price subsidy. Without doubt, it is expected that the new paradigm would generate public reactions to the emergent situation.

Methodology
Given that this study is exploratory and prognostic, an eclectic approach comprising of a descriptive method characterized by historical review and effect examination is adopted. The historical review presents the trajectory of the government's administrative price-fixing over the period 1973-2020; while the effect analysis was conducted to examine the probable consequences of price changes for the socio-economic well-being of the Nigerian citizenry. While the historical review employed secondary data on petrol price variations obtained from published sources including magazines, newspapers, Central Bank of Nigeria (CBN)'s Economic and Financial Review, presented papers and textbooks, the effect analysis utilized primary data obtained from opinion on the effects of price variations poll conducted via electronic media, in view of the need to include the wider Nigerian populace. Oral interviews were also held with a cross-section of Nigerians in Abuja. As a method, opinion poll holds a wide appeal in Social and Management Science research. The data were analysed using frequency distribution tables and simple per centage tools. Akawu (2006) and Ekechi (2019) employed the methods in similar studies. Akwau (2006)'s study, which bears closeness to this study, is however relatively stable, given that the latest data employed related to 2004 prices.

Evolution and Analysis of Petrol Pricing in Nigeria
The history of petrol price increases dated back to 1973 when the military administration of General Yakubu Gown, then Head of State, moved the price of petrol from 6kobo to 8.45kobo per litre. In 1976, General Murtala Muhammed effected

a hike from 8.45kobo to 9 kobo. The regimes of General Olusegun Obasanjo and Alhaji Shehu Shagari increased petrol prices from 9 kobo to 15.30 kobo and from 15.30 kobo to 20 kobo in 1978 and 1982 respectively. Four times, President Ibrahim Babangida effected price increases from 39.5 kobo to 42 kobo, and to 60 kobo, specifically for private vehicles and from 60 kobo to 70kobo in 1986, 1988, 1989 and 1991 respectively (Adomi, 2020). The trajectory of the hike in the price of petrol continued with increases by Chief Ernest Shonekan, Head of Interim National Government, from 70 kobo to N5, an astronomical increase of 614 per cent. With the assumption of office by General Sani Abacha as Head of State, the trend reversed temporarily when petrol price fell from N5 to N3.25 kobo in 1993. The relief was however short-lived, with the sudden increase in price from N3.25 kobo to a whopping N15 in 1994. Again, government reduced the price of petrol from N15 to N11 in the same October 1994 when the hike was affected.

General Abubakar reversed the temporary gains in lower petrol price with the increase in price from N11 to N25 in 1998. In 1999, the regime dropped the price to N20. Chief Olusegun Obasanjo benchmarked Generals Abacha's and Abubakar's models when, upon assumption of office as President of Nigeria, a hike in the price of petrol from N20 to N30 was effected in June 2000; followed by a subsequent with a sudden policy reversal and reduction of the price to N22 in same June 2000. Thereafter, the regime remained focused and resolute in the policy of continuous price hike: from N22 to N26 in 2022; N26 to N42 in 2003; N42 to N50 in 2004; and N50 to N75 in 2007. Unlike the predecessors, President Umaru Musa Yar'Adua's administration had no record of price increases. Dr. Goodluck Jonathan upon assumption of office as President increased the price of petrol from N65 per litre to N141 in 2012. The price was subsequently reduced to N97 in same year and further to N87 in 2015. The administration of President Muhammadu Buhari departed radically from the stance of Dr. Jonathan's, with the hike in price from N87, progressively to N145 and to the prevailing N165 per litre in 2021.

Public Opinion and Reactions to Petrol Price Hikes in Nigeria
The position of Nigerians had at all times remained that hiking the price of petrol or any of the hydrocarbon derivatives was unwarranted and unacceptable, given that save for mismanagement and corruption, ascribable to bad leadership, Nigeria had all it took to sustain lowly priced petroleum products. During the military regimes, objections and agitations were subtle and exhibited through presentations mainly in the mass media. However, with the enthronement of democracy in 1999, every announcement of a hike in the price of petrol was met with widespread protests, led by labour unions. Students and the general public similarly participated in the protests; for instance, forcing the government to accept a renegotiated price of petrol down to

N22 from N30 in June 2000. Subsequent upward reviews of product prices in 2000 were also confronted with nation-wide strikes led by Nigeria Labour Congress (NLC). A downward adjustment in the price was secured by NLC, to N34 per litre from N40. The common argument or justification by government for the price hikes was that over N0.5 billion was lost daily to subsidy on petroleum products. On one occasion, to give a semblance of a private sector-driven economic or business decision, government went through independent marketers who, in 2005, effected an upward adjustment in the pump price of petrol to N63 per litre. By 2006, most petrol stations sold petrol at prices which ranged from N65 to N70 per litre (Akawu, 2006).

In reaction to public criticism of the perennial increases in the prices of petroleum products, government also argued that the overriding need to remove the wasteful subsidy on hydrocarbon products was instrumental. President Obasanjo, reacting to the impasse, remarked that subsidizing fuel to the tune of N12 per litre was a wasteful way of spending public money. The President also noted that the over N250 billion annual subsidy could be saved and applied to the provision of social amenities (Egwakhide, Isumonah, Oyeranti and Ayodele, 2004). Other reasons advanced by government for the upward price movements included the desire to counter smuggling, through price harmonization and elimination of arbitrage; and the need to mobilize adequate resources for the required turn-around maintenance of the existing refineries, among others. To counter the position of government, public opinion, led by labour and public analysts, held the contrary view that the action of government in frequently and progressively hiking product prices was in obedience of the dictate or command of the World Bank Group, which had sustained relentless efforts at forcefully integrating Nigeria into the world capitalist system, through a myriad of policies, including rationalization of public enterprises, privatization, deregulation, total economic restructuring, globalization and recaptialisation of financial institutions, among others (Oyewo, 2020).

The Controversy over Petroleum Subsidy
Various opposing positions have been presented by diverse interest groups with regard to the desirability or otherwise of maintaining a subsidy regime in petroleum pricing in Nigeria. Advocates of fuel subsidy, notably public analysts, labour unions, welfare and pro-poor economists and, indeed the working-class people hold and maintain the position that a contrary public policy will always prejudice the economic well-being of the already impoverished citizenry, through pervasive inflation and the associated currency depreciation, all of which necessarily impact negatively on the standard of living. For this economic and other social implication, pro-subsidy advocates caution public authorities against policies which are capable of

exacerbating the fragile economic and social conditions of the masses. Alhaji Balarable Musa, former Governor of Kaduna State, Chief Gani Fawehinmi, legal practitioner and rights activist, the Nigeria Labour Congress, the various Chambers of Commerce and Industry and other civil society have remained vocal overtime, in their opposition to the deregulation of petroleum pricing through subsidy withdrawal by government. To the contrariwise of the argument of anti-deregulation proponents, government and advocates of economic liberalism favour price deregulation in the oil and gas industry in Nigeria. Several reasons have been advanced to buttress this position: maintaining price parity with the international market, policy obsolescence, unaffordable cost of governance, high preponderance for waste in public financial resource management, social and economic opportunity cost and the need to achieve efficiency (Lukiman, 1995), among others.

On investment, Tekulu (2019) also argued against the existence of subsidy, particularly because subsidy is harmful to investment, since the policy squanders the opportunity for investing in production and distribution of petroleum and the by-products. On the balance, it has been contended by Obiako and Anyalo (2020, p.62) that subsidies, given the cardinal objective to reduce inequality in income redistribution, can be instrumental in promoting economic and social well-being of the citizenry, particularly when the policies are appropriately designed and targeted at the poor. In the case of petroleum products, the huge influence which the need and consumption of petrol exacts on the livelihood of the masses, have been so overwhelming that the price elasticity of consumers' well-being has remained very high. For this reason, anti-petrol subsidy removal advocates have persistently pushed for the maintenance of the *status quo ante*.

Effects of Petrol Price Hike on the Economic and Social Functioning of Nigeria
Due to the relative importance of petrol in Nigeria, the price elasticity of demand for the product may be described as very stiff. Thus, when a hike in the price of petrol is affected by government, individuals, business firms and other organizations be they public or private, must shift expenditure budgets to reflect a higher skewness in favour of petrol, depending on the magnitude of the hike. The main reason for the inelastic demand is the near-absence of a perfect substitute to petrol as the major fuel for powering automobiles and household equipment, such as generating sets and grinding machines. Automotive gas oil provides a disproportionate substitute, given that the product has limited use to heavy-duty machines. On the economic flank, petrol price increases have been blamed for the inexorable inflationary trends in Nigeria through importation of refined crude (Familoni, 2002). The transmission mechanism traverses increases in production cost of input, petrol being an essential

component. As a corollary, the higher cost of production is reflected by producers and distributors in the adjusted prices which consumers must pay. The economic conditions of the masses are thus severely bruised in the chain of actions and reactions, when petrol price is increased.

Given that poverty and capital formation are diametrically opposed, investment is diminished through the impoverishing effect of inflation on saving and the transmission to investment, output and GDP. Furthermore, since refined petrol is massively imported by Nigeria, the available but scarce foreign exchange must be spent in overseas economies. More often, the net position is a deficit balance of payments. In effect, fuel importation, besides propagating inflation, promotes capital flight. On the social plane, the emergent aggravated fuel cost-induced poverty will push the cost of critical social services, such as health and education, to levels beyond affordability by the masses. This is because providers of services must, in reaction, adjust prices to reflect the prevailing market realities. The effects of the economic doldrums, into which the polity had been thrown, through the action of petroleum price hike, will normally include general unrest, strikes, agitation, pervasive social disorder, criminality, insecurity and orchestrated economic sabotage, among other social vices. A policy to remove subsidy will therefore only be well received, if the attendant impoverishment of the masses is compensated by judicious deployment of the freed financial resources from the withdrawal, to the provision of economic and social infrastructure, to support the transformation of Nigeria. However, in the situation of massive corruption, economic management policy had not proportionately impacted the polity in relation to the huge annual budgetary provisions.

Result of Public Opinion Poll Conducted on the Policy Implications of Total Deregulation of Petroleum Industry, for the Social Conditions of Nigerian Citizenry
Upon the assurance of the National Assembly (NASS) in 2020 that the Petroleum Industry Bill (PIB) will be passed before the close of 2021, this survey was initiated, with the objective to re-examine the historical antecedents of fuel price increases in Nigeria as a basis for undertaking a prognostic preview of total deregulation of the oil and gas industry through complete removal of subsidies, pursuant to the provisions of the Act, when eventually passed. True to the assurance, PIB was passed into law (PIA) in August 2021. In the survey design, members of the public, the major stakeholders and bearers of the impact of the policy, were requested to complete an online questionnaire hosted on social media. The salient questions included: whether

respondents were aware of government's contemplation to completely withdraw subsidies provided to moderate the prices of petroleum products; whether respondents were aware of the implications of subsidy removal; how respondents would view the specific provision of PIB on fuel subsidy removal, if PIB was eventually passed into law; and what measures respondents would advise government to put in place, to ameliorate the expected adverse effects on the general welfare of the citizenry. Responses were received from all geo-political zones, with the highest traffic from South West. Besides, respondents cut across age, educational, occupational and social strata. In all, a total of 3,755 responses were received, composed of South West:32%, South South:19%, North Central: 17%, South West: 14%, North West:10% and North East 8%, as represented in Table1. The primary data collected were analysed using simple percentage tool. The procedure is acceptable and

Table 1: Frequency Distribution of Responses to the Online Questionnaire

S/N	Geo-Political Zone	Frequency of Responses	Percentage (%)
1	South West	1,202	32
2	South-South	713	19
3	North Central	638	17
4	South East	526	14
5	North West	376	10
6	North East	300	8
	Total	3,755	100

Source: Field Survey, 2021

Given the magnitude of the population of Nigeria, the sample and results of the responses to the questionnaire were only a microcozym; nevertheless, in sampling theory however, a sample of 30 or higher is large (Spiegel and Stephens, 2008). The use of opinion poll has been widely deployed in gauging public perception on topical issues; and it has been recommended by Anyaele (2003). Among the measurement and determination of public opinion, Anyaele (2003) identified opinion poll, election, referendum, mass media and public response as veritable. The method was adopted by Mahmud and Ogwuzebe (2020) in a survey study on the relevance of public opinion in public policymaking in Nigeria. Accordingly therefore, the responses were passed as adequate for the analysis.

Analysis of the Responses

Table 2 presents a summary of the responses to the questions in the poll questionnaire.

Table 2: Responses to Opinion Poll Questions.

S/N	Question	Yes	%	No	%
1	Whether respondents were aware of government's contemplation to totally deregulate the oil and gas industry in Nigeria, through 100 per cent withdrawal of subsidy on petroleum products, as provided in the PIA?	3,550	94.50	205	5.50
2	Whether respondents were aware of the consequences of a 100 per cent removal of petroleum subsidy?	3,755	100.00	0.00	0.00
3	If respondents were aware of the implications and consequences, whether respondents could identify the most critical to the economic well-being of the masses, from the list below: a. High rate of inflation b. Scarcity of petroleum products, particularly petrol c. Aggravated poverty and a sharp dip in the welfare of the Nigerian citizens d. Pervasive social disorder and unrest, leading to aggravated insecurity, corruption and disadvantageous capitalism, among others. e. All of a-d	3,755	100.00	0	0.00

Source: Field Survey, 2021

A perusal of Table 2 reveals the high level of respondents' awareness of the emerging situation and implications or consequences, given the average awareness rate in excess of 95 per cent. This awareness may not be unconnected with the history and evolution of controversies about petroleum product subsidy removal and public reactions, particularly during the military regime of General Ibrahim Babangida. The regime was widely accused of pro-IMF conditionalities, central of which was the abolition of subsidies on goods and services which could be more efficiently priced through the market mechanism. Oral interviews held with select highly placed residents of Abuja reported corroborating results. Arising from the analysis of the opinion poll and interviews, and in congruency with the extant positions of empirical studies reviewed (Akawu, 2006, etc), the major finding of this study was that a total withdrawal of petrol subsidy would aggravate the deplorable economic conditions of Nigerian citizens, plunge the welfare into abyss and precipitate social upheavals.

Prognosis of Post-PIA, 2021 Deregulation and Total Petroleum Subsidy Withdrawal

That petrol and the sister hydrocarbon components are central at the heart of Nigeria's economy and the welfare of the citizens is trite knowledge. It is to be expected,

therefore that, given the experience of the vexed issue of even partial subsidy removal, the economic and social conditions of the entire citizenry, be they private individuals, firms and other organizations, would suffer adverse consequences, when total subsidy withdrawal on petrol is effected, courtesy of PIA. In the likely event of total withdrawal of subsidies, as provided in Section 53(7) of PIA, 2021, the situation and emergent conditions of the polity are expected to regress and deteriorate into abyssinal doldrums, characterized by unprecedented inflation. To be sure, inflation and erosion of real income will result in lowered standard of living with almost everything unaffordable. Corruption will escalate, particularly in attempts by highly placed public officials and the business class to maintain the existing standards.

The disgruntled masses who are already impoverished will attempt to survive by preying on the polity, using the already thriving instrumentality of banditry, kidnapping and widespread violence, all of which will escalate the prevailing level of insecurity. General strikes and social unrest would characterize the life of Nigeria; while production and distribution would either halt, be put in abeyance or proceed at levels far below installed capacity. Output would fall drastically, resulting in a vicious circle of inflation and poverty. Either way, the situation would reinforce other adverse developments, to negatively impact the economic and social conditions of Nigerians. In the international area, Nigeria may shed substantial weight in perception, recognition and place in the comity of nations. Indeed, Nigeria's relations with the international community may be jeopardized or prejudiced.

Conclusion and Policy Recommendations
Globalization is central in modern best practices, irrespective of the endeavor. To be sure, economic liberalism and deregulation are now essential attributes of globalism, given the wide appeal the policies hold, particularly in the West and the allies. For this reason, arguments which canvass the practice of globalism have been well favoured, particularly in the capitalist climes. Nevertheless, the basic ingredients or conditions precedent to liberalism must be institutionalized; otherwise, spontaneous and total deregulation may aggravate the fragile economic conditions in an emerging country as Nigeria, where development remains rudimentary and inchoate. It is therefore contended that unless well-articulated and implemented, economic liberalism could be counter-productive; and can aggravate the vicious circle of poverty in a developing country. Policy antidotes are therefore offered through recommended strategies for alleviating the envisaged emergent scenario under total deregulation as enunciated in PIA, 2021.

Broadly, the strategies are targeted at addressing the supply side economics, governance and welfare. On the supply side, the government should, as priority, initiate deliberate policies and programmes aimed at increasing the supply capacity of petrol and other energy hydrocarbons. In this wise, the capacity of domestic refining of crude should be prioritized and substantially increased, by licensing additional private modular refineries. Besides, a water-tight fuel importation arrangement, capable of delivery on mandates with transparency and at competitive prices, should be put in place. In this regard, only entrepreneurs with the requisite capacity, financial muscles and extensive overseas business links or contacts should be approved by the emergent NNPC Ltd, to engage in fuel supply. Government should strengthen the governance regime in the emergent fuel supply paradigm by ensuring that only credible, honest, transparent and professional gentlemen are appointed to midwife, manage and control the operations and affairs of NNPC Ltd. The practices of contract racketeering, foreign exchange round-tripping, cronyism, favouritism, nepotism, mediocrity and associated social and economic vices must be avoided or nipped in the bud, *ab initio*. To be sure, the foreseeable most critical bane of the emergent NNPC Ltd is corruption. Corruption will effortlessly return Nigeria to the era of import licensing scams, if the holistic governance arrangement and modus operandi are defective.

To cushion the take-off effects on the welfare of the citizenry, associated with the identified implications and consequences of total subsidy withdrawal, the government should put in place ahead of the commencement of the operation of PIA, 2021,a regime of palliatives and incentives, particularly targeted at the vulnerable masses. Such remedies could be in the form of mass transportation, improvement in the availability of social services such as health, and education; increased support for rural infrastructure, for accelerated agricultural and rural development; and improvement in security, all of which are germane to the alleviation of poverty. Unless adequate protective measures are instituted and institutionalized, a very turbulent economic and social regime will characterize Nigeria's life, post-deregulation, based on the past experience regarding partial subsidy removal. The argument or notion that Nigeria has no control over her economic conditions or situations but must rather accept the conditions as they are shaped by external influences is deterministic and outmoded. Government must therefore assume a firm but dynamic regulatory control of the economy for the overall improvement in the welfare of the citizenry.

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Chapter-5

Diversity Management and Governance in Nigeria

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Abstract

Nigeria is a heterogeneous society defined by cultural and institutional diversities of different ethnic groups of various populations and people practicing three main religions, i.e. Christianity, Islam and Traditional religion. Christianity is in larger proportion in the Southern and the North Central part of the country. Islam is chiefly in the Northern part and South – Western part of the country. The country has over 300 ethnic groups with different behaviour and orientation. The relationship of individuals and groups are determined by the imperatives of cultural symbols and strategic social institutions and this has enormous implication on governance and national cohesion. This has predisposed the people to the scarce political and economic resources and thus created room for conflicts and exclusive interest. It on the basis of this discourse that this chapter is established. The work looks at some basic concepts and these are: diversity and diversity management. The work also looks at the various types of diversity in a heterogeneous society. The work also looks at the nature of diversity in Nigeria and some of the ways that were introduced by different administration to manage diversity in Nigeria. The work also looks at the challenges of diversity management and how it could be managed in a heterogeneous society and Nigeria precisely.

Keywords: Diversity, Management, Government, Nigeria

Conceptual Clarification
Concept of Diversity and Diversity Management
The word diversity has two derivatives – the French and the Latin. In French, it was derived from the word "diversitas" and in Latin, "diversus" and they all denote "diverse". The word is synonymic to wordings such as variety, assortment, multiplicity, range, mixture and array. It is a quality of being varied. It is a quality of varied things. Diversity within the gamut of the state is a situation in which a certain state has varied ethnic groups, religions, customs, cultures, traditions and many more. It is a situation in which a state is heterogeneous, plural, mixed, and dissimilar and has various groups with different backgrounds.

Diversity management is a situation in which the pluralities, the differences and dissimilarities in a group are muddle through, handled and integrated. It is a situation where the interest of diverse groups in a heterogeneous society are integrated, harmonized and fare by the state. Johnson (2000) defines it as a situation or ability to bring about or sustain diverse interests of different groups in a society.

From the foregoing, it can be deduced that diversity management is:
  a. A process of managing various differences and different interests in a society
  b. The stabilization of the variations- ethnic, religious and resources
  c. The sustenance of various interests
  d. Common in plural and heterogeneous society

Types of Diversity in a Heterogeneous Society
  a. Cultural Diversity
     This has to do with the differences in the total way of lives of the citizen of the country. The differences in how things are done, things are perceived and the orientation of the people toward issues.

  b. Religious Diversity
     This has to do with the differences in the belief system or faith system. A lot of societies have different religious groups. The most prominent religious groups in the world are: Confucianism, Buddhism, Christianity, Islam, Traditional religion, artist and many others. In a society, you can found free thinkers and atheists. In a particular religious, you can find sects, and in a particular religion, you can find differences across ideology-the liberal, the conservative, the radical, the reformative and the revolutionists (Cinjel, Chujor and Kachi, 2018)

c.   **Political Diversity**

This has to do with the differences in political value such as ideology, orientation and approaches. It exists even in a one party state; this is because values and interests differ among people, groups and in a society. This is why we have political views, ideologies, values and different aspirant aspiring for a single position.

d.   **Economic Diversity**

This has to do with the harmonization and utilization of state resources. This can be: agricultural resources, mineral resources, material and financial resources among many others. A state with diverse economic means is far better than the one that relied on one   source of income; a one-sided driven economy (mono- economy). A diversified economy is a common feature of developed society while mono-economy is a feature of underdevelopment.

e.   **Traditional and Custom Diversity**

This is the different in long established action and pattern of behaviour in a community or among group of people. It can be habit, rituals, convention, belief, folklore and other practice.

Nature of Diversity in Nigeria

Nigeria is a pluralistic and heterogeneous society with diverse ethnic and religious groups. The country has over 300 ethnic groups and over 500 spoken languages. The official language in Nigeria is English. The country borders the republic of Benin, Chad, Cameroon and Niger Republic. The country is the most populous black nation and the most populated country in Africa. The most populous and politically influenced ethnic groups in the country are: Hausa, Yoruba, Igbo, Ijaw, Kanuri, Ibibio, Tiv and the Fulani. These major ethnic groups also have diverse minor groups with different languages, cultures and lifestyles (Cinjel, Chujor and Kachi, 2018). Besides the multi-ethnic nature of ethnic groups in the country, the country is divided along the line of religious practices and the most common once are Christianity and Islam. Majorities of Nigerian Muslims are Sunni and mostly concentrated in the northern region of the country while Christians are predominant in the southern part of the county. Apart from these two dominant religious groups, there are followers of diverse traditional and indigenous religion. In the Islam alone, there are divisions such as Sunni (the predominant group), Safi madhhad, Shia, Quadiriyya, Tijaniyya, Amadiyah and the Mahdiyya. The Christian faith falls into two, the protestant and the Catholic. The protestant church is enormous in its division unlike the Catholic which for long is monolithic oriented in its practices (Cinjel and Chujor,2017).

