

ICT FOR ECONOMIC GROWTH AND RECOVERY IN A RECESSION ERA

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ABSTRACT

Embracing the Information and Communication Technology (ICT) for economic success is very apt and has become imperative. Today more than ever, technology, and in particular, Information and Communications Technology ((ICT), is seen as one of the main factors that lead to economic recovery and sustained economic growth in the country. ICT has become a vital factor of the infrastructure behind competitive economies. Since Productivity is the keystone of economic growth and development, it is pronounced that investing in ICT can make the country more productive and competitive. This paper, however, looks at the integration of ICT towards economic growth and recovery in the current recession era by the investment of ICT in various sectors of the economy to enhance higher productivity, boost job creation and reduce the overall cost of production. Because ICT has the capability of ensuring market competitiveness and cooperation, increasing efficiency and productivity, reducing production cost and optimizing profit, increasing the security of transaction; this paper, therefore, recommends that the government must make policies that will stimulate the use of ICT. The government should create enabling an environment for ICT use in organizations and industries. Individual also must update and upgrade themselves with ICT skills in other to key into streamlining technological dynamism and remain relevant.

Keywords: ICT, Recession, Technology, Economic growth, Economic recovery, Productivity

INTRODUCTION

The economic downturn that has engulfed Nigeria for some time now has shaken the financial and economic sector of the country to their foundations. It has sent several industries and companies folding up their business, and some have even left the country thereby leaving a significant number of their employees currently unemployed.

Economic Recession

In economics, a recession is a business cycle contraction which results in a general slowdown in economic activity. (*Encarta World English Dictionary, 2007 North American ed*). The Economic crisis which is of lesser intensity is referred to as an economic recession. It is more common occurrence and considered archetypal of a business cycle. Recession marks a sliding trend in business and is caused by an imbalance or discrepancy between the goods produced and the consumers' ability to buy and use them (Amitabh, 2009). However, if economic recession goes on for long, it can evolve into economic depression. The Economic downturn is characterized by a lack of confidence in business. Overproduction and unsold inventory are challenges not easy to



solve in a time of economic depression. Job loss and reduced wages further worsen the condition as people's purchasing power decreases, causing the crisis to deepen and become more severe. (Amitabh, 2009)

According to the National Bureau of Statistics (NBS) report on Gross Domestic Product (GDP) in 2016, Nigeria is in its worst economic recession in 29 years (Seun, 2016). However, report on Gross Domestic Product (GDP) from the National Bureau of Statistics shows that: In the Second Quarter of 2016, the nation's Gross Domestic Product (GDP) declined by -2.06% (year-on year) in real terms. This was lower by 1.70% points from the growth rate of -0.36% recorded in the preceding quarter, and also lower by 4.41% points from the growth rate of 2.35% registered in the corresponding quarter of 2015. Quarter on quarter, real GDP increased by 0.82% during the quarter, nominal GDP was N23, 483,954.78 million (in nominal terms) at basic prices. This was 2.73% higher than the Second Quarter 2015 value of N22, 859,153.01 million. This growth was lower than the rate recorded in the Second Quarter of 2015 by 2.44% points. (NBS, 2016)

Economic recessions are caused by a loss of business and end user confidence. As confidence declines so do demand. This is the tipping position in the market phase where the climax, usually is accompanied by irrational exuberance, moves into contraction. (Kimberly, 2016)

The question is; what is the way out of this ugly situation? How do we as a country salvage our economy from this ugly trend called recession? Well, one of the ways out of economic recession towards economic growth and recovery is Information and Communication Technology.

Economic Growth and Recovery

According to BusinessDictionary.com, Economic growth is defined as an increase in a country's productive capacity, which is measured by comparing Gross National Product (GNP) in a year with the GNP in the previous year. Economic growth is referred to as the rise in the inflation-adjusted market worth of the goods and services produced by an economy for a period. Its measurement is usually done as the percent rate of increase in real gross domestic product (GDP), usually in per capita terms (IMF, 2012). The rise in the capital stock, technological advancements, and enhancement in the quality and rate of literacy are considered to be the leading causes of economic growth. (Business Dictionary, 2017)

Nigeria's economic aspirations have remained that of changing the composition of production and utilization patterns, diversifying the economic stand and reducing reliance on oil, with the purpose of placing the economy on the part of sustainable, extensive and non-inflationary growth. What it means is that while the speedy increase in output, as determined by the real gross domestic product (GDP), is necessary, the transformation of the various sectors of the economy is even more severe. This is consistent with the growth aspirations of most developing countries, as the structure of the economy is expected to change as growth progresses. (Michael, 2015).

