VOL. 07 NO. 7,
FEBRUARY, 2025
E-ISSN 3026-9679
P-ISSN 3026-9423



African Scholar Publications & Research International
www.africanscholarpub.com

Journal of Business Dev. and Management Res. (JBDMR)

An Exploration of the Current Nigeria's Economic Realities

Bakshak Yerima Sati
Business Education, Federal University of Education, Pankshin
Corresponding Author: princeyerima76@gmail.come
DOI: https://doi.org/10.70382/ajbdmr.v7i7.008

Abstract

Nigerian current economic challenges needs urgent investigation to proffer permanent solutions that will facilitate growth. This paper seeks to explore possible avenues that will remedy the current Nigerian economic situation. Since the study is explorative in nature, the explorative research design was employed in order to obtain sufficient information through secondary data. Views from economic expect and professional bodies about the economy formed part of this study. The study also looked at the economic challenges of five countries namely, Venezuela, Argentina, Turkey, Lebanon and Sudan to see how they approach their own economic predicament to give Nigeria an insight on how to handle their current economic situation. From the views of expert, the study discovered that Nigerian problem is as a result of consistent rise in inflation rate, over dependent on oil exports, bad governance, lack of investment, removal of oil subsidy among others. Similarly, the study discovered that the five countries applied price controls, increases interest rates, seeks assistance from IMF and reduces government spending as measures to combat high inflation rates. The study recommend among others, that government should diversify the economy by focusing on other sectors of the economy such as the agricultural sector, education, and healthcare sector.

Keywords: Exploration, Economic, Price controls, Inflation rate, governance.

Introduction

Nigeria a multi-ethnic country in Africa is located in West Africa. It's known because of its large youth working population and enormous economic potential, blessed with numerous and abundance of natural resources both human and material resources. History has it that these human and material resources were well harnessed and utilized in the 60s. For instance, agriculture was the key sources of revenue contributing over 60% to Growth Domestic Product (GDP). Nigerian Export-led growth includes essential commodities like rubber, palm oil, and cocoa. There was strong human and capital development. Inflation was very law and easily to control. Every sector of the economy was functional and the cost of living was better (Meta AI, 2023; NBS, 2022).

Today the reality of the Nigerian economy is sympathetic and so harsh to contain by Nigerians. Nigeria is passing through social and economic challenges among which is insecurity in the North-west, North East, South East, Corruption, mismanagement, high interest rates, and high inflation rates and over dependent on oil exports has taken over the economy. The revenue from oil exports is lavished on luxuries instead of investing in other sectors of the economy such as infrastructural development, manufacturing and agricultural development. The failure of government to do the needful has contributed to infrastructural deficit, high rate of unemployment, high rate of poverty, and high inflation rates which seem very difficult for monetary rates to mitigate. NBS provides the current rates of inflation to 34.80% as at 2024, 40% of Nigeria's population lives below the poverty line, unemployment and underemployment stood at 15.5% as of Q2 2023. Similarly, infrastructural deficit has been estimated to around 100 dollars to 150 dollars (reports NBS, 2022; Meta AI, 2023 World Bank, 2025). At this current state, the economy has failed to perform it primary aim of improving the standard of living of the teaming population of Nigeria.

A brief comparism of some macroeconomic determinants of Nigeria in the 60s and 20s, shows that the GDP (nominal) in 1960 was 4.8 billion dollars while, in 2020 the GDP has rising to 247.7 billion dollars. Considering the exchange rates of each time we, can seen that the economy then was better than that of 2020. Similarly, the growth rate of the economic as 1960s was 4.5% per year whereas in 2020s the annual growth drops to 2.3% per annum. The inflation rate as at 1960s was 2.3% per year. The inflation rate was estimated at 11 – 12%, by this we can see that the inflation rate as at 2020s is triple of the inflation rate in the 60s (NBS, 2022). Government in its effort has come up with several economic

reforms and economic policies for the past 12 years, but failed to address the Nigerian economy crisis. The hardship has continued to increase on a daily basis due to subsequent increased in the prices of food and material commodities.