This plural nature and the continual sentiment on the basis of individual interest over the country's general interest have succeeded in breeding forces of disunity and disintegration. This diversity for long has set the country on the path of perdition. The hydra-headed monster started right from the creation of the country known as the amalgamation of 1914. The three pseudo-regional groupings in the country in the past (i.e. North, East and West) were given the sight to see themselves as products of distinct evolution and fusion of different areas by the colonialist under the subterfuge of administrative convenience. The country has witnessed a plethora of challenges as a result of the forceful union and fusion by the colonial master. Prominent among some of the challenges were the Aba Women Riot of 1929, the 1932 inter-ethnic tension in Jos, the agitation of self-government in 1957and many others. The so-called political independence granted to the country in 1960 further exacerbated the issue. The era brought issues such as the question of how power should be shared among the diverse group and more precisely, among the three dominant ethnic groups. The coups d'état of 1966 brought out clearly the venom of ethnic sentiment in the country. In the coup, most of the people executed were from the northern extraction and the Yoruba from the western part of the country. The then head of state survive the coup and his escape from the coup has a lot of interpretations (Cinjel and Chujor, 2017). The Ironsi government promoted 21 generals and 18 out of the 21 generals promoted were from the eastern region. The Ironsi administration promulgated Decree No.34 which introduced a unitary government in the country.

There was another coup in July 1966 and in the coup, the then head of state in person of General Johnson Thomas Aguiyi-Ironsi was assassinated and some others that were assassinated were military officials from his ethnic extraction. The coup ushered in Gowon as the head of state. In 1967 to 1973, there was a civil war, the eastern region wanted to break out to form another country (Biafra) but despite the strife, it became futile. The government of Gowon was toppled in 1975 and Murtala Muhammed became the head of state. A failed coup which was seen as more of ethno- religious coup emanated. The coup was carried out predominantly by some Christians from the North-central part of the country. The coup was chaired by Colonel B. S Dimka and it attracted a lot of attention due to the enormous devastation it has brought to the country. Most of the plotters were from the defunct Benue-Plateau State. Some Spectators and scholars seem to portray the coup as more of revenge due to its usage of the phrase "Good tiding" it used to introduce its narrative (Cinjel, Chujor and Kachi, 2018). Things seem to change with the introduction of democratic governance from 1979 to 1983. There was also national stability from 1984 to 1987. This was because there was a consensus with regards to the formula for the control of power and appointment; they were done devoid of ethnic and religious sentiments. Ethnic and

religious sentiment reappeared in full force in 1988; the administration of Ibrahim Babangida. There was also a failed coup and it was led by the then Major Gideon Orkar and in the attempted coup; the plotters used wordings such as marginalized, oppressed and enslaved as the foremost motive behind the act.

Under the guise of entrenching national cohesion, schemes such as the National Mosques, the National Ecumenical Centre and Pilgrimage Board were all built to promote oneness but to no avail. There was a failed transition in 1991 and the elected president in the person of Moshud Abiola was deprived of his mandate. The Yoruba extraction which the elected president came from sees it as more of an ethnic persecution. There were protest and series of demonstration to retrieve the deprived mandate but all to the contrary. Due to the intense of the insisting pressure both within and outside the country, an Interim National Government was formed and the person chosen to head the Interim National Government was from the Yoruba ethnic group; the essence is to control the tension and reaction of group such as the Oduduwa Congress, the pro-junta and many others. The Interim National Government lasted for the period of six (6) month and was toppled. General Sani Abacha surfaced as the new head of state and in an attempt to manage some of the ethnic and religious sentiment, states and local government areas were further created, appointment were done under the umbrella of federal character doctrine and many others but all to the contrary. Tension later appeared with the execution of Ken Saro Wiwa, the forceful dethronement of the sultan of Sokoto, the introduction of poll taxes and many other policies. Some of the unpopular policies of the government further resurrected ethnic and religious frictions and strain in the countries.

The democratic government from 1999 to 2018 made tremendous effort to douse and snuff out the puzzle some of the ethnic and religious sentiments. A lot of policies and programmes were introduced to further strengthen the cohesion of the country. Among some of them are: The establishment of the Ministry of Niger Delta, serious emphasis on the application of federal character principle, zoning and rotation of power, secularization of the country in the country's constitution, national apology and honour to the victims of June, 12 and the formal declaration of the date as democracy date, payment of benefits that were previous owed by the federal government to the decamped soldiers and police who aligned with the defunct Biafaran force and many others. But the challenges of diversity kept re-occurring, politics and census were still being carried along religious and ethnic narrative; appointment and recruitment were sometimes done on merit and seniority at against the federal character which a typical Nigerian would not appreciate (Cinjel, Chujor and Kachi, 2018). There were several attacks as a result of ethnic and religious

divergences. There was the emergence of groups such as Boko Haram, MOSSOB, MASSOP, Niger Delta force, Agatu warriors, Yan Daba, and a lot of others. This ugly development continued to mount up pressure to government and the space for national cohesion

Ways Introduced to Manage Diversity in Nigeria
There is no federal state in the world that is not heterogeneous. History has shown several times without number that federalism is adopted in many countries as antidote to Heterogeneity. Mature societies with heterogeneous status do adopt federalism to manage its diversity. Federal states such as India, Belgium, Canada, Switzerland and even United State have constitutional means of responding and managing diversity (Cinjel, 2022). Diversity management is not about eradicating centrifugal issues and divergence interest that divide. They will always be there; the vital thing is how to manage them; creating a level of understanding, bridging existing gabs and strengthening the forces for sustainable peace and development.

Some of the mechanisms used by Nigeria government to manage diversity are:
   a. Federal character principle
   b. Consociation of power – sharing
   c. NYSC

a)   Federal Character Principle
The background to the adoption of the federal character doctrine in Nigeria could be traced partly to the inability of our leaders to evolve an effective means of holding the units together towards a national goal (Clark, 2013). There was also absence of consensus among Nigerians on vital issues. Such issues relate to educational development, income structure, occupation, ethnic values, religious differences, languages, economic structures, social welfares and government structures. The constitution drafting committee (CDC) of 1977/78 came up with the idea of federal character. It stated that federal character of Nigeria refers to the distinctive desire of the people of Nigeria to promote national unity, foster national loyalty and give every citizen of Nigeria a sense of belonging to the nation, notwithstanding the diversities of ethnic origin, culture, language or religion which may exist (Cinjel, 2022). The CDC recommended in respect of parties that their ideologies must reflect a national outlook, their leadership should reflect the federal nature of the society and that membership should be open to all citizens. In respect of the public service, it was recommended that the composition of the government units must recognize the ethnic diversity of each level (Clark, 2013).

Following the CDC recommendation, the 1979 constitution legitimatized the principle of federal character in chapter II section 14, sub-section (3) and (4). These provisions are worth quoting:

> *The composition of the government of the federation or any of its agencies and the conduct of its affairs shall be carried out in such manner as to reflect the federal character of Nigeria and the need to promote national unity, and also to command national loyalty thereby, ensuring that there shall be no predominance of persons from a few states or from a few ethnic or other sectional groups in that government or in any of its agencies. The composition of the government of a state, a local government council or any of the agencies of such government or council or the conduct of the affairs of the government or council or such agencies shall be carried out in such manner as to recognize the diversity of the peoples within its area of authority and the need to promote a sense of belonging and loyalty among all the people of the federation.*

Attempts were deliberately made to check the tendency to recruits more people for appointment from particular sections of the country. Up to that point, southerners who had the opportunity of acquiring education earlier dominated the federal public service. For instance, the Igbo dominated the police, the Yoruba are predominant in the Federal Civil Service and the Northerners dominated the Army (Cinjel, 2022). The nearness of southern part to the former Federal Capital, Lagos as well as the unwillingness of the few literates from the North at the time to accept federal appointments, due to better opportunities in their region, all aided disproportionate recruitment (Clark, 2013). With time, there were fears among Northern elites that their region would be disadvantaged if they were inadequately represented at the federal level where policies were formulated for the administration and development of the entire nation. There arose massive campaigns for federal character and it became more insistent during the military regime (Cinjel, 2022).

The "federal character" issue is best exemplified in the "quota system". Each state of the federation is allocated some portions of federal establishments and it is expected to fill such allocation with its indigenes. Quota system was introduced in the placement of students in federal educational institutions, in the awards of scholarship, and in recruitment into federal public service, statutory corporations and government own companies. Political officers were similarly filled as well as the recruitment into the army, navy, air force, police, custom, immigration, prison services and even the judiciary (Gbuile, 2014). Nowhere has the application of the federal character been able to generate hot debates than its use in admission exercises into federal higher institutions and federal government schools. Both students and parents have come

out with scathing remarks on the policy. Although certain areas have least number of applications, they are best favoured with regard to admission of students under this policy. This creates some disguise (Cinjel, Chujor and Kachi, 2018). The question is, how should the quota system be applied so that it does not turn round to boomerang? The practical advantages of federal character, or quota practice, are many, some of them are: it is an instrument of ensuring equality and fairness in the composition of government or the appointment or election of persons to high offices in the country, it promotes sense of belonging and the spirit of "we" rather than "they" (Cinjel and Akende, 2015).

b)   Consociation of Power Sharing

This is one of the tools that were employed by the Nigerian government to manage diversity in the country. This is manifested in form of power sharing such as zoning and power rotation. This approach has proven to be one of the viable ways of ensuring inclusiveness and a shield against ethno – religious and sectional imbalance. The country's decision to adopt federalism is not accidental. It was deliberate and designs to manage the different diversity in the country. Nigeria is divided into six (6) geo – political zones – North – East, North-West, North-Central, South-South, South-East and South-West. The constitution of the country did not in a clearer term define zoning or Rotation of power but visibly specified that a presidential candidate should choose his or her running mate in a zone different from his or her zone. If he or she is from the North, the running mate should be from the South and so also, if the president is from the South, the running mate should be from the North (Cinjel, 2022).

c)   NYSC

The National Youth Service Corps (N.Y.S.C.) was one of the Mobilization Strategies adopted by the administration of General Yakubu Gowon to integrate Nigeria. However, its focus was on the youths. The Decree that established the scheme was Decree No. 24 of May 22, 1973. The Scheme provided that graduates of Universities, Polytechnics and Colleges of Education (graduates of Colleges of Education no longer partake in the Scheme) should be posted to states other than their states of origin to serve for twelve calendar months. The expectation of the Government is that while there, the Youth Corper will interact with the members of the new community in which he or she finds himself or herself and study their ways of life, makes friends among them and if possible stay there after the completion of the exercise (Cinjel, Chujor and Kachi, 2018). What warranted the introduction of the Scheme was the pre – 1966 activities of the Nigerian politicians, whereby the game of politics was played in a highly tribalized manner. Again, the country's Public Service was equally regionalized. A case in point was the Northernisation Policy of the Government of the

old Northern Region which was adopted in 1956; it aids the dismissal of the Public Servants of Southern origin working with the Northern Region Government and their replacement with the Northerners. Another incident that precipitated the adoption of the Scheme was the "Araba riot" of 1966 in some parts of the Northern region which led to the killings of some of the Igbos who were then resident in that parts of the country. The incident led to the exodus of the Igbos from the North to their country home (East) and the climax of it all was the Civil War of 1967 to 1970 often tagged "the war of unification", which was fought to prevent the East from seceding from the remaining part of the federation (Cinjel, Chujor and Kachi, 2018).

The above high – lighted instances made most Nigerians to regard their home states as the only places where their future could be guaranteed. Consequently, they seldom wish to leave their zones. However, with the introduction of the Scheme, Nigerian graduates of tertiary institutions of learning are now compelled to spend a year in other zones other than theirs.

Objective of NYSC
The benefits inherent in this policy are contained in parts of the objectives establishing the N.Y.S.C Scheme as spelt out in Decree No. 24 of 1973 that established it. They include the following:
1. To develop common ties among our youths and promote national unity by ensuring that:
   a. As far as possible, youths are assigned to jobs in states other than their states of origin:
   b. Each group assigned to work together is a representative of the country as possible;
   c. Different parts of the country with a view to removing the youths are exposed to the models of living of the people in prejudices, eliminating ignorance and confirming at first hand, the many similarities among Nigerians of all ethnic groups.
2. To encourage members of the corps to seek, at the end of their corps service career employment all over the country, thus promoting the free movement of labour.
3. To induce employers partly through their experience with corps members, to employ more readily qualified Nigerians irrespective of their states of Origin (NYSC Handbook, 1980)

Challenges of Diversity Management in Nigeria
Some of the basic problems that affect diversity management in Nigeria are:

a.   Ethnic Sentiment

Ethnicity is a shared cultural characteristics or distinctiveness of a group. The exercise of mental and general feeling that one's ethnic group is greater or better than the others. This for long has been a strong challenge to peace and harmony in Nigeria. Nigeria has over 300 ethnic groups and if each ethnic group will keep stereotyping and prejudicing against other groups; managing diversity will continue to be a herculean task. This has explained why there are several cases of ethnic conflicts – Tiv and Jukun, Berom and Fulani, Mwaghavul and Ron, Mwaghavul and Pyem, Igala and Ibira, Ijaw and Ishakiri and many others.

b.   Religious Sentiment

Nigeria has diverse religious groups. The predominant ones are: Christianity, Islam, Traditional religion, Encanka, Jehovah witness, Grail message and many others. The sentiment and passion that one's religion is the best and superior to that of others often lead to sentiment and intolerance. This has led to a lot of religious conflict in the country. Notable among the conflicts are: Bauchi religious conflict of 1993, the Jos ethno-religious conflicts of 2001, 2007 and 2011 and many others (Cinjel, 2022). These menaces are strong setback to the management of diversity in the country.

c.   Weak Patriotic Spirit

Patriotism in heterogeneous society is often weak. Most persons and groups choose to be loyal to their group instead of the state. Instead of being patriotic to the whole of the centre; they give premium to their group. This has explained why there are several incidences of separatism, factionalism and sectarianism in such type of society. In Nigeria we have seen the cases of Boko Haram group that want to secede, the IPOB and many other. Where there is weak patriotic spirit, groups like dissenter, secessionist, protesters, rebel, freedom fighter and separationist are common (Cinjel, 2022).

d.   Bad Governance

A society that experienced bad governance finds it difficult to manage diversity. Where there are issues such as poverty, unemployment, political exclusion, lack of access to basic means of livelihood, poor participation, lack of accountability and transparency, weak electoral system and many more. Where the mentioned issues are weak and not strengthened; good governance is a farce.

e.   Identity Politics

A society that built it politics across identity finds it very difficult to manage its diversity. The question of indigene, settlers and who should get this and that are

complex issue that affects national integration. Deprivation and exclusion can breed room for frustration, aggression and division. Any society that practiced its politics across this line often finds it difficult to manage its diversity (Cinjel, 2022).

How Diversity Differences can be Managed
a. Good Governance
Good governance can be done through strengthening of democratic process by promoting participation, accountability and transparency. The various institutions of political participation like political parties, civil society and electoral process need strengthening to give room for genuine participation

b. Developmental Policy and Infrastructures
The state should design policies that will stimulate the productive and creative energies of the people. The state should provide critical interventions in education, health care, rural and urban infrastructure, poverty eradication, job creation and youth development. It should also provide people-friendly policies for rural development, land use agriculture. This will go a long way to managing different diversity in a state.

c. Constitutional Reform
A constitutional provision on residency rights should be strengthened and enforced in place of indigeneship to address the problems of settlers – native or indigene divide that for long has been creating conflict in most society.

d. Decentralized Traditional Institutions
The traditional institution should be charged with the responsibility of promoting dialogue and understanding between different ethnic and religious groups for the purpose of either promoting peace building and sustaining peace among diverse groups in the society. In doing this, the traditional institutions should observe the principles of justice, fair play and equity in dealing with people under their jurisdiction (Cinjel et al, 2018).

e. Qualitative Media Reportage
The media has a strong role to play in managing the diversity of a state. The media which is often described as the Fourth Estate of the Realm has important role to play – This can be done through informing citizens of what is happening, educating the society, providing a platform for public and political discourse including space for expression of dissent, playing a watch dog role and ensure the state of accountability and also provide channel for public policy advocacy (Cinjel et al, 2018). This can play a

crucial role to manage diverse diversities existing in a state

f. Attitudinal Re-Orientation

This is another better way in which diversity can be managed in a society. When people change and built attitude toward the state. This can be through act such as respect to constituted authority, patriotism, moral probity, passion for home grown goods and adhering to such values that integrate rather than divide.

g. Ethnic and Religious Tolerance

This has to do with respect and broad mindedness to other people's religion and ethnic group. When citizen of heterogeneous society tolerates values, be it – religion, ethnic, custom, tradition and culture of others; the society stand the chance of integrating rather than dividing.

Conclusion

Nigeria is a country with diverse ethnic and religious groups. The country for long has been battling with ways to manage its diversity; federalism was adopted as system of government not by accident but to help the state to curb the challenges of diversity in the country. The country has adopted tools such as power-sharing, federal character and other policy programme such as NYSC, Unity schools, exchange programmes and many more but all to the contrary. A lot of administrations in Nigeria thought that the management of diversity is about eradicating the issues in the country's centripetal federalism.

Diversity management is not about eradicating the challenges; this is because the issues will always be there. What is paramount is how they could be handled; how to create a level of understanding and ways to bridge existing gaps for national cohesion. The chapter looked at what is diversity and diversity management, types of diversity in a heterogeneous society. The chapter looked at mechanisms introduced by the Nigerian government to manage diversity and the challenges of managing diversity in Nigeria. The chapter also looked at how diversity can be managed in a heterogeneous society.

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Chapter-6

Empirical Examination of Nigeria Manufacturing Sector Output and Capacity Utilization: An Issue for Sustainable Economy

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Abstract

Economically, it has been observed that Nigeria has not been able to maintain the growth rate which is important to reduce some of the challenges its face. The country suffers from lack of balanced development in which its social, economic and environmental aspect are not taken into account for sustainable development. The objective of the study is to examine the activities of Nigeria manufacturing sector output and its capacity utilization an issue for sustainable development in the country. The study employed historical data covering the period of 2002-2018 sourced from CBN. The regression estimation result revealed that average exchange rate and manufacturing output exert positive relationship while average capacity utilization and commercial bank loans exert a negative impact on gross domestic product. The study recommended that basic infrastructure should be refurbish so as to boost manufacturing output, exchange rate should be manage so as to improve the value of Naira. Commercial banks should be encouraged to finance the activities of manufacturing sector so as to enhance economic development.

Keywords: Manufacturing, Sector output, Capacity utilization, Sustainable economy

Background to the Study

Before the relative importance of petroleum industry in Nigeria, the economy rely on agriculture, such as agricultural sector, exploitation of solid minerals, manufacturing sectors, services industries among others is very important. This has led the country to

economy instability and led to unemployment, poverty and other challenges. The hope of rapid growth such as in transportation, electricity, portable water, inconsistent government policies, and investable fund have discouraged the establishment of manufacturing and other industries. Measuring Nigeria's sustainable development is a crucial step to succeed in the post-2016 development agenda. Michael and Anthony (2015) noted that Nigeria has to use its large natural and human resources for the development of the industrial sectors, therefore This study aim is to examine Nigeria manufacturing sector output and capacity utilization for sustainable economy.

Statement of the Problem
According to trading economics (2020) the Nigeria economy advanced by 1.87% in the first quarter of 2020 compared to a 2.55% growth in the previous time. The Gross Domestic Product reduced 14.27%, following a 5.59% increase in the previous time. Nigeria economic aspect of development are not taken into account for sustainable development. Economically, when a nation develop, it's inhabitant are expected to enjoy, usually in terms of their well-being. This means that improvement in material well-being of all citizen should be in a sustainable way such that today's consumption does not imperil the future. That is, development should be continuous and uninterrupted and aim at maintaining economic advancement and progress. The interrupted development experienced in Nigeria is a call for concern.

Objective of the Study
The objective of the study is to examine Nigeria manufacturing sector output and capacity utilization for sustainable economy.

Literature Review
Conceptual Framework
Sustainable Development and Economic Growth
The government of Nigeria considered economic growth as its task and this has resulted to its interest to grow the country's economy. The quality of its environment has been declining, the environmental pollution and resource depletion have become a problem that require government policies. The need for industrial sector to be sustainable is recognized globally. Ekpo (2015) noted that economic growth and rise in GDP is not enough for development to be sustainable. Economic development is more than a growth that is sustain it has to be sharing, equity and fairness. This means development has to rise in arithmetic or geometric progression. Once an economy shift forward with a step and then backwards with two steps, and rise in poverty, it is not developing. Development need to include all parts of a population bettering the

standard of living of all people. James (2015) observed that economic sustainability is an important parts of development that is sustainable. Even though the country has many resources it is rated low in performance in terms of economic development. The growth of economic is measure from the pieces of information on gross domestic product calculated by statistical agencies of countries. Meadows and Randers (2014) define economic growth as the grow in inflation with a change in market value of services or goods manufactured at a particular time. Economic growth is acquire by a rise in a country's production capacity. James (2015) assert that when economic growth rate is large, the services or goods produced increases and this will result to decrease in the rate of unemployment, increase in job opportunities and standard of living of the population. Therefore, a lasting economic growth nourish human development.

Economic Growth and Exchange Rate
Ibenta (2012) defined exchange rate as price of the standard of measuring of a quantity of a country's currency which is an equivalent means of other country's currency. In the words of Danladi and Uba (2016) it is a country's money compare to a different country quantity of money that can purchase another country quantity of money in unit. Nigeria has experience changes since 1960s till the present time. Arrangement of fixed rate was used in 1960s. Later, from the period of 1970s to 1980s when the structural adjustment programme SAP was introduced, difference types of organized exchange rate system was adopted. In terms of manufacturing sectors output, the exchange rate is useful for manufacturers who intends to export their produce to other countries. They can use it to determine a country whose exchange rate value is sustainable for business transaction and sustainable economic development.

