Institutions, Economic Diversification and Economic Recovery in Nigeria

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Abstract
This study examines the interplay between institutions, economic diversification, and economic recovery in Nigeria. By using a qualitative approach, the paper examines how institutional frameworks influence diversification efforts and overall economic recovery. A qualitative analysis is conducted to examine the effectiveness of existing institutional mechanisms and their alignment with diversification goals. Findings of the study revealed that a robust institutional framework is critical to fostering diversified economic activities and facilitating the post-crisis recovery process. The study recommended targeted policy intervention aimed at strengthening institutions is needed in Nigeria to support sustainable economic diversification and resilience.

Keywords*: Institutions, Economic Diversification, Economic Recovery, Foreign Direct Investment*

1. INTRODUCTION

The economic diversification and recovery of a country is influenced by the strength and effectiveness of its institutions. In Nigeria, economic diversification has become a critical issue as the country continues to heavily rely on oil exports. The lack of economic diversification has made Nigeria vulnerable to external shocks such as fluctuations in oil prices. According to Ebi & Eke, (2018), institutions play a crucial role in facilitating economic diversification by creating a favorable environment for businesses to thrive. Ebi & Eke, (2018) argue that weak institutions can hinder the implementation of effective policies necessary for economic recovery.

In the early years after independence, Nigeria's economy was heavily reliant on agriculture, particularly the production and export of cash crops such as cocoa, groundnuts, and palm oil. However, with the discovery of oil in the 1970s, the Nigerian economy underwent a significant shift. Oil became the dominant sector, accounting for a large portion of the country's revenue and foreign exchange earnings (McGann, 2018). This heavy reliance on oil has made Nigeria vulnerable to fluctuations in global oil prices and has hindered economic diversification efforts.

Institutions play an important role in the promotion of economic development. Institutions offer a stable and predictable environment for economic actors to work and make investment decisions (Udah & Ayara, 2014). Institutions help minimize risk and uncertainties by enforcing property rights contracts and regulations which in turn encourages entrepreneurship and long-term investment. Furthermore institutions help make and keep competitive markets which promote innovation efficiency and productivity (Udah & Ayara, 2014). They establish rules and regulations that prevent monopolistic behavior and unfair practices therefore encouraging healthy competition and market entry (Iyayi, 2007). Institutions are also responsible for the establishment and maintenance of the necessary infrastructure for economic activities to take place including transportation networks, education, healthcare and access to financing. In sum institutions are vital in shaping the economic landscape and facilitating sustainable economic development.

Diversification of economy has been recognized as a critical factor for the recovery of Nigeria s economic troubles. One of the key benefits of economic diversification is the reduction of overreliance on one industry such as oil which has proved to be volatile and susceptible to global market fluctuations (Mof'Oluwawo, 2017). Relying on oil revenues has made Nigeria vulnerable to external shocks as demonstrated by the recent decline in oil prices and subsequent economic downturn. Diversification allows for the development of alternative industries such as agriculture, manufacturing and services which can create jobs, encourage innovation and contribute to the overall economic growth and stability of the country (Suberu, et al. 2015). Economic diversification could take to a more inclusive and sustainable economy by promoting participation of various demographic groups and regions in Nigeria (Mof'Oluwawo, 2017). Therefore prioritizing and implementing policies that foster economic diversification is essential for Nigeria's long-term economic recovery and growth.

Institutions play a critical role in influencing the development and diversification of economy in Nigeria. Inclusive institutions are essential for economic development as they provide an even playing field for businesses and citizens to thrive. The lack of inclusive institutions has hindered economic diversification in Nigeria. Corruption and bureaucracy have created barriers to entry for new businesses preventing innovation and economic development. This coupled with weak property rights and inadequate contract enforcement has discouraged both domestic and foreign investment. Nigeria needs to strengthen its institutions in order to promote the recovery and diversification of economic activity, reform the legal system and promote a business-friendly environment (Suberu, et al. 2015).

2. OVERVIEW OF INSTITUTIONS IN NIGERIA

There are various other institutions in Nigeria that play vital roles in the country's economic diversification and recovery efforts. For instance, the Nigerian Stock Exchange (NSE) serves as the primary platform for trading securities and plays a crucial role in the mobilization of capital for businesses. The Central Bank of Nigeria (CBN) acts as the apex financial institution, responsible for the formulation and implementation of monetary policies aimed at maintaining price stability and promoting sustainable economic growth. Furthermore, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) is tasked with the development and promotion of small and medium-sized enterprises, which are essential for fostering innovation, entrepreneurship, and job creation. These institutions collectively contribute to the overall stability, development, and progress of Nigeria's economy.

