

Bridging the Gap between Natural Resource Abundance and Socio-Economic Development in Oyo State, Nigeria

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Abstract

The principal factor affecting the development of an economy is the natural resources. The availability of natural resources in any nation contributes immensely to its national wealth and socio-economic development. The presence of abundant resources is not sufficient for economic growth but what is required is their proper exploitation, Oyo state is one of the civil-service states in Nigeria and rely heavily on monthly statutory allocations from the federal government despite the fact that the state is blessed with a wide variety of different natural resources. It is quite unfortunate that most of these minerals are yet to be exploited. The paper aimed at drawing a link between natural resource abundance and socio-economic development in the state by providing improved understanding on the various available natural resources in the Oke-Ogun region of Oyo state and the positive contribution to the socio-economic development of the state. The study employs a qualitative approach and the paper concludes by recommending among others, that Oyo state government must as a matter of urgency, look beyond monthly statutory allocation from Federal Government and look inward in harnessing the huge natural resources in the state for the purpose of enhancing socio-economic development. Also, there should be a machinery put in motion to exploit maximum benefit of Igbeti marble mining through public/private partnership so as to `boost the state's Internal Generated Revenue (IGR) and for employment generation.

Keywords: *abundance of natural resources, exploitation, socio-economic development*

Introduction

Mineral resources are amongst the most important natural resources that dictate the industrial and economic development of a country because they provide raw materials to the primary, secondary and tertiary sectors of the economy. The availability of natural resources in any country contributes immensely to its economic fortune and socio-economic development. It also enhances a country's potential for economic growth and development. According to Adesopo and Asaju (2004), natural resources can be defined as those things available to man as "gifts of nature" which are either renewable or non-renewable, such as mineral, water, agricultural forest and atmospheric resources.

Ceteris Paribus, the existence of natural resources in abundance is not only an important source of national wealth but also an essential for economic growth. A country which is deficient in natural resources may not be in a better position to develop rapidly. Natural

resource abundance, according to Ewubare and Brown (2017), refers to all resources that exist in the natural state and systems that are or can be useful to man in the actual technological, economic and social circumstances which accounts for more than 23 percent of the value of a country's total export. In Less Developing Countries (LDC's), natural resources are either unutilized, underutilized or misutilized. This is one of the reasons for their backwardness. The presence of abundant resources is not sufficient for economic growth. It is just first order condition while proper exploitation through improved techniques is the second order condition. If the existing abundant natural resources are not being properly exploited and utilized, there would be wastages and the country may not develop. This assertion is in line with Ajie and Ewubare (2011), who argued that negative relativity of natural resource abundance and economic growth in Less Developed Countries (LDC's) is as a result of underutilization, misutilization and unutilization, hence her backwardness, stagnation and underdevelopment.

They further reiterated that Nigeria is endowed with abundant mineral and natural resources which amounts to over 34 occurrences ranging from industrial materials, Iron-ore, tin-ore, limestone, coal, lead, zinc, columbite, marbles, bitumen and tar sand. Statistically, the exploitation of these minerals is very minimal in relation to the level of deposits found in the country.

It has been reported that the country loses about ₦50 trillion annually from her untapped resources. From untapped gold alone, an estimate of ₦8 trillion was discovered to have been lost annually in Nigeria. They are the royalties, taxes charges and other fees that the government at all tiers would have earned from firms and individuals operating in solid mineral industry (Mutiu, 2006). This view is also in line with J. L Fisher assertion, that there is little to expect from natural resource development if people are indifferent to the products or services which such resources can contribute.

Oyo state is located in the South Western part of Nigeria and is endowed with a wide distribution of mineral resources, many of which have been established to exist in commercially viable quantities. Most of these mineral resources are spread throughout the state. For instance, the Oke-Ogun region of Oyo state is one of the materially richest part of Nigeria. It has a lot to contribute to the development of Oyo state and Nigeria but which for many reasons has remained the most under-developed and marginalized in the country. Jide (2017). He further reiterated that the resources of the region show that the area is richer than some African countries including Botswana which is rich in Diamond and is one of the most prosperous African countries. According to Jide (2017), in solid materials, Oke-Ogun has no equal in Nigeria. Marble, Dolomite and others are in Igbeti, Olorunsogo local government and in Orire. Tourmaline is in Komu, Itesiwaju Local Government, Tantalite in Sepeteri, Quartz in Itesiwaju, Columbite, Tale and several other minerals in all parts of the region. Indeed, the economic development of Oyo state can be taken for granted on account of the mineral deposits in Oke-Ogun.

