

# National Development Plan, Human Capital Investment and Economic Growth in Nigeria: A Survey of Literature

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**Abstract:** *Development planning in Nigeria has suffered from lack of coordination and harmonization of programmes/policies both within the tenure of an administration and those succeeding it. However, this study seeks to examine the causes of failure in achievement of most of the National development plans in Nigeria taking a theoretical approach and findings revealed that there is no co-ordinated efforts and participative decision making in the course of achieving these plans which has led to their failure. Conclusively, the era of the Sustainable Development Goals (SDGs) has come with indicators for all the seventeen (17) set goals to give a direction to Nigeria in the pursuit of her development goals. Based on the observed gaps which are; inconsistency of co-ordinated effort and directions; inadequate review of previous plan to ascertain area of deviation of actual form planned and absence of participative decision, the researcher therefore recommends that there is a need to continuously review set plans in order to ascertain if the plans are properly achieved before going further to set or achieve another and when setting new goal, the weakness of the previous goal must be considered for proper control measure. Also, investment in human capital must be prioritized and included in the National development plans for rapid economic growth. There is also the need to encourage participative decision in the setting of National development plans to aid the selection of a strategy suitable for attaining specific economic goals.*

**Keywords:** Development Planning, Harmonization, Co-ordination, Sustainable Development Goals, Direction

## 1. INTRODUCTION

### 1.1 Background of the Study

Economic growth is vital for sustainable development. It is usually uneasy for emerging economy such as the Nigerian economy to improve the quality of life of its growing population with economic growth (Idenyi, Onyekachi & Ogbonna, 2016). Economic growth can also be seen as a continuous increase in gross domestic product per capita and such growth is the indicator of the development desired by every country in an internationally competitive environment (Boztosun, Aksoylu & Uluak, 2016). Development planning as a programme of great duration is designed to effect some permanent structural changes in the economy is connected with the involvement of government in the economy whereby it sets out objectives about the way it wants the economy to develop in the future and then intervenes to try to achieve those objectives. Human capital as a major growth-oriented investment in any developing economy can be described as the collective skills, knowledge and intangible assets of individual that can be used to create economic value (Ogunleye, Owolabi, Sanyaolu & Lawal, 2017). Development planning therefore is necessary because since development is neither accidental nor does it take place naturally and quickly of its own accord, it is expedient to plan it deliberately. More importantly it is worthwhile to note that although Nigeria has undertaken four national development plans in her post-independence history, namely: the First National Development Plan (1962-68); the Second National Development Plan (1970-74) the Third National Development Plan (1975-80) and the Fourth National Development Plan (1981-85) development planning

in Nigeria started with the ten-year plan of development and welfare for Nigeria between 1946 and 1956. However, it has been argued that these pre independence plans were no plans in the true sense of the word. Besides it could be asserted emphatically too, that many of the drawbacks of the colonial plans, for example, plan distribution and lack of mass participation, are still very glaring with us today, even after a post-independence planning experience that spanned over fifty years (Ejumudo, 2013). Economic development has also been defined in various ways. However, for the present purposes, economic development will be conceived as the process of economic growth and structural transformation (Ajakaiye, 2002).

Furthermore, development is in essence, improving the welfare of the individuals which is often measured in terms of providing infrastructural facilities that could afford them a chance for better life. Improving the standard of living, education, health and opening out new and equal opportunities for richer and varied life are all important ingredient of development. The primary goal of development is to improve man and his environment (Iheanacho, 2012). However, Planning is deciding futuristically the actions to be taken for the purpose of achieving an organization's goal; it involves thinking in advance, initiating and taking a predetermined course of action (Datta, 2010)

### 1.2 Statement of the Problem

There have been various works and studies on the paradigm "Human capital investment in relation to Economic growth" but only few considered the importance of national development plans as a conveyor of human capital investment. Development plans in Nigeria has been inconsistent and the achievement of these National plans has

failed severally owing to the neglect of investment on human capital and less or no priority on participative decisions which could encourage goal congruence in the course of deciding on the strategy to apply in achieving those plans.

