

**DIVERSIFICATION OF THE NIGERIAN ECONOMIC IN THE MIDST  
OF RECESSION: THE NEED TO GO BEYOND THE RHETORIC**

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**Abstract**

Nigeria became independent in 1960. Since her birth as a nation, the country has faced enormous economic challenges that deprived her of desire development. This phenomenon is not unconnected to the mono-cultural status of the nation's economy. This paper looks at the present administration efforts to diversify the Nigerian economy amidst recession. Secondary and primary data are used as a method of analysis. The work observed that overdependence on the oil over the year was a major contributory factor to the country's recessed economy. Rhetorically, government has pay lip service to the transformation of Nigerian economy from mono-cultural to multicultural economy taking in to consideration the country's non-oil abundant natural resources. This however did not translate to reality as proceed from oil is still taking a centre stage in Nigerian economy. It is therefore the recommendations of this paper that government should go beyond the diversification rhetoric and face agriculture, solid minerals and tourism.

**Introduction**

The economic survival of any nations largely depends on maximum utilization of all economic potentials on its disposal. This fact is undisputable as success of most developed countries in the World today is intrinsically linked to the pulling of their available resources for human development. This phenomenal of government to pull both human and natural resources necessary for human development are mostly lacking in third World countries including Nigeria where practice of mono-cultural economic is prevailing thus giving room to interval and sometime regular economic recession

On August 31 2016, the Federal Government of Nigeria officially informed Nigerians that the country was in recession. On that day, the National Bureau of Statistics (NBS) released its indices which showed that the Nigerian economy had contracted for the second consecutive quarter (see Ehikioya and Babalola, 2016; Iloani, 2016). Reacting to this disclosure, Nigeria's Finance Minister, KemiAdeosun said inter alia;

It's the worst possible time for us. Are we confused? Absolutely not. How are we going to get ourselves out of this recession? One, we must make sure that we diversify our economy... if we rely on oil and the price of oil remains low and the quantity of oil remains low, we can't grow. We have to grow our non-oil economy (in Ehikioya and Babalola, 2016: 6).

In the face of the reality of an economy in recession, many Nigerians have intervened on the whys and the wherefores of the recession. In a typically Nigerian fashion the serious issue has been politicized. The ruling All Progressives Congress (APC) think it is the consequence of many years of the Peoples Democratic Party (PDP) misrule while the PDP think that the crisis is the result of President Muhammadu Buhari's incompetence. This perhaps is the habits of Nigerians by politicizing every issues of national significant.

Be that as it may, it must be stated ab initio that the Nigerian economy going into recession did not just happen overnight. It followed many years of almost total dependence on oil resources, its mismanagement and in many cases outright looting of the resources accruing from the country's oil wealth. It is based on this that Sanusi averred that, the lack of political will of the successive governments, political class and elites coupled with endemic corruption in the system, are some of the factors that have snowballed the economy into present economic distress. The major factors accounting for the relative decline of the country's economic fortunes are easily identifiable as political instability, lack of focused and visionary leadership, economic mismanagement and corruption (Sanusi, 2010). The recent mind boggling revelations about cash in both local and foreign currencies kept in ward robes, refrigerators and idle accounts by former public office holders give a clue to why Nigeria got to the sorry pass of recession (see Odunuga, 2017; Salau, 2017;). Monies that would have been injected in the economy to stimulate production and growth were left to idle and the effect of this has been very telling on the Nigerian economy. Whatever the reason for the recession what is important now is that there is urgent need for a solution. Several suggestions have been put forward on how Nigeria may overcome her economic crisis. This paper is of the opinion that diversification is one sure way of getting the country out of recession. The government in power seems determined to diversify the economy at the level of rhetoric. However, it is also of the strong opinion that there is need to go beyond the rhetoric into action.

### **What is Economic Recession?**

An economic recession is “a backward, or reversal of the economy over a relatively long term” (Igwe, 2011:375). It is according to Black,

A situation when demand is sluggish, real output is not rising and unemployment is increasing. A recession is usually identified when real gross domestic product (GDP) falls for two consecutive quarters. It is not as severe as a depression (Black, 2002: 393).

