

# Good example of research paper on economic development in ghana and nigeria

[Technology](#), [Development](#)



Ghana and Nigeria are two adjoining African states, which have achieved so much based on economic growth. There are great similarities between the economies of these two countries. This is so because they are the primary producer at about the same stage of development based on per capita income. In both countries, agriculture accounts the greatest percentage in the GDP because they depend significantly on the export of agriculture products. Therefore, external trade plays an equally important part of the economies of the two countries. However, the political stability and proper governance have been the key driver of economic development in these countries. Therefore, the paper will evaluate the economic development in Nigeria and Ghana.

According to reports released by its central bank, the real economy has registered improvements since 2012 which amounted 7.1 percent as a result of oil revenues, the powerful export performance of gold and cocoa as well as service sectors. In addition, its 2013 GDP increased by 0.5 percent, which positive development from vast investments in the extractive industries, an agriculture sector and public infrastructure (Reuters, 2013). Similarly, positive development is associated with the consolidation of democracy because of proper governance of the income from natural resources. However, the political stability and improved macroeconomic management have not managed to transform the structure of Ghana's economy. In addition, the manufacturing as a share of GDP has declined over past 20 years.

On the other hand, the economic growth in Nigeria in 2013 increased significantly compared to that of 2012. For instance, the GDP in Nigeria

increased by 7.67 percent in 2013. Similarly, the growth rate was about 6.87 in 2013 compared to 6.58 in 2012 (Emerging Markets Monitor, 2013). The significant growth is from the oil sector, agriculture, which has demonstrated significant growth despite the slow global recovery from the financial crisis. There are vivid deficiencies in the infrastructure sector, which affect the economic development. For instance, the traffic congestion in Lagos is imposing an adverse time cost on businesses. Therefore, the government is trying to engage in public private partnerships in order to get infrastructure projects off the ground. Similarly, In order to promote economic development, the federal government of Nigeria is offering tax incentives to attract investors into the mining sector. Although both countries a constant inflation rate, the rate of unemployment is still high. The key issue to be highlighted in this year's summit is how Nigeria can transform its extraordinary economic growth into a broader social prosperity. This is so because Nigeria has experienced a fundamental economic development currently. For instance, recently the recalculated GDP indicates that Nigeria's economy is the leading in sub-Saharan Africa. However, the big question is how Nigeria leaders utilize this economic power to handle poverty and uneven development in most part of the region. This is so because the Nigerian economic growth depends on the dynamic sectors, which promote the growth, rather than the larger established sectors such as gas and oil.

Exchange rates are supposed to be a key driving force behind sustainable macroeconomic growth. Therefore, it is vital for countries to ensure that their exchange rates are at an effective level. Exchange rate misalignment is the

condition where the actual exchange rate is different from the equilibrium resulting in either undervalued or overvalued currency. The issue with the undervalued currency is that the domestic price of exports increases while overvaluing currency causes a decrease in the domestic price of the exports. The persistent exchange rates misalignment cause adverse macroeconomic instability. The exchange rate of Ghana and Nigeria reflect misalignment because they are unable to control their exchange rates, which has led to macroeconomic instability. This is so because sectors such as agriculture, which have a powerful export component, are likely to be affected by exchange rate misalignment. This is relevant to Nigeria and Ghana whose agricultural sectors are vital contributors to their GDP. Therefore, the oil boom leads to stiff competition for the export in these countries, which weaken the economic performance of these sectors. Although Nigeria discovered oil and gas resource in 1956, it has demonstrated a poor economic development compared to Ghana. For instance, the recent discovery of petroleum resources in Ghana is positive shocks that have promoted its economic growth. This is so because Ghana has added advantage because it makes effective policies that ensure economic growth and sustainability.

Countries tend to assume that the exploitation of natural resources such as oil can lead to increase in income with positive shock effects on poverty decline. However, research indicates that developing countries such as Nigeria, which have about 25 percent of their exports of natural resources, are likely to result in conflicts. This is the case in Nigeria, where conflict is due to poor governance, corruption and greed over the natural resources. In

contrast, the improved governance in Ghana over the income from natural resources has led to the reduction of conflict, which has promoted its economic growth. This is so because Ghana has learned from Nigeria's experience, which has affected their economic development despite having abundant natural resources. The Nigerian case indicates that countries prone to conflict are likely to inefficiently convert their income from natural resources into revenue and economic growth. Therefore, improved governance in Ghana has helped in the reduction of both domestic and regional conflicts, which has promoted its economic growth. This means the poor economic development in Nigeria is due to political unrest, corruption, and inefficient management due to oil dependency.

Meanwhile, Nigeria and Ghana have performed poorly on the social indicators such as poverty. There are vital differences between the rural and urban in terms of economic growth and welfare improvements in past years. For instance, the figures for the prevalence of poverty in Ghana are higher than would be expected with this level of production. This is so because Ghana is performing better compared to Nigeria because it has the highest level of per capita GDP. In contrast, Nigeria presents a mixed economic development because its trend in economic growth has been erratic. This is so because Nigeria experienced an economic downturn in 1990s, but has received improvements, especially due to the oil sector. The oil sector has benefited these countries from increased prices and its macroeconomic management, which has increased significantly (Benson 45).

However, the poverty level and inequality is extremely higher with the most wealth, population, accounting for more than half of all consumption. This

would be the fact that it receives extremely little international and development assistance. Nigeria is also known for its oil richness and governance issues, which reduce the ability of receiving foreign assistance (Benson 67). On the other hand, the proper governance in Ghana has encouraged international and development assistance from developing countries such as the United States. Despite political unrest and logistics issues held back the pace of economic development in Nigeria, the federal government has managed to improve the nation's condition.

Similarly, stock markets play a significant role in mobilizing economic resources within and from outside of the economy to achieve greater and better economic potentials. Therefore, the market serves as a vital conduit via which capital flow from individuals to investors in Nigeria and Ghana. This is so because a higher stock returns indicate high economic development because firms in these countries have increased profitability. In contrast, volatility produces uncertainty, which impair effective development of the financial sector as well as the economy. Therefore, the research indicates that the stock market of both Nigeria and Ghana have performed exceptionally well in the recent years following the successful recapitalization of their banks (Aliyu 428). However, the financial crisis of 2007 set in and resulted in a massive withdrawal of funds by foreign investors and investment banks which affect the economic development significantly.

In a recap, Nigeria and Ghana have a positive economic growth. Despite political unrest and logistics issues held back the pace of economic development in Nigeria, the federal government has managed to improve

the nation's condition. The democracy consolidation in Ghana has also promoted its economic development. Although Nigeria discovered oil and gas resource in 1956, it has demonstrated a poor economic development compared to Ghana due to poor governance of natural resources. Similarly, other economic indicators such as poverty and employment seem to be increasing in these countries.

## **Works Cited**

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