In fact, the root cause of the Nigerian current hardship is bad government policies. Good policies are implemented at the wrong time. For instance the removal of oil subsidy has constituted almost 60% of the present economic hardship. This is so because the rise in pump prices has virtually increase prices of all commodities in the market. The steps taken by the government to mitigate the effects of subsidy removal has also done more harm to the economic in the face of high inflation rates, The monetizing of palliative as students loans, aged and less privilege people's assistance, procurement and sharing of food items has help in only a minimal way.

The study seeks to explore the realities of the Nigerian economy evaluating the socio-economic and political factors that ruin the economy to its present status. The study will also examine five countries that had experience similar type of economic hardship and the measures they took to combat the situation. It will also analyze the current economy challenges in Nigeria as well as to identify potential opportunities that shall be explored as solution to growth and development. This Paper is going to cover four sections: The first section is the introduction, section two is going to consists of the current economic realities, section three is the literature of some countries that were faced with similar economic challenges like Nigeria and how they get out of it. Section four will consist of possible solution to Nigeria's current economic challenges; conclusion and recommendations shall follow sued.

Expert's Views on the Current Realities of the Nigerian Economy.

The World Bank is of the view that the Nigerian economy is at crossroads which means that it is on its way to collapse. Therefore, if urgent remedy is not taken, the reverse of economic growth as well standard of living among other benefits of economic growth will be the result (World Bank, 2020).

The overdependence of Nigerian economy on oil exports as the major sources of revenue has exposed oil produced to global oil price fluctuation. The implication is that any significant change that may not be favorable to us as oil producers, it will post a standstill or a set back almost all government responsibilities as well as the entire economy of the nation (NBS, 2022).

High inflation rate is one of the realities facing the Nigerian Economy averaging around 11-12% per year in the previous years. Inflation is one of the Key macroeconomic variables that regulate the economy of every nation in the world. Nigerian inflation is on the crossroad to hyper inflations considering its fast

acceleration on a yearly basis. Inflation has made it so difficult for Nigerians to afford, the necessities of life due to the persistence rise in the prices of commodities in the market. The current situation is the direct interpretation of inflation where too much money can buy too few goods. Naira has lost its value in the face of international market (IMF, 2022).

The poverty rate as at 2023 is estimated at 38.9%. The same source provided that about 87 million Nigerians live below the poverty line the world's second-largest poor population after India (World Bank, 2025). This is true because some families barely feed on one square meal a day. Only few Nigerians can boss of feeding on three-square meal on a daily basis. The situation is really terrible, and needs urgent attention of the government and stakeholders.

Unemployment is another factor of concern to every Nigerian. If you put together the rate of unemployment and under employment estimated by NBS is at 15.5% which is very highly. You may ask yourself, what is actually the cause of these high rates of unemployment? We know that government cannot give everyone employment but, government can reduce the number of unemployed through establishment of industries in every state of the federation or works on non-function industries as well as providing financial empowerment to small and medium enterprises. Probably, terrorism, Kidnapping, Militancy Boko Haram are on the increase due to lack of employment. Just as it is said, "a hungry man is always an angry man". This is equally a reality about the Nigerian economy. Looking round the country you will agree with me that so many graduates who are qualified for employment but they are roaming all over Nigerian streets (NBS, 2022).

Infrastructure deficit according to African Development Bank is estimated at to be around 100 and 150 billion dollars per year. This has both macroeconomic effects sect oral effects, social effects as well as environmental effects. The reality about this factor is that it reduces economic growth, increases costs, reduces competition in the global market; reduces agricultural productivity and income, tourism finance and logistic, it reduces access to basic amenities, increases poverty, reduces standard of living, increases environmental degradation, and reduces energy efficiency (world Bank, 2019; Meta AI, 2023; IMF, 2018[ADB, 2020).