Institutions play a crucial role in economic development by setting the framework within which economic activities take place. They provide the necessary infrastructure and regulations that encourage investment and facilitate economic diversification (Udah & Ayara, 2014). Institutions shape the behavior of individuals, firms, and governments, influencing their decisions and actions. They provide stability and predictability, which are crucial for economic growth and development. Furthermore, institutions provide a platform for coordination and cooperation among the various actors in the economy (Iyayi, 2007). Through enforcing property rights, contract enforcement, and ensuring a level playing field for businesses, institutions contribute to enhancing efficiency and facilitating economic recovery (Daodu, Nakpodia & Adegbite, 2020). In Nigeria, the development and strengthening of institutions are essential for promoting economic diversification and facilitating the country's recovery from economic downturns (World Bank, 2021).

Nigeria's Institutional Framework

Analysis of Nigeria's institutional framework shows the numerous challenges that the country faces in fostering economic diversification and promoting economic recovery. One of the key issues in the country's public sector is inefficiency and corruption. Nigeria ranks 146th out of 180 countries in the annual Transparency International index for Corruption perceptions. It not only hampers the effective functioning of government institutions but also deters foreign direct investment that is a factor in the impending economic diversification efforts. The weak regulatory and legal framework in Nigeria further undermines investor confidence as outlined by Daodu, Nakpodia & Adegbite, (2020) Without a robust institutional framework that ensures transparency, accountability and the rule of law, Nigeria is likely to be impeded from advancing its recovery and diversification measures.

Political Institutions

Political institutions play a crucial role in shaping economic development and recovery in Nigeria. Firstly, the political landscape provides the framework for economic policies and governance. As argued by Dike, (2014), political institutions are responsible for creating an enabling environment that promotes transparency, accountability, and good governance. Effective political institutions, such as strong legislative bodies and an independent judiciary, can help deter corruption, promote rule of law, and protect property rights. Secondly, political institutions serve as a platform for decision-making and policy implementation. Studies have shown that well-functioning political institutions are associated with better policy outcomes (Udah & Ayara, 2014). Consequently, the effectiveness and efficiency of political institutions are critical factors in facilitating economic diversification and recovery in Nigeria.

Legal Institutions

Legal institutions play a crucial role in promoting economic diversification and facilitating economic recovery in Nigeria. An efficient legal system is essential for attracting foreign investments and promoting local entrepreneurship (Hassan, 2021). It provides the necessary framework for enforcing contracts, protecting property rights, and resolving disputes. Furthermore, legal institutions play a pivotal role in regulating the market and ensuring fair competition, which is fundamental for economic growth and development (Hassan, 2021). Effective legal institutions can also enhance the overall business environment by providing a stable and predictable legal framework that encourages investment and innovation (World Bank, 2018). Therefore, strengthening and reforming legal institutions is crucial for promoting economic diversification and fostering economic recovery in Nigeria.

Financial Institutions

Financial institutions play a crucial role in facilitating economic diversification and recovery in Nigeria. These institutions, such as banks, capital markets, and microfinance institutions, provide a range of financial services that are essential for individuals, businesses, and governments. Banks, for example, offer loans and credit facilities to entrepreneurs and companies, enabling them to invest in various sectors of the economy (Adeola & Evans, 2017). Capital markets provide a platform for buying and selling securities, allowing companies to raise capital for expansion and innovation. Microfinance institutions offer small loans and financial services to low-income individuals, empowering them to start their own businesses and contribute to economic growth. These institutions form the backbone of Nigeria's financial system, supporting economic diversification and recovery through their vital services (Daodu, Nakpodia & Adegbite, 2020).

Regulatory Institutions

Regulatory institutions play a crucial role in ensuring economic diversification and fostering economic recovery in Nigeria. These institutions are responsible for creating and implementing regulations and policies that govern various sectors of the economy. For instance, the Central Bank of Nigeria (CBN) is tasked with regulating the financial sector and ensuring stability, while the Nigerian Communications Commission (NCC) oversees the telecommunications industry. These regulatory bodies help to maintain a level playing field for businesses, promote competition, and protect the interests of consumers. Moreover, they facilitate the flow of investments and provide a predictable and secure regulatory environment for businesses to operate. Overall, these institutions contribute to the creation of conducive business environment that promotes economic diversification and sustains economic recovery (CBN, 2020).