Management of Working Capital for Sustainable Development
One of the very important criteria for the successful operations of all manufacturing firms in Nigeria is efficient working capital management. Management of circulating capital is considered as a significant part of corporate finance because it has direct effect on the performance of a company. The main focus of business decisions regarding working capital is proper control of the relationship that exist between a firm's current assets and current liabilities to ensure the continuous operation of its business activities and the availability of enough cash flows to settle maturing debts and running costs economically as it works towards increase in corporate profitability. Barine (2012) asserts that working capital means the level of short-term assets and short-term liabilities that is necessary to be mixed with non-current assets for effective daily operation of a firm. The capital required for everyday working in an organization such as buying of raw materials, payments of wages and salaries, rent

and rates, advertising, electricity bills and the like are generally referred as working capital. One of the difficult task management faces is that of proper determination of actual working capital required because while a company's liquidity is impaired by insufficient working capital, surplus working capital reduces profit. Moreover, the amount of liquidity needed by firms differs due to factors like their nature of business, credit policy, availability of raw materials, scale of operation, production cycle, etc. Liquidity is seen as current assets less current liabilities. It can also be called "circulating capital" which in most case is used to refer to those possessions that can be converted quickly from one form to another for example, cash is used to purchase raw material, raw material is processed into work-in-progress which finally becomes finished goods, and ending with realization of cash from debtors. The main concern of working capital is how to keep a business entity solvent and profitable. According to Asadi and Azizi (2008) liquidity discloses the readiness of an entity in discharging its short-term responsibilities.

Mueller (1953) did a pioneer study on firms circulating capital and liquidity. He was motivated into the study because of the difficulty in arriving at a uniform definition of the term "working capital". With the aid of quantitative analysis, the study concluded by providing answers to the three problems the paper was directed to address namely: "what is meant by corporate working capital, liquidity and sources of liquidity?" Indeed the research ended by asserting that "working capital" should be co-extensive with short-term assets being a revolving capital as disclosed by its function. The research also observed that the determination of an assets nature is by its functions and not name. The work concluded that the source of liquidity is attained through working capital. Short-term financial needs of a company are met by working capital. Being a circulating capital it is not allowed to remain in a company in the same form for more than one year. The need for manufacturing firms to maintain proportionate circulating capital cannot be over-emphasized. As blood circulation is very vital to the existence and maintenance of human life that is how cash inflow is very important for the maintenance of organizations. A company cannot survive weak cash inflow. Insufficient liquidity is always considered as the main cause of failure of small businesses in several countries. The ability of a company to raise cash receipts far above its disbursement will largely determine its success. A lot of business organizations are faced with cash flow difficulties because of ineffective financial management and cash planning.

Liquidity management is an aspect of finance study that has influence on the efficient administration of companies entirely. Efficient management of circulating capital indicate sound financial position of companies, it is also essential to the performance

(financially) of all scale of businesses. The solvency and profitability of an enterprise are affected when funds are tied up as a result of deficient liquidity management (Akinlo, 2011). He also postulated that it is expected of companies with declining profits to properly check their liquidity management. Maintaining the most favorable level among each of the working capital components is the main goal of liquidity management. Hence, financial managers who desire to achieve this goal spend most of their time and efforts in trying to identify the less favorable levels of short-term assets and short-term liabilities in order to bring them to most favorable levels. Therefore, all managerial decisions which include monitoring continuously, the most favorable levels of components of working capital taken by managers in order to maintain equilibrium between solvency and profitability while conducting the daily activities of a firm can be considered as working capital management. Working capital management entails to regulate, adjust and control the balance of short-term assets and short-term liabilities of a concern in such a way that maturing obligations are complied with, and the non-current assets are properly maintained. In financial theory, the use of ratios makes management of working capital possible. Components of circulating capital are analyzed using ratios; it tries to show the effectiveness with which managers handle the inventories and receivables. Also, they help to detect signs of too much or too little as regards the level and value of inventories and receivables. Sales and cost of sales are related to inventories in determining their fluctuations with time. How quickly debts are collected from trade credit is established by debtors-to-credit sales ratio, and an indication of how long it takes a concern to meet with its obligation to suppliers is done by creditors-to-purchases ratio. The level of response by a firm as regards meeting its maturing obligations is determined by the liquidity ratios: current and quick ratios. The level of 2:1 current ratio and 1:1 acid-test ratio is ideal for firms.

For most firms, seasonal fluctuations occur in their line of business. To illustrate this point, construction companies make more business transactions in spring and summer, for retailers, the boom occurs during festive periods, same pattern is followed by manufacturing firms who supply the aforementioned companies. In the same vein, all firms must give less trade credit and sell off inventories when the economy is unhealthy, but increase short-term assets when the economy is strong. Therefore, taking time in consideration of liquidity may be seen in two keyways namely: Permanent working capital and temporary working capital (Paramasivan and Subramanian, 2009).

These are briefly discussed below.
I.   **Permanent Working Capital:** Also referred to as fixed working capital, it

entails the lowest amount required to be invested in circulating capital to continuously carry out business activities at minimum level (Brigham and Houston, 2003). Put differently, it constitutes the short-term assets continuously required within an accounting period (usually one year). Furthermore, the life span of working capital is limited and usually may not go beyond one year, some part of it always last for an indefinite long time in actual practice. Raw materials, work-in-progress, finished goods, debtors and cash always lock up some investments because manufacturing does not cease at the end of an accounting year for firms since they have relatively longer life. This investment in circulating capital components is therefore carried forward to the next accounting period. This short-term asset at its minimum level of investment which is required for the continuation of business with no hitch entails permanent working capital (Fabozzi and Perterson, 2003). Common stock and long-term debt are the sources of its finance.

ii.   **Temporary Working Capital:** This is also referred to as transitory or circulating working capital. It implies an amount required in terms of investment to cater for fluctuations in the business operations. According to Fabozzi and Perterson (2003), the rises of working capital resulting from seasonal fluctuations in a firm's business activities entails temporary working capital. In order to satisfy temporary needs, instead   of using long-term sources of capital, short-term (bank credit) may be of better use, since maintaining this form of working capital all through the year or on yearly basis by firms is not necessary. This in other words portrays current assets required in addition from time to time during the accounting year. For example, during the peak sales period, additional inventory will be held to support sales (seasonal working capital). Similarly, on the other hand, investment in inventories, receivables and the like will decrease in periods of depression (special working capital). Temporary working capital fluctuates over time with seasons and special needs of firm operations.

Working Capital Cycle
Working capital cycle has been described to be central for working capital management; a good understanding of this is pertinent in appreciating the importance of working capital. Arnold (2008) avers that all the major aspects of business activities are included in working capital cycle. Therefore, in order to secure smooth operation of business, it is extremely important to manage working capital and maintain a balance between working capital components. Similarly, generating sufficient sales and profit is necessary in order to achieve financial management paramount objective

which is to maximize shareholders wealth. Akinsulire (2008) opines that working capital cycle is defined as the period between the payment of cash to creditors (i.e. cash out flow) and the receipt of cash from debtors (i.e. cash inflow). The operating cycle is the length of time it takes to acquire inventory of raw material, convert them to finished products, sell them and collect cash from sales. In other words, working capital cycle is the amount of time it takes to turn the net current assets and current liabilities into cash. It mainly comprises of cash, creditors and debtors and inventory. The framework of a firm's cycle of circulating capital is shown in the chart below.

Source: Arnold (2008)

As shown in the working capital cycle above, investments in business operations are converted into the most liquid current asset which is cash. Of course, it takes some time to complete the cycle. The operating cycle becomes longer as the period of conversion becomes longer. Generally, within a financial year, a generally accepted cycle of operation may be for any duration. However, there would not be need for short-term assets (working capital), if it were instantly possible to complete the order (working capital cycle). Therefore, possessing short-term assets is inevitable for the firm because in business activities, inflow and outflow of cash do not match. Hence, managing properly, the components of working capital will enable the concern keep cash for meeting maturing obligations.

Properties of a Healthy Working Capital Cycle
The need for a firm to maintain a healthy working capital cycle cannot be over-emphasized. The below points are necessary for the smooth functioning of the working capital cycle.

a. **Sourcing of raw material:** Sourcing of raw material is the starting point for most businesses. It is important to ensure that the raw materials that are needed for producing the desired products are available at all times. Shortage of raw materials should not be allowed to interrupt the production process.

b. **Production Planning:** Firms should ensure that all the conditions that are necessary for the production to start are met. A carefully constructed plan should be put in place to mitigate the risks and avert unforeseen issues. Proper planning of production is essential for the production of goods or services and is one of the basic principles that must be followed to achieve smooth functioning of the entire production lifecycle.

c. **Selling:** Selling the manufactured goods as soon as possible is another objective that should be pursued with all seriousness. Once the goods are produced and are moved into the inventory, the focus should be on selling the goods as soon as possible.

d. **Payouts and Collections:** The account receivables need to be collected on time in other to maintain the flow of cash. It also very crucial to ensure timely payouts to the creditors to ensure smooth functioning of the business.

e. **Liquidity:** Maintaining the liquidity along with some room for adjustment is another important aspect that needs to be kept in mind for the smooth functioning of the working capital cycle.

Working Capital Management

Working capital management refers to a company's managerial accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. It involves managing inventories, accounts receivable, accounts payable, and cash. Management of working capital aims at ensuring that the firm is capable of continuing its operations and that it has enough cash flow to satisfy both maturing short-term debt and upcoming operational expenses. The major objectives of working capital management are:

a. Maintaining the working capital operating cycle and to ensure its smooth operation.

b. Mitigating the cost of capital: It tries to ensure that the costs involved for maintenance of healthy working capital are carefully monitored, negotiated and managed.

c. Maximizing the return on current asset investments: The ROI on currently invested assets should be greater than the weighted average cost of the capital so that wealth maximization is ensured.

Principles of Working Capital Management
According to Benjamin and Kwanbo (2015), the principles of working capital management are;

Equity position:-This principle posits that the equity position of an entity should adequately justify the amount invested in each component of working capital. Each amount of investment in working capital should add to the entity's net worth.

Cost of Capital:- The emphasis of this principle is that for different cost of capital, there are different sources of finance. Remember, risk inversely moves with cost of capital. Thus there is reduction in the cost of capital as a result of increased risk capital.

Risk Variation:- Here, the inability of the entity to sustain sufficient short-term assets to meet its obligation entails risk. The level of risk an entity assumes varies as working capital varies relative to sales, the chance for gain or loss therefore increases. This in other words implies that the rate of return has a definite relationship with the degree of risk.

Maturity of Payment:-This principle directs that the flow in internally generated revenue should be related to maturity of payments by an entity. Since greater disparity generates greater risk, there should be least disparity between the flow of revenue generated internally and maturities of an entity's short-term obligations.

Significance of Working Capital
The significance of working capital stem from the fact that it is the life-blood of a business. Without adequate working capital, it will be difficult for any organization to carry on day-to-day activities. Indeed the success of an enterprise depends on how well the circulating capital is managed. Insufficient or too much working capital may result from deficient working capital management. The following adverse consequences may be experienced by an entity as a result of insufficient working capital:

   a. The growth of the firm may be stagnated because funds required to carry out profitable investments may not be available.
   b. The goals set by the entity in terms of profitability may not be realized as a result of difficulty in implementing operating plans.
   c. Meeting daily commitments may be difficult, thereby resulting to operating inefficiency.
   d. Lack of working capital will result to inefficient utilization of fixed assets; therefore, the rate of return on projects may be reduced.
   e. Scarcity of working capital may lead to loss of attractive credit opportunities,

bargaining capacity is therefore reduced.

f. If the entity does not honor obligations due for settlement, the entity will lose its reputation.

g. Insufficient funds will make it uneasy to pay dividends.

h. The entity may be forced to borrow money at high interest rates since it may be posed with uneasy credit terms.

However, a company with excessive working capital may face difficulties as follows:

a. Investment in fixed asset will be heavy – Actual sales may not justify the amount of fixed assets held by the company. Hence, over capitalization may be made.

b. Purchase of materials will be reckless – Slow-moving, dormant and obsolete inventory will be resultant as excessive working capital may encourage reckless purchase of inventory.

c. Speculative tendencies –Inventories accumulated in order to make speculative profits as encouraged by excessive working capital will cause a generous dividend policy, when the speculative profits becomes impossible to make, the dividend policy becomes difficult to maintain.

d. Liberal credit – The incidence of unrecoverable debt will increase as undue incentive may be provided for implementing a very generous credit policy and non-rapid debt collection.

e. Carelessness –Profitability will be adversely affected as carelessness regarding costs may be caused by excessive working capital.

f. Complacency – Management may become complacent, leading eventually to managerial inefficiency.

Therefore, it is paramount to possess adequate amount of working capital in order to facilitate smooth running of an entity's operations. Shareholder's wealth can be maximized; fixed assets can be utilized gainfully and an entity's long-term success can be ensured with efficiency in this area.

Determinants of Working Capital

According to Akinsulire (2008), the entire business environment and not only the elements associated with an entity have effect on the amount of circulating capital needed by the entity. Some of these elements given by Benjamin and Kwanbo (2015) are discussed below.

Sales Volume

Among the factors affecting the component and size of working capital, this is

arguably the most important. The need to provide support for the business operations which will lead to sales is the reason for maintaining short-term assets by an entity. Directly associated with each other is the sales volume and the size of working capital. Resources invested in working capital components will increase as the sales volume increases.

Nature of Business
A crucial determining factor of the working capital level is the general nature of an entity. A huge sum is generally committed in working capital than in fixed assets by trading and financial organizations. An example is that large inventories of variety of goods will be required by retail stores to meet the varied need of their customers. On the contrary, public utilities commit more funds in fixed assets than in working capital because the need for working capital is limited. Since they do not supply products but services, their requirement for working capital is minimal. Therefore, the funds tied up in working capital components such as stock and debtors is very little or nothing. In between the two ultimate needs of public utilities and trading firms fall the needs for working capital of most of the manufacturing firms. Hence, since there will be different requirement for working capital in different organizations, the working capital policies of the firm need to take into account the sort of business engaged by the firm.

Business Size
The requirement for working capital is also influenced by the size of the firm. The scale of operations may be an important factor in measuring the size of the firm. Large firms will have larger proportion of cash requirement and stock than small ones.

Liquidity and Profitability
The size of working capital will be reduced in relation to its sales by an organization that wishes to invest in riskier projects for higher profits or losses. The investment in working capital will be increased if it has interest in improving its liquidity. This policy may however lead to a decline in the volume of sales and as a result a reduction in profitability. The profitability and liquidity should be harmonized and a decision should be made regarding the needs for working capital by an entity.

Production Cycle
Production cycle is the time it takes for raw materials to be converted into finished goods. Since a larger duration for manufacturing leads to larger resources tied up in inventories; the requirement for working capital becomes greater as the duration of production cycle becomes longer. For working capital requirements to be minimized,

the firm should put in effort to shorten the production cycle period.

Business Cycle
The temporary requirement for working capital by an entity is especially affected by seasonal and cyclical changes in demand for goods. An entity's investment in debtors and inventories will increase as a result of increased sales in economic boom. On the other hand, a decline in the levels of inventories and debtors may occur as a result of fall in sales during economic depression.

Credit Terms
The amount of working capital is affected by the credit terms of the organization; it influences the level of debtors. The entity may apply effort in shaping its credit terms within constraints in the industry or trade to which they belong because these norms and practices are greatly dependent on for the credit policies granted to customers. Larger funds will be tied-up in the book debt as a result of long collection period. The chances of unrecoverable debt may be increased as a result of slack collection methods. The credit policies granted by creditors of an entity also affect the requirements for working capital.

Credit Availability
There will be fewer requirements for working capital if banks make available credit facilities on workable terms and conditions. Unavailability of such facilities will mean that in order to avoid risk, there will be more requirements for working capital.

Dividend Policy
Another factor that has effect on working capital is the dividend policy of the entity as regards retaining or distributing profit. To the extent that a firm will pay dividend, cash resources will be consumed and the entity's working capital will therefore be reduced. Retaining the profit in the business will strengthen the working capital position of the entity.

Operating Efficiency
This entails utilization of resources in the most favorable way possible. An entity can reduce its need for liquidity through efficient control of operating costs. Utilization of working capital is seriously enhanced and pace of cash cycle is increased whenever there in operating efficiency. Profitability is improved whenever there is efficient use of resources. One of the ratios commonly used to ascertain the liquidity position of a firm is current ratio. It shows the connection between short-term assets and short-term liabilities. Mostly used for analysis of short-term financial position, it measures

general liquidity of an organization especially its ability to pay short term and long term obligations (Fabozzi and Perterson, 2003). By dividing total short-term assets by total short-term debts, one can obtain the current ratio;

Current Ratio = current asset/current liability

The recommended industrial average is ratio 2:1. Because of the desire to secure their money, the entity's creditors will always prefer that the organization maintain the level of current assets higher than the level of current liabilities. The creditors will feel safe if the current assets are higher than the current liabilities. The entity's managers on the other hand may not be in total agreement with this because in as much as they desire to meet maturing obligations, they also work with the knowledge that too much of short-term assets and idle resources producing no return might be costly. Warehouse expense for example will be high as a result of high level of inventory. Therefore, an optimal level of short-term assets which is sufficient to meet short-term obligations instead of excessive short-term assets (debtors, cash, and inventory)is more desirable for managers. Investing the excess amount with aim of earning some return will also be desirable for managers. Hence, choice has to be made by managers between two intense positions.

Receivable Management

Business entities are engaged in the sales of either product or services to their buyers. Raising their sales to its greatest value is also what they desire. Different policies are therefore put in place to attract buyers in an attempt to increase the volume of sales, and offering trade credit is an example of these policies. An organization making sales now but expecting payment at a specified future date is issuing trade credit. Fabozzi and Peterson (2003) pointed out that accounts receivable or trade credit is created when an entity permits buyers to make payments for goods and services at a future date. Since the company will not be able to meet the need for investment in other areas with these funds until they are collected, opportunity cost is therefore associated with trade credit (account receivables). More trade credit can result to increased sales which will also increase profit but it might turn difficult to realize the effect of high opportunity cost of money invested in trade credit and unrecoverable debts. Therefore, it is needful for the credit managers to make careful analysis and prudently manage the trade credit of the organization. Maximization of the firm value by realizing a trade-off between profitability and risk is the objective of receivables management. Therefore obtaining the most favorable value of sales, and controlling costs of receivables, collection, unrecoverable debts, administrative expenses and the costs of forgone alternative of resources blocked in the trade credits should be done by the finance manager. Furthermore, maintaining the book debts at its minimum with regard to the policy of the firm pertaining credits offered to customers as well as taking

into consideration the cost of receivable and cost of forgone alternative of resources stuck in the receivables when offering suitable cash discounts should be done by the financial manager (Gallagher and Joseph, 2000).

Manufacturing Sectors Capacity Utilization and Commercial Bank Loans
Manufacturing sector has been portray and as a sector for speeding economic growth. Adofi, Taiga and Tijani (2015) assert that it produces goods for the purpose to sale. Tools, labour, machine, biological and chemical formation are use in the process of production Ayodele and Falukun (2003) noted that in modern economy, industrial development are determine by technological advancement or creative actions. This means a change from primitive low output of production to a modern system of large production which include efficient automated method through deliberate and sustained combination of application of management techniques that promote suitable and high production technology. It undergo a lot of challenges which include relying on imports for socio-economic infrastructure and for consumption. As SMEs invest in different areas of the economy, their contributions culminate into growth of Gross Domestic product. Past and present government in Nigeria emphasized the need for internal development through the contributions and encouragement of SMEs. They play an important role in the economy. Adofi, Taiga and Tijani (2015) noted that the amount of joblessness in Nigeria is high and majority of the population live in poverty. They are of the opinion that because of this issue, this can be attributed to the absence of loan to manufacturing industries as one of the significant and importance point that hinder the production output of the manufacturing sectors. In addition, it was observed that one of the challenges is government attention. Government does not consider or give chance when making policies. It was pointed out that large organizations are given attention. This hinders their potentials, makes financing a constraining force which would have led to sustainable economic development. Findings from many study in the past indicated that SMEs and other manufacturing sectors faces a lot of problems in accessing bank loan (Cuevas and Carlos, 1989). The common challenges for them to access bank credit is their inability to present acceptable collateral which is an incentive to offset losses and repay in case of default.

Research Method

The study is ex-post factor research, the researchers employed historical data that covered the period of 2002-2018 to examine Nigeria manufacturing sector output and capacity utilization. Sourced from CBN 2019 and presented below:

Table 1: Data Presentation

Year	Gross Domestic Product at Current Basic Prices - Annual (₦' Billion)	Manufacturing at Current Basic Prices - Annual (₦' Billion)	Average Exchange Rate	Average Capacity Utilization	% of Commercial Bank Loans (SMEs)	Commercial Banks Loans to SMEs (₦' Million)
2002	11,332.25	1,127.23	120.97	44.3	24.77	82,368.40
2003	13,301.56	1,304.07	129.36	41.1	20.71	90,176.50
2004	17,321.30	1,516.05	133.5	55.7	19.18	54,981.20
2005	22,269.98	1,778.73	132.15	54.80	17.95	50,672.60
2006	28,662.47	2,082.49	128.65	53.30	16.9	25,713.70
2007	32,995.38	2,401.19	125.83	53.38	16.94	41,100.40
2008	39,157.88	2,761.55	118.6	53.84	15.48	13,512.20
2009	44,285.56	3,170.82	148.9	54.5	18.36	16,366.49
2010	54,612.26	3,578.64	150.3	53	17.59	12,550.30
2011	62,980.40	4,527.45	153.9	57	16.02	15,611.70
2012	71,713.94	5,588.82	157.5	57.5	16.79	13,863.46
2013	80,092.56	7,233.32	157.3	57.75	16.72	15,353.04
2014	89,043.62	8,685.43	158.6	58.2	16.55	16,069.27
2015	94,144.96	8,973.77	192.4	56.5	16.9	12,949.48
2016	101,489.49	8,903.24	253.5	53.6	16.82	10,747.89
2017	113,711.63	10,044.48	305.8	55.96	17.82	12,172.06
2018	127,762.55	12,455.53	306.1	54.6	17.5	44,822.84
2019			306.6	55		

Source: CBN statistical bulletin, 2019

Model Specification

The econometric model employed in this study is specified as thus,

GDP = f (Capacity Utilization in Manufacturing Industries, Exchange Rate, Commercial Bank Loans to SMEs and Manufacturing Output)   ----- (1)

GDP = f (ACU, AER, CBL, MAN)   --- (2)

This can be specified in econometric form as:

------------------------- (3)

Where
GDP = Gross Domestic Product
ACU = Average Capacity Utilization
AER = Average Exchange Rate
CBL = Commercial Banks Loans to SMEs
MAN = Manufacturing output in Nigeria
Represents the intercept of the model and indicates coefficients of the independent variables represents disturbance or error term

Techniques of Data Analysis
Data collected were analyzed using Granger causality test and regression analysis.

Data Analysis and Findings
Granger Causality Test
Table 2: Causal Relationship between GDP and ACU

Null Hypothesis:	F-Statistic	Prob.
ACU does not Granger Cause GDP	0.24932	0.7840
GDP does not Granger Cause ACU	1.65491	0.2394

Granger causality test result presented in table 2 reflects the causal relationship between Gross domestic product and Average capacity utilization of the manufacturing industry. The result reported f-statistics of 0.24932 and 1.65491 alongside probability values of 0.7840 and 0.2394 for the hypotheses tested. The result revealed that there is no causal relationship between capacity utilization of the manufacturing industry and Nigeria economy measured in terms of Gross domestic product.

