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COMPARATIVE ANALYSIS OF POLITCAL STABILITY AND ECONOMIC GROWTH IN GHANA AND NIGERIA

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Abstract

This study examines the nexus between political stability and economic growth, with a comparative focus on Ghana and Nigeria, in order to assess how differences in governance and institutional quality influence development outcomes in Sub-Saharan Africa. Drawing on Institutional Growth Theory, the paper conceptualizes political stability as a multidimensional construct encompassing the absence of violence, regime durability, policy consistency and effective governance institutions. The study synthesizes empirical and theoretical literature which consistently demonstrates that political instability undermines investment, reduces productivity, and constrains long-term economic growth, while stable political environments foster investor confidence and macroeconomic resilience. Using a qualitative comparative approach, the paper analyzes macroeconomic indicators, fiscal trends, and crisis episodes in Ghana and Nigeria between 2000 and 2020. The findings reveal that Ghana's relatively stable political environment has contributed to sustained economic performance, diversification, and resilience to external shocks such as the global financial crisis, commodity price fluctuations and the COVID-19 pandemic. Although Ghana experienced rising public debt, fiscal pressures and periodic growth slowdowns, its strong institutions and democratic continuity mitigated severe economic collapse. In contrast, the broader discussion of Nigeria highlights how political instability, insecurity and ethno-religious conflicts have constrained investment, weakened human capital development, and reduced growth potential. The study concludes that political stability is a critical determinant of sustainable economic growth, particularly in developing economies dependent on commodity exports. It recommends that strengthening democratic institutions, improving governance effectiveness, reducing insecurity, and addressing unemployment are essential policy priorities for achieving long-term economic stability and inclusive development in Sub-Saharan Africa.

Keywords: Political stability, economic growth, institutional growth, Sub-Saharan Africa

Introduction

The importance of political stability to economic development of any country cannot be overemphasized; this is because political stability and economic growth are deeply interconnected. On the one hand, the uncertainty associated with an unstable political environment may reduce investment and the speed of economic development. Also, poor economic performance may lead to government collapse and political unrest. Political stability ensure improvement in employment, protect the basic right of citizens, promote their culture and unity, provide basic infrastructure and services, electricity, water supply, healthcare and hence ensured increase in both local and foreign investment (Nomor & Iorember, 2017). Democracy fosters political stability and enhance economic growth relative to non-democratic rule in a given country and political stability regardless of the extent of democracy, has significant effect on growth in developing countries (Abeyasinghe, 2004).

Of the two countries examined, interesting comparisons are also drawn from their abundance of natural resource wealth. In most countries on the African continent, Ghana and Nigeria are blessed with human and material wealth, but what makes their examples unique is the systematic and institutional nature within which revenues accrued from these resources have been distributed and diversified for national development without any ethnic or tribal biases. The human and material resource of Ghana and Nigeria, gold and oil respectively, would have been backed by effective policy aimed at overall national development, but more so with less reliance on these resources, knowing their contentious nature and the ability to cause civil unrest. Wealth accrued from these sectors would have been diversified to expand other sectors of the economy. But it is clear those governments over reliance on a single commodity as the sole foreign exchange earner has led to huge lapses in these economies in the wake of external price shocks. It is on this premise that this paper examines the political stability in Ghana vis-à-vis Nigeria to ascertain the gaps resulting from economic growth and the necessary lessons needed.

The Idea of Political Stability

Literature on stability and its cognate, instability, offers many overlapping definitions. Ciumara (2016, p.34) provides several distinct approaches of political stability. These are: stability as absence of violence. Stability as governmental longevity or resilience. Stability as existence of a legitimate constitutional order. Stability as absence of structural changes. Stability as multifaceted societal attribute. Stability as behavioural pattern. Survival and stability of the structures depend on the effectiveness and efficiencies of the structures put in place. Heslop (2017, p.18) points out those despotic monarchies, militarists regimes other authoritarian and totalitarian political systems have survived without major political breakdowns. The key to their success is their ability to control social development, to manage and prevent change, and to control all the government forces that may result in innovations that are threatening the system. Stability is thus preconditioned by the presence of number of factors without which instability would occur, to which the articles of this volume testify. Kolstad (2008, p.6) gives three levels of defining political instability thus:

A first approach is to define it as the propensity for regime or government change. A second is to focus on the incidence of political upheaval or violence in a society, such as assassinations, demonstrations, and a third approach focuses on instability in policies rather than instability in regimes (i.e., the degree to which fundamental policies of, for instance, property rights are subject to frequent changes).