The government's intervention through various policies and programs has been instrumental in promoting economic diversification and recovery in Nigeria. For instance, the National Economic Recovery and Growth Plan (NERGP) were launched in 2017 to provide a roadmap for sustainable economic development and diversification. The plan focuses on key sectors such as agriculture, manufacturing, and solid minerals, which have the potential to drive economic growth and reduce dependence on oil revenue (Esu & Udonwa, 2015). The government has implemented policies to attract foreign direct investment (FDI) and support the growth of Micro, Small, and Medium Enterprises (MSMEs), which are crucial for economic diversification (Osabohien, Osabuohien & Ohalete, 2019). These interventions have contributed to the growth and development of non-oil sectors, leading to a more diversified and resilient economy in Nigeria.

3. ECONOMIC DIVERSIFICATION IN NIGERIA

In the context of Nigeria's economic recovery the diversification of sectors is a critical part. The government acknowledges that it is taking measures to reduce the country's dependence on oil revenue and increase the growth of other industries such as agriculture, manufacturing and services. Through providing incentives for infrastructure, investment and access to credit for small and medium enterprises a enabling environment for non-oil sectors has been made. The establishment of institutions such as the Nigerian Export Promotion Council and the Nigerian

Investment Promotion Commission has also played a crucial role in attracting foreign direct Investment and promoting exports in non-oil sectors (Central Bank of Nigeria, 2020). These initiatives have begun to take positive results as evidenced by the constant growth in the non-oil sector in the last few years (National Bureau of Statistics, 2019).

Importance of Economic Diversification

Economic diversification refers to the process of expanding and broadening a country's economic base by developing multiple sectors and industries instead of relying on a single industry or sector for revenue generation (Suberu, et al., 2015). It is important for several reasons. Firstly, diversification reduces a country's vulnerability to shocks and fluctuations in global commodity prices. For instance, Nigeria's heavy dependence on oil revenues exposes the country to significant risks related to oil price volatility. Secondly, diversification promotes economic resilience, as it allows for the development of a more balanced, sustainable, and inclusive economy. Through diversification, countries can create job opportunities, enhance productivity, and improve standards of living. Furthermore, diversified economies are more likely to attract foreign investment, enhance competitiveness, and promote long-term economic growth (Osabohien, Osabuohien & Ohalete, 2019). Consequently, economic diversification is crucial for Nigeria's economic recovery and sustainable development.

Nigeria's Current Economic Structure

Despite the efforts made by the Nigerian government to diversify its economy, the current economic structure of Nigeria continues to heavily rely on oil revenues. According to Ukwaba & Adibe, (2014), oil exports still account for a significant portion of Nigeria's GDP, making the economy vulnerable to fluctuations in global oil prices. This overdependence on oil has hindered the development of other sectors of the economy, such as agriculture and manufacturing, which have the potential to create more employment opportunities and contribute to sustainable economic growth. As argued by Hamed, Hadi & Hossein, (2014), a diverse economy would allow Nigeria to be less vulnerable to external shocks and create a more stable and resilient economic system. Therefore, it is crucial for Nigeria to prioritize economic diversification as a means to achieve sustainable and inclusive growth.

i. Overreliance on Oil Sector

The overreliance on the oil sector has been one of the key factors constraining economic diversification and hindering economic recovery in Nigeria. As noted by Hamed, Hadi & Hossein, (2014), the dominance of the oil sector in the Nigerian economy has led to a neglect of other sectors such as agriculture and manufacturing. This overreliance on oil exports has made the economy vulnerable to external shocks, as seen during the oil price slump of the 1980s and 2014. Furthermore, the oil sector has not effectively contributed to job creation and poverty reduction, with most of the revenue generated from oil exports being concentrated in the hands of a few individuals and the government. Thus, diversification away from the oil sector is crucial for sustainable economic growth and recovery in Nigeria (Hamed, Hadi & Hossein, 2014).

ii. Challenges and Risks Associated with Oil Dependence

The Challenges and risks associated with Nigeria's dependence on oil are complex and multifaceted. The government is vulnerable to fluctuations in the international market which leads to unstable revenue streams. The mono-economic structure resulting from oil dependence also inhibits the diversification of Nigeria's economy (Ukwaba & Adibe, 2014). This lack of diversification makes Nigeria vulnerable to economic shocks when oil prices fall. The negative environmental impacts of oil exploration and extraction including pollution and deforestation pose significant risks to human health and ecosystem sustainability (Karimo, Krokeyi & Ekainsai, 2016).