In Nigeria, the desire to promote sustainable economic growth for the enormous greater part of the Nigerian population through the adoption of a variety of monetary and fiscal policies is the broad goal of the national economic policy. Regrettably, Nigerian economic growth achievement has been defined as uneven, and the prospects of her speedy economic growth seem unattainable as shown in her failure to achieve sustainable full growth potentials and to considerably reduce the rate of poverty in the economy. (Uwakaeme, 2015)

One of the ways of lifting Nigeria as a country to economic growth and recovery is the use of Information and Communication Technology (ICT). ICT has the capability of bringing Nigeria out of economic recession.

“With coordinated, conscientious leadership, new technologies will not only continue to fuel growth but if harnessed, such advancements will also enable a digital revolution that can uplift parts of the world hitherto not reached by the agricultural and industrial revolutions. Achieving this kind of inclusive growth requires new mindsets.” – (World Economic Forum Annual Meeting Report, 2009)

However, the objectives and importance of this paper are as:

- i. To showcase ICT as a veritable tool towards economic growth and recovery.
- ii. To harness the gains of ICT as an alternative to oil as Nigeria’s primary source of revenue.
- iii. To enlighten the government and business owners on the need to invest in ICT, which will subsequently increase productivity, reduce the cost of production and reduce unemployment.
- iv. To education individuals on the need to update and upgrade their skills in the areas of ICT to improve their employability status and be relevant in the dynamic economy where knowledge is the driven force.
- v. To highlight the economic advantages of investing in ICT as an aid towards bridging our digital divide.

Structure of the Paper

This paper is organized into several parts. The first part is the Abstract, which gives an overview of what the paper is all about. This is followed by the Introduction, in which Economic Recession, Economic growth, and recovery were defined. The objectives and importance of the study were also outlined. The Introduction is followed by the second part, which explains the how ICT can aid economic growth and recovery and then the third part which shows the conclusion and recommendations made.

ICT AND ECONOMIC GROWTH/RECOVERY

Information and Communication Technologies (ICT) refers to technologies that give access to information through telecommunications (Rahman, 2016). ICT is related to Information Technology (IT), but ICT focuses primarily on communication technologies. These technologies



include the Internet, wireless networks, mobile phones, and other communication media. Modern or contemporary information and communication technologies have succeeded in making the world a "global village," in which people can interact with others across the world as if they were living next door. However, because of this, ICT is usually studied in the framework of how modern communication technologies affect society. (Christensson, 2010). In fact, ICT is the combination of electronics, telecommunications, software, networks, and decentralized computer work stations, and the integration of information media. (Granville, Leonard, Manning, 2000)

As economic growth is the capability of a country to create more goods and services (Bongo, 2005), thus, the application of ICT facilitates the production of more goods in a shorter time as well as provides more adequate and useful services. ICT plays a very important role in the growth of a country's economic sector, especially during liberalization process. Growth economists predict that economic growth is driven by investments in ICT. With the increasing level of importance of ICT in our everyday activities, it is highly imperative to integrate ICT toward Nigeria's economic recovery and growth. Integrating or embedding ICT towards economic growth and recovery can be done by investing in ICT. Investing in ICT can drive gains in productivity in these three ways:

- i. Investing in ICT contributes to overall capital deepening, helping to boost labor productivity and efficiency.
- ii. Technological advancement may contribute to faster multifactor productivity growth in the ICT-producing industry.
- iii. Applying ICT outside the ICT industry aids organizations, both public and private institutions to increase effectiveness, produce new products and services and, thus, it increases multifactor productivity growth.

According to the International Chamber of Commerce (ICC) Commission on the Digital Economy (2012), Investment in Information and Communication Technology (ICT) has the potential to boost job creation and economic growth in the current economic crisis being experienced in the country. Implementing contemporary ICT will simplify and produce cost savings throughout the operations of industries, firms, public and private institutions from inventory tracking, accounts receivable and regulatory compliance to order taking, purchasing and manufacturing. This creates efficiencies in the overall operations and hence allow the lessening of overhead cost and thereby focus on the revenue producing parts of the business such as stimulating sales and strengthening customer relationships (Sean, 2009). Investing in ICT will surely increase job creation, lessen the cost of production and increase productivity. This will, in turn, maximize the profitability of the country at large. ICT can be integrated into areas such as health sector, education, manufacturing, design, policy making, public administration, e-government, etc.

Countries like Finland, Singapore, Sweden, Netherlands, Norway, Switzerland, United States of America, Hong Kong, The United Kingdom, South Korea, Canada have all invested in ICT. They have adopted ICT as a means of diversification of their economies and have benefited immensely from increase in GDP, increase in job creation, thriving e-commerce environment,



digital entrepreneurship development and skilled manpower development (Global Information Technology Report, 2015). The diagram below shows contribution of ICT to economic growth in several countries that have diversified their economy through ICT.