Table 3: Causal Relationship between GDP and AER

Null Hypothesis:	F-Statistic	Prob.
AER does not Granger Cause GDP	8.41290	0.0072
GDP does not Granger Cause AER	5.68262	0.0225

Granger causality test result presented in table 3 reflects the causal relationship between Gross domestic product and Average exchange rate. The result reported f-statistics of 8.41290 and 5.68262 alongside probability values of 0.0072 and 0.0225. The result revealed that there is causal relationship between exchange rate and Nigeria economy measured in terms of Gross domestic product.

Table 4: Causal Relationship between GDP and LCB

Null Hypothesis:	F-Statistic	Prob.
CBL does not Granger Cause GDP	0.39745	0.6822
GDP does not Granger Cause CBL	5.91373	0.0202

Granger causality test result presented in table 4 reflects the causal relationship between Gross domestic product and commercial banks loans to SMEs in Nigeria. The result reported f-statistics of 0.39745 and 5.91373 alongside probability values of 0.6822 and 0.0202. The result revealed that commercial bank loans has no causal relationship with Nigeria's economy as measured in terms of Gross domestic product.

Table 5: Causal Relationship between GDP and MAN

Null Hypothesis:	F-Statistic	Prob.
MAN does not Granger Cause GDP	2.46013	0.1352
GDP does not Granger Cause MAN	4.31918	0.0445

Granger causality test result presented in table 5 reflects the causal relationship between Gross domestic product and manufacturing output in Nigeria. The result reported f-statistics of 2.46013 and 4.31918 alongside probability values of 0.1352 and 0.0445. The result revealed that manufacturing output has no causal relationship with Nigeria's economy as measured in terms of Gross domestic product.

Table 6: Regression Estimation Result
Dependent Variable: GDP
Method: Least Squares
Date: 06/29/20   Time: 13:26
Sample: 2002 2018
Included observations: 17

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	31198.52	19749.47	1.579714	0.1402
ACU	-321.3726	331.8417	-0.968451	0.3519
AER	71.27972	31.02227	2.297695	0.0404
CBL	-0.286056	0.057528	-4.972501	0.0003
MAN	8.302164	0.583915	14.21810	0.0000

R-squared	0.993620	Mean dependent var	59110.46
Adjusted R-squared	0.991493	S.D. dependent var	37047.12
S.E. of regression	3416.915	Akaike info criterion	19.35079
Sum squared resid	1.40E+08	Schwarz criterion	19.59586
Log likelihood	-159.4817	Hannan-Quinn criter.	19.37515
F-statistic	467.2193	Durbin-Watson stat	1.157468
Prob(F-statistic)	0.000000		

The Findings

The result of table 6 indicated an impact of average capacity utilization in the manufacturing industry, average exchange rate, commercial bank loans to SMEs, and manufacturing output on Nigeria economy measured in terms of GDP. It shows that AER and MAN exert positive, while ACU and CBL exert negative impacts on the GDP. Relative impact of Average capacity utilization of the manufacturing industry in Nigeria on the GDP stood at -321.3726 with probability value of $0.3519 > 0.05$. Relative impact of Average exchange rate stood at 71.27972 with probability value of $0.0404 < 0.05$. Relative impact of commercial bank loans to SMEs on GDP stood at -0.286056, with a probability value of $0.0003 < 0.05$. Relative impact of manufacturing output stood at 8.302164, with a probability value of $0.0000 < 0.05$. Reported R-square value stood at 0.993620 which implies that about 99% of the systematic variation in Nigeria economy measured in terms of the gross domestic product can be explained by the four independent variables. The findings of the study implied that commercial bank loan, average capacity utilization does not impact significantly on the productivity of manufacturing sectors in Nigeria. The amount of loan given was not commensurate to the business activities of manufacturing sectors operations in the country.

Conclusion

Manufacturing activities of companies in Nigeria as well as supply of goods to buyers are affected. These elements also affect importers of finished product. Bad transportation facilities has obstructed transportation of raw materials to manufacturers and finished products to buyers within Nigeria. The purchase of company's goods have been affected by low capital disposable income of buyers in Nigeria. the stock of raw materials is therefore influenced by insufficient foreign exchange, poor transportation network. This is unfavourable for sustainable economic development.

Recommendations

i   There is need for improvement in capacity utilization so as to increase the Gross Domestic Product.

ii industries should intensify efforts towards seeing that, monies with their debtors would not be delayed, even when there is such delay, it will not affect significantly the liquidation of the companies.

iii The problem of irregular supply of electricity, deplorable roads and basic infrastructure in the country should be refurbish so as to boost industrial or manufacturing production capacity.

iv Exchange rate of naira should be managed so as to improve the value of naira.

v   Commercial banks should be encouraged to finance the activities of manufacturing sector so as to enhance economic development.

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Chapter-7

Effect of Advertising and Sales Promotion on Consumer Brand Preference

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Abstract

The study examined the effect of Advertising and Sales promotion on Consumer Brand Preference. The study employed the descriptive quantitative survey research design, a structured questionnaire to gather data from respondents. One hundred copies of questionnaires were distributed across the employees of Nestle Nig. Plc. Frequency table and simple percentage was used to present the data collected, and the hypotheses were tested using correlation. The result shows that there is a moderate positive significant relationship between advertising on consumer brand awareness, there is a weak positive significant impact of sales promotion tools on brand loyalty, and also there is a weak positive significant relationship between sales promotion dictate and consumers choice of brand. This study recommends that the organizations should concentrate on the use of television in any advertising campaign as the preliminary data analyzed showed that all the advertising media used by Nestle Nigeria plc, television is the most effective and also, advertising campaign should not be selective or age-oriented, as it has been shown from the study that advertising does not varying impact on age group.

Keywords: Advertising, Consumer, Brand Awareness, Sales Promotion Tools and Brand Loyalty

Background to the Study

Today, business life constitutes a space that is very dynamic and competitive and the organizations forcefully concentrate on offering items and making their own particular target gathering of customers to be fruitful in an environment, numerous organizations look into changed sales procedures, in the same way as promotion. Advertiser's primary mission is to reach prospective customers and influence their awareness, attitudes and buying behaviour. They spend a lot of money to keep individuals (markets) interested in their products. To succeed, they need to understand what makes potential customers behave the way they do. The advertisers' goals is to get enough relevant market data to develop accurate profiles of buyers-to-find the common group (and symbols) for communications this involves the study of consumers behaviour: the mental and emotional processes and the physical activities of people who purchase and use goods and services to satisfy particular needs and wants (Arens, 2018). The business environment is becoming sophisticated day by day and as such, decision-making is becoming more and more challenging and risky. Business organizations are failing due to poor decisions. Investors are losing their money and are unhappy. In some other instances, organizations are springing up in great numbers; some are successful in the marketing of their products and services, while others are still akin to the barber's chair syndrome where all is motion but no movement; struggling to reach their target audience. Consumers are also faced with the challenge of choice making due to indecisiveness, skepticism, indifference and confusion which are among the key sales killers in business world (Kabuoh, Egwuonwu, and Ogbonna, 2015).

The power of sales promotion at influencing sales and customer's patronage has been documented in the literature of marketing and sales management. Advertisement, sales promotion is the next available marketing strategy that help to promote sales, increase product life cycle, sales growth and enhance customers' goodwill (Morden, 2018). However, the consumer perception challenge is the first and greatest hurdle that advertisers must cross. Perception guides all activities of the consumer from the people he associates with to the product he buys. In the business world, it has always been what people say about a product or service and not what the marketer says. How a consumer perceives each of the different brands in a category, determines which brand he chooses. So many companies spend so much money on advertising, sales promotion, point of purchase displays and other marketing communications only to discover that many people don't even remember the product or the promotion. On the other hand, whether consumers ultimately purchase the marketer's brand also depends on whether the promotion and marketing communication variables facilitate purchasing (Kabuoh, Egwuonwu and Ogbonna, 2015).

Statement of the Problem

One of the most pressing challenges faced by any organization is the development of appropriate Promotional strategy of getting its product/service across and making it known and available to customers through effective communication and customer relationship management (Kabuoh, Egwuonwu and Ogbonna, 2015). Stiff competition in the food and beverage sector has posed challenges to operators of these industries of which Nestle Nigeria plc is one. To survive and remain sustained means that both pull and push types of communication strategies must have to be adopted in form of continuous advertising to create awareness to both potential and prospective customers. Advertising is costly; often its effects are uncertain, and sometimes it takes a while before it makes any impact on consumers' buying behavior. It is for these reasons that many companies think it appropriate, occasionally to reduce expenditures on advertising or to entirely eliminate it. On the other hand, some companies sometimes consider it unnecessary to advertise when their brands are already enjoying great success without advertisement (Kabuoh, Egwuonwu and Ogbonna, 2015). Such behavior implicitly fails to consider the fact that advertising is not just a current expense or mere exercise but an investment.

In the business world today, attracting new customer has become so important in modern retailing. Whereas, all businesses need to communicate to the consumer what they have to offer. Firms are expected to communicate with their present and potential customers and make it an important aspect in the marketing process. Hence, this study wants to fill the gap between advertising and sale promotion on consumer brand preference also how media advertising enhances consumer brand.

Objectives of the Study

The purpose of this study is to examine the effect of advertising and sale promotion on consumer brand preference of Nestle Nigeria Plc. In order to achieve this, the following specific objective would be pursued:

1. To determine the relationship between advertising on consumer brand awareness.
2. To examine the relationship between sales promotion tools have significant impact on brand loyalty.
3. To determine how media advertising and sales promotion dictate the interest consumers have in choice of brand

Research Questions

In achieving above objectives, the following research questions are raised:

1. Is there any relationship between advertising on consumer brand awareness?

2. Is there any relationship between sales promotion tools have significant impact on brand loyalty?

3. Does advertising and sales promotion dictate the interest consumers have in choice of brand

Hypotheses

To provide answers to the research questions the following hypotheses were tested:

H_{01}:   There is no significant relationship between advertising on consumer brand awareness

H_{02}:   Sales promotion tools have no significant impact on brand loyalty

H_{03}:   There is no significant relationship between sales promotion dictate and consumers' choice of brand.

Literature Review

Conceptual Review
The Concept of Advertising

Advertising presents the most persuasive selling message to the right prospects for a product or service at the least possible cost" (Dogudje, 2009). "Advertise or die" were the words of Kankarofi, the APCON Registrar in a paper he recently presented on Options for Corporate Survival**:** a seminar organized in Lagos by the Nigeria-South Africa Chamber of Commerce. He emphasized on the need for corporate/business organizations to sufficiently appreciate the place of advertisement in the survival of their business. In the words of Kaufman, "advertising is not chemistry, with rules and laws that, if followed with reasonable precision, will lead to predictable results every time. Advertising is not a panacea that can restore a poor product or rejuvenate a declining market; it is not a substitute for sound business judgment nor is advertising merely the words and pictures that appear in newspapers and magazines, on billboards and on television screens. These are the means or the media that advertising uses to communicate its information about products, services, and ideas to people: information designed to persuade them to make buying or action decisions. Advertising is the art and business of persuasive communication".

Nwaizugbo (2004) defines advertising as a process of presenting a product or idea to a person or group of persons, some openly sponsored message (oral or visual) about a product or seller. This message which is being presented is known as advertising. In other words, the British Code of Advertising Practice (as adapted from Dogudge, Aug. 2009 APCON Seminar), defines advertising as a paid-for communication addressed to the public or a section of it, the purpose of which is to influence the opinions or behavior of those to whom it is addressed.

Sales Promotion

Firstly, companies everywhere are facing declining real differences between the products and services that they have to offer. Secondly, companies today face a pressure to achieve short term result amid intense competition in the marketplace. Furthermore, with the advent of Internet technology, customers today are more informed about the product fight harder and faster for every sale (Cummins, 2008). Many studies regarding behavioral and economic theory has provided supporting evidence that consumption for some product categories responds to promotion (Wansink and Despande, 1994) through experimental approach concluded that significant holding cost pressure consumer to purchase more of a product (Wansink and Despande, 1994) showed that when the product is perceived as widely substitutable, consumer will consume more of it in place of its close substitute (Chandon, Brian, Wansink and Laurent, 2000) showed that stockpiling increases consumption of high convenience products more than low convenience product. In another analytical study, (Assunção and Meyer, 1993) shows that consumption is an indigenous decision variable driven by promotion and promotion induced stockpiling resulting from forward looking behavior. There has not been enough research done regarding the purchasing strategies that the consumer adopts in response to particular promotion or to study how pervasive these promotions are in population of interest.

Various sales promotion as described in the literature is used to persuade the new customers to make the decision of the purchase of the particular brand, lowers the switching barrier/price of the brand for the brand switchers to attract them, encourages the loyal consumers to change their buying decision and provide the incentives to own loyal customer. Sales promotion has multiple effects on the purchase decisions of the consumers. Where it may influence the quantity purchased and responsible for the switching in brands (Nijs, 2011). The phenomenon of sales promotion can be divided into two different groups; the activities that are used to target the consumer such as free gifts, bonuses, free samples etc. are called consumer sales promotion methods (Kotler and Armstrong, 2017). The other category is called the trade sales promotion that is directed towards the members of distribution channels (wholesalers, distributors, retailers or salespersons) in the form of free merchandise, trade contest, trade allowances, dealer loader, point-of-purchase display, training programme and coupons (Kotler, Armstrong, Agnihotri, and Haque, 2001).

Brand Loyalty in Consumer Buying Behavior

Aaker (2010) defines brand loyalty as the attachment that a customer has to a brand. It consists of both attitudes and actual behaviors toward a brand and that both must be measured. Attitudinal measures are concerned with consumers' overall feelings about the product and the brand, that is, evaluation and their purchase intentions (Schiffman, 2010). Schiffman further elaborated that behavioral measures are based on observable and factual behaviors regarding the brand, such as quantity purchased, purchase frequency and repeat purchase. Behavioral scientists who favor the theory of instrumental conditioning believe that brand loyalty results from an initial product trial that is reinforced through satisfaction, leading to repeat purchase. Masika (2013) noted that cognitive researchers on the other hand, emphasize the role of mental processes in building brand loyalty. They believe that consumers engage in extensive problem solving behavior involving brand and attribute comparisons, leasing to a strong brand preference and repeat purchase behavior. Therefore, brand loyalty is the synergy among attitudinal components such as perceived product superiority, customer satisfaction, and the purchase behavior itself.

However, according to Aure and Nervik (2014) behavioral definitions such as purchase frequency or proportion of total purchases, lack precision because they do not distinguish between a real brand loyal buyer who is intentionally faithful and the spurious brand loyal buyer who repeats a brand purchase based on mere habit or because it is the only one available at the store. Often consumers buy from a mix of brands within their acceptable range. The greater the number of acceptable brands in a specific product category, the less likely the consumer is to be brand loyal to one specific brand. Conversely, products having a few competitors in the marketplace, as well as those purchased with great frequency, are likely to have greater brand loyalty (Fouladivanda et al., 2013). Thus, a more favorable attitude toward a brand compared to potential alternatives, together with repeat patronage, are seen as the requisite components of customer loyalty. Behavioral brand loyalty leads to higher market share, and attitudinal loyalty often enables the marketer to change a price for the brand relative to the competition.

Empirical Review
The Influence of Advertising on Consumer Brand Preference

Ayanwale, Alimi and Ayanbimipe (2005) The Influence of Advertising on Consumer Brand Preference. The study on consumer purchase in the food drink industry was based on a survey of 315 consumers and sought to examine the influence of advertising on consumers' purchase of Bournvita, one of the products manufactured by Cadbury Nigeria Plc. It was also designed, among other things, to investigate the

relationship between age group and advertising influence seeking to know specifically whether reception of advertising efforts of Cadbury Nigeria Plc is dependent on consumers' age bracket. The obtained data from the survey supported the motion that brand preference exists in the food drink industry and that advertising efforts can affect product preferences. Of more than 12 different food drinks brands which featured in this study, Bournvita topped the brand preference table both in the food drink industry in general and in Cadbury's food drink brands in particular implying that it still remains the favorite food drink consumers and enjoys undisputed loyalty among the largest percentage of the respondents.

According to the respondents, advertising and quality are the major factors responsible for the success of Bournvita. Very few subjects cited other reasons such as price, packaging and availability for their choice of the brand. The implication of this is that price and other variables seem not to count much to the consumers as long as the quality of a product is maintained and the brand is also supported by heavy advertising reminding and persuading consumers to continue to buy. Considering the number of years this product has been in existence vis-à-vis the time it has been known by the respondents, majority of the consumers claimed to have known Bournvita for between 10 and 20 years. And for Bournvita to have been in existence for more than 20 years and still remain the delight of many consumers of food drinks, it is evident that the brand has enjoyed a relatively prolonged life cycle.

Advertising and Consumer Choice

Much research of advertising has been conducted into consumer choice (Markman and Loewenstein, 2010). This study is particularly appropriate given the constant and repetitive advertising of telecommunications services. The question arises as to the effect of this promotional activity on consumer choice of telecommunication services in Nigeria. It's found only one study that examined the influence of a persuasive message (advertising) effects on consumer choice (Russo and Chaxel, 2010).The study employed an experimental design consisting of 203 participants divided and placed under five conditions; two uncontrolled and three controlled; in verifying the ability of a specific, observable process to explain the influence of a persuasive message on choice. The study indicated that although people are aware of advertising's direct effect on their choice, they are not aware of its indirect effect through biased evaluation of the product information.

In another study, Boyland and Halford (2012) examined the question of whether television advertising and branding had an effect on choice of food. However, the study was not limited to choice only; it also examined effects on eating behaviour.

From their research, they concluded that the impact of advertising and branding on children is readily demonstrated by their brand recognition, and its influence on food choice.

Methodology

The relevant data is collected from the primary source specifically through self-administered questionnaire. The questionnaire is designed in such a way to provide the respondents the opportunities, to provide first – hand data relating to the objectives of the study. For the purpose of this study, the investigation was carried out among the Nestle Nigeria plc which is estimated to be about two thousand three hundred (2300). The respondents considered under this study are those who are currently working in the organization. The sample size selected one hundred respondents from the population which comprised of both male and female within the research area. Taro Yamani formula for sample size determination (Yamani, 1954). Stratified random sampling was used since the population consists of three areas. The instrument that is used in this study is a questionnaire form, which consists of questions intended to generate information relating to the variable of the study. The questionnaire form is divided into two (2) sections (A and B) section A deals with the first deals with the personal information of the respondent while the section deals with the objectives of the study.

The major variables identified in this study are sales promotion, advertising, consumer buying preference and brand loyalty etc. These are all measured on a four-point liker scale of strongly agree, agree, strongly disagree, and disagree. The method to be used in presentation of the data is the sample percentage method with tabular presentation. Statistical package for social scientist (SPSS) employed for the purpose of testing and validating the studies hypothesis.

Data Presentation, Analysis and Interpretation
Analysis of Demographic Data of the Respondents

A total number of one hundred (100) questionnaires were distributed among respondent and 94 were returned. The analysis is based on these responses.

Table 1: Section A: Bio Data of the Respondents

Response Rate		Frequency	Percentage
Gender	Male	43	45.7
	Female	51	54.3
	Total	94	100
Age	Under 25 Years	49	52.1
	25-35 Years	25	26.6
	35 -45Years	12	12.8
	45 Years and Abov e	8	8.5
	Total	94	100
Marital Status	Single	48	51.1
	Married	36	38.3
	Divorce	10	10.1
	Total	94	100
Qualification	NCE/OND	36	38.3
	BSC/HND	48	51.1
	MSC/ MBA AND ABOVE	10	10.6
	Total	94	100
Working Experience	1-5 years	42	44.7
	6-10years	34	36.2
	11-15years	11	11.6
	16 and above	7	7.5
	Total	94	100

Source: Survey 2022
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Table 1 show that 45.7 % of the respondents are male, while 54.3% of the respondents are female. Therefore, the majority of the respondents are female, show that 52.1% of the respondents are Under 25 Years, 26.6% of the respondents are 25-35 years, 12.8% of the respondents are 35-45 years, 8.5% of the respondents are 45 years and above. The above table shows that 51.1% of the respondents are single, 38.3% of the respondents are married, while 10.6% of the respondents are Divorced. This above shows that 38.3% of the respondents are OND/NCE Holders, 51.1% of the respondents are BSC/HND Holders, while 10.6% of the respondents are MSC/MBA and above. This show that 44.7% of the respondents are 1-5 years, 36.2% of the respondents are 6-10years, 11.6% of the respondents are 11-15years, 7.5% of the respondents are 16 and above.

Analysis of Hypotheses Testing
Hypothesis 1
H_{01}: There is no significant relationship between advertising on consumer brand awareness
$\alpha = 0.01$
Critical value: 0.000
Decision: if Sig. value ≤ 0.01, reject H_0

Correlations

		Advertising	Cons. Brand awareness
Advertising	Pearson Correlation	1	.319**
	Sig. (2-tailed)		.000
	N	94	94
Cons. Brand Awareness	Pearson Correlation	.319**	1
	Sig. (2-tailed)	.000	
	N	94	94

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Survey 2022

The table above shows the sig. value (0.000) which is less than the conventional 0.01 level of significance, we reject H_0. Therefore, we conclude that there is a significant relationship between advertising on consumer brand awareness. The Pearson correlation coefficient of 0.319 indicates that there is a moderate positive significant relationship between advertising on consumer brand awareness.

Hypothesis 2
H_{02}: Sales promotion tools have no significant impact on brand loyalty
$\alpha = 0.01$
Critical value: 0.000
Decision: if Sig. value ≤ 0.01, reject H_0

Correlations

		Sales Promotion	Brand Loyalty
Sales Promotion	Pearson Correlation	1	.201**
	Sig. (2-tailed)		.000
	N	94	94
Brand Loyalty	Pearson Correlation	.201**	1
	Sig. (2-tailed)	.000	
	N	94	94

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Survey 2022

The table above shows the sig. value (0.000) which is less than the conventional 0.01 level of significance, we reject H_0. Therefore, we conclude that there is a significant impact of sales promotion tools on brand loyalty. The Pearson correlation coefficient of 0.201 indicates that there is a weak positive significant impact of sales promotion tools on brand loyalty.

Hypothesis 3

H_{03}:   There is no significant relationship between sales promotion dictate and consumers' choice of brand.

