

УДК 330.101.541(669)

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MACROECONOMIC PROBLEMS IN NIGERIA: CAUSES AND POSSIBLE SOLUTIONS

Abstract: for the past few years Nigeria has been suffering from numerous macroeconomic problems like; economic recession, low GDP per capita, low level of employment and high level of poverty. This article discusses these problems, the causes and the possible solutions which can curb these rapidly developing problems. The causes of the macroeconomic problem in Nigeria include lack of infrastructural facilities, ineffective leadership and the father of all the causes- corruption. The problem can be resolved or at least reduced by; establishment and implementation of laws against corruption, encouraging people to start businesses by the granting of loans, provision of employment opportunities, implementation of monetary policy and improved health care.

Keywords: macroeconomic problems, Nigeria

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МАКРОЭКОНОМИЧЕСКИЕ ПРОБЛЕМЫ В НИГЕРИИ: ПРИЧИНЫ И ВОЗМОЖНЫЕ РЕШЕНИЯ

Аннотация: в течение последних нескольких лет Нигерия страдает от многочисленных макроэкономических проблем, таких как экономический спад, низкий уровень ВВП на душу населения, низкий уровень занятости и высокий

ISSN: 2414-0309

уровень бедности. В статье рассматриваются вышеуказанные проблемы, причины их возникновения и возможные решения. К числу причин макроэкономических проблемы в Нигерии относятся: отсутствие развитой инфраструктуры, неэффективное руководство и коррупция. Проблемы могут быть решены или, по крайней мере, уменьшены путем принятия и реализации законов по борьбе с коррупцией, поощрения людей к созданию бизнеса путем предоставления льготных кредитов, предоставления возможностей трудоустройства, осуществления эффективной денежно-кредитной политики и улучшения здравоохранения.

Ключевые слова: макроэкономические проблемы, Нигерия

Despite Nigeria being the 27th largest economy in the world in terms of nominal GDP and the 22nd largest in terms of purchasing power parity [1], they became the country with the most extreme poor people in the world with nearly 50% of the population living in extreme poverty[2]. This extremely high rate is due to the high level of corruption on the part of the government, who embezzle money that should be used to cater for the needy. The high rate of poverty is accompanied by high rate of unemployment in which Nigeria is ranked 168 in the world [3]. This is due to lack of job opportunities provided by the government. It is the major cause of high rate of crime in the country.

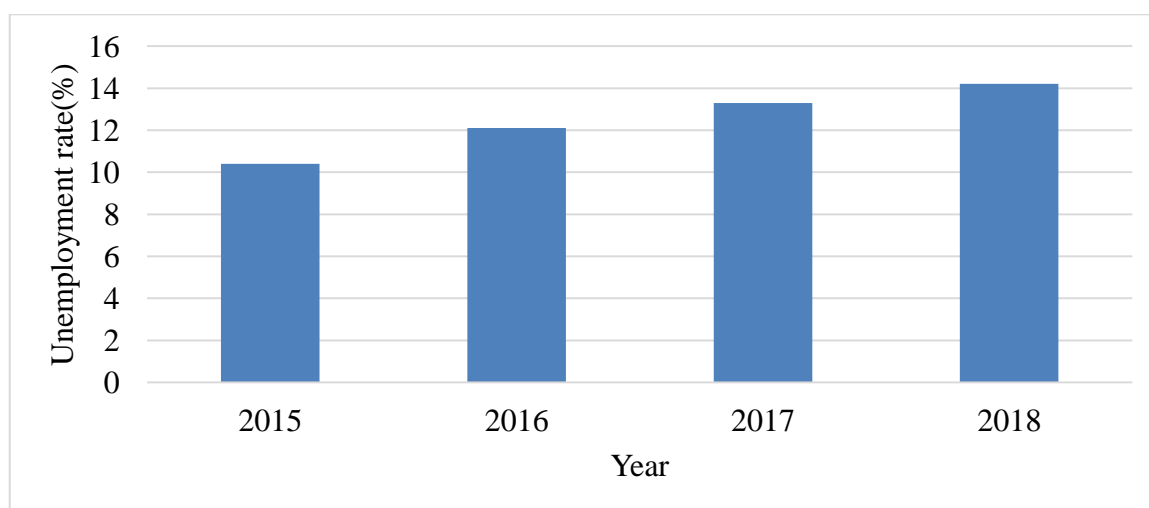


Figure 1- Unemployment rate in Nigeria from 2015-2018

There is a gradual increase of unemployment rate in Nigeria. This is due to neglect of agricultural sector, rural-urban migration and corruption [4].

Moreover, another major difficulty faced in Nigeria's economy is recession. In the second quarter of 2016, Nigeria slipped into a technical recession. It was majorly caused by a 60 percent drop in oil prices between 2014-2016 and the price of Nigeria's crude, dropped from about US\$115 per barrel in June 2014 to as low as US\$31 per barrel by January 2016[5]. This massive price plunge exposed and really affected oil independent economies like Nigeria's. Other causes include balance of payment deficit, adoption of floating exchange rate regime, increase in the pump price of PMS, activities of pipeline vandals and irregular power supply [6].