Strategies for Economic Diversification in Nigeria

One strategy for economic diversification in Nigeria is the promotion of export-oriented industries. This involves identifying and supporting sectors that have the potential to generate export revenues and create jobs. For instance, the agricultural sector has been identified as a promising sector for economic diversification (Emeka-Anuna, 2019). The government can provide incentives and support to small-scale farmers and encourage the development of agro-processing industries. Investing in infrastructure is crucial for economic diversification. Infrastructure development, such as building roads, railways, and ports, can improve transportation and connectivity, making it easier for businesses to operate and expand (Lotfi, & Karim, 2017). Furthermore, the government can promote entrepreneurship and innovation by creating an enabling environment for start-ups and providing training and mentorship programs.

Promoting Non-Oil Sectors

Promoting non-oil sectors is crucial for Nigeria's economic recovery and diversification efforts (Gylfason, 2017). The country heavily relies on oil revenues, making it vulnerable to global oil price fluctuations and market unpredictability. Developing non-oil sectors offers an avenue to mitigate these risks and promote sustainable growth (Hesse, 2008). In addition, diversifying the economy would reduce dependence on oil and create more job opportunities for the growing population. Focusing on sectors such as agriculture, manufacturing, and services can enhance Nigeria's export potential, increase foreign direct investment, and foster entrepreneurship (Jolo, Ari & Koç, 2022). Furthermore, prioritizing the non-oil sectors would enhance the country's resilience to economic shocks and contribute to long-term economic stability (Al-Marhubi, 2000).

Encouraging Foreign Direct Investment

Encouraging foreign direct investment (FDI) is crucial for Nigeria's economic growth and recovery. FDI brings in capital, technology, and managerial expertise, which are essential for economic diversification and development (Sârbu, & Mazur, 2014). To attract FDI, Nigeria needs to create conducive business environment by implementing policies that promote transparency, reduce corruption, and protect property rights (Hassan, 2021). The government should provide incentives such as tax breaks and simplified bureaucratic procedures to attract foreign investors (Yu-lin, 2012). Moreover, investing in infrastructure, particularly transportation and energy sectors, is crucial to improving Nigeria's competitiveness and attracting FDI (Duhan, 2014). By encouraging FDI, Nigeria can enhance its economic diversification efforts, stimulate domestic industries, and create employment opportunities (Yu-lin, 2012).

Enhancing Agricultural and Manufacturing Sectors

Enhancing the agricultural and manufacturing sectors in Nigeria is crucial for economic diversification and recovery. These sectors have the potential to provide job opportunities, reduce poverty, and boost economic growth (Osabohien, Osabuohien & Ohalete, 2019). The agricultural sector, in particular, can contribute to food security and reduce the country's reliance on imports.

However, there are several challenges that need to be addressed, including inadequate infrastructure and limited access to finance (Osabohien, Osabuohien & Ohalete, 2019). Furthermore, there is a need for technological advancements and research to improve productivity and value addition in both sectors (Esu & Udonwa, 2015). Government policies should be implemented to provide support and incentives for farmers and manufacturers (Osabohien, Osabuohien & Ohalete, 2019). By strengthening these sectors, Nigeria can achieve economic diversification and foster sustainable development.
In recent years, Nigeria has faced significant economic challenges resulting from its heavy reliance on oil exports. With the decline in oil prices and the COVID-19 pandemic, the Nigerian economy has experienced a downturn, leading to rising unemployment rates and decreased foreign direct investment (FDI). To address these issues, the government has implemented policies focused on economic diversification. One of the key strategies is the promotion of non-oil sectors such as agriculture, manufacturing, and services, to reduce the country's dependency on oil revenues. According to Esu & Udonwa, (2015), economic diversification can create employment opportunities, improve productivity and efficiency, and enhance overall economic resilience. These efforts are essential for Nigeria's economic recovery and long-term sustainability.

4. ECONOMIC RECOVERY IN NIGERIA

Along with efforts to diversify the economy key institutional reforms have been implemented in Nigeria to support the economic recovery. One of the major reforms is the establishment of the Presidential Enabling Business Environment Council (PEBEC) which aims to improve the way in which businesses are doing business in the country. Through PEBEC various barriers and bottlenecks that prevented economic growth have been addressed by implementing reforms such as automating processes and simplification of procedures. A further significant move by the Nigerian government was to promote foreign investment and to improve business environment. These reforms and initiatives help Nigeria to foster economic recovery and create a more conducive environment for businesses to thrive.