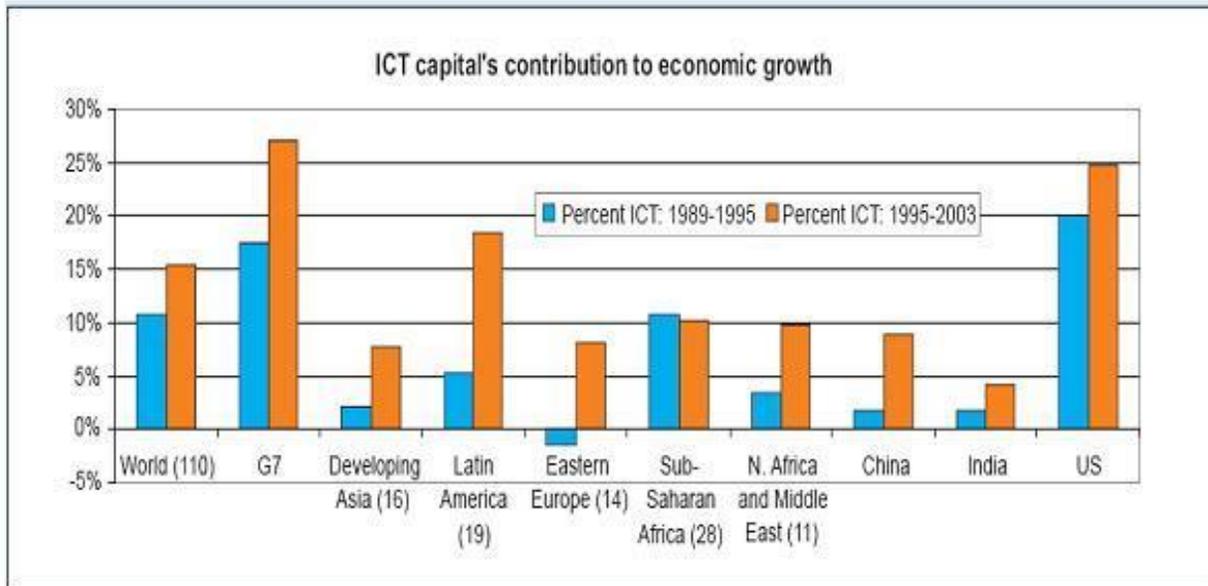


Figure 1. The contribution of ICT to economic growth (Source: ITU, The World Telecommunication/ICT Development Report 2006: Measuring ICT for Social and Economic Development (Geneva: ITU, 2006), 44,

However, many factors influence a firm’s decision to invest in ICT and use it. The first factor is the availability of a contemporary or modern ICT infrastructure. An instance is the availability of adequate bandwidth with access to the international information superhighway which is crucial. Another factor affecting a firm’s decision to invest in ICT is the direct costs of ICT, which include the costs of ICT equipment, telecommunication, or installing an e-commerce system. Lower costs will lead to more technology investment and diffusion of ICT. The availability of qualified and skilled human resources in ICT also affects a firm’s decision to invest in ICT. The amount of risk and uncertainty related to the implementation of ICT is another factor influencing firms’ decision to invest in ICT. For instance, firms will be more disposed to have their business online if the infrastructure for online payments, delivery is secure. Firms are more probably to invest in ICT in a competitive setting as a way to improve performance, enhance productivity and optimize profit. (Emsley, 2010)

CONCLUSION AND RECOMMENDATION

As the global economy especially Nigeria’s, goes through a period of extreme difficulty, the ICT sector presents a great prospect and opportunity for economic growth and recovery in the recession era. With no doubt whatsoever, ICT is a critical base upon which the Nigeria economic recovery will occur. However, to make sure this potential comes to fruition, all parties including

government, individual, public and private sectors must uphold their tasks to ensure healthy market-oriented relationships, where parties will both compete and cooperate.

Implementing and investing ICT can greatly improve efficiency by reducing delivery times and coordinating stock levels through improved monitoring of supply and demand, which in turn enhances customer service. It also has the capability of creating employment, enhancing productivity and reducing the cost of production. It also maintains and enhances integrity in business processes and administrative procedures.

It is highly recommended:

- i. That the government should as a matter of necessity pay more attention to the dynamic sector of ICT as it can be a real alternative to oil as the country's income earner.
- ii. That the government should create an enabling environment that will stimulate the use of modern ICT tools in various sectors of the economy as this will boost job creation and increase productivity.
- iii. That the government should make policies that will encourage firms both private and individuals to investment in modern ICT as this will improve business process delivery, customer relations, service delivery, security of transaction, integrity, and trust.
- iv. Lastly, individuals should be encouraged and stimulated to get the needed basic skills required by ICT as this will enhance employment opportunity, reduce redundancy, enhance efficient productivity, unlock potentials and bridge our digital divide.

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