Igbeti town in Olorunsogo Local Government Area of Oyo state is noted for its richness in mineral resources, especially in marbles but unfortunately these resources remain untapped. The town is called marble city because almost all its land is rich in marbles. Marble is a wealth that cannot be exhausted forever. According to Amos (2014), these marbles are one of the finest in the world that did not need to be added with any chemical or mix with it to make it look good. Samson (2014) also corroborates the view that the marble at Igbeti was described as the best in the world by the foreigners. Aside the availability of natural resources, Oyo state is also blessed with agriculture and agro-allied resources. Cocoa, Palm Oil, Tobacco, Cassava are largely concentrated in the state. It is equally blessed with various natural tourist attractions such as "Ado Awaye" suspended lake, "Igbo Oba" in Kisi, "Ebedi Hill" in Iseyin, "Asabari Hill" in Saki, "Akomare Hill" in Igangan but to mention a few that are waiting to be developed.

All these natural tourist attractions can be a source of wealth for the state and boost her internally generated revenue.

In corroboration with this view, according to Mutiu (2006), many developed nations such as Singapore, China and United Arab Emirate have no oil and abundant natural resources like Nigeria and yet they are among the largest economies in the world. They depend on Agriculture, Tourism and information technology for survival. The problem of unemployment in Nigeria has become endemic. There have been reported cases of under-employment, seasonal, casual and full blown unemployment. Unemployment and underemployment rates vary across states according to the nature of economic activity predominant in each state.

According to National Bureau of Statistics report of 2019, between third quarter (Q₃) 2017 and third quarter (Q₃) 2018, only nine (9) states recorded a reduction in their unemployment rates despite an increase in the national unemployment rates. They include Akwa Ibom, Enugu, Imo, Kaduna, Kogi, Lagos, Nasarawa, Ondo and River State. In Q₃ 2018, in the South-West region of the country, Oyo state had 10.3% rate of unemployment, rose from 9.08 in Q₃ 2017 and this represents a 1.3% percent increase in the unemployment level. The number of labour force in the state also increased by 105, 489 which represent 2.7% reporting the second largest labour force population in the South-West zone during the reference period.

The investment sector in the state could be boosted with the available mineral resources in the state. The major determinant for the location of investments or industries is the availability and accessibility of resources. Situating industries in these Oke-Ogun localities will not only bring royalties and employment opportunities but it will also facilitate rapid development of the areas. The opportunities available will be of immense benefit to both the host rural areas and the state as a whole. From all the foregoing analysis, it is evident that the natural resource base of Oyo state is enormous. However, the extent to which the harness of these resources helps to develop the economy and improve the well-being of the citizenry in the state has been described as grossly low. The need to bridge the gap between natural resources abundance and socio-economic development in Oyo state, Nigeria informs the current study.

Statement of the Problem

Oyo state is one of the civil-service states in Nigeria in which the government is the largest single employer. The state is one of the states that is over-dependent on the federal government for monthly statutory allocation and this allocation constitute larger percentage of state estimated budgetary revenue. The larger proportion of the total annual state government budget goes into paying salaries and wages. This high level of public expenditure has some negative impact on employment opportunities that can be generated by government activities. It reduces the amount of capital available for other productive investment which could create some employment opportunities. The states does not look inward and harness abundant available natural resources for the purpose of enhancing the economy and improving job creation,

Objective of the Study

In Nigeria, the tendency towards a better life and improvement of life status should always be a priority among the states. Some states are rich and not depend on federal government monthly allocation while some are suffering from poverty by depending on federal allocation. Oyo state is among the states that majorly depend on monthly statutory allocation from central vault to carry out its various state administrations. As the crude oil revenue, which account for Nigeria major source of income, depleted on the global market, it is clear that states and the federal government need to look inwards in order to device other means of generating

funds internally through the revamp of other sectors of the economy. The aim of this study is to provide an overview of the abundance natural resource potential of Oyo state as well as the extent to which the exploitation of these resources can help to develop the socio-economic, create job and improve the well being of the citizenry in the state.