From the perspective of Lee and Shield, a recession simply refers to the event that has an adverse impact on individual's economic well-being (Lee & Shields, 2011). Similarly, Biafore (2009), sees recession as a “slowing in economic growth” (p.1). The period in view showcases a world economy where jobs are lost in their numbers, much money chase few goods and currencies are largely devalued, among other harsh economic indices. It is in the light of these realities that Igwe (2005) has observed that recession refers to:

A backward march, or reversal, of the economy over a relatively long term, believed by some economists to be part of a regular cyclical phenomenon of decline which must inevitably follow some periods of sustained growth or “over-heating”. There is no scientific basis for the cyclical theory of Recession, for such a theory must equally embrace a Recession in other spheres of existence, including the individual, family, group, as well as national and international. Recessions are an unavoidable crisis of any imperfect or unjust economic systems, such as the variants of capitalism, including unequal competitions, rivalries and mutual struggles, often develop a negative character, one of whose many consequences can be a Recession (p.375).

Recessed economy is often identifiable with certain characteristics such as unemployment, high rate of inflation etc. Emauel (2016), opined that recession is the period characterized by a decline in income,

aggregate demand, prices of goods and services, investment and employment in the country. These characteristics and many others are present in Nigeria during recession. What makes the 2016 recession in Nigeria peculiar is that, it is a combination of balance of payment deficit, high exchange rate, a rise in prices of goods and services (inflation), low aggregate demand, low output, rising unemployment, and low income. However, the recession didn't just happen, it occurred as a result of actions and some decisions taken in the past by administrators and policy makers.

**Concept of Diversification:**

Radical shift from single or mono-cultural to pulling of diverse national resources for human development entails economic diversification. From the view of Michael (2015), Economic diversification is a process of broadening the range of economic activities both in the production and distribution of goods and services. It does not necessarily entail increase in output but it enhances stabilization of economies by diversifying their economic base. Many third world countries including Nigeria are underdeveloped because their negligence in pulling all the available resources necessary for human development.

**Causes of Economic Recession**

Essentially, there two (2) major causes of economic recession. These are; internal (endogenous) and external (exogenous). The former is usually as a result of conflict of ideas, misapplication of economic theory and regulatory negligence or policy inconsistency. For instance, The Asian financial crisis of 1997-1998 was caused partly by internal factors; banks were lending abroad in pursuit of high profit margin, due largely to slow downs at home, desire to pursue development without due consideration of economic fundamentals, corruption, and structural and policy distortions (Wong, 1999; Corsetti et al, 1999). Other factors were the overheating of private sector and excessive investments in real-estate with non-commensurate returns. In the same vein, the global financial crisis of 2007 and the ongoing recession was triggered by the United States housing bubble; excessive lending of banks into high-risk subprime and adjustable rate mortgages resulted in high default rates as well as downfall of banking sector (CBN, 2012).

While the external causes of recession have to do with factors that are exogenous to the economy over which policy makers have little or no control. Factors like natural disaster, climate change, revolution and wars. An agricultural economy could face crop failure resulting in general economic slowdown. Also, a mono-economy could suffer recession from international price shock for its product. The neoclassical economists are of the view that state interference in the market, labour union, monopolies and technological shocks are external causes of recession (Kamar, 2012).

Apparently, Nigerian recessed economy is caused by both internal and external factors as evidenced in both past and 2016 economic recession in Nigeria. Government inconsistency in policy making across climes, corruption with impunity, activities of militant in oil producing areas are strong instruments to endogenously exposed Nigerian economy to recession. Externally, the country mono-cultural economy which is largely depended on oil in many cases faces decline in prices at the international market which also often exposed economy to recession. The most worrisome of these recession typologies is external factors especially for mono-cultural economy like Nigeria where there is low institutional efforts to tape other resources for economic development.

**Diversifying the Nigerian Economy the Need to go Beyond Rhetoric:**

The rhetoric about diversifying the Nigerian economy has been on for a long time. Successive administrations in the country all seemed to realize the importance of diversifying the economy but none seemed to have had the will todo so and the country is paying the price for this negligence. It is on this

note that Shuaibu et al (2018), argued that despite abundant natural and human resources, Nigeria faces some challenges. Up to the end of 1960's, the country was self-sufficient in food production and even at net exporter of Agricultural Produce. Since the early 1970's, as oil became a major foreign exchange earner and contributor to Gross Domestic Product (GDP), other sectors of the economy have been relegated to the background and stagnated, while crude revenues have not been managed effectively to stimulate desired growth levels and sustainable economic development. It is clear now that Nigeria needs to look towards non-oil alternatives if the country will survive (Adeyinka, 2016).