$\alpha = 0.01$

Critical value: 0.001

Decision: if Sig. value ≤ 0.01, reject H_0

Correlations

		Sales Promotion Dictate	Consumer Choice of Brand
Sales Promotion Dictate	Pearson Correlation	1	.116**
	Sig. (2-tailed)		.001
	N	94	94
Consumer Choice of Brand	Pearson Correlation	.116**	1
	Sig. (2-tailed)	.001	
	N	94	94

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Survey 2022

The table above shows the sig. value (0.001) which is less than the conventional 0.01 level of significance, we reject H_0. Therefore, we conclude that there is a significant relationship between sales promotion dictate and consumers' choice of brand. The Pearson correlation coefficient of 0.116 indicates that there is a weak positive significant relationship between sales promotion dictate and consumers' choice of brand.

Summary of Findings

The study shows that:

i.   There is a moderate positive significant relationship between advertising on consumer brand awareness. Kotler (2013) According to him, the purpose of advertising is to enhance potential buyers' responses to the organization and its offering, emphasizing that "it seeks to do this providing information, by channeling desire, and by supplying reasons for preferring a particular organization's offer.

ii. There is a weak positive significant impact of sales promotion tools on brand loyalty. Blattberg and Neslin (2015) opined that sales promotions are action-focused marketing events whose purpose is to have a direct impact on the behavior of the firms' brand and image.

iii. There is a weak positive significant relationship between sales promotion dictate and consumers choice of brand. According to Srinivasan and Anderson, (2017) sales promotion is an action focused marketing event whose purpose is to have a direct impact on the behavior of the firm's customers.

Conclusion

From the objectives of the study, the following findings were deduced:

Advertising helps in projecting product quality and value before the consumers. The same thing goes for its quality. Having been known for more than between 10 and 20 years by majority of the respondents and still remain their favorite food drink, the brand has definitely enjoyed a prolonged life cycle apparently being regenerated by advertising. The stage a product is in its life cycle is very important to a marketer as it help in determining the type of marketing strategies to be embarked upon in respect of the said product.

Recommendations

Based on the findings and the conclusion drawn, it was recommended as follows:

i. In planning an advertising campaign, Nestle Nigeria plc should not be tempted to expend all its financial resources on that venture as advertising is not some magic wand to cause maximal interest both in Nestle Nigeria plc as a brand and in the company's products and services

ii. The organizations should concentrate on the use of television in any advertising campaign as the preliminary data analyzed showed that of all the advertising media used by Nestle Nigeria plc, television is the most effective.

iii. Develop more effective advertising campaign that attracts consumer's attention and capture their interest. At this stage the company's advertising messages should both be persuasive and reminder-oriented.

iv. Moreover, advertising campaign should not be selective or age-oriented, as it has been shown from the study that advertising does not varying impact on age group.

v. Finally, managers of beverages and organizations wishing to advertise their beverages should take advantage of media advertising so as to enhance promotional effects on consumers of beverages, and perhaps other brands.

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Chapter-8

Government Policies, Global Financial and Economic Crisis, and the Nigerian Economy

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Abstract

The research investigated the 2007/2008 pre and post global financial and economic crises, plus the post pandemic era and how it has impacted the Nigerian economy. Secondary data was gathered and analyzed using the regression analysis. Findings revealed that the pre-global economic and financial crisis had no major effect on the Nigerian economy while the post-world economic and financial crisis had a huge influence on Nigeria's economy. The study therefore recommended that policy-makers should find ways to control monetary and financial policies such as interest rate by decreasing them in order to make money for the existence, growth and creation of small and medium-sized enterprises.

Keywords: Global Financial and Economic Crisis, Economic Growth; Monetary Policy, Fiscal Policy

Background of the Study

The 2007 global economic and financial crises and had expanded into several countries by the end of 2008. The financial hubs of the developing world were blamed for the crisis (Onyenma, 2018). At the moment, the banks sold too many hypothecs to meet the order to supply mortgage securities. This led to the so-called subprime hypothec crisis (Onyenma, 2018). In 2006, house prices declined and there were defaults (Shiller, 2007). Not only was the risk on the market perceived, but it was applied to mutual funds, hedge funds and businesses that owned these items. The 2007 banking and financial crises in 2008 resulted. In the financial and economic policy

of developing countries, particularly the US, the reasons for the global financial situation are also to be identified (Mohan, 2007; Taylor, 2008). The financial and economic conditions were also very challenging for various world economies because of Lehman Brothers' failure in September 2008. There were negative impacts of the 2007 global financial crisis. One was challenges in the financial markets. Capital markets all over the world crashed during the crisis. The Nigerian stock market, before 2008, enjoyed increased growth pushed mainly by banking reforms. Market capitalization increased with 308.1% from ₦3 trillion in 2005 to ₦8.23 trillion for 2008. All-Share Index (ASI) increased with 151.7% from 23.075 in 2005 to 62024.57 for 2008 (NSE, 2008). This boom caused increased investment in Nigeria. However, the crisis made the investors in the nation to start looking elsewhere desperately. Foreign investors started carrying back their funds to their native nations and selling of shares by domestic investors so as to reduce loss on investments. This led to wide stock price reduction.

The global crisis impacted Nigeria in three areas: financial market, trade flow, and rate of exchange and these negatively impacted the gross domestic product for 2008 and 2009 fiscal years. The Central Bank of Nigeria applied sharp countercyclical means by relaxing monetary policy and starting fiscal stimuli to promote domestic demand. Although, these massive emergency measures were taken, the crisis continued and led to unemployment worldwide. Nigeria's integration into the world economy does not appear favourable and the scorecard may not be something to write home about (Onyenma, 2018). The oil and gas sector is the backbone of the society and economy in the Nigerian context. It is the source of power for other parts of the economy (Onyenma, 2018). The world demand for oil dropped during the financial crisis (Njiforti, 2015). Energy prices fell due to diminishing demand. Increment in oil price could impact growth of the economy negatively impacting supply and demand for non-oil goods (Njiforti, 2015). This negatively affected the standard of living of the populace. As the Nigerian economy move towards recovery with policies such as the Vision 20:2020 inaugurated by late President Umaru Musa Yar'Adua, and President Muhammadu Buhari's Economic Recovery and Growth Plan (ERGP), this study wants to examine how the Nigerian economy can recover from the global financial crises especially during this pandemic era.

Effect of crisis on nations is inconsistent so also the recovery pattern. Many literatures like Isibor, Ojo, and Ikpefan (2018) and Fowowe (2014) initially believed the developing nations like Nigeria would unplug from the financial crisis in Europe and America based on the high structure of their macroeconomic situations. However, this proved wrong. Most developing economies are integrated to developed economies

and when such crisis occurs from the developed economy, it poses contagious effects on the developing economies. The crisis affected the developing nations, mainly through financial flows and trade. Also, many policymakers and scholars have analysed the crisis and suggested many recommendations. Some of these bodies include the de Larosiere Report (2009), Geneva Report (2009), and the United Nations Report (2009). Also the pandemic period negatively affected the Nigerian economy as the global demand for her oil reduced and this drastically the government internally-generated revenue (Omankhanlen, Ilori, and Isibor (2021). The economy is moving to recovery level for the post-pandemic era. This study thus wants to examine how economic growth can be achieved despite the global financial crises.

Research Hypotheses

H_0: No significant impact exists between pre-global economic and financial crisis on Nigerian economy.

H_0: No significant impact exists between global economic and financial crisis on the Nigerian GDP growth.

H_0: No significant impact exists between post-global economic and financial crisis on Nigerian GDP growth.

Nigerian Economy: Historical Perspective

This was divided into pre-colonial and colonial, or pre-independence and Post-independence. This division is for the convenience of description.

Pre-Colonial Nigerian Economy

The pre-colonial economy of Nigeria for the purpose of this study was from periods 19th century to World War I. The Nigerian economy, just like the general West African economy and the economies of the other sections of the under-developed world remained agricultural and traditional (Hopkins, 1978). Although, all world nations relied on agriculture during the first half of the 18th century, it moved to progressive industrial output in Britain and the wind of change subsequently blew over Europe, North America and Japan in the Far East (Hopkins, 1978). The structure of the economy in the pre-colonial period was chiefly in agricultural and non-agricultural productions and distributions of commodities and it also consisted of services. Agricultural production relied totally on availability of suitable land and labour. The land was vast but the people were few. One of the explanations for this was the Trans-Saharan trade, and, on a much greater scale, the Trans-Atlantic slave trade in which millions of Nigerians were forced out of the region. The result is that land became more abundant in relation to population than it would normally have been (Ikpefan, 2012).

The abundance of land had an important consequence. It allowed a system of cultivation that did not encourage restrictive use of land (Hopkins 1973; Austin 2008). That system is the 'shifting cultivation' which meant a shift from an already cultivated land that was becoming less productive to a virgin piece of land or land that had been left fallow for years to regain its nutritive values. Given the situation as it existed in the pre-colonial era, shifting cultivation was perhaps the most effective method that was devised for the maintenance of soil fertility and the eventual regular good. Another significant change in agriculture was the cultivation of cash crops; some of which were, in fact, permanent crops. The cultivation of kolanuts, cocoa, coffee and oil palm required permanent occupation of land. That meant a large reduction in the amount of land required for food production (Ashamu and James, 2012). Yet, some other cash crops, such as groundnuts, cotton and tobacco were grown on the available land. There was a definite amount of land owned by a community because frontiers existed between one group and another. Apart from the production of cotton, kolanuts, and palm oil; agriculture in most part of Nigeria meant food crop production. Food crops produced depended on rainfall, which in turn, determines vegetation and types of soil. Thus, in the grassland or savannah north where rainfall is high and for about three to five months in the year–cereals and grains predominated. Sorghum, maize, rice and specially millet were among the most common food crops (Ashamu and James, 2012).

These territorial specialisations bring to mind two related issues. First, the arrangement allowed for intra-regional exchanges. Crops that were grown in one area could be exchanged for those that were not cultivated in another but were needed. Second, the arrangement also allowed for self-sufficiency in food items. Each part of the region cultivated what the soil and climate allowed, and the people of Nigeria often confined themselves to whatever was readily available. Constraints such as cheap transportation and storage facilities and portable monies considerably reduced trade in food crops (Ikpefan, 2012). Although, this does not mean that there were no exchanges of agricultural products, there was a limit to which food products could be exchanged partly because of their perishability. Many agricultural products such as cotton and kolanuts were carried on long distances for trade. Among the earliest occupations of Nigerians were hunting, fishing, and pastoralism. Indeed, gathering and hunting are regarded as economic activities mainly because at a stage of development some people subsisted on them, but with time they became only supplementary to agriculture. Hunting tools such as arrows, clubs and other weapons were used to kill animals. Besides, hunters served as guardsmen in protecting people from attacks of dangerous animals. Thus, they provided security without which

economic activities could not go on.

A very important aspect of the economic importance of a hunter was in killing elephants whose tusks were ivory. Exportation of ivory certainly preceded the notorious exportation of human beings across the Atlantic. Writing in the early 16th century, Pereira noted that he and his party bought elephants' tusks in Benin. He also referred to the abundance of ivory in Igboland. Like hunting, fishing could be a main occupation or a supplementary activity to farming. Also like hunting, it provided an important source of animal protein. In all cases, fishermen used more or less the same methods in catching fishes. Nets, traps of various kinds and sizes, spears, harpoons and poisons were used. All these instruments of catching fishes provided additional economic activities, usually for the fishermen themselves. But canoes which were essential capital for fishing were built by canoe-builders such as the Ijo on the Niger Delta and the Kedeon the Niger (Ikpefan, 2012). Therefore, canoe building itself became a profession subsisting majorly fishing occupation and transportation of people, farm produce and goods. Smoking and selling of fish and its distribution were yet other economic activities connected with fishing. An interesting feature of fishing was in connection with migrations. There were itinerant fishermen such as the Hausa and Nupe who obtained temporary fishing rights from local heads for payment in fish (Peter, 2010). Pastoralism is yet another type of non-agricultural occupation in pre-colonial Nigeria. Although both hunting and pastoralism are related in the sense that both dealt with lower animals, pastoralism was, indeed more closely related to farming (Peter, 2010). Owning to the infestation of the forest areas by the tsetse flies and problems of available large grazing land, pastoralism was confined to the savannah region of Nigeria. Among the great pastoralists were the Fulanis. Perhaps, their greatest economic importance lay in the production of cattle on which the forest dwellers relied on for their beef. In the same manner, the leather workers in Hausa land relied heavily on their livestock.

Salt as a commodity like iron was also of crucial importance in everyday life of the peoples of Nigeria. In the 18th century the main southern terminus of SALT trade was Katsina and later on, Kano(Peter, 2010). The other two types of minerals that were very important are copper and tin. Ile-Ife and Benin were reputed for bronze casts. Therefore, it is apparent that the technology to produce bronze was known and available to the people. To make bronze there must be a combination of copper and tin. Tin deposit was even more restricted and its smelting highly localised. Extant literature confirmed that tin smelting was done around north of Jos, at Linme in Dolma. It is certain difficult if not impossible to discuss fully the multifarious works of art and crafts which pre-colonial Nigerians engaged in, in the period between 1500 and 1800 AD. Among the most conspicuous ones are cloth weaving, pottery, jewelry

and leather-working (Peter, 2010).

Textile production involved cotton growing, spinning, weaving, sewing, dyeing, and embroidery; although the last two were optional. Cultivation of cotton and dyeing leaves were part and parcel of farming. Perhaps, Kano was the most important centre of cloth, weaving, dyeing and distribution up to the 19th century. Kano cloth was such of a high quality that there was demand for it as far away as Morocco. Cloth manufacturing was also common in Igboland, Nupeland, in Yorubaland and in Benin. The use of woven cloth in Yorubaland is of considerable antiquity. This is indicated by the terracotta figures in Ife which have been dated to the 12th century. It is also known that the Ijebus were not only among the earliest Yoruba cloth weavers but were also great exporters of cloth. In the 17th century, European merchants carried Ijebu cloths to Benin, the Gold Coast, Gabon, and Angola and by the 18th century, Ijebu cloths were being exported to Brazil. Because Ijebu cloths were relatively cheap and durable, they were sought for from far and near.

Pottery is another important craft industry of a considerable antiquity in Nigeria. Jewelry was probably of less importance in Nigeria. The most notable centres for casting masks, heads and statutes from copper, bronze and brass were Igbo-Ukwu, Ife and Benin. Excavation at Igbo-Ukwu, which had been radio-carbon dated to the 9th century, showed a considerable amount of beads and some glasses (Peter, 2010). Both Ife terracotta and the Nok sculptures portrayed lovely jewelry and ornament. Bead production was another indigenous industry and the Nupe were and still are the most popular producers in Nigeria. Among other craft industries that existed in pre-colonial Nigeria were calabash making, basketry, leather work, woodwork and rope and mat making. Leather work relied solely on animal skins. After tanning, leathers were used to manufacture buckets, mallets, bags, cushions, clothing, footwear, tents, furniture and arrow quivers. In some cases it was a substitute for basket, pot, woven cloths, calabash or wood work. Although, the Nupes, Yorubas and some others engaged in leather works, the Hausas of Kano, Gobir and the Kanuris of Borno were noted for excellent leather works. Gobir, produced not just for local consumption but also for export. Gobir's sandals reached Timbuktu in the 16th century. The sandals were carried to North Africa and probably to Europe. Katsina was, eminently known for excellent leather. Borno too, produced excellent leather, part of which it exported in addition to slaves to North Africa in exchange for horses in particular (Peter, 2010). This had flourished even before the reign of the popular Mai Idris Aloma. Woodwork involved making vessels, dishes, stools, mortals and pestles, trays, bowls, spoons, bottles, jars and lids, combs, sandals, musical instruments and beds, doors and windows and so on for home use; axe, and hoe handles, hoes and spades for agricultural practices.

Colonial Nigerian Economy

The "colonial" era was between World War I and II. Colonialism is the practice of dominating weak nations. However, it changed in the late twentieth century as colonists view it as extending European cultures to other weak nations. Many colonialism aims are exploitation of natural resources of the colony, and creating fresh markets for the colonizer. British colonialists reconfigured the Nigerian economy. Nigeria was part of British colony that exploited natural resources vital to growth of the Western industries. Britain pushed for crops export in Nigeria and pushed demand for British products (Hopkins, 1978). They constructed roads and railroad network between 1890s and World War II. The developments, alongside using pound sterling as global exchange medium, pushed export trade in agricultural produces. Dominant colonialism reasons were looking for natural resources and expanding markets for colonialist goods. Government pushed for the manufacture of agricultural items. It resulted in agricultural export becoming the main attribute of British colony. This proves length of palm oil export from 1875 till 1899 (Hopkins, 1978). High export demand also pushed activities in the production of other major agricultural products cocoa, groundnut, cotton and rubber. Therefore, within two decades of introducing cocoa crop into the country, it was reported that export production was about 202 tones (Njiforti, 2015).

This segment reveals information on foreign exchange revenues generated for the country by trading in major agricultural products. The revenues increased substantially in 1950, as Nigeria was close to independence. Pushing of main agricultural goods for export generated enough foreign exchange for government but created problems in some other sectors of the economy. It left the production of food crops in the hands of poor households who mainly worked on small farmlands, with low technologies. Therefore, emphasis on cash crops production established the conditions for food insecurity which the nation later experienced. With the growth of foreign trade came the need of modern financial institutions, especially banks, mainly from Britain. Among the early banks were the Bank of British West Africa (now First Bank of Nigeria PLC), and Barclays Bank (now Union Bank of Nigeria PLC). The banks introduced British payment instruments like silver coins, and also modern banking operations. Later, many new banks came but failed (Njiforti, 2015). This led to creation of the Central Bank of Nigeria in 1958 to regulate financial sector developments. Another vital activity during the colonial period was mining of minerals like coal, tin, and gold. The colonial rulers controlled the mining of gold, but left the mining of the other minerals to private foreign companies. This gave information about the contributions of minerals to the nation's foreign exchange revenues between 1900 and

1960. Just as for agricultural product, revenues from mineral exports also increased steadily from 1950, especially for tin and columbite. While revenue from gold had started reducing in 1945, petroleum had, by 1958, started impacting Nigeria's export earnings.

Many articles of trade went into many networks and rings of daily and periodic markets, and short and long distance ones. There were inter-regional trading centres in the nation. There existed international markets, trading roads and commercial transactions involving Nigerians. Thus, there were Trans-Saharan, to countries of North Africa and Southern Europe; Trans-Atlantic, to countries of south and Latin America; and, transnational, to countries surrounding Nigeria (including Cameroun, Niger, Togo and Chad). The Nigerian economy during both the pre-colonial and colonial periods was able to sustain these trading links.

Consequences of Global Economic and Financial Crisis
One is problem in financial markets. The Nigerian Capital Market, for example, is a vital segment of the financial system. Other Segments inside the system are money market, insurance and the pension. The money market includes deposit money banks, and other financial institutions like discount houses. This shows that markets are highly risky and not predictable for investors. Secondly, the bank lending declined dramatically. This has severe effects on spending, output and employment.

Post Crisis Era and Impact on Financial Reforms in Nigeria
Before 1986, the financial sector was mainly repressed. Controls of real interest rate, discriminating loan guidelines, and ceilings on loan were the attributes of the repressed financial sector. Entry into banking business was restricted and public banks prevailed in the nation (Iganiga, 2010). The main financial sector reform policies applied were deregulation of real interest rates, exchange rates, and access into banking business. Other reform measures included, the establishment of the Nigerian Deposit Insurance Corporation (NDIC), strengthening the regulatory and supervisory institutions, upward review of capital adequacy standards, capital market deregulation and introduction of indirect monetary policy instruments. Some distressed banks were liquidated while the Central Bank took over the management of others. Government share-holdings in some banks were also sold to the private sector (Ikpefan, 2012).

The Central Bank of Nigeria made attempts at restructuring the financial system prior to the introduction of open market operations in 1993. Bank real deposit rates and real lending rates were deregulated at the beginning of the structural adjustment

programme in 1987. In 1991, the CBN in a reaction to rising nominal lending rates in the market for loans prescribed a maximum margin between the banks' average cost of funds and their maximum real lending rates as well as a minimum level for their real savings deposit rates. Real interest rate determination was still supposed to be market-related through its link to the cost of funds. In order to promote competition in the money market, the procedure for licensing new banks was streamlined and liberalised. Consequently, the number of banking institutions increased from 50 in 1987 to 120 in 1993 and dropped to 115 in 1996. By 1998, the number of banks surged to 155. The CBN Decree No. 24 and the Banks and Other Financial Institutions Decree (BOFID) No. 25 were promulgated in 1991 (Ikpefan, 2012). The Decrees enhanced the CBN's independence in the conduct of monetary policy augmented the CBN's regulatory and supervisory power over banks and brought under the purview of the CBN the licensing and supervision of other non-financial institutions like discount House. The decrees empowered the CBN to use indirect monetary policy means like open market operations (OMO) to accomplish monetary policy stability.

Furthermore, prudential guidelines on ample provisions for bad and doubtful debts were made in 1990. To reduce all adverse impacts of the use of regulations on banks' balance sheets, CBN later made banks to cancel accumulated bad and doubtful debts for four years. The minimum paid-up capital of banks was moved from ₦20, 000, 000 to ₦50, 000, 000 in the case of deposit money banks and ₦12, 000, 000 to ₦40, 000, 000 for merchant (Bassone, 2000). In 2001, the CBN embraced universal banking policy and cancelled the classification of banks. Again, to ensure that the banking sector contributed to the real economy and not just serve as trading post, the CBN increased the required capital of banks to ₦25, 000, 000, 000 effective from December 2005 (Richard and Mbachu, 2017).

In order to push the growth of secondary market for government debt instruments and decrease government dependence on CBN financing its deficit, three discount houses were established in 1992. The discount houses were to push primary and secondary markets for government securities. In 1990, the CBN and NDIC commenced the process of bank restructuring. At first, six liquidated banks were restructured and monitored by the CBN and NDIC. A committee of the CBN and NDIC while working on the BOFID acquired high control over banks in distress. CBN dissolved such banks' board of directors and created an interim management board to exercise the powers vested in the board, and some measures like downsizing operations and branch network (Okoye, Clement, and Okorie, 2016). The boards are also empowered to appoint independent firms of auditors to ascertain the true financial condition of each of the banks. Thereafter, appropriate restructuring or

liquidation options were to be adopted. However, in 1992, credit ceilings on banks that were adjudged healthy by the CBN were lifted. A bank was considered healthy if it met CBN guidelines, statutory minimum paid-up capital, capital adequacy ratio, and sound management. With the application of these criteria, about 80 banks were endorsed as healthy and exempted from credit ceilings. These same criteria were applied for determining banks that qualify to participate in the official foreign exchange market.