The broad objective of this study is to examine succinctly the cause spill over development plans in Nigeria, that is, to ascertain why plans are not being achieved in the year in which they have been set for and to also bring to a lime light the importance of participative decision in the achievement of these development plans. This study is restricted to examining the priority of participative decision in the achievement National development plans which are paramount to any developing Nation as these would aid the growth of the economy thereby promoting the country to becoming a developed economy. However, where these plans are not being achieved as expected, it retards the growth of the economy or even moves it backward.

## **2. LITERATURE REVIEW**

### **2.1 National Development Planning in Nigeria**

Nigeria's planning experience began with the Ten-Year Plan of Development and Welfare for Nigeria which was introduced in 1946 by the colonial government (1945-1956) sequel to a circular from the Secretary of State for Colonies to all British colonies, directing the setting up of a Central Development Board (Onah, 2010). The objective of the plan, though not stated was to meet the perceived needs of the colonial government rather than any conscious attempt to influence the overall performance of the Nigerian economy then (Egonmwan and Ibodje, 2001). However, no attempt was made to articulate and incorporate the needs and interest of Nigerian people into the objectives and priorities of development plans (Onah 2010). Ayo (1988) observes that the programme "suffered from non-specialized colonial administrators approach to development planning, the inadequacy of planning machinery and absence of clearly defined national objectives." Irrespective of the weaknesses of the plan, it served as a launch pad to subsequent development plans in Nigeria.

Furthermore, the first National Development Plan which was launched between 1962-1968 has the following objectives: to bring about equal distributions of national income; to speed up the rate of economic growth; to generate savings for investments so as to reduce its dependence on external capital for the development of the nation; to get enough capital for the development of manpower; to increase the standard of living of the masses and to develop the infrastructure of the nation (Onyenwigwe 2009). The Second National Plan which was between 1970-1974 focused attentively on the national reconstruction and rehabilitation. In order to fasten the growth of national economy and ensure equitable distribution of national income, it became imperative to launch the Second National Development Plan. Initially, the plan was meant to cover the four year period, 1970-1974, it was later extended to cover the fiscal year of 1974-1975. The plan put forward five national objectives: a United, strong and self reliant nation; a just and egalitarian society; a land of bright and full opportunities for all

citizens; and a free and democratic society (Onyenwigwe, 2009). Ayo (1988) outlines the difference between this plan and others as: "Besides being much bigger in size and more diversified in its project composition, it was in fact the first truly national and fully integrated plan which viewed the economy as an organic unit: the twelve states were fully integrated into national development plan. Also, unlike the first plan, the second plan was formulated wholly by Nigerians." The total capital projected expenditure of about 4.9 billion was contained in the plan. Out of this figure, the proposed public sector investment was 3.3 billion while the private sector was expected to invest 1.6 billion (Obi, 2006). The Third National Development Plan (1975:1980): The Third National Development Plan had a projected jumbo investment of N30 billion which was later increased to N43.3 billion. This represented ten times that of the Second Plan and about 15 times that of the First Plan (Obi, 2006). The objectives of the plan were: increase in per capita income; more even distribution of income; reduction in the level of unemployment; increase in the supply of higher level manpower; diversification of the economy; balanced development and indigenization of economic activities (Obi, 2006). The approach of the plan was to utilize resources from oil to develop the productive capacity of the economy and thereby permanently improve the standard of living of the people. Therefore, the plan was premised on the need for the public factor to provide facilities for the poorer sections of the population including electrification, water supplies, health services, urban housing and education (Egonmwan and Ibodje, 2001). The assessment of the plan showed it focused to give priority to projects and programmes that would directly impact positively on the rural dwellers, but the meagre allocations to agriculture and social development schemes did not indicate sincere intention of the government to achieve the objective. According to Okigbo (1989) agriculture and social development scheme (education, housing, health, welfare etc) that have direct bearing on the living conditions of the rural population received only 5 per cent and 11.5 per cent respectively of the financial allocations contained in the plan. It is appropriate to state here that the meagre allocation to agriculture and social development schemes, which were priority areas, indicated the "lack of focus of the planners to careful sifting of the criteria for allotting principles" (Onah, 2010). In this context, nobody should expect the plan to achieve the desired objective. Like other plans before it, the third plan did not really achieve its set targets. Irrespective of the inadequacies of this plan, it witnessed achievements in some areas. In the opinion of Okowa (1991), "in terms of achievement, the manufacturing sector recorded the fastest growth rate with an average of 18.1 per cent per annum. Some other sectors that witnessed growth were building and construction and government services. However, the Fourth National Development Plan (1981-85) came on board in 1981. It was the first that the civilian government prepared since the intervention of the military in Nigerian politics in 1966. The objectives of the plan according to Obi (2006) were: (i)