Corruption is one of the major factors that have led to Nigerian economic current situation. It is just like a canker worm that has eaten deeply into the economic prosperity of this country. Corruption is always formed out of greed by some selfish Nigerians who does not meant well for the country. Government of Nigeria is very good in making policies on combating corruption, but the implementation has always been a serious issues. Except we as Nigerian changed our mind-set concerning

corruption, we will continue to experience poor economic growth (Transparency International, 2022).

Bad governance is a very critical factor that has ruin Nigerian economy. Corruption by government officials as well government employees has distorted the allocation of resources. There is no transparency in public spending hence, discourages foreign investment (Transparency International, 2022). Separation of power has been jeopardized. Government institutions are very weak that they cannot provide stable and predictable environment for business to strive. Similarly, bureaucratic red tape has raised significantly, the cost of doing business which has turnout to discourage investment as well as innovation. The continuous borrowing by the government is an abuse of fiscal policies which has undermined Nigeria's economic stability. The monetary policy on the other hand has failed to control inflation to ensure the stability of the currency and stimulate GD. Bad governance gave birth to poor education, inadequate healthcare facilities as well as inadequate infrastructural facilities (IMF, 2022; NBS, 2022; AFDB, 2022) . Insecurity in Nigeria is a threat to economic, social and environmental development. It affects economic growth, increases costs, discourages foreign direct investment, reduces agricultural productivity, increases poverty, discourages tourism, and reduces access to education, healthcare, and access to natural resources. The reality is that Nigeria today is prone to so many groups of terrorism, kidnappers, bokoharam, militancy which has contributed significantly negative to present state of the Nigerian economy (World Bank, 2019; IMF, 2018;, UNCTD, 2019; FAO, 2020; WTO, 2020; UNCF, 2020, WHO, 2020; UNEP, 2020; NBS, 2020).

Besides, the above realities, there is the issues of weak balance of payment, the inability of the government to clear outstanding Foreign Exchange Forwards as well as severe Foreign Exchange shortages. COVID-19 has contributed significantly to the present Nigerian economic predicaments.(NIPC, 2022; AFDB, 2022).

Nkechi (2024) stated that "Nigeria is currently experiencing the worst economic crisis in a generation, leading to widespread hardship and anger". He lamented on the recent subsequent escalation of prices of petrol and food items. Accordingly, the wages could not augment the rising cost of living. He insisted that the present government has contributed partly to what Nigerians are currently passing through as a result of its immediate policy reforms. He pointed out some reasons why the economy is so bad today. High inflation rates and high cost of food, minimum wages not meeting civil servants demand considering the current exchange rate, and hunger. He narrated that despite high rate of inflation, President Tinibu in his quest to remodel the economy removed fuel subsidy, the removal of fuel subsidy has correspondently, increases the

fuel pump prices as well as cost of everything in Nigeria, therefore, making it unbearable for living. Similarly, allowing supply and demand to determine the value of naira is a failure in the side to the present government. For instance the current exchange rate is 1490/$1 which is a clear indication of the devaluation of the Nigerian currency. The government has announces the establishment of a board in charge of regulating and controlling food prices. The government has also instructed the national grain reserve to distribute 42,000 tones of grains, including maize and millet to the poor and vulnerable Nigerians. Similarly, about 15 millions poorer households are also receiving a cash transfer of 25, 000 naira monthly. Yet here we are.