Regarding bank licensing and regulation, the reform commenced with the deregulation of bank licensing in 1987. This resulted in the establishment of many new banks. However, when prudential measures such as the increase in the required banks' paid up capital in 1989, and the reform of their accounting procedures appeared insufficient to restrain the immoderation of the sector, government placed total embargo on bank licensing in 1991 (Ikpefan, 2012). Privatisation of banks was suspended after applying the measure to a few banks. Some of the issues highlighted above point to the disorderly manner in which the reform has been implemented in Nigeria. Thus, Nigeria's financial sector reform has not been a smooth sailing process. This in itself could obscure its appraisal as well as its outcome.

Post Crisis Era and Impact on Banking Reforms in Nigeria
Reform was always a routine feature of the Nigerian banking system and was developed in different types of regulatory frameworks. In reaction to the financial crisis and other cultural, political and economic events, Nigerian banking regulatory system evolved initially (Fowowe, 2014). The period from 1892 to 1952 was considered to be laissez-faire with no need for licensing or regulatory oversight on the establishment and activity of banks. Nevertheless, the failure of many banks and the subsequent losses suffered by depositors led to the creation of the Patton's Commission in 1948 to examine the essence of Nigeria's banking in order to determine the type of regulations and controls to be implemented to ensure banks' stability. The Commission of the Patton led to the adoption of the banking order of 1952 with the following provisions:
1. Holding a valid license before a banking business is founded
2. Set standards and procedures for the conduct of banking.
3. A minimum capital requirement and a reserve structure for banks.
4. Existing banks have been granted three years to comply with the ordinance's key provisions (Fowowe, 2014).

Nonetheless, reforms initiated by the Patton Commission could not prevent the failure of some 17 new indigenous banks established in a rush between 1951 and 1954 over the

unfounded report that an outstanding piece of legislation would impede indigenous banks ' growth. The massive bank crash in the period deeply shocked the Nigerian banking public and resulted in banks losing confidence. The 1958 CBN Act granted the Central Bank of Nigeria apex bank status with powers to monitor and regulate Nigerian banks, including audit of banks ' books, accounts and other relevant affairs as they affect their stability and corporate governance. By 1969, the government needed to strengthen banking regulations with the adoption of the Banking Act of 1969, which since 1952 consolidated all bank laws and introduced some important new provisions such as:

1. In the definition of a bank, non-bank financial intermediaries such as discount houses, acceptance houses and other financial institutions have been added.
2. Commercial banks ' minimum paid-up capital was increased.
3. A licensed bank should not allow capital and legal reserves to drop below 10% of its deposit commitments.
4. Each licensed bank should transfer 25 percent of the net profit of each year to its reserve fund if it is less than the paid-up capital. However, 12.5 per cent of the net income of each year, whether the Investment is equivalent or greater than the money paid up will be allocated to the reserve fund.
5.   The overall credit amount to be extended for any customer by a commercial bank has been increased to 33.33% from 25% of the amount of its paid-up capital.
6. In addition to liquid assets, banks may have to keep minimum cash reserves, special deposits, and stabilisation securities as specified in the CBN
7. No bank may open or close offices in Nigeria and abroad without the written approval of the CBN.
8. CBN will obtain prior approval for the amalgamation or reconstitution of banks (Fowowe, 2014).

It was also the government's wish that reforms in the financial sector would continue to generate healthy competition and market efficiency. Its goal was to ensure that the CBN achieved efficient supervision of banks and monetary policy management, together with effective implementation of prudential regulations. The 1991 CBN Act number 24 contains various provisions for the use of market-based monetary regulation and management instruments as the legislation has strengthened the powers of the banks to obtain financial information and issue monetary policy guidance to economic agents and financial institutions. In view of the above, the history of banking reforms in Nigeria shows that the various laws, regulations and supervisory practices adopted are largely motivated by perceived financial, political and social problems of the times.

Concept of Economic Growth

Economic growth is the most watched economic indicator which tells you how much more the economy is producing than it did before (Fowowe, 2014). If the economy is producing more, businesses are more profitable, and stock prices rise, this gives companies capital to invest and hire more employees. As more jobs are created, incomes rise; this gives consumers more money to buy more products and services, driving more economic growth. For this reason, all countries want positive economic growth. Economic growth is measured mostly by the macroeconomic variable Gross Domestic Product (GDP). GDP measures a country's entire economic output for the year. It takes into account all goods and services that are produced in this country for sale, whether they are sold domestically or sold overseas. It measures only the final production, so that the parts manufactured to make a product are not counted. Exports are counted because they are produced in the country but imports are subtracted from it. Economic growth is examined to find out the phase of the business cycle in the economy. The most desirable phase is expansion, when the economy is growing sustainably. However, if the economy over-expands, it can overheat and create an asset bubble, a situation whereby the growth can no longer be controlled. This was what happened in the real estate sector of the United States of America between 2005 and 2006 (Fowowe, 2014).

Economic Growth of Nigeria

The Nigerian economy has had a truncated history. In the period 1960 - 1970, the Gross Domestic Product (GDP) recorded 3.1 per cent growth annually. During the oil boom era, roughly 1971 - 1978, the GDP grew positively by 6.2 per cent annually which was a remarkable growth. However, in the 1980s, GDP had negative growth rates. In the period 1988-1990 which made up the period of structural adjustment and deregulation policy, the GDP responded to economic adjustment policies and grew at a positive rate of 4.0 per cent (Ogunsakin, 2013). Despite this growth, the current account balance before official transfer in Nigeria's Balance of Payment was negative from 1991 to 1999. During the first three months of 2016, the GDP contracted by 0.36 per cent compared to a 2.11 per cent increase in the same period in 2015. This is the first contraction since the June quarter of 2004 as the non-oil sector reduced, mainly due to a slowdown in the services sectors as a result of weakening naira. Annual GDP growth rate in Nigeria averaged 4.12 per cent from 1982 until 2016, reaching an all-time high of 19.17 per cent in the fourth quarter of 2004 and a record low of -7.81 per cent in the fourth quarter of 1983

Theoretical Review

The Karl-Marxist theory is vital for the research. The theory states that the system of economic manufacture ascertains the nation's institutional and ideological structure and those that control the economic system also control the political sector (Dougherty and Pfaltzgraff, 1990). For Nigeria, her economy is still at the mercy of her former colonial masters since they still take advantage of her economic and technological strength to dictate the nature of economic institutions and political ideology which is vital for their own interest.

Empirical Review
Richard and Mbachu (2017) examined the impact of global financial crisis on Nigerian economy from 2000 to 2015 using the ANOVA regression technique. They found that the global financial crises represented by oil price volatility had a negative effect on GDP. Okoye, Clement, and Okorie (2016) investigated deregulating the Nigerian economy for enhanced real sector growth using time series data from 1990 till 2015. Using regression analysis, the study found that the deregulation policy had a negative but significant impact on the real sector of the Nigerian economy. Onyenma (2018) while using time-series data from 1980 till 2017 and analyzing such data with cointegration found that external debt had a negative long run impact on economic performance of Nigeria. Vickery (2007) explained that the global financial crises negatively impacted interest rates which in turn negatively lowered the performance of the residential mortgage market in the United States. Sironi (2018) investigated and found that the evolution of banking regulation since the financial crisis has not helped improve the performances of banks globally.

Model Specification
The study adopted and modified a model from the study of Richard, Jennifer, Gemma, and Margareta (2017). The model description is as follows:
Y = Dependent Variable (Nigeria Economy)
X = Independent Variable (Various Economic and Financial Crisis)
x_1= 1986 - 2006 as pre global economic crises (Unemployment rate and Oil price) and financial crisis (Interest rate and Market capitalization)
x_2= 2007 - 2010 as global economic crises (Unemployment rate and Oil price) and financial crisis (Interest rate and Market capitalization)
x_3= 2011 - 2020 as post global economic crises (Unemployment rate and Oil price) and financial crisis (Interest rate and Market capitalization)
Y = Dependent Variable (Nigerian Economy)

The model explicit form is:
GDPG = βo + β_1OIP + β_2MCA + β_3UER + β_4INT +μ_1------------------ (1)

$$GDPG = \beta o + \beta_1 OIP + \beta_2 MCA + \beta_3 UER + \beta_4 INT + \mu_2 \text{------------------ (2)}$$
$$GDPG = \beta o + \beta_1 OIP + \beta_2 MCA + \beta_3 UER + \beta_4 INT + \mu_3 \text{------------------ (3)}$$

Where,
GDPG = Real GDP growth
OIP = Oil Prices
UER = Unemployment Rate
INT = Interest rate
μ_i = disturbance term.
β_0 = intercept.
$\beta_1 - \beta_4$ = coefficient of the independent variables.

Data Analyses and Interpretation

Study of obtained data and analytical study is included in this chapter of the research report. In the course of the study the researcher performed a regression analysis of the variables and a model evaluation and hypotheses formulated earlier. Data were gotten from CBN statistical bulletin and World Development indicators using annual data for the years 1986–2006, the world economic and financing crisis in 2007–2010, as well as from 2011-2020, for the post-global financial and economic crisis.

Descriptive Statistics

This section offers a data review as its key characters were also listed. It is performed by numerical representation in Tables 4.1a, b and c. The empirical display displays the mean, median, minimum and standard deviation from Real GDP Growth in 1986 – 2010, and after the global economic-financial crisis for the 2011 to 2020 cycles of real GDP growth (RGPG), interest rate (INTR), results by market capitalisation (MCA), oil

Table 1: Descriptive Statistics

	GDPGR	OIP	MCA	UER	INTR
Mean	8.965991	59.99157	5772.374	3.786556	4.250286
Median	8.353344	61.46333	5120.900	3.770000	3.023542
Maximum	14.60438	101.0225	13181.69	4.110000	18.18000
Minimum	6.725974	26.22250	764.9000	3.424000	-5.627968
Std. Dev.	2.491211	24.11853	4396.839	0.248331	7.475121
Skewness	1.319339	0.106975	0.389899	-0.247938	0.476663
Kurtosis	3.916696	2.132458	1.796266	1.860554	2.356703
Jarque-Bera	2.926108	0.299402	0.771397	0.579086	0.495997
Probability	0.231528	0.860966	0.679975	0.748605	0.780361
Observations	23	23	23	23	23

Source: Researcher's Study, (2020)

Interpretation

The statistical properties of the model are seen in descriptive statistics. There is therefore a probability of a minimal coefficient of variance where a high mean was bigger than its normal diversion. Equally, chance of big variance coefficient is if the mean value is less than the standard deviation. Tables 1 reveal that the variables (GDPG, OIP, MCA and UER) have a larger mean than a standard deviation, which indicates a lower volatility risk, whereas the variable Intr has a lower than a standard deviation, which indicates a greater volatility chance. Table 1 has long, right-hand thighs for the variables (GDPG, OIP, MCA and INTR) and a long-left tail for the indicator (UER). Kurtosis tests the limit or flatness of the sequence distribution. The distribution (leptocurtic) is peak relative to normal when kurtosis reaches the 3; the distribution (platycurtic) was flat relation to normal at less than 3. When kurtosis is not as normal. The variables (OIP and MCA, UER and INTR) of table 1 are smaller than 3, so the vector GDPG value is higher than 3. In fact it is a limit of 3. The likelihood that Jarque-Bera exceeds the measured value below the null hypothesis in an absolute value is the likelihood that the low probability below a value of 0.05 contributes to rejecting null hypothesis in standard distribution. All variables (GDPG, OIP, MCA, UER and INTR) in Table 4.1a are p-value above 0.05, so the null hypothesis that they are naturally distributed is appropriate.

Table 2: Descriptive Statistics

	GDPGR	OIP	MCA	UER	INTR
Mean	3.147216	82.90802	17156.36	4.889875	8.323891
Median	3.496144	87.73125	16939.25	4.875000	6.455521
Maximum	6.222942	113.4675	21904.04	6.237000	13.59615
Minimum	-1.583065	42.29083	10275.34	3.693000	5.685580
Std. Dev.	2.675889	30.47888	3702.372	1.134850	3.182774
Skewness	-0.534494	-0.167150	-0.490559	0.023711	0.654826
Kurtosis	2.148157	1.257381	2.645192	1.248709	1.700415
Jarque-Bera	0.622791	1.049493	0.362827	1.023090	1.134703
Probability	0.732424	0.591705	0.834090	0.599569	0.567025
Observations	8	8	8	8	8

Source: Researcher's Study, (2020)

Interpretation

The statistical properties of the model are described in the descriptive statistics. There is also the probability of a minimal co-efficient of variance, where the mean was higher than standard diversion. Equally, large coefficient of variance occurs where mean value was less than standard deviation. All of Tables 2 have a means greater than the standard deviation of each vector (GDPG, OIP, MCA, UER and INTR), which shows

the possibility to have lower uncertainty. The distribution is very distorted. Table 4.1b has a long-right tip, while a long-right one has long-left tip, a long one with GDPG, OIP and MCA. Kurtosis tests the limit or flatness of the series distribution. If the kurtosis shall surpass 3, the distribution shall be peaked relative to the average (leptokurtic) and, when the kurtosis is less than 3, the distribution shall be smooth in comparison to the usual (platykurtic). Table 2 shows that both variables have a peak of less than 3. The likelihood that Jarque-Bera exceeds the measured value below the null hypothesis in an absolute value is the likelihood that the low probability below a value of 0.05 contributes to rejecting null hypothesis in standard distribution. Table 2 indicates a p-value of more than 0.05, so the null hypothesis of the distribution of the p-value (GDPG, OIP, MCA, EER, and INTR) was agreed.

Table 3: Hypothesis One Regression

Dependent Variable: GDPGR				
Method: Least Squares				
Sample: 1986 2010				
Included observations: 23				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.671267	47.48456	-0.014137	0.9894
OIP	0.016838	0.103197	0.163166	0.8783
LOG(MCA)	-1.170697	2.341738	-0.499926	0.6434
UER	4.791254	9.264436	0.517166	0.6323
INTR	0.048523	0.120474	0.402768	0.7077
R-squared	0.563277			
Adjusted R-squared	0.126553			
F-statistic	1.289779			
Prob(F-statistic)	0.405592			
Durbin-Watson	1.974301			

Source: Authors Compilation Using EViews 9 (2020)

Model 1

$GDPG = \beta o + \beta_1 OIP + \beta_2 MCA + \beta_3 UER + \beta_4 INT + \mu_1$

$GDPG = -0.671267 + 0.016838 OIP - 1.170697 MCA + 4.791254 UER + 0.048523 INT + \mu_1$

Interpretation

Findings for pre global economic and financial crisis on table 3 reveal constant -0.671267 showing negative beta coefficient. The independent variable coefficient pre global economic and financial crisis proxies (OIP, MCA, UER and INT) are positively and negatively significant. That is, an increment in oil price by 1% would lead to

0.016838 increment in GDP growth, an increment in market capitalization by 1% would lead to a -1.170697 decrease in GDP growth, an increment in unemployment rate by 1% would lead to a 4.791254 increment in GDP growth and an increment in real interest rate by 1% would increment GDP growth by 0.048523. It is consistent with a prior anticipation as it was expected that pre global economic and financial crisis proxies (OIP, UER and INT) will have positive effects on GDP growth and that, MCA will have negative effect on GDP growth. Therefore, OIP had t-statistics of 0.163166 and a *p-value* of 0.8783 greater than 0.05 which means that it is not significant, MCA has a t-statistics of -0.499926 and a *p-value* of 0.6434 greater than 0.05 which means that it is not significant, UER has a t-statistics of 0.517166 and a *p-value* of 0.6323 greater than 0.05 which means that it is not significant and INT has a t-statistics of 0.402768 and a *p-value* of 0.7007 greater than 0.05 which means that it is insignificant. Adjusted R^2 is 0.126553. It means the independence of pre global economic and financial crisis is responsible for 13% variations in GDP growth. In addition, at 0.05 level of significance F-statistics was 1.289779, with p-value equals 0.405592 that was greater than 0.05 level of significance utilized for the research. The null hypothesis one that no significant impact exists between pre global economic and financial crisis and Nigerian economy is accepted.

Hypothesis Two

H_0**:** No significant impact exists between global economic and financial crisis on the Nigerian GDP growth.

Table 4: Regression Analysis for Model Two

Dependent Variable: GDPGR				
Method: Least Squares				
Sample: 2011 2018				
Included observations: 8				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.345182	19.39488	-0.275598	0.8008
OIP	0.109144	0.049157	2.220342	0.1130
LOG(MCA)	-0.826431	2.455729	-0.336532	0.7586
UER	0.985674	1.501526	0.656448	0.5584
INTR	0.319837	0.152892	2.091912	0.1275
R-squared	0.934354			
Adjusted R-squared	0.846825			
S.E. of regression	1.047277			
Sum squared resid	3.290367			
Log likelihood	-7.797739			
F-statistic	10.67487			
Prob(F-statistic)	0.040393			
Durbin-Watson	2.036784			

Source: Authors Computation Using E-Views 9 (2020)

Model 2

GDPG = βo + β₁OIP + β₂MCA + β₃UER + β₄INT + μ₂
GDPG = βo + β₁OIP + β₂MCA + β₃UER + β₄INT + μ₂
GDPG = -5.345182 + 0.109144OIP – 0.826431MCA + 0.985674UER + 0.319837INT + μ₂

Interpretation

The findings on the post-global economic and financial crisis regression analysis in Table 4 show that -5.345182 is stable and has a negative coefficient of beta. nPositive and negative coefficient are the discrete post-global vector proxies (OIP, MCA, UER and INT). In other words, a 1% raise of oil prices will contribute to an improvement of GDP in 0.109144, a 1% raise of market capitalization to a decline in GDP growth in -0.826431, a 1% improvement in the unemployment rate to a 0.985674 increment in GDP growth, and a 1% rise of the real interest rate to a growth rate of 0.319837. The finding aligns with a priori anticipation that pre global economic and financial crisis proxies (OIP, UER and INT) will have positive effects on GDP growth and that, MCA would have negative impact on GDP growth. On the other hand, OIP had t-statistics of 2.220342 with p-value of 0.1130 greater than 0.05 (insignificant), MCA had t-statistics of -0.336532 and p-value of 0.7586 higher than 0.05 (insignificant), UER had t-statistics of 0.656448 and p-value of 0.5584 higher than 0.05 (insignificant), and INT had t-statistics of 2.091912 and p-value of 0.1275 higher than 0.05 (insignificant).

Adjusted R^2 was 0.846825. It means the independence of post global economic and financial crisis is responsible for 85% variations in GDP growth. In addition, at 0.05 level of significance F-statistics is 10.67487 as its p-value is 0.040393 which is less than the level of significance. The null hypothesis is rejected.

Testing of Hypothesis Three

H₀: No significant impact exists between post-global economic and financial crisis on Nigerian GDP growth.

Table 5: Regression Analysis for Model Three

Dependent Variable: GDPG				
Method: Least Squares				
Sample: 2002 2018				
Included observations: 17				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	36.05886	4.875174	7.396425	0.0000
OIP	-0.005274	0.036176	-0.145781	0.8865
LOG(MCA)	-2.352706	1.062226	-2.214883	0.0469
UER	-2.025941	0.937674	-2.160602	0.0517
INT	0.061240	0.083689	0.731761	0.4784
R-squared	0.829805			
Adjusted R-squared	0.773073			
S.E. of regression	1.857115			
Sum squared resid	41.38650			
Log likelihood	-31.68476			
F-statistic	14.62683			
Prob(F-statistic)	0.000145			

Source: Authors Computation Using E-Views 9 (2020)

Model 3

$GDPG = \beta o + \beta_1 OIP + \beta_2 MCA + \beta_3 UER + \beta_4 INT + \mu_3$

$GDPG = \beta o + \beta_1 OIP + \beta_2 MCA + \beta_3 UER + \beta_4 INT + \mu_3$

$GDPG = 36.05866 - 0.005274 OIP - 2.352706 MCA - 2.025941 UER + 0.061240 INT + \mu_3$

Interpretation

Findings on table 5 reveal the constant 36.05866 have positive beta coefficient. Independent variable coefficient (OIP, MCA, UER and INT) are both positive and negative. Thus, an increment in oil price by 1% would cause a 0.005274 decrease in GDP growth, an increment in market capitalization by 1% led to -2.352706 reductions in GDP growth, an increment in unemployment rate by 1% led to -2.025941 reductions in GDP growth and an increment in real interest rate by 1% would high GDP growth by 0.061240. It aligns with a priori expectation that pre global economic and financial crisis proxy (INT) will have positive effect on GDP growth and that, MCA would negatively impact GDP growth and not consistent with OIP and UER. However, OIP had t-statistics of -0.145781 and p-value of 0.8865 higher than 0.05 (insignificant), MCA had t-statistics of -2.214883 and p-value of 0.0469 less than 0.05 (insignificant), UER had t-statistics of -2.1600602 and p-value of 0.0517 greater than 0.05 (insignificant) and INT had t-statistics of 0.731761 and p-value of 0.4784 greater than 0.05 (insignificant). Average R^2 decision which is the model's explanatory force is 0.773073. This means that 77 per cent differences in GDB growth exist in the sense of the model, while the

remaining 23 per cent are accountable by other variables which may influence the dependent variable within the cumulative impact of the crisis. Furthermore, F-statistics at the sense of 0,05 are 14,62683 where the p-value for this research is 0,000,145, which is less than 0,05. The three null hypotheses that the pre-and post-global crises had no major aggregate impact on Nigeria's economy is discounted. Consequently, the ppre-andpost-global crises had a major cumulative effect on Nigeria's economy.

Discussion of Findings
Pre global economic crisis and the Nigerian Economy
Findings from this analysis revealed that a raise in the price of the oil by 1 per cent would lead to a boost to GDP of 0.016838, a raise in consumer value of one percent, a fall in GDP growth in -1.170697, an increment in unemployment rate of 1 percent, an increment in growth of GDP with 4.791254. This is consistent with a priori expectations, as proxies (OIP, EUR and INT) are projected to have a positive effect on growth of GDP before the Global Economic and Financial Crises and to have a negative effect on growth of GDP. The isolation from previous global economic and financial crisis triggers 13% GDP growth variations, while other variables will affect the depending variable clarify the remaining 87%. The pre-global economic and financial crisis had no major effect on the Nigerian economy.

Post Global Economic Crisis and Nigerian Economy
A 1% raise in the price of oil would lead to a rise in GDP by 0.109144, market capitalization by 1% would trigger a fall in GDP growth by -0.826431, a rise in unemployment by 1%, and a raise in GDP growth by 0.985674 and an increment of real interest rates by 1%. This is consistent with a priori expectations, as proxies (OIP, EUR and INT) are projected having positive effect on growth of GDP before Global Economic and Financial Crises and to have a negative effect on growth of GDP. The independence of post-global economic and financial crises has 85 percent GDP growth fluctuations, while other variables which may influence the dependent variable illustrate what is left of the GDP. The post-world economic and financial crisis had a huge influence on Nigeria's economy.