increase in the real income of the average citizen; (ii) more even distribution of income among individuals and socio-economic groups (iii) reduction in the level of unemployment and under employment; (iv) increase in the supply of skilled manpower; (v) reduction of the dependence of the economy on the narrow range of activities; (vi) increased participation by the citizens in the ownership and management of productive enterprises; (vii) greater self reliance that is, increased dependence on local resources in seeking to achieve the various objectives of society; (viii) development of technology; (ix) increased productivity and (x) the promotion of a new national orientation conducive to greater discipline, better attitude to work and cleaner environment. The projected capital investment of the plan was put at N82billion. Out of this figure, the public sector investment was N70.5 billion while the private sector was expected to invest N11.7 billion (Obi, 2006). Adedeji (1989) observed that the plan was “the largest and most ambitious programme of investment ever launched in Nigeria”. The plan also adopted as its main strategy the use of resources generated from oil to ensure all-round expansion in production capacity of the economy and to lay a foundation for self sustaining growth (Egonmwam and Ibodje, 2001). It was anticipated in the Fourth Plan that exports led by petroleum products would generate enough funds to actualize the plan that had been formulated. Eventually, the revenue realized from exports were far below anticipated projections. The Fourth National Development Plan recorded some achievements in some areas in spite of its drawbacks. The implementation of Agricultural Development Programme (ADP) in most states was successfully completed, the commissioning of Egbin Power Station, Dry Dock Project at snake Island, Lagos and the 87 telephone exchanges located all over the federation which increased the number subscribers to telephone lines from 188,000 in 1981 to 297,000 in 1985 (Egonmwam and Ibodje, 2001).

The Fifth National Development Plan: Due to poor implementation of the Fourth National Development Plan, a machinery was put in place for preparation of the Fifth National Development Plan. In order to facilitate the exercise, a conference was held at the University of Ibadan in November 1984 to deliberate on the appropriate mechanisms for the Fifth National Development Plan. The conference suggested some measures which formed the corner stone of the policies and strategies incorporated in the Fifth National Development Plan. The objectives of the Fifth National Development Plan were: (i) diversification of the nation’s economy away from the mono-cultural one to which it has been pushed by the fortunes of the oil sector; (ii) revitalization of the agricultural sector with a view to achieving thorough integrated rural development programmes; (iii) domestic production of raw materials for local industries in order to reduce the importation of locally manufactured goods and (iv) promotion of employment opportunities in order to arrest the deteriorating mass unemployment (Onyenwigwe, 2009). The primary focus of the plan was to correct the structural defects in the economy

and create a more self-reliant economy that would largely be regulated by market forces. The economy was therefore expected to be restructured in favour of the production sector especially those of agriculture and manufacturing (Onyenwigwe, 2009).

The Perspective Plan and Rolling Plans (1990-1998): The Babangida government had abandoned the previous fixed five year development plans and replaced it with two types of national plans viz: perspective plan which will cover a period of 15-20 years that will provide opportunity for a realistic long-term view of the problem of the country and the rolling plan which will cover three years subject to review every year to ascertain whether economy is progressing or not. The perspective plan which was to start from 1990 together with rolling plans did not take off until 1996 when Abacha set-up the Vision 2010 Committee. The main report of Vision 2010 submitted to Abacha government in September 1997 among other things recommended that the vision should provide the focus of all plans including long (perspective), medium (rolling) and annual plans (budgets) (Adubi, 2002). Therefore, the Vision became the first perspective plan for the country even though it failed to proceed beyond Abacha’s death in 1998. The three year rolling plan became operational from 1990 with the introduction of the First National Rolling Plan (1990-1992). The primary objective of the rolling plan was to afford the country the opportunity of revision in the “midst of increasing socio-political and economic uncertainties” (Ikeanyibe (2009). But the preparation of medium term plans turned out to be a yearly event and became almost indistinguishable from annual budgets. Rolling plans are being prepared annually at all levels of government. At the end of about ten rolling plans from 1990 to 1999, Nigerians are not better of than they were during the years of fixed medium term planning (Okojie, 2002).