Area of the Study

Oyo state is located in the South Western part of Nigeria. The last census in 2006 recorded a total state population of 5.6m people. By 2011, the total had risen to an estimated 6.59m making it the fifth most populous state in Nigeria, according to the figures from the National Bureau of Statistics (NBS) which projected the state population to stand at 7.1m people in 2013.

Oyo state is endowed with a wide distribution of diversified igneous and metamorphic minerals, many of which have been established to exist in commercially viable quantities. Most of these mineral resources are spread throughout the state. For instance, granite, red clay and tantalite are found in almost every local government area of the state to mention just a view are Kaolin, Marble, Iron ore, Columbite, Cassiterite, gemstones, bismuth, granite, emeraid and sapphiv. Recently, gold was discovered in Saki, Irawo and Ilesa Baruba area of Oyo state. The area also intermittently produced some of the world's impressive gemstones and tantalite.

Oyo state was the site of the rubellite, tourmaline and spessarite garnet found in the late 1990. Quarrying, which is an arm mining, is one of the bedrock of the construction sector of any economy. The state currently has fourteen (14) granite quarrying companies out of which twelve (12) are operation. The quantity of the proven granite reserve is presently pegged at approximately 220million tones. It has also been established that 80% of the granite produced within the state is sold and used in Lagos state. Oyo state has about eleven (11) various natural mineral deposits that are yet to be tapped optimally and which are essential for economic diversification. Mutiu (2006).

Literature Review

The contributions of the abundant natural resources to socio-economic development of a state depend on the extent to which the resources can be harnessed or properly exploited for the development of the economy. The state need to diversify her economy by tapping different resources than to rely majorly on a source of income. According to Godwin and Chuku (2014), the low rent competitive industrialization model opines that countries with low rents from natural resources are encouraged to promote alternative economic activities that have high potential for wealth creation by providing public goods and maintaining incentives for efficient investments in economic and social infrastructure. The development of these alternative economic activities propels the manufacturing sector with high potential for technological innovations and enhanced services that necessarily increases the tax base of the economy, thereby boosting government revenue.

In corroborating this view, Akanni (2007) conducted a data regression analysis for the period 1970 to 2000 for forty-seven (47) countries and found that only oil rents have failed to promote economic growth but with the availability of other natural resources with its proper exploitation and utilization, economic growth could be achieved. The view is also supported by Oaikhinan (2015) study carried out on natural resources and economic development in Nigeria and found that the country is slow and backward because she failed to explore other abundant natural resources instead of depending on only crude oil revenue and abandoning other mineral resources.

Ceteris Paribus (all things being equal), it is possible to arrest poverty in Oyo state through the exploitation of the abundance of natural resources. The possession of valuable

mineral and natural resources did not necessarily result in consistent economic growth for the states that have had access to such resources unless they are optimally harnessed. In line with this view, Bradshaw (2005) argues that natural resource mining and exploitation are viewed as key drivers of economic growth and the development process. In corroborating this, Bridge (2008) averred that natural resource exploitation by the extractive industry is the lead sector that drives economic expansion which can lead to higher levels of social and economic well-being. In the same light, these natural resources exist in multitude in different locations across Nigeria. If properly exploited, they can reasonably facilitate the growth and development of the economy. (Jack, Nkwocha & Odubo, 2015).

There are numerous untapped natural resources available in different local government areas of the state particularly in Oke Ogun zone capable of inviting foreign investors to the state. If these resources are well harnessed, it will transform the state from civil-service state to an industrial state. This view is in line with Gelb, (1998) and Auty, (2007) submissions that rent-rich governments frequently respond to disequilibria in the labour market by using rents to provide jobs, thereby over expanding the civil service and protecting infant industries that hardly ever mature. The United Nations Conference on Trade and Development (UNCTAD, 2007) suggested that the rising demand on developing countries for natural resource-based primary commodities in recent times from developed countries and the high prices of mineral resources in the international market have increasingly stimulated investments in natural resource exploration in developing countries (Mahtani, 2008; Okeke, 2008). This has, in turn, opened economic opportunities and developmental prospects for resource-rich developing countries including Nigeria, to harness its mineral resources. In a similar vein, Gylfason (2011) states that high natural resource exports usually tend to result in exchange rate appreciation of the country's currency vis-à-vis the trading partners' currency, with the effect that export of manufactures are competitively stifled. This is the process which is referred to as Dutch disease problem.