Impact of Institutions on Economic Recovery

Institutions play a crucial role in determining the success of economic recovery efforts. According to Ebi & Eke, (2018), inclusive institutions create conducive environment for economic diversification and growth. In Nigeria, the diversification of the economy is essential for sustainable economic recovery, as it reduces the country's reliance on a single source of income, such as oil. However, without the presence of effective institutions, economic diversification may be hindered. Strong institutions are needed to provide a stable regulatory framework that encourages investment, protects property rights, and enables efficient market operations. These institutions also ensure transparency and accountability in governance, reducing corruption and promoting investor confidence. Therefore, the impact of institutions on economic recovery is significant and cannot be underestimated.

i. Role of political stability

Political stability is important for the diversification of The economy and recovery in Nigeria. Political stability provides a favorable environment for investment and economic development. According to Onditi, (2019) a stable political system encourages investor confidence and attracts both domestic and foreign investments. The reason is that political stability reduces the risks associated with operating in an unpredictable and volatile environment. Political stability also ensures the continuity of policies and programs to promote economic diversification. As observed by Udah & Ayara, (2014) a stable political environment allows the implementation of long-term development plans such as those focused on diversifying the economy from its heavy dependence on oil. Thus political stability plays an important role in fostering the diversification and recovery of the economy in Nigeria by attracting investment and supporting the implementation of long-term development plans.

ii. Importance of legal and regulatory frameworks

A strong legal and regulatory framework provides stability, predictability, and fairness in economic activities, which in turn attract investments and promote growth. As stated by Iyayi, (2007), a well-functioning legal system helps to protect property rights, enforce contracts, and resolve disputes, thus creating an enabling environment for entrepreneurship and innovation. An effective regulatory framework ensures compliance with standards, safeguards against unfair practices, and promotes consumer safety, as highlighted by Udah & Ayara, (2014). Therefore, it is crucial for Nigeria to prioritize the development and enforcement of robust legal and regulatory frameworks to attract both domestic and foreign investments, encourage economic diversification, and facilitate economic recovery.

iii. Access to Finance and Credit Facilities

The availability of affordable credit allows individuals and businesses to invest in productive activities, thus stimulating economic growth (Hassan, 2021). However, in Nigeria, the lack of access to finance remains a major obstacle for entrepreneurs and small and medium-sized enterprises (SMEs) (Hammouda, et al. (2010). Limited access to finance and credit facilities hinders the development of new industries and the expansion of existing ones, leading to a reliance on oil as the main source of revenue. To achieve diversification and economic recovery, it is imperative to improve access to finance and credit facilities for entrepreneurs and SMEs, facilitating investment in non-oil sectors and fostering economic development (Jolo, Ari & Koç, 2022).

Nigeria's Economic Recovery Efforts

Furthermore, in the analysis of Nigeria's economic recovery efforts, it is important to consider the role of institutions in shaping economic diversification. Institutions, both formal and informal, play a vital role in influencing economic policies and outcomes (Udah & Ayara, 2014). In Nigeria, the strength and effectiveness of institutions have been highlighted as a key factor in determining the success of economic recovery initiatives (World Bank, 2017). Weak institutions can hinder economic diversification by creating an environment of corruption, nepotism, and rent-seeking behavior (Iyayi, 2007). Therefore, in order to achieve sustainable economic recovery and diversification, there is a need to strengthen existing institutions and promote the creation of new ones that are transparent, accountable, and capable of enforcing economic policies effectively (Iyayi, 2007).

i. Government Policies and Initiatives

One of the key initiatives implemented by the government was the establishment of the Nigerian Investment Promotion Commission (NIPC) in 1995. This strategic move aimed to encourage foreign direct investment (FDI) and create an enabling environment for businesses to thrive. The Nigerian government also introduced various incentive programs, such as tax holidays and duty exemptions, to attract investments in non-oil sectors. These policies were geared towards reducing the country's overreliance on oil and stimulating growth in industries, such as agriculture, manufacturing, and services. Furthermore, the government implemented the Economic Recovery and Growth Plan (ERGP) in 2017, which focused on diversifying the economy through policies and initiatives aimed at stimulating private sector investments in key sectors.

ii. International Support and Partnerships

The country has recognized the importance of collaborating with international organizations and foreign governments to develop and implement effective policies and strategies for economic growth. For instance, Nigeria partners with the International Monetary Fund (IMF) to receive technical assistance and financial support to implement economic reforms and strengthen fiscal management. The Nigerian government also collaborates with the World Bank to enhance its agricultural sector through the implementation of projects aimed at improving productivity and promoting sustainable practices. These international partnerships provide Nigeria with access to expertise, resources, and market opportunities, empowering the country to diversify its economy and recover from economic downturns (World Bank, 2021; Sârbu & Mazur, 2014).