Since the discovery of oil in Nigeria, the economy became a mono-cultural one. In the late pre-independence and early independence period, the regions were known for their agricultural prowess: Groundnuts in the North, oil palm in the East and cocoa in the West. With the discovery of oil, agricultural production has been in decline. The danger of this is that the country has been unable to feed itself but more crucially the country is subject to the vagaries of the international oil market. This, to say the least, is a precarious situation for a country to be in. The full import of this became clear when oil prices crashed in the international market. In fact it has been reported that oil prices have slumped to a six-year low (Akanbi, 2015). The impact has been very telling with government unable to meet a number of its obligations ( Nwoji, 2015; Baje, 2015; Ukoko, 2015; Wakili et al, 2015; Editorial Leadership May 15, 2015: 3). Ironically the fall in oil prices coincided with the country's centenary.

The past Minister of Agriculture and Rural Development had put in place a programme to revolutionise agriculture in the country (Agha, 2014; Okwor, 2015; Ogunbiyi, 2015). This is the way to go. Suggestions have been made by the All Farmers Association of Nigeria (AFAN) to the effect that government should allocate 20% of annual budget to agriculture (Natsa, 2014d). Considering the place of agriculture in ensuring food security, job creation and also as a revenue earning means the government needs to give priority to the agricultural sector (Olorufemi, 2015; Aliyu, 2015).

Apart from the agricultural sector, there is the need to also develop the country's vast solid mineral resources. The government should seriously consider investing in the mining sector given the country's solid mineral resources. The solid minerals sector is said to have earned the economy N31.499 billion in 2012 (Natsa, 2015b). If one considers the fact that the sector is underexplored then its potential contribution to the Nigerian economy comes into clear relief. The need for government to increase investments in the mining sector cannot be over-emphasized (Natsa, 2015a; 2015b; 2015c; Obi, 2015). Furthermore, there is the need to explore the tourism potentials of the country. In this direction some tourism professionals have drawn attention to the potentials of the sector and the need for government to be more committed to developing the sector. Specifically IniAkpabio has drawn attention to how the tourism sector in South Africa is contributing more to the economy than the sale of gold which used to be the highest revenue earner for the country (Akpabio, 2014).

Nigeria has limitless tourist attractions and according to Akpabio "unless we have our government...fund the tourism sector and the marketing arm of the sector to give out correct information, we are not going to have people coming to Nigeria as tourists" (Akpabio, 2014:26). Considering the huge promise that the sector holds, the need to develop it cannot be overemphasized. Because Nigeria's tourist destinations are not developed, her citizens go abroad for their tourism needs and the country is said to lose N700 billion annually to this (Okeke, 2015b). In the face of falling oil prices and the potentials of tourism in Nigeria, the advocacy for prioritizing tourism has been made and it is worth pursuing in the larger economic interest of Nigeria (Amzat, 2015). Chika Okeke has examined some of the challenges confronting the tourism sector in the country and has also proffered solutions which need to be taken into consideration as the government moves towards revamping the tourism sector (Okeke, 2015a). The Nigerian Tourism Development Corporation (NTDC) has in recent

times made efforts aimed at showcasing the country's tourism potential. It has opened tourism information desks at the Abuja and Lagos airports and has plans to do so at other points of entry and exit in the country (Busari, 2015). Such efforts need to be sustained in order to fully tap into the tourism potentials of the country. However, to fully reap the benefits from the sector, the Nigerian government needs to tackle the challenge of insecurity in the country. This is discussed in detail in the next section.

When all these suggestions are given due consideration the economic fortunes of the country will be enhanced. From a comparative perspective it can be argued that if a country like Singapore without any known resource can move from a Third World to a First World country in less than half a century then this is also possible for Nigeria if her vast resources are adequately managed. This is a great opportunity that the country needs to maximize.