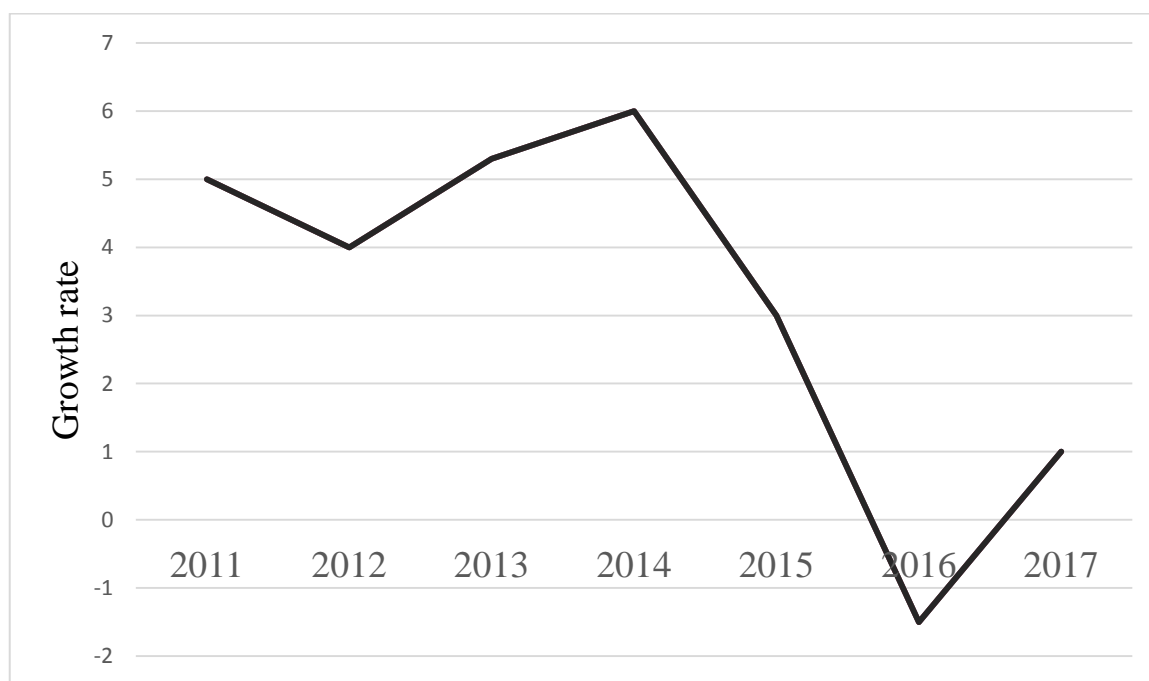


Figure 2- Economic growth rate from 2011-2017

The growth rate rapidly dropped in 2016, which was the year of recession, but in 2017 it increased, showing positive signs of economic growth.

For a long time, Nigeria has been very dependent on import of things like machinery, transport equipment and manufactured goods. With the extremely large population and large land spaces, Nigeria ought to be producing more than oil and

agricultural products for export. This dependence on oil must stop as soon as possible because of the technological development. More and more alternatives to crude oil are being discovered and used; very soon only electric cars will be seen on the road and robots used in factories won't need oil.

One mistake people often make is that they fail to realize sport influences the economy. Nigeria engages in many sports like football, basketball, weightlifting, athletics and many more. However, not enough investment is being put into them by the government. Nigeria is full of talent when it comes to sport, but their major shortcomings are due to lack of resources to buttress the skill. Therefore, more money should be allocated into the building of stadiums and the acquisition of quality equipment. This will not only train the athletes for better success in competitions but also give Nigeria a chance of hosting a major sports event like the FIFA World Cup. This will lead to tourist attraction and serves as a source of lots of revenue. It also leads to an increase in job opportunities and on a long run, it causes economic growth [7].

Furthermore, due to lack of development of health facilities, the productivity of labor force decreases due to illness. Therefore, the GDP is not as high as it ought to be. It all originates from the lack of investment by the government in the health sector of the economy, they instead embezzle the money meant for the health sector. Also, because of the underdevelopment of the health sector, the death rate is high. The Human Development index is 0.534 which puts Nigeria in the low human development category. This shows that Nigeria has a very low life expectancy, 56 years, and the standard of living of an average Nigerian isn't high.

However, although there are many economic problems in Nigeria, there are numerous solutions to solve the issue. First, strong laws against corruption should be established and implemented to all citizens with no partiality. Also, there is an urgent need for development of infrastructural facilities like; roads and power supply to increase productivity of the various economic unit and therefore increase the GDP of the country. The government ought to create more job opportunities especially for youths

and establish poverty eradicating foundations to reduce the high rate of poverty in Nigeria. Most importantly, citizens shouldn't be lazy but innovative and their ideas should be supported by the bank in the granting of loans.

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