Moreover, National Economic Empowerment and Development Strategy (2003-2007): When the Obasanjo’s government was re-elected in 2003, it realized the necessity for comprehensive socio-political and economic reform of the country since the previous plans did not put the Nigerian economy on sound footings. It was in this context that the National Economic Empowerment and Development Strategy (NEEDS) that appeared to be a road map to address the development challenges in Nigeria was launched. The basic thrust of NEEDS focused on: empowerment, wealth creation, employment generation and poverty reduction as well as value reorientation. Within the period of NEEDS 2003-2007, Nigeria’s annual budget crossed the threshold of billions into trillions of naira, but the per capita income of Nigeria falls into the one dollar per head level of the poorest countries (Ikeanyibe, 2009).

Vision 20:2020: Nigerian leaders under President Olusegun Obasanjo have added Vision 20:2020 to one of its endless search for appropriate development strategy. The objective of the Vision 20:2020 is to make Nigeria one of the first 20 economics in the world by the year 2020. To actualize this lofty dream, Nigeria’s GDP per capita must grow at an

incalculable rate (different from the present 0.8%) from US\$ 752 to \$30,000 at least and the GDP of those countries (over US \$29,000) Nigeria wishes to displace and/or join must stop growing (now they grow at 2%) (Eneh, 2011). The rural areas in Nigeria must be transformed from age-long poverty and misery centres to urban status of world standard. Nigeria's education, health, power, agriculture, manufacturing and other sectors must receive such miraculous boosts that in 10 years time, the country will compare with high income OECD nations in all development respect (Eneh, 2011). Nigeria must move from its 158th (2007) position in the UNDP human development ranking to the first 20 position in the world. (Eneh, 2011). Nigeria's Vision 20:2020 like other development plans and initiative is nothing but a mere vision until it is realized. At present, Nigerians are beset with hunger and starvation, dilapidated road network, poor power supply, underdeveloped rail system and insecurity of lives and property. Is Vision 20:2020 attainable under the present state of affairs? Based on the previous experience of the failures in Nigeria's development plan and initiatives the Vision 20:2020 is bound to fail.

## **2.2 The Problem of Development Planning In Nigeria (Ejumudo, 2013)**

Defensibly, the challenge of development planning in Nigeria is compounded by the fact that sustainable development itself is not so much on the agenda of successive Nigerian governments and the absence of a true development agenda has not placed the country on the right sustainable development path. This explains why Nigeria may be described as being in the thick of the world's poorest people that could be running against the tide and lagging behind in terms of almost all the development indicators. It is however important to note that, lack of clear vision is the foundational basis for the disjointed mission with poorly tangible results in all the globally recognized and acceptable developmental indicators that had so far attended development planning efforts in Nigeria. The sundry factors like misplacement of priorities, poor plan discipline, lack of self-reliance, ineffective executive capacity and public sector inefficiency as well as poor public/private sector partnership that have made a genuine development path somewhat illusory are evidently micro, subsidiary and mere appendage to the macro and main crux of the developmental planning problematic in Nigeria.

## **2.3 Development Planning as a Priority**

Planning emanates from scarce resources in comparison to the demand for same. Planning is thus seen as a strategy for the allocation/utilization of resources to improve the standard of living of the citizens. Planning therefore entails the prioritization of resources in order to meet desired ends. Another objective of planning in the "foot hill countries" (McKinsey's ranking implying backward economies) is to increase the rate of economic development through capital formation which results from raising income, saving and investment levels. The capacity and propensity to save in these poor economies has been identified as abysmally low