Challenges and Obstacles to Economic Recovery

One significant challenge is the overdependence on oil exports, which leaves the economy vulnerable to fluctuations in global oil prices. This overreliance on oil revenues has hindered economic diversification efforts, making it difficult to develop other sectors and create substantive job opportunities (Ukwaba & Adibe, 2014). In addition, inadequate infrastructure, including dilapidated roads, unreliable power supply, and inadequate transportation systems, hampers economic growth potential (Iyayi, 2007). The high poverty rate further exacerbates the challenges by limiting the domestic market and weakening consumer spending power. The lack of effective policies aimed at addressing corruption and improving accountability also poses a significant obstacle to economic recovery (Ukwaba & Adibe, 2014).

i. Corruption and Lack of Transparency

Corruption and lack of transparency have long plagued Nigeria's institutions and hindered economic development. Ene, et al. (2013) found that corrupt practices have become deeply entrenched in the Nigerian society, permeating both the public and private sectors. This rampant corruption has undermined economic diversification efforts, as resources are often misallocated or siphoned off for personal gain. Moreover, the absence of transparency further exacerbates the problem, as it prevents the public from holding officials accountable and weakens the trust in institutions. As noted by Matthew, et al. (2020), this lack of transparency fuels a vicious cycle of corruption, eroding investor confidence and hindering economic recovery. Unless Nigeria tackles corruption head-on and improves transparency in its institutions, sustainable economic growth and diversification will remain elusive.

ii. Infrastructure Deficit

The country's outdated and inadequate infrastructure, including transportation, energy, and telecommunications systems, limits its ability to attract foreign investment and promote economic diversification. Research has shown that lack of infrastructure is a major constraint for businesses operating in Nigeria (Abur, 2020). For instance, poor road networks and unreliable power supply increase transportation and production costs, reducing the competitiveness of domestic industries (Oluchi, 2013). Furthermore, inadequate telecommunications infrastructure limits access to modern technology and hampers digital innovation and entrepreneurship (Omoruyi, 2017). To achieve sustained economic recovery and diversification, addressing Nigeria's infrastructure deficit is crucial and requires significant investment and policy efforts.

iii. Socio-Political Unrest

Sociopolitical unrest has been a major hurdle to the development of Nigeria's economy. In the past 5 years there have been numerous instances of political instability ethnic tensions and mass protests (Agbiboa, 2012). These escalating disturbances have often resulted in violence, loss of lives and destruction of property exacerbating the economic challenges facing the nation. Social unrest created an unstable business environment deterring foreign direct investment and negatively impacting economic growth (Olaopa, et al. (2012). The unequal distribution of resources and perceived marginalization of some groups have further led to social dissatisfaction and calls for secession in some regions.

The study suggests that institutions play a crucial role in fostering diversification and economic recovery in Nigeria. According to Agbiboa, (2012) a strong and good institutional framework is needed for encouraging innovation and entrepreneurship in non-oil sectors. The institutions such as the Nigerian Stock exchange and the Central Bank of Nigeria provide the necessary regulations and incentives for businesses to prosper and diversify the economy. The presence of well-functioning institutions ensures the rule of law, accountability and transparency which are vital for attracting domestic and foreign investors. This institutional set up will ultimately contribute to increased competitiveness jobs creation and sustainable economic development as noted by Obamuyi & Oladapo, (2016). In this regard policymakers should prioritize strengthening institutions to further enhance economic diversification and facilitate the country's overall economic recovery.

5. CONCLUSION

The role of institutions in promoting economic diversification and economic recovery cannot be overemphasized in Nigeria. This paper discusses the importance of institutions such as the Central Bank, legislative, judiciary and the regulatory agencies in creating an enabling business environment attracting foreign direct investment and enhancing economic recovery. It has shown that the presence of strong institutions can contribute to a more efficient allocation of resources, the improvement of productivity and competition for Nigerian businesses. But it is important to know that institutions can only not guarantee economic diversification and recovery. Other factors such as political stability and good governance play also important roles in shaping the economic landscape. Therefore it is necessary to achieve sustainable economic development in Nigeria by applying multi-faceted approach which addresses both institutional and non-institutional factors.

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