Combined Effect of Pre and Post Global Economic Crisis and Nigerian Economy
An increment of 1% of the oil price would induce decline of 0.005274 growth of GDP and an increment in 1% of the market capitalization, a decline in GDP growth of -2.352706, an increment in the unemployment rate of 1%, a decreased GDP of -2.025941 and a rise of 1% of the actual interest rate would result in a growth in GDP in 0.061240. This is consistent with a prior assumption since MCA was projected to have positive

effects on GDP growth before the global economic and financial crisis proxy (INT), while MCA will have negative effects on GDP growth, in violation with the OIP and UER. The freedom from the cumulative impacts of the pre- and post-global crises is responsible for GDP growth fluctuations of 77 percent, while other variables will affect the dependent variable account for the remaining 23 percent.

Recommendations
The following were recommended with regards to the findings from the research:
1. The government should regain confidence in the stock market through genuine dedication and integrity on the capital market and aim to create a stable and conducive investment environment.
2. Government efforts should concentrate on will job opportunities that encourage national economic development and also take measures that reduce the unemployment rate, as this in turn would contribute to economic growth in the region.
3. Policy-makers should find ways to control monetary and financial policies such as interest rate by decreasing them in order to make money for the existence, growth and creation of small and medium-sized enterprises.
4. Government should stress its dependence on crude oil income and aim for and maximize earnings from other non-oil industries and provide the government with efficient checks and balances to avoid abuses of fiscal and resource loss by State ministries , departments and agencies.

Contributions to Knowledge
The following were contributed to the body of knowledge:
1. The thesis analyzed the effect on Nigerian economy concerning the pre- and post-global crises. The study contributed to knowledge by bridging the major gap in the effects of pre- and post-war economic and financial crises by using interest-rate, market capital efficiency, petroleum, and unemployment rate as proxies to Nigerian economy calculated by a rarity of real GDP growth.
2. The latest literature also has been contributed by the analysis of the theories applicable to the pre- and post-global crisis, as well as to how the Nigerian economy was influenced, including the theory of Keynesian and Kalecki market cycle studies. Anchored in the research by Kalecki, the study reveals the relationship between industrial and financial crises and development of economy in global slowdown and contraction periods, through employment rates, stock markets, international trade (oil prices) and interest rates, and how economies get from them and to the growth of economic growth.

3. The study also led to the recent observations that the pre-Global Economic and Financial Crises do not have any major impacts on the Nigerian economy, there is a large impact on the pre-Global and financial crises and a composite pre-/ post-Global composite influence on the Nigerian economy.

4. The thesis led to solve the discovered problem argument, current scientific observations, study hypotheses, principles, review results, guidelines, assumptions and proposals for further studies.

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Chapter-9

Assessing Macroeconomic Forces on the Output of Nigeria Manufacturing Sectors

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Abstract

Investment actions are frequently confronted with a variety of uncertainties, the majority of which are hard to foresee with confidence. In Nigeria, borrowing for investment is highly discourage because the lending rate is high. The growth level is been affected by a lending rate that led to increase in production cost. The current lending rate policy does not give serious attention to manufacturing sectors. The study objective is to assess impact of macroeconomic forces on manufacturing sectors output. Using data for the period of 2013 – 2018 from statistical bulletin of CBN. Using regression analysis on the identified variables. The study revealed that high lending rate prevent manufacturing sector to perform as expected and it led to high production cost which translate to high cost of goods. The study concludes that the action by CBN on market interest rate affect financial asset prices, Promotion of policy transparency in order to reduce inflation was recommended. In addition, the policy on lending rate should be that which could encourage investment in the manufacturing sectors.

Keywords: Macroeconomic forces, Manufacturing sector, Nigeria

Background to the Study

Manufacturing operations affect a nation's economy significantly. They account for a large proportion of overall economic activity in developing economies, for example, Abayomi, Adam and Alumbugu (2015) noted that in Nigeria, the subsector is accountable for accrued 10 percent of total amount DGP. Manufacturing undertakings explain around 12 percent of the overall force in the format sector of the economic output of the nation's terms of work generations. Manufacturing operations span a

broad range from small agro-based business to heavy iron firms and steel companies. The manufacturing sector is a leading sector in a different field in a developed economy; it is an avenue for the goods related to import replacement and growth, generating external earnings and per capital income, which causes specific patterns of consumptions. In today's economy, development of manufacturing sector is a foundation of technological growth of productive actions. This means a change of a country from less productive system to large productive system, this involves careful and mechanised system with deliberate and sustained use of managerial techniques, (Ududechinyere, Eze and Nweke, 2018).

In Nigeria, to get the best or favourable economic growth rate, there is need to look at interest rate role on manufacturing sector. The sub-sector is the strong hold of economic development due to its important role in widening the economy, improving its earning capacity, lessening increase of rural-to-urban migration. Allinson, (2010) reports that the less developed countries firms consider the challenges of doing business. The administrative challenge they pointed include price control, foreign trade, regulations, regulations of foreign currency and tax, policy instability. Usually such policy by the CBN is to curtail inflation and make sure that fund went to manufacturing sectors through the banks. Interest rate is excluded from this policy instrument which indicated that interest rate was not put into consideration to be an instrument for promoting investment. Reference point that serve as a rediscounting rate set by the CBN is been reduced by 0.25% to 12.75%.

Statement of the Problem
Investment initiatives in company are frequently confronted with a variety of uncertainties that are difficult to foresee with precision. Apart from a company's performance, much evidence is needed to offset or minimize investment risk, such as the country's economic condition and political status, which must be reviewed while making investment decisions. The financial report is a popular source of information on a company's performance. Investors can best comprehend the company's performance and potential for profit growth by reading the report (Yusof and Ismail, 2016). In Nigeria, borrowings for investment purpose are highly discourage when lending rate is high and vice versa. Despite these measures by the monetary authorities and industrial sector contribution into the GDP. As suggested by Rasheed (2010), the Nigerian growth level is been affected by a lending rate that led to increase in production cost. As noted by Nwokoro (2017), the role to ensure that the interest rate is not low to an extent of discouraging savings or lead to inflation, the wide interest rate spread and poor manufacturing sector contributions to the country's GDP clearly indicated that the issue of interest rate management might not have been

addressed properly by the monetary authorities to be a determinant of bank credit to the sector. The current lending rate policy did not give serious attention to manufacturing sectors. The need to examine this issue on the part of manufacturing sector output is important so as to reveal parts that best provide solution to manufacturing sector development plan in Nigeria. Therefore, the study aim is to assess macroeconomic forces on the output of Nigeria manufacturing sectors for economic growth.

Literature Review
Conceptual Review
The Concept of Inflation and Macroeconomics
Macroeconomics is a section of economic that look at the whole economy. That is, a market system that run on a large scale such as inflation, economic growth rate, price system, GDP, national income and changes on employment. This study emphasizes on inflation and interest rate or lending rate because they are frequently linked and reference in macroeconomics.

The Concept of Manufacturing Output
Jhingan (2002) assert that inflation is a continuous or increasing rise of the general level of prices. CBN (1991) noted that for inflation to be measured, three ways are involved; the producer price index (PPI) or the wholesome price index (WPI), the consumer price index (CPI), and the Gross National Product (GNP). Of these three, all are used to measure inflation, no one in particular is unique, but in Nigeria, the CPI method is assumed to be the efficient means to use in measuring inflation rate and it is currently and easily available on either monthly, quarterly or annual basis. The federal office of statistics is responsible for computing inflation rate.

The Concept of Interest Rate and Lending Rate
Black (2002) opine that interest rate is the capital cost or credit. The person who borrow will pay to the lender an amount more than the amount received originally; the excess is the interest. In Nigeria economy, the interest rate comprises of; real interest rate; savings deposit rate; fixed deposit rate; minimum rediscount rate; prime lending rate; maximum lending rate; and inter-bank interest rate. Normally, the interest rate follow a laid down policy set up by government lending minimum rate set up by the Central Bank of Nigeria, minimum rediscount rate (MRR) indicate the demand and supply securities rate such as treasury bills. The CBN can come up with a policy to reduce or increase the MRR which may create a change on economic activities level in the country or the money market. Interest rate is one of the economic price variables (like exchange rate, wage rate, etc.) which shows the flow of economic activity. Just like the

wage rate refers to the price of labour used in production, interest rate relates to the price paid for capital or money used in the manufacturing of goods or services. It is the benefit paid by a borrower to a lender for making use of money for a specific expressed in percentage (Rasheed, 2010). This means it is the rate payable on deposit and debt obligations by borrowers to lenders, derived from the cash flows.

Concept of Manufacturing Output

Levinson (2017) defined the manufacturing sector, as a sector that is committed in physical mechanical or chemical transformation of substances or materials into products and involve in assembling of different parts of manufactured products. It is a sector that its productivity tends to rise because the statistics in labour for product is more than the marginal product. Therefore, when manufacturing sector output grows, productivity also grows faster, which then serves as a final key of GDP and people standard of living. Nwokoro, (2017) observed that it is important for economic change. He added that in developed countries, the sector serves as guide to many sectors. It provide a means for export expansion, increasing productivity, import substitution, it create earning from foreign exchange, promote investment than other sectors. Obasan and Adediran (2010) compared agriculture to industrialization and pointed out that manufacturing sector present changes for capital accumulation more than the agricultural sector. This is the reasons why the rising of manufacturing is so important in development and growth.

Empirical Review

Maigu (2017) used ordinary least squares regression (OLS) to assess the impact of interest rates on Nigerian economic growth from 1990 to 2013. The study's findings revealed that interest rates have a minor impact on growth, with the authors claiming that growth may be enhanced by lowering interest rates, which will encourage investment. According to the study, the Nigerian government should implement interest rate regulations that will support economic growth. Harswari and Hamza (2017) used a sample of 20 out of 48 enterprises to explore the impact of interest rates on economic development in Asian countries. The researchers used descriptive statistics, correlation, and regression analysis in their research. The findings revealed that interest rates have a negative significant impact on the gross domestic product, and inflation has a negative significant impact on foreign direct investment.

Behera and Mishra (2017) looked into if there is an inflation limit and how that influences the growth of the Indian economy. The research also aims to look into India's volatile short- and long-term connection between inflation and economic growth. The analysis reveals a statistically significant structural break in the link

between inflation and economic growth at 4%, using spline regression as a method to estimate the threshold level of inflation and long-run and short-run relationships. When the dependent variables are the gross domestic product and the rate of interest, the investigation finds two cointegration vectors, confirming the existence of a long-run equilibrium link between economic growth and inflation. Utilizing a linear regression model, Jelilor (2016) looked at the impact of interest rates on economic development in Nigeria from 1990 to 2013. The study's findings found that interest rates have a minor impact on growth; nevertheless, growth can be boosted by lowering interest rates, which will encourage investment. As a result, the study recommended that Nigerian authorities implement interest rate policies that will stimulate economic growth, as well as take appropriate measures to achieve faster economic growth.

Theoretical Framework
Neo-Keynesian Supply Theory
According to Blanchard (2009), this theory has it foundation from the Keynesian cost push model which state that there are two kinds of inflation; cost push inflation caused by total supply curve and demand pull inflation which influenced by inadequacy in total demand. The aggregate supply inability to respond quickly and increase changes in aggregate demand led to problem of market supply equation and result to shocks in supply. What causes insufficient supply are;

    i.   Government restriction on production control
    ii. Religious or political problem
    iii. Scarcity of capital, major commodities and natural resources for production of services or goods.

Shortages of resources may affect raw materials availability and this may lead to decrease in output and persistence rise in prices.

Methodology
This paper employed secondary data source from CBN Statistical Bulletin (various editions) covering 2013 through 2018. The period is sufficiently long enough for a reliable result to be obtained and for a good review of the connection between the identified variables.

The model is presented below with dependent variable as manufacturing output while independent variable are inflation rate and lending rate.
Model specification
Y=f(x)

Y=MO= manufacturing output (dependent)
X= LR= lending rate (independent)
Y= manufacturing output
X= X_1, X_2
X_1= lending rate
X_2= inflation rate

Hypotheses

1. Inflation rate has no significant influence on the productivity of manufacturing segment in Nigeria
2. Inflation rate has a significant influence on the productivity of manufacturing segment in Nigeria.
3. Lending rate has no significant influence on the productivity of manufacturing segment in Nigeria.
4. Lending rate has a significant influence on the productivity of manufacturing segment in Nigeria.

Data Analysis

Ordinary Least Square (OLS) was used. It was chosen because of its qualities as the Best Linear Unbiased Estimator (BLUE).

Using Regression Analysis to Test Hypothesis One

Research question 1: What relationship does inflation rate have with output of manufacturing sectors output in Nigeria?

Table 1.1
Dependent Variables: MAN   Significant at 5%

Variable	Coefficient	Standard error	t.test	Prob.
C	51.19214	21.20210	2.414484	0.0946
Inflation	-0.878287			
		-1.662708	0.528227	0.6339
R-squared	0.085094			
Adjusted R-squared	-0.219875			
F-statistic	0.279024			
Prob(F-statistic)	0.633923			
Diagnostic Test		**Statistics**		
Heteroscedasticity	1.771291			0.1832
Serial correlation	4.443650			0.1084
Diagnostic test				
Normality (Jarque-Bera test)	0.461546			0.793920
Linearity (Ramsey reset test)	0.443847			0.7491

Interpretation of Diagnostic Tests

The above results show that applying Arch test in the model is to investigate the existence of heteroscedasticity and no error terms correlation. From the Arch test we see that the p-value is 0.1832 at 5% level of significance, we reject the null hypothesis of heteroscedasticity. We also implemented the Godfred LM serial correlation test. This is to indicate that the error terms are not in correlation with the independent variables over time. We reject the result of the null hypothesis of No serial correlation in the model because the test shows that the p-value is 0.1084 at 5% significance level which suggests that there is serial correlation. Furthermore, the Jarquebera test was used to determine the normality of the variables in the model. It is vital to make sure that variables follow a normal distribution. The P-value is 0.793920at 10% significance level which indicates that the variables are drawn from a normal distribution. Ramsey reset test was done out to determine linear properties of the model. The P-value is 0.7491at 5% level of significance which reveals that there is no linear relationship among the variables.

Model 1

$$MAN_t = a_1 + \beta_{1IFt+\mu i}$$
$$_{MAN=}78.48794 - 1.336989IF$$

Interpretation

The regression results show that Inflation rate (IF) have negative effect on manufacturing output. This is presented by coefficients sign that is, $\beta_{1=}$ -0.878287<0. This result is in agreement with the apriori expectation inflation will have a negative effect on manufacturing output. This implies that 1% increase in IF will result to 0.878287 decrease on manufacturing output. The probability of the t-statistics shows that IF is not significant at 5% level of significance acceptable in this study. More so, the adjusted R-squared indicated that 22% change in manufacturing output is explained by inflation. The remaining 78% change in inflation is as a result of other factors not enclosed in this model. We reject the null hypothesis that inflation has no substantial influence on manufacturing sector productivity in Nigeria, with a level of significance of 5% and F-statistics of 0.279024 and a p-value of 0.633923.

Regression Analysis for Test of Hypothesis two (Ho2)

Research question 2: What relationship does lending rate have with the output of manufacturing sectors in Nigeria?

Research Hypothesis 2 (Ho2): Lending rate has no significant influence on the productivity of manufacturing sectors in Nigeria

Lending rate has no significant influence on the productivity of manufacturing sectors in Nigeria

Table 1.2

Variable	Coefficient	Standard error	t.test	Prob.
C	57.62292	21.30245	2.704990	0.0735
Lending	-3.867087			
		4.609903	-0.838865	0.4631
R-squared	0.189998			
Adjusted R-squared	-0.080003			
F-statistic	0.703695			
Prob(F-statistic)	0.463123			
Diagnostic Test		**Statistics**		
Heteroscedasticity	-0.688229			0.4045
Serial correlation	3.396598			0.1830
Diagnostic test				
Normality (Jarque-Bera test)	0.072280			0.964505
Linearity (Ramsey reset test)	0.577369			0.3788

Dependent Variables: MAN   **Significant at 5%**

Interpretation of Diagnostic Tests

The above estimation results show that the Arch test was applied to investigate the presence of heteroscedasticity in the model. This is to ensure that there is no correlation among the error terms. From the Arch test we see that the p-value is 0.4045 at 5% level of significance, we reject the null hypothesis of heteroscedasticity. We also implemented the Godfred LM serial correlation test. This is to ascertain that the independent constructs are not connected to the error terms over time. We reject the result of the null hypothesis of No serial association in the model because it reveals that the p-value is 0.1830 at 5% significance level which suggests that there is serial correlation. Furthermore the Jarquebera test evaluates the normality of the constructs in the model. It is vital to make sure that variables follow a normal distribution. The P-value is 0.964505 at 5% significance level which indicates that the variables are drawn from a normal distribution. Ramsey reset test was done out to ensure linear properties of the model. The P-value is 0.3788 at 5% level of significance which reveals that there is no linear association among the variables.

Model 2

$$MAN_t = a_1 + \beta_{2LRt+\mu i}$$
$$MAN = 57.62292 + -3.867087$$

Interpretation

The regression result showed that Lending rate (LR) has negative influence on the

output of manufacturing sectors. This is presented by coefficients sign that is, $\beta_{1=}$ -3.867087<0. This result is in agreement with the prior prospect lending rate will have a negative effect on the output of manufacturing sectors. This shows that 1% addition in LR will lead to 3.867087 decrease on manufacturing output. The t-statistics probability shows that LR is not significant at a level of 5%. More so, the adjusted R-squared indicated that 19% change in manufacturing output is explained by lending rate. The 81% change in lending rate was as a result of other factors not enclosed in this model.

The significance level of 5% and F-statistics of 0.703695, the p-value of 0.463123, we reject null hypothesis which states that Lending rate has no substantial impact on the output of manufacturing sector in Nigeria.

Findings
By implication this study revealed that financial institutions or commercial banks are liquid, they perceived lending to industrial sectors especially the manufacturing sectors to be risky because advancing credit to them does not justify the cost and risk. The high lending rate prevent the manufacturing sector to perform as expected. The high lending rate is attributed to the high production cost in the country which translate to the high cost of other goods and service manufactured in the country.

Conclusion
Because there are many different sorts of interest rates in the business world, it's important to figure out which ones help with the efficient transfer of credit to the productive sector, which is the engine of any economy. People expectation and other agent expectations in the economy are affected when the market interest rate is change by CBN. The action affects financial assets prices this include exchange rate, lending rate, people ability to safe or spend money and such affect prices set for domestic goods or services produced by manufacturing sectors.

Recommendations
The following suggestions are made;
i. Investors should be assured of their investment in the manufacturing sector so as to boost their confidence.
ii. Effort should be made by the government to check the importation, promote exportation and improve manufacturing sectors.
iii. Government should encourage policy transparency so as to reduce inflation expectation and provide a system through the CBN for a credible policy to meet public expectation of good standard of living.
iv. The policy on lending rate or interest rate should be that which could

encourage investment in new ventures or improve the existing ones. This could be achieved by looking into forces that led to increase in cost of raw materials and exchange rate.

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Chapter-10

Human Capital Development and Economic Growth in Nigeria: The Case of Nigeria

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Abstract

The study looks at the relationship between economic growth and human capital development in Nigeria using time series data from 1986 to 2020. By using the endogenous modeling technique cast within the autoregressive distributed lag (ARDL) framework, the bounds testing investigation demonstrated the existence of co-integration between economic growth and human capital development indicators. The findings also show that during the studied years, Nigeria's economic growth was positively impacted by indices of human capital development, though these benefits were typically statistically negligible. Additional information indicates that any temporary disruption totally restores balance. According to the study's conclusions, the government should give funds for the development of human capital priority treatment, paying particular attention to Nigeria's health and education sectors since they have the greatest room for expansion. Similar to this, government officials need to try to pay attention to the school enrollment issue.

Keywords: Bounds test, Economic growth, Endogeneity, Human capital development, Nigeria

Introduction

It is impossible to overstate the importance of human capital for economic development. Economists have acknowledged that one of the essential conditions for a nation's socioeconomic and political transition is the development of human capital. An amazing commitment to human capital formation is one of the commonly accepted causative

variables responsible for the impressive performance of the economies of the majority of industrialized and newly industrializing countries (Adedeji & Bamidele, 2003; World Bank, 2009). This has mostly been accomplished through improved knowledge, skills, and capabilities that all of the citizens of these countries have acquired through education and training. Both variants of the neoclassical and endogenous growth models emphasize the importance of human capital (Sianesi & van Reenen, 2003). The crucial distinction is that in the first group, external technical progress continues to be the primary driver of economic growth, whereas in the second group, no more explanation is required, and human capital is significantly more significant. According to endogenous growth models, the growth rate of an economy may permanently alter because of a change in a particular policy variable. The data for many developing economies first appear to be largely compatible with this assumption (Jones, 1995), exhibiting increased development after 1945, in contrast to time series evidence for the US. The neoclassical model's exogenous technical development is subject to alter in reaction to policy.

Parente and Prescott (1999, 2000) contend that each nation's population make decisions that affect how quickly production increases by allocating time away from routine tasks and toward activities that increase productivity. By doing this, they can access the global knowledge pool and borrow money on international markets. Even when the supply of usable knowledge is the same across all nations, policy-induced restrictions like taxes or entrance barriers at the plant level led to disparities in global aggregate productivity. It has been emphasized that the quality and quantity of human resources, rather than natural resources, endowments, and the stock of physical capital, is what accounts for the variances in the level of socio-economic development among countries. Oladeji and Adebayo (1996) assert that human resources are an important factor in growth and should be developed. They act as both methods and, more crucially, aims that must be achieved to advance the economy. Harbinson (1973), who asserted that "human resources constitute the ultimate basis for the wealth of nations," underlines this point. Humans are the active agents who amass capital, exploit natural resources, create social, economic, and political systems, and advance national development. Capital and natural resources are passive components of production. It goes without saying that a nation will not be able to develop anything else if its citizens are unable to develop their skills and knowledge and use them successfully in the national economy.

Investment in human capital is crucial for raising competitiveness, enhancing population quality of life, and fostering economic growth and national development. The country's human resource development needs to be strengthened and stabilized in accordance with the development policies in order to speed up economic activity and spark higher productivity, income, and economic growth and development. Nigeria is well-endowed with both human and material resources, which puts her in a strong position to attain greatness. However, when compared to other emerging economies, Nigeria continues to have a poor level of human development, according to the UNDP's 2008 Human Development Report. The only way to determine the number, availability, and quality of human resources and their effects on economic growth is through education (Benhabib & Spiegel, 1994). For many people, capital consists of physical assets that provide income, such as bank accounts, investments, and other forms of money.

Jhingan (2005) notes that it is conventional to place more value on the formation of physical capital than human capital during the process of economic progress. These material assets are examples of capital. Human capital resources, which are comprised of education or schooling, training, and the provision of healthcare, stand apart from these tangible capital resources. In addition to boosting productivity and income, these human resource development initiatives can also help people establish positive habits like dependability and responsibility. Therefore, the most crucial elements in the development of human resources are education and training. Education, health, and other human characteristics that can increase production are frequently referred to as human capital by economists (Todaro & Smith, 2003). As a result, the quality of human resources refers to the level of education, health, and other human qualities that, when improved, can increase productivity.