Fabian, (2024) speaking on a topic: 'Mapping the future of Nigeria's Economic Development Amidst Uncertainty', pointed out some key elements that has crippled the Nigerian Economy to include security threats, inflationary pressures, policy inconsistency, debt and fiscal policy, and structural inefficiencies affecting livelihood. Fabian (2024) for Nigeria to return to its lost economic glory, Fabian suggested the following;

i. "The Nigerian economy must break its overreliance on oil revenues. Agriculture, Technology and services are sectors with immense potential for driving economic expansion".
ii. "We must invest in technological innovation, in structure, and skills development, especially for the youth, to position Nigeria as a key player in the global digital economy"
iii. "Furthermore, agriculture, which employs millions of Nigerians, must be modernized through the use of technology, better access to markets, and government incentives".
iv. "Debt restructuring, improved tax collection and curbing wasteful spending must be at the forefront of fiscal policy reforms.
v. Nigeria needs a predictable and transparent policy environment; investors need clarity on exchange rates, tax policies, and trade regulations".
vi. Let us seize this moment to work together government, private sector, and civil society toward a more prosperous and secure future for Nigeria"

Fitch Ratings (2023) asserted that Nigeria is facing economic challenges ranging from fiscal sustainability, external finances and persistent deterioration in debt servicing costs as well external liquidity. Fitch-Rating downgraded Nigeria by rating I from 'B 'from 'B-' in Nov., 2022.

Literature Review:

There are countries that have experienced what Nigeria is passing through. Let's look at the measures they took. This may give Nigerians the insight to its current economic realities.

Venezuela

Venezuela has been battling with high inflation of 283% resulting to hyper inflation. We all know what it means for a country to experience hyper inflation. It is evident that Nigeria's inflation has not translated to hyper inflation. The question is how did Venezuela controlled hyper inflation?

To mitigate hyper inflation, they implemented measures such as price controls, currency exchange restrictions, and increased minimum wage. These measures could not help them hence, till today the country is experiencing economic crisis (IMF, 2022; BBC News, 2022; Meta AI, 2023).

Lebanon:

Lebanon's inflation rate was 212% which affects the economy of the country. The measures taken by the government of Lebanon includes reducing public spending and increasing taxes as well as demanding help from International Monetary Fund (AI Jazeera, 2022; IMF, 2022).

Argentina

Argentina has been passing through high inflation rate for many years. The inflation rate stands at 161%. The measures taken by the government was to implement measures as price controls, currency exchange restrictions and increased interest rates. It has also seeks for help from IMF (IMF, 2022; Bloomberg, 2022).

Turkey

Turkey's inflation is 64.8%. The government has taken the following measures to combat the high rate of inflation. These are, increasing interest rates, reducing public spending price controls, and they discourage the reliance on foreign capital (Reuters, 2022; IMF, 2022)

Sudan

The inflation rate of Sudan stands at 63.3% which is very high and can post serious challenges to the economy of Sudan. The government has implemented the following measures in order to combat the high rate of inflation in Sudan. These are increased

interest rates, reducing public spending and implementing prices controls. They have resolved to seek for assistance from IMF (IMF, 2022; AFDB, 2022).
From the above literature, we denote that all the countries implemented the following measures to combat high inflation rates in their various countries:

- Reduces public spending
- Increased interest rates
- Price controls
- Assistance from IMF

Nigeria;

The inflation rates of Nigeria as at 2024 stands at 34.80%. The government of Nigeria has implemented the following measures to mitigate the current rate of inflation as it is one of the major causes of Nigerian economic predicaments (CBN, 2024)

- Increased interest rates
- Reducing the Cash Reserves Ratio
- Imposing a Zero-duty levy on food imports
- Floating the naira
- Eliminating fuel subsidies.

Despite the government measures to combat high inflation, Nigeria is still experiencing economic crisis. This means that Nigerian Government has more to do to combat high inflation to gain back it lost economic glory.

Possible Solution

1. Reduce public spending: by streamlining government agencies, cutting bureaucratic red tape and implementing digital solutions; prioritizing essential services, reduce non-essential expenses, improve procurement practices; implementing performance-based budgeting, conducting constant audits, encourage public private partnerships; reforming subsidy programs, reduce grants gradually; strengthening tax administration, broadening the tax base, implementing tax reforms; freezing hiring and wages, implement energy saving measures to reduce utility costs. These measures will improve efficiency and allocate resources more effectively.
2. Price controls: This will protect consumers, promote fairness, and more importantly control inflation. This could be done by price ceilings, price floors and rent control.