leading to a vicious circle of poverty which can only be broken through planned development. Another rationale for planning includes strengthening market mechanism by removing market imperfections, determining the amount and composition of investment and overcoming structural rigidities in the economy. With respect to Nigeria however, the view of surplus labour in agriculture is suspect and contestable in the light of massive graduate unemployment and the rapid urbanization of the country from the oil-boom years (of early 1970s). It is in the light of the foregoing that development planning entails "direction, regulations, controls on private activity and increasing the sphere of public activity" (Jhingan, 2007:492). Aboyade (1983) in Onah (2006:51) argued that for development planning to be a meaningful and serious-minded exercise, "it must contain an analysis of the economy's recent development past, an evaluation of its probable development trend over the future years to be spanned by the plan, and some indication of the nation's natural, physical, human and financial resources". He posited further that development planning construed as continuous (on going) process, must be seen as "a means to an end and not an end in itself". It needs to be noted that the formulation and execution of a successful development plan require these factors: Efficient and well manned planning commission; Adequate and reliable statistical data for analysis and projections; Clearly articulated and realistic objectives indicating targets and priorities; Effective mobilization of resources for plan implementation; Plan balancing achievable through input-output technique and cost-benefit/result analysis; Transparent, incorruptible and efficient administration (competent public bureaucracy) in formulating and executing plans; A proper development policy covering the entire gamut of the plan in order to avert pitfalls in the development process; Economy in administration aimed at curtailing duplication in bureaucratic settings/activities and to derive maximum benefits in public or government budget and expenditure; An education base that produces an efficient and effective human capital for development purposes; A theory of consumption that is democratic and emphasizes consumption patterns commensurate with income and not copying developed or Western countries consumption patterns; and public cooperation/support for the plan.

## **2.4. Economic Growth**

Economic growth refers only to the quantity of goods and services produced. It is an increase in the Gross Domestic Product (GDP) or other measure of aggregate demand. The idea of economic growth has from its mere traditional outlook. Basically, for economic growth to translate to reduction in poverty and unemployment, it should be human centred (Wilson & Briscoe, 2004, Jaiyeoba, 2015).

## **2.5 Theoretical Framework**

The Lewis Theory of Development Basic Model

One of the best-known early theoretical models of development that focused on the structural transformation of a primarily subsistence economy was that formulated by Nobel laureate W. Arthur Lewis in the mid-1950s and later

modified, formalized, and extended by John Fei and Gustav Ranis. The Lewis two-sector model became the general theory of the development process in surplus-labor Third World nations during most of the 1960s and early 1970s. It still has many adherents today, especially among American development economists. In the Lewis model, the underdeveloped economy consists of two sectors: a traditional, overpopulated rural subsistence sector characterized by zero marginal la

### 3. METHODOLOGY

The study chiefly used existing literatures and records pertinent to the subject matter. The information and data were sourced from journals, textbooks, newspapers and magazines as well as the internet. Using deductive approach, conclusions were drawn having critically reviewed prominent issues in existing literatures and records. Impressively, reviewing related conceptual and theoretical issues gives a deeper insight and enhances reasonable conclusion and sound recommendations.

### 4. FINDINGS

Findings from previous literature revealed that the assessment of the plans has its focus on giving priority to projects and programmes that would directly impact positively on the rural dwellers, but the meagre allocations to agriculture and social development schemes did not indicate sincere intention of the government to achieve the objective which further implies that there is no co-ordinated efforts and participative decision making in the course of achieving these plans which has led to their failure.

#### 4.2 Gap Observed

Based on the previous literature, the following are the gaps observed in the course of reviewing;

- i. there is inconsistency in the plans as effort are not persistent resulting from the gaps between the periods of the development plans;
- ii. plans that were not achieved in a period up to expectation are not ns for reviewed so as to ascertain the cause of the deviation and fill it up instead new plans are set without considering whether the plans for the previous period were achieved or not;
- iii. in the course of achieving the development plans, participative decision is not encouraged, it's always hanging on the superior without consulting the subordinates' opinion.

However, further study should consider the importance of the Sustainable Development Goals towards the achievement of the National development plans in Nigeria.

### 5. CONCLUSIONS

It is an amazing challenge when a country come up with robust plans for the growth of the economy and at the end of period set for the achievement of these plans, the results are not up to expectation and obviously not visible to the citizen. However, the era of the Sustainable Development Goals (SDGs) has come with indicators for all the seventeen (17) set goals to give a direction to Nigeria in the pursuit of her

development goals with major focus on human capital investment.

### 6 RECOMMENDATIONS

In the light of the aforementioned gaps, the researcher therefore recommends the following key policy actions:

- i. There is a need to continuously review set plans in order to ascertain if the plans are properly achieved before going further to set or achieve another; and
- ii. There is also the need to encourage participative decision in the setting of National development plans and in the course introducing a strategy towards their achievement as this would promote economic growth rapidly.

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