Empirical Review

Using time series data ranging from 1980 to 2013, Adeyemi and Ogunsola (2016) investigated the effect of human capital development on economic growth in Nigeria. To determine the link between the variables included in the investigation, ARDL Co-integration analysis was performed in the study. The research discovered that the variables had long-run co-integration. The study's results also showed a long-term positive association between secondary school enrollment, public education spending, life expectancy rate, gross capital formation, and economic growth, however this

relationship was statistically insignificant. A negative long-term association between enrollment in primary and secondary schools, public health spending, and economic growth was also demonstrated by the results. The study so advised that the government implement the necessary education and training policies that would provide high-quality primary and tertiary education, and that it should also allocate more resources to the health sector to improve human capital development. Using time series data from 1982 to 2011, Jaiyeoba (2015) investigated the connection between human capital investment and economic growth in Nigeria. Trend analysis, Johansen cointegration, and the ordinary least squares method were all used in the study. However, empirical results suggest a long-term connection between government spending on health, education, and economic expansion. The variables gross fixed capital formation, secondary and tertiary enrollment rates, and health and education spending all show the anticipated positive trends and are statistically significant (except government expenditure on education and primary enrolment rate). The results of this study have significant consequences for health and education policies, which are hotly contested throughout the nation. Therefore, this study suggests that the government implement policies focused on significant investment in the health and education sectors in order to accelerate growth and free Nigerians from the cycle of poverty.

Eigbiremolen and Anaduaka (2014) used quarterly time series data from 1999 to 2012 to explore the effect of human capital development on national output in Nigeria. They used the augmented Solow human capital-growth model. Johansen cointegration test was utilized in the investigation. The findings demonstrated that, in accordance with theory, human capital development has a strong positive impact on output level. The study also showed a rather inelastic relationship between output level and human capital development. According to the report, the government and policy makers should make honest and concentrated efforts to promote and enhance human capability by providing enough funds for education at all levels. Oluwatoyin (2013) investigated Nigeria's economic development and human capital investment. According to the study, which employed Augmented Dickey Fuller (ADF) tests, there is a positive correlation between government spending on education and economic growth, but a negative correlation between spending on health care and economic growth. The report consequently advised the government to boost not only the amount spent on the health and education sectors, but also the share of its overall spending that is given to these sectors.

According to Mba, Mba, Ogbuabor, and Ikpegbu (2013), the development of human capital is important for the expansion of the Nigerian economy. The Ordinary Least Square (OLS) approach was employed in the investigation. The study also employed the GDP as a stand-in for economic growth, as well as the per capita real gross domestic product, the enrollment in primary schools, public spending on health and education, life expectancy, and the stock of physical capital as a stand-in for human capital. According to research, economic growth and the development of human capital are strongly positively correlated. The study thus suggested revisiting the labor requirements of the various economic sectors, putting in place practical policies to promote overall economic growth, and making effective and efficient use of public education and health spending so that the nation would have high-quality healthcare and educational systems. The contribution of various metrics of human capital development to economic growth in Nigeria was assessed by Isola and Alani (2012). It employed the growth account paradigm and used data from Nigeria, which defines GDP growth as a function of labor and capital. In the model, there was also a component for policy changes. Based on the estimated regression and a descriptive statistical analysis of trends in government commitment to human capital development, it was discovered that, despite health receiving less commitment than education, both the education and health components of human capital development are essential for Nigerian economic growth. Using a Vector Error Correction (VEC) and Pairwise Granger causality techniques, Amassoma and Nwosa (2011) investigated the relationship between human capital investment and economic growth in Nigeria for sustainable development in Africa as a whole between 1970 and 2009. The study's findings indicate that there is no connection between the rise of human capital and economic expansion. In order to create the necessary increase in human capital that can spur economic growth, the study advised increasing budgetary allocation to the education and health sectors and establishing high-quality, well-functioning vocational institutions. The study also found that in order to spur and sustain economic growth, the government must address the problem of labor mismatch.

Johnson (2011) looked at the relationship between economic growth and human capital development in Nigeria and said that human capital is a key element in transforming all resources for the benefit of humanity. In order to analyze the relationship between GDP as a proxy for economic growth, total government spending on health and education, and the enrolment pattern of tertiary, secondary, and primary schools as a proxy for human capital, the study used a conceptual analytical framework that employs the theoretical

and ordinary least square (OLS). The concluded that there is a strong positive relationship between the development of human capital and economic growth and advised stakeholders to devise more practical methods of developing human capabilities because they are viewed as a key tool for economic growth in Nigeria. They also suggested that appropriate institutional frameworks be put in place to examine the manpower needs of the various sectors and implement policies that will promote the country's overall growth. Uduh and Benedict (2017) investigated the relationship between Nomadic education spending and Nigerian economic growth. Utilizing Ordinary Least Square (OLS), which sheds light on the long-term relationship between the variables, the study used time series data on real domestic product and total government spending on Nomadi education from 1986 to 2012. Additionally, it was discovered that total government spending on nomadic education has a considerable impact on Nigeria's economic development. Because proper investment in this area will improve educational outcomes and spur the country's economic growth, it was advised that the government raise her budgetary allocation to the Normadic education and other educational sectors.

Using annual time series data from 1981 to 2005, Ogunleye, Owolabi, Sanyaolu, and Lawal (2017) used the Ordinary Least Square (OLS) regression technique to investigate the effect of human capital development on economic growth in Nigeria. The empirical finding demonstrated that, as measured by the gross domestic product, the development of human capital had a considerable impact on economic growth. And in accordance with theory, Nigeria's economic growth is positively and statistically significantly impacted by indices of human capital development, such as secondary and tertiary school enrollment, total government spending on health, and education. The results also showed that life expectancy and enrollment in elementary schools had a negative and statistically negligible effect on Nigeria's economic growth. As a result, the study made the recommendation that the government devote sufficient funds for the creation of human capital in Nigeria.

Adeyemi and Ogunsola (2016) used time series data from 1980 to 2013 gathered from the National Bureau of Statistics and World Bank Indicators to investigate the effect of human capital development on economic growth in Nigeria. The link between the variables used was estimated by the study using ARDL co-integration analysis. The findings showed a long-term positive association between secondary school enrollment, public health spending, life expectancy rate, gross capital creation, and economic

growth, however this relationship was statistically insignificant. The findings also showed a long-term inverse association between enrollment in elementary and secondary schools, public health spending, and economic growth. The study so advised that the government implement the necessary education and training policies that would provide high-quality primary and postsecondary education, as well as increase funding for the health sector to promote the development of human capital.

Theoretical Framework and Methodology

The endogenous growth model, which forms the foundation of this study's theoretical framework, stipulates that continued economic progress must be accompanied by an increase in human capital (see Lucas, 1988; Romer, 1990; and Romer, 1994). The growth rate of output, according to advocates of endogenous growth models, is endogenously dictated by the economic environment. These theories suggest that human capital is the engine that propels an economy's expansion. The generalization of human capital production technology as growth-determinants and the accessible channels of human capital investment in developing nations, where associated consensus is still debatable in literature, forms the theoretical foundation of this work. According to Park (2004), decisions about investments in human capital are made by individuals based on market incentives and government subsidies. It is unclear how the social incentives for human capital should be structured across different education levels, even though endogenous growth models suggest that a society with higher incentives for human capital investments would yield higher growth.

This is a significant issue since alternative structures will result in varied demographic compositions of human capital, which may or may not have different effects on the increase of productivity. In this study, we claimed that while governments have social or welfare incentives on investment and consumption on human capital development, private investors have economic incentives in terms of profit and asset growth. Our suggested arguments suggest that the process of developing human capital, which is essential for sustaining economic growth over time, involves both the public and private sectors. Ram (1986), Josephat et al. (2000), Niloy et al. (2003), and Adesoye et al. (2010) made similar arguments in the past but with less focus and a different methodology. From the foregoing, we study an economy in which physical capital and labor, two separate components of production, determine final output. For a Cobb-Douglass production function using a technology with a constant return to scale:

$$Y_t = A_t K_t{}^{\beta} L_t{}^{1-\beta} \qquad (0 < \beta < 1 \qquad\qquad 1$$

Where Y_t, K_t and L_t denote gross domestic product, physical capital stock, and total labour force at time t. Time-variant technological level (A_t) is influenced by elements that improve efficiency and the knowledge environment. In line with Park (2004), the endogenous growth models of Lucas (1988), Romer (1990), and Jones (1995) offer conceptual frameworks where productivity growth is boosted by human capital. A number of other research, such as those by Bartel and Lichtenberg (1987), Foster and Rosenzweig (1996), and Berman et al. (1998), have suggested that human capital either facilitates or complements the application of technology. Models are introduced by Benhabib and Spiegel (1994), Bils and Klenow (2000), and show how the average level of human capital in the population affects productivity growth. Following these empirical studies, this research examines how human capital per worker may affect the rate of technological advancement. The following chart illustrates the relationship between the human capital effect and productivity growth:

$$A_t \big/ A_t = \tau + \frac{\varphi H_t}{L_t} \qquad\qquad 2$$

Where $A_t = \frac{dA_t}{A_t}, \tau$, is the continuous growth rate of technical advancement, H_t is the total amount of capital in the economy, L_t is the labor force (or labor supply in the economy), and h_t is the impact of human capital on growth productivity. Given that aggregate human (H_t) is the total of all the human capital that individuals have invested in the economy, h it is the human capital of an individual I at time t

$$H_t = \sum_{i=1}^{\eta} h_{it} \qquad\qquad 3$$

Where η the population of the nation is. Thus, adding equation (3) to equation (1), taking the natural logarithm, and adding the stochastic factor results in the expression:

$$Log Y_t = Log A_t + \beta Log K_t + (1-\beta)L_T + \gamma H_t + \mu_t \qquad\qquad 4$$

Model Specification
The theoretical model that describes the impact of human capital on economic growth is expressed in expression (4). In this investigation, equation (4) was changed as follows:

$GDP_t = f(GCF_t, GEE_t, GEH_t, LBF_t, PSE_t, SSE_t, TER_t)$　　　　　5

As a result, the theoretically described model for this investigation is represented by equation (5). Gross domestic product (GDP), gross capital formation (GCF), government total expenditure on education (GEE), government total expenditure on health (GEH), labor force (LBF), primary school enrollment (PSE), secondary school enrollment (SSE), tertiary enrollment (TER), and time (t) are used in this example. The variables in equation 5's right side stand in for the indices of human capital development. The autoregressive distributed lag (ARDL) framework is used to analyze the long- and short-term effects of human capital development on economic growth in line with the study's goal. A relatively new method called the autoregressive distributed lag model (ARDL) has recently gained significant significance. Pesaran and Shin (1999) created the ARDL approach to cointegration testing, often known as the limits testing approach, which was further expanded by Pesaran et al (2001). The Wald or F-statistic in a generalized Dickey-Fuller type regression, which is used to test the significance of the variables under consideration in a conditional unconstrained equilibrium correction model, serves as the procedure's underlying statistic (UECM). The ARDL strategy has a number of benefits over other conventional methods. Bounds test approach basically consists of two parts. The first stage is to look into if there is a long-term relationship between the variables that are included. The following is the formulation of the ARDL framework for this study:

$$\Delta GDP_t = \delta_0 + \pi_1 GDP_{t-1} + \pi_2 GCF_{t-1} + \pi_3 GEE_{t-1} + \pi_4 GEH_{t-1} + \pi_5 LBS_{t-1} + \pi_6 PSE_{t-1} + \pi_7 SSE_{t-1}$$
$$+ \pi_8 TER_{t-1} + \sum_{i=1}^{a} \sigma_i \Delta GDP_{t-1} + \sum_{i=0}^{b} \alpha_{i\Delta} GCF_{t-1} + \sum_{i=0}^{c} \emptyset_i \Delta GEE_{t-1} + \sum_{i=0}^{d} \gamma_i \Delta GEH_{t-1}$$
$$+ \sum_{i=0}^{e} \delta_i \Delta LBS_{t-1} + \sum_{i=0}^{f} \vartheta_i \Delta PSE_{T-1} + \sum_{i=0}^{g} \varphi_i \Delta SSE_{t-1} + \sum_{i=0}^{h} \omega_i \Delta TER_{t-1}$$
$$+ \varepsilon_t \qquad\qquad 6$$

Where *a, b, c, d, e, f, g* and *h a*re the ideal lag lengths for each included series, and δ_o is the drift component. It should be noted that the lag-length terms are not equal for any reason. The short-run dynamic multipliers of the model are represented by the second portion of the equation with, σ, α, ø, γ, δ, ϑ, ϕ and ω, and the long-run dynamic multipliers are represented by the parameters π*i*. To represent the short-run dynamic structure, take note that terms with summation sings are employed. Before the chosen model is estimated using the ordinary least squares (OLS) approach, the proper lag duration is

chosen based on the Akaike Information Criterion (AIC). Pesaran and Shin (1999) suggested selecting the lag length that minimizes the criterion from a maximum of two lags for annual data. The conditional ARDL *(a, b, c, d, e, f, g and h)* long-run model is estimated in the second step.

$$GDP_t = \delta_0 + + \sum_{i=1}^{a} \sigma_i \Delta GDP_{t-1} + \sum_{i=0}^{b} \alpha_{i\Delta} GCF_{t-1} + \sum_{i=0}^{c} \emptyset_i \Delta GEE_{t-1} + \sum_{i=0}^{d} \gamma_i \Delta GEH_{t-1} + \sum_{i=0}^{e} \delta_i \Delta LBS_{t-1}$$
$$+ \sum_{i=0}^{f} \vartheta_i \Delta PSE_{T-1} + \sum_{i=0}^{g} \varphi_i \Delta SSE_{t-1} + \sum_{i=0}^{h} \omega_i \Delta TER_{t-1}$$
$$+ \varepsilon_t \qquad\qquad 7$$

Where each variable is defined as before. The best lag orders for the ARDL are chosen in the estimation of equations (7). *(a,b,c,d,e).* Finally, by estimating the following error correction model given as: it is possible to derive the short-run dynamic parameters of the model associated with the long-run estimations.

$$GDP_t = \delta_0 + + \sum_{i=1}^{a} \sigma_i \Delta GDP_{t-1} + \sum_{i=0}^{b} \alpha_{i\Delta} GCF_{t-1} + \sum_{i=0}^{c} \emptyset_i \Delta GEE_{t-1} + \sum_{i=0}^{d} \gamma_i \Delta GEH_{t-1} + \sum_{i=0}^{e} \delta_i \Delta LBS_{t-1}$$
$$+ \sum_{i=0}^{f} \vartheta_i \Delta PSE_{T-1} + \sum_{i=0}^{g} \varphi_i \Delta SSE_{t-1} + \sum_{i=0}^{h} \omega_i \Delta TER_{t-1} + \eta ECM_{t-1}$$
$$+ \varepsilon_t \qquad\qquad 8$$

Where denotes the coefficient of the error correction term, which indicates the rate of adjustment, and ECM denotes the error correction term (representing the residual of the co-integrating equation). The pace of adjustment back to long-run equilibrium following a short-run disruption is indicated by the error correction coefficient, which should be statistically significant and negatively signed.

Data Requirements and Sources
Gross domestic product, gross capital formation, the human capital development index, health care spending, and labour supply are the time series data needed for this investigation (proxied by labour force). These data are from the National Bureau of Statistics (NBS) and the Statistical Bulletin of the Central Bank of Nigeria (CBN).

Unit Root Test Results
Table 1 shows the outcomes of the DF-GLS unit root test. All of the series were non-stationary at level but became stationary at the first difference, according to the DF-GLS

test statistics. This suggests that at the first difference of each series, the null hypothesis of non-stationarity for all the variables is rejected. What's more, the outcomes demonstrate that we can reliably use the ARDL methodology on our model.

Table 1: Summary of DF-GLS Unit Root Test Results

	DF-GLS Statistics		
Variables	**Level**	**First Difference**	**Conclusion**
GDP	2.199037	-1.742624***	I(1)
GCF	1.689638	-1.961778**(***)	I(1)
GEE	2.424084	-2.558877**(***)	I(1)
GEH	-0.127809	-5.659167*(**)***	I(1)
LBF	-2.177673	-8.397562*(**)***	I(1)
PSE	-1.148339	-7.019421*(**)***	I(1)
SSE	-1.450823	-6.313047*(**)***	I(1)
TER	-1.229154	-6.660005*(**)***	I(1)

Note: At 1%, 5%, and 10% significance levels, respectively, superscripts *, **, and *** signify rejection of the null hypothesis of the presence of a unit root. Model only comprises intercept, with lag chosen in accordance with the Akaike Information Criteria (SIC).
Source: Authors' computation using E-Views 10

Table 2 reports the results of the ARDL limits test for the existence of long-run relationships. Evidence of a long-term link between economic growth and human capital development indicators is provided by the limits F-test for co-integration testing. The 1% critical values are exceeded by the computed F statistic, C. =8.74, which leads to the rejection of the null hypothesis of a long-term association between the studied variables. This data eliminates the chance that the calculated link is fictitious.

Table 2: Bounds Test Results for Co-integration Relationship

Critical Bounds Value of the F -statistic

K	1% level		5% level		10% level	
	I(0)	I(1)	I(0)	I(1)	I(0)	I(1)
7PS	2.96	4.26	2.32	3.5	2.03	3.13
7N	3.49	5.15	2.56	3.9	2.21	3.42

Calculated F-statistics

FC(GDP/GCF, GEE, GEH, LBS, PSE, SSE, TER)= 8.74023***

Note: The lag structure was selected based on the Schwartz Information Criterion. K is the number of regressors. PS Pesaran et al. (2001:300), Table CI (iii), Case III: Unrestricted intercept and no trend, NNarayan (2004),

The estimated long-term link between economic growth and indices of human capital development is shown in Table 2. According to the long-run estimated model, government spending on health and education, the labor force, and primary and tertiary enrollments all had a small but favorable impact on economic growth. Government gross capital formation and secondary enrollment were found to have a statistically insignificant and detrimental effect on economic growth. Only tertiary enrollment at lag one has a long-term, significant effect on economic growth. According to the results of the diagnostic test, the residual derived from the long-run estimates and utilized as an error correction term in the short-run model estimates shown in Table 4 is normally distributed, not serially correlated, and the error term's variance is homoskedasticity. As a result, it may be concluded that the predicted long-run model is structurally sound and offers accurate estimates for simulating policy.

Table 3: Estimated Long-run ARDL Model

Dependent Variable: GDP$_{t-1}$				
Variable	**Coefficient**	**Standard Error**	**t-Statistic**	**Probability**
C	155.7202	17720.27	0.008788	0.9931
GDP$_{t-1}$	0.681849	0.1706	3.996767	0.0009
GCF$_{t-1}$	-0.01055	0.009289	-1.135764	0.2718
GEE$_{t-1}$	0.02046	0.20364	0.100469	0.9211
GEE$_{t-2}$	0.312445	0.174117	1.794451	0.0905
GEH$_{t-1}$	0.021044	0.224776	0.093623	0.9265
LBF$_{t-1}$	0.000128	0.000235	0.544023	0.5935
PSE$_{t-1}$	0.656048	1.641715	0.399612	0.6944
SSE$_{t-1}$	-0.008474	0.006329	-1.338926	0.1982
TER$_{t-1}$	0.066389	0.019942	3.329089	0.004
TER$_{t-2}$	0.010329	0.044987	0.229606	0.8211
R-Squared	0.99	D.W Statistic		2.08
Adjusted R²	0.98	F-Statistic		173.747
Wald F-Statistic	8.74023	Prob(F-statistic)		0.0000
Residual Normality Test				
Jarque-Bera	1.5967		Prob(J.B)	0.4501
Breusch-Godfrey Serial Correlation LM Test				
F-Statistic	1.851691		Prob. F(2, 15)	0.1742
Obs*R-Squared	5.544169		Prob. Chi-Square(2)	0.0625
Heteroskedasticity Test: Breusch -Pagan-Godfrey				
F-statistic	3.781786		Prob. F(10,17)	0.0078
Obs*R-squared	19.3167		Prob. Chi-Square(10)	0.0364

Source: Authors' computation using E-Views 10

Similar to this, Table 4 shows the short-term projections of the impact of human capital development on economic growth in Nigeria from 1986 to 2020. The ideal latency of one was established using the Akiake and Schwarz information criteria after iterating the short-run estimations at various lag lengths. The error correction term co-efficient, which describes how quickly a distortion in the short run may be adjusted to its long-run equilibrium, was -0.1245. This suggests that within the first year, 12.45% of any disequilibrium is recovered.

Table 4: Estimated Short -Run ARDL Model

| Variable | Dependent Variable: Δ GDP$_{t-1}$ | | | |
	Coefficient	Standard Error	t-Statistic	Probability
C	3056.269	2364.520	1.292554	0.5623
Δ GDP$_{t-1}$	0.194677	0.289098	0.673395	NA
Δ GCF$_{t-1}$	0.006941	0.011979	0.579423	0.5695
Δ GEE$_{t-1}$	-0.073844	0.217979	-0.338768	0.7387
Δ GEH$_{t-1}$	0.324775	0.211541	1.535278	0.1421
Δ LBF$_{t-1}$	6.54E-05	0.000195	0.335473	0.7411
Δ PSE$_{t-1}$	1.253071	1.893515	0.661770	0.5165
Δ SSE$_{t-1}$	-0.010893	0.006711	-1.623134	0.1219
Δ TER$_{t-1}$	0.050654	0.018411	2.751321	0.0131
ΔECM$_{t-1}$	-0.124947	0.056782	-2.200467	0.0402
S.E. of Regression	7856.078	Durbin-Watson Statistic		1.849332
Akaike Criterion	21.50620	Hannan-Quinn Criterion		21.65166
Schwarz Criterion	21.98199			

Source: Authors' computation using E -Views 10

Conclusion and Recommendations

The effect of developing human capital on economic growth in Nigeria has been established and critically examined in this article. The accepted theoretical framework is derived from the endogenous growth model, which postulated that technology production based on human capital is a substantial economic growth driver. Using this technique, the effect of human capital development indicators on economic growth in Nigeria was dynamically examined.

The long-run model showed that the majority of the human capital development indicators had a positive impact on economic growth in Nigeria within the reviewed periods, but their impacts were largely statistically insignificant. The bounds testing analysis showed existence of co-integration between the considered set of variables in the ARDL model. According to additional data, equilibrium is completely restored for any short-term disruption. Based on the study's findings, the government should prioritize funding for the development of human capital, giving special attention to the health and education sectors in Nigeria, since these sectors have the most potential for growth. Like this, authorities should make an effort to pay attention to the enrollment in school issue.

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