3. Diversify the economy: Government should stop depending on oil exports and give attention to other sectors of the economy such as the agricultural sector. Government can identify the natural resources in each state of the Federation for the establishment of industry in each state that will provide employment opportunities to youths. Invest in infrastructure by constructing and reconstructing of roads and railways that will connect producers or manufacturers and consumers all over the country.
4. Promote Entrepreneurship by proving financial support to enable them expand their capacity employment opportunities to our teaming youth population.
5. Strengthen the judiciary, legislature, and anti-corruption agencies, and Promote Transparency and Accountability
6. Invest in education. Healthcare and social welfare
7. Improve security, promote National Unity and strengthen Disasters Response
8. Attract Foreign Investment, Foster International Partnerships and Promote Regional Integration

Conclusion

The study discovered that high inflation rate as well as government wrong policies have constituted to the current economic hardship in Nigeria. The study is optimistic that Nigeria will come out strongly from these economic challenges in the nearest future. There are feasible and attainable measures mentioned in this study that need to be taken to ensure holistic reformation of the economy in order to improve economic growth as well as improve the standards of living of Nigerians.

Recommendations:

In view of this, the study recommends the following practical and feasible measures that will change Nigerian economic predicaments.

1. Government policies should be implemented considering the state of the economy.
2. Government should cut down public spending
3. Government should reverse oil subsidy removal.
4. Revamped Nigerian Refineries.
5. Take feasible measures on mitigating corruption.

Reference

Reuters (2022). Turkey's economic crisis.
Adeniyi, O. (2017). Governance and Economic Development in Nigeria, *Journal of Governance and Development, 13(1), 1-13.*
AFDB (2022) Nigeria Infrastructure Deficit Report
African Development Bank (2022). Sudan Economic Outlook.

Aljazeera. (2022). Lebanon's economic crisis. What's behind it?
BBC News (2022). Venezuela's Economic Crisis: How did it happen?
Bloomberg, (2022). Argentina's Economic Crisis: A Timeline.
Development in Nigeria. *Journal of Business and Economic Development, 4(2), 102-112*
Fabian, A., (2024). Expert Harp on Economic Potential of Nigeria, Diversification. (https;//fabianajogwu. com/experts-harp-on-economic-potential-of-nigeria-diversification-of-economy).
Fitch Rating, (2023). Nigeria's Economic Challenges Highlight Importance of Post Election (https://www.fitchratings.com)
IMF (2022) Nigeria Selected Issues
IMF (2022). Argentina: Staff Report for the 2022 Article IV Consultation.
IMF (2022). Lebanon: Request for Stand-By Arrangement.
IMF (2022). Nigeria staff Report for the 2022 Article IV Consultation
IMF (2022). Turkey: Staff Report for the 2022 Article IV Consultation
IMF (2022). Venezuela: 2022 Article IV Consultation.
NBS (2022) Labour Force Statistic Report
NBS (2022). Consumer Price Index Report
Nkechi, O., (2024). BBC News, Lagos. 27th February, 2024 (www.bbc.com)
Okonkwo, I. (2019). The Impact of Bad Governance on Economic
Oyinlola, M. A., (2020). Impact of Corruption on Economic Growth in Nigeria. *Journal of Economics and Finance, 14(2), 34-43*
Transparency International (2022). Corruption Perception Index
UNDP (2022). Nigeria Human Development Report.
United Nation Population Fund (20220 Nigeria Demographic Dividend Report.
World Bank (2022) Nigerian Economic Update
World Bank (2022). Nigeria Country Economic Memorandum
World Bank (2022). Poverty and Shared Prosperity Report