Theoretically, the abundance of natural resources in any nation is expected to promote long run economic growth but reverse might be the case as it is widely believed by some scholars. It is possible to have inverse relationship between natural resource abundance and economic development. In line with this view, Auty (2001) said that the negative relationship between natural resource abundance and a nation's output and prosperity is being referred to as resource curse. According to Sachs and Warner (1995), a large number of studies have shown that resource abundant countries perform poorly in terms of economic growth and prosperity compared to resource poor countries.

In supporting this submission, Papyrakis and Gerlagh (2006) used the absolute convergence hypothesis to examine resource abundance and economic growth in the United States of America by focusing on initial income levels to account for the variability in income growth among regions. Empirical data show that show that natural resource abundance decreases investment, schooling and openness and research and development expenditure and increases corruption and they show that these effects fully explain the negative effect of natural resource abundance in growth.

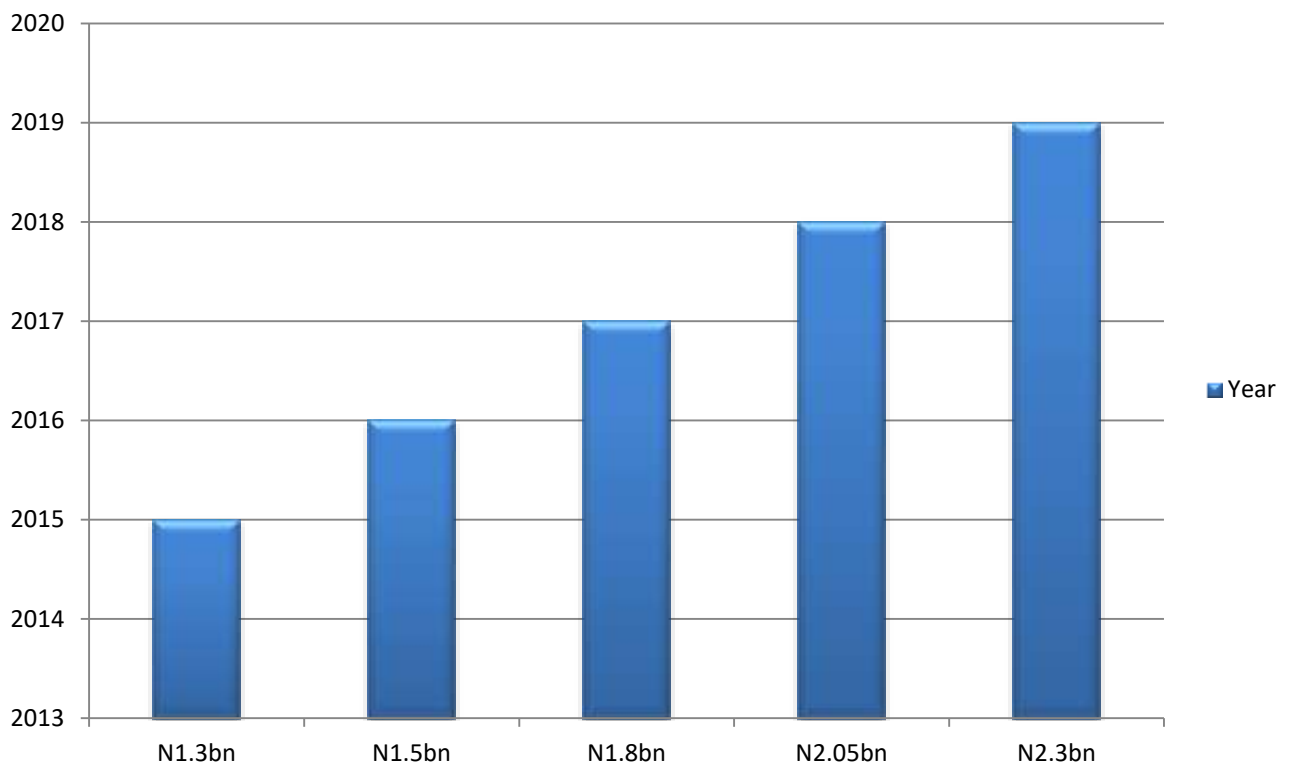
State Internally Generated Revenue

The suitability of wages or job fulfillment is covered under other indices such as the living standard, poverty rate or happiness index, but not in determining whether one is employed, unemployed or under employed which is a function of economic engagement. In Oyo state, there is rising poverty level, decline institutional qualities, low infrastructure, very low human development index and poor income distribution. This has to do with poor

internally generated revenue as a result of non-exploitation of abundance natural resources in the state.