The fall in oil price may be taken as a blessing in disguise as it will make Nigeria look towards non-oil exports which are indeed abundant in the country (Editorial Daily Trust December 17, 2014: 55; Chidiebere, 2014). The position has been canvassed that non-oil exports are Nigeria's next line of defence and her trump card as oil prices plummet (Ogwu, 2014; ZenithEconomic Quarterly, October 2014). Nigeria needs to begin to look beyond oil to other sources in addition to the ones that this paper has isolated and discussed (Manuaka, 2015; Ugochukwu, 2015a; 2015b; Ezonon, 2014).

For Nigeria therefore to move from dilemma of mono-cultural economy which has not addressed the nation's economic woes, the government must give utmost priorities to the following non-oil sector;

1. Agriculture and agro allied
2. Manufacturing
3. Tourism
4. Solid minerals
5. Transportation
6. Health care service
7. Telecommunication
8. Banking and financial services and
9. Human capital

It may not be overstatement that if two or three of these available potential in Nigeria are maximally pulled together, the derivable benefits will override the benefit of petroleum to the national development. However, successive governments in Nigeria have pay lip service to diversification by refusing to make a radical shift from petroleum to other productive sector of the economy.

### **The Challenges of Diversification**

Diversifying the Nigerian economy has proved a daunting challenge over the years. The challenge is not less so in this era of economic recession. From the foregoing discussion, there seems to be an agreement on the need to diversify the economy. In the preceding section, the ways in which this can be done have been expatiated. However, diversification requires the channeling of resources into these identified sectors. Does the government have the resources to do this? A simple yes or no answer will not suffice in this matter. Yes it is true that resources have dwindled in recent years leading the country into recession. However, the government can source for funds to diversify the economy given its importance.

Couples with government rhetorical expression on economic diversification over decades, the antecedents that led to country's economic woes is negligence and abandoning of agriculture which has been the main stay of economy in favour of lately discovered and regularly decline price oil. This development was captured by Ogen who strongly argued that crisis in Nigerian agriculture also lies in the total neglect of the sector by successive government through payment of lip service to the sector. The increased dependence on a mono cultural economy based on oil production (Ogen, 2007). It is disheartening that by mid 1970s, Nigeria became a net importer of various agricultural products ranging

from palm oil, cotton, wheat, rice, maize to other agricultural products. For instance, Nigeria has been spending an average of 60 million USD on importation of rice annually and indeed in 1994, agricultural sector performed below the projected 7.2% of the budgetary output (Lawal, 1997)

It has to be understood clearly that diversifying the economy especially considering that it requires resources and that as bad as the economy is, Nigeria still depends on the oil sector, will require a lot of perceptiveness on the part of Nigerians. Nigerians need to key into the little windows of opportunities which periodic increases in the price of oil in the international market offer. In this regard Nigeria's Vice President, Yemi Osinbajo has opined that;

As we move to diversify our economy, we are acutely aware that we need oil to get out of oil. Yet our window of opportunity to benefit maximally from the petroleum industry is narrowing (in Okoromadu, 2016: 27).

The country needs to utilize whatever windows it can get from oil along with other sources of funds to diversify the economy.

### **Conclusion**

The imperative of diversifying the Nigerian economy cannot be over emphasized. After many years of paying lip service to diversification, it would seem from the discussion in this paper, that the present government is determined to turn the situation around though with little headways. The current efforts in the agriculture, solid minerals and tourism sector if sustained will end the current dependence on oil.

### **Recommendations**

The current government efforts to diversify economic is quite acknowledged, shifting a little bit from rhetorical expression of previous government in Nigeria. More needs to be done to move the country from its mono-cultural status economy. Based on this, the paper recommends the followings;

Strong economic team who are expertise in all non-oil economic sectors is desirable. This team will advise the government on their various expertise areas to move the country out of over-dependent on oil proceeds.

Similarly, government need to inject enough capital to agriculture as decline in agricultural products in contemporary era is also link to poor farmers with simple tools of farming. Government effort to mechanized farming in the country will boost the agricultural product and improved foreign exchange earnings.

Fighting corruption couple with strict monitoring of all activities of diversification is strongly recommended as past failure in diversification has been linked with government failure to monitored policies aimed to diversify economy.

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