According to Chizoba (2019) the Nigeria states that generate the highest income are also the richest in the country. Most of them, if not all, can survive without the aid of the Federal Government. This is so, because the source of their internally generated revenue (IGR) caters for their needs. He further reiterated that poor states can't do the same as they are dependent on the allocation they get from the Federal Government.

In the last four years, Oyo state has generated nothing above an average of ₦2bn IGR monthly. To enhance internal revenue generation, the underground economy should be tracked for more revenue generation.



Source: NBS (2020)

Challenges to Natural Resource Development

There are various challenges to the exploitation and development of natural resources in Nigeria. These are the challenges identified by Gyang et al (2010).

- i. Policy inconsistency and lack of adequate legislation.
- ii. High risk and health hazards.
- iii. Weak regulation
- iv. Lack of well equipped laboratories
- v. Unwholesome practices of stakeholders and inadequate trained personnel.
- vi. Lack of access to capital.
- vii. Lack of appropriate technology and machinery.
- viii. Environmental degradation and pollution.

Some Available Mineral Resources in Oyo State, Nigeria

The Oke-Ogun zone of the state harbor an abundance of natural resources, including Solid mineral deposit of Gold, Marble, Clay, Kaolin and Granite among others. These natural resources are paramount to a state economy that is largely agrarian in nature. According to Mutiu (2006) some of the available mineral resources in Oyo state are:

GOLD - It is a solid mineral that its exploration and proper finance by government would help to revive economy. Gold mining operation is carried out on a small – scale in Nigeria.

IRON ORE – Iron ore deposits found in Nigeria are revealed to be the purest deposits. These natural resources can be revamped to explore, exploit and produce iron and steel in Nigeria.

MARBLE – It is other natural resource that has the capacity to create employment for millions of Nigerians. It is common in Nigeria and mostly used for sculpture and building.

KOALIN – It is an aspect of the industrial minerals available in commercial quantity in Nigeria. There are estimates of about 2billion metric tonnes of kaolin deposits found in different parts of the nation.

Conclusion

The contribution of the abundance natural resources to socio-economic development of Oyo state, Nigeria is predicated on the extent to which the resources can be harnessed for the development of the economy. This view is in line with Oaikhinan (2015) study that carried out on natural resources and economic development in Nigeria and found that the country is slow and backward because she failed to explore other abundant natural resources instead of depending on only crude oil revenue and abandoning other mineral resources. Oyo state is naturally blessed as a state with a lot of minerals and natural resources.

If any of these resources are capitalized upon, there could be a shift in movement gradually from a civil service state to non-civil service state. The time for Oyo state to increase her IGR by tapping different resources scattered across 33 local government areas of the state is no other time than now as the crude oil revenue, which accounts for her major allocation from Federal Government has depleted in the global market.

Recommendations

Based on the findings of this study, the following recommendations are made to bridge the gap between natural resource abundance and socio economic development in Oyo State, Nigeria.

1. The state government should prioritize and tap the full potentials in the marble deposit in Igbeti, Olorunsogo Local Government area of Oyo state to boost her IGR.
2. Oyo state mineral development agency should be re-constituted and put machinery in motion to exploit maximum benefit of Igbeti marble mining through public/private partnership.
3. The state needs to look inward and harness available resources for the purpose of enhancing the economy.
4. The state government should adopt a proactive measure to revive the moribund Igbeti marble company for optimum utilization of the natural resources for job creation and sustainable environment.
5. The state government should adopt measures to tackle illegal mining.

6. There should be transparency, accountability and equitable distribution of the wealth accrued from the exploitation of natural resources so as to create sustainable socio-economic development and improved standard of living.
7. The state government should embark on aggressive provision of motorable roads network linking the rural areas where most of the natural resources are located.
8. The landowners should accommodate both foreign and local investors toward investing on exploration and exploitation of mineral resources.

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