The political rating of stability and or instability takes into account socio-economic conditions, internal conflicts which include ethnic and religious tensions, external conflict and democratic accountability, and quality of bureaucracy, political fragility, and loss of government control leading to fragmentation of social norms, law and order. As expounded by Heslop, economic crises not only exert pressure on material scarcity but could also pose a threat to individual positions. According to Ciumara (2016), define political instability as the inclination towards the change of the executive power using constitutional or unconstitutional means. Borrowing from Heslop's views (2017, p.17), when "institutional structures and processes fail to resolve conflicts and implement acceptable policies", ceasing to respond to groups and individual demands, the result would be political or social instability.

Holloway (2010, p.9) addresses the issue of instability by referring to cracks in the system, which he sees as moments when change becomes possible. He describes cracks as "The opening of a world that presents itself as closed. It is the opening of categories that on the surface negate the power of human doing." The corollary is that instability may provide new openings, while stability may at times be counter-productive to social change. On a more negative note, stability in Sub-Saharan Africa remains fragile due to structural factors such as dependence, poverty and political conflicts.

According to Sottilotta, (2013), the concept of political stability is a very controversial concept. Sottilotta argued that; a first broad definition refers to the absence of domestic civil conflict and widespread violence. In this sense, a country can be considered rid of instability when no systematic attacks on persons or property take place within its boundaries. Secondly, classic interpretation equates stability with government longevity. Thirdly, political stability draws on the lack of structural change, that is, the absence of internally or externally induced change in the basic configuration of a polity. In the same way, Paldam (2016) in his conceptualization of political stability covers four dimensions; stable government, stable political system, internal law and external stability. Paldam argued that, these four dimensions are sufficient for the explanation of political stability. Hussain (2014) sees political stability as very timely competition that can be applied to everything in a country; political systems, education, business, innovation and even arts. Added to the above competition, the country should also have freedom of press, freedom of religion, access to the internet and allow political dissent.

Williams (2014) defined political instability to mean giving an insight on political stability; as the propensity of a government collapse either because of conflicts or because of rampant competition between various political parties. In addition, the occurrence of a government change increases the likelihood of subsequent changes. Political instability tends to be persistent. Williams further argued that, economic growth and political stability are deeply interconnected. On the one hand, the uncertainty associated with an unstable political environment may reduce investment and the pace of economic development. On the other hand, poor economic performance may lead to government collapse and political unrest. However, political stability can be achieved through oppression or through having a political party in place that does not have to compete to be re-elected. In these cases, political stability is a double-edged sword. While the peaceful environment that political stability may offer is a desideratum, it could easily become a breeding ground for cronyism with impunity. Such is the dilemma that many countries with a fragile political order have to face.

In the views of Dode (2010), the above postulations have variously espoused the ideals of democracy. Democratic or political stability therefore entails the act of entrenching and sustaining democratic ideals in a polity, it means the deliberate political process in a polity by which democracy is so broadly and profoundly legitimized among its citizens that it is very unlikely to breakdown. Dode (2010) further posited that political stability means a democratic stay that cannot come to an end suddenly or abruptly through unconstitutional acts such as military coups. It implies established stability in governance. The stability of democracy involves behavioural and institutional changes that normalize democratic politics and narrow its uncertainty. Stability requires that habituation to the norms and procedures of democratic conflicts regulation will be developed and sustained.

The Nexus between Political Stability and Economic Growth

The link between political instability and economic growth has been one of the most important topics in empirical research in economics over the last decade. Several studies such as Aisen and Veiga, (2008) suggest that political instability is detrimental to economic performance in developed as well as in developing economies. For example, Alesina (1996) used the GDP per capita growth rates and the changes in government to measure political instability as a dependent variable. They examined a sample of 113 countries and found that political instability has a negative impact on GDP growth, whereas there is no dependency in the opposite direction (Baklouti, & Boujelbene, 2017).

In a similar research framework on the African countries, Campos and Nugent (1999) found that political instability is the cause of slower economic growth. However, no relationship was found for any other group of countries. Supporting this reasoning, Younis (2008) examined the effects of different political instability factors on economic growth for selected Asian countries between 1990 and 2005. In fact, these authors found a close relationship between political stability and economic growth. Their results showed that the role of political stability is more important than economic freedom.

Similarly, Aisen and Veiga (2010) used the Generalized Method of Moments (GMM) to estimate the dynamic panel data models on a sample of 169 countries over a period that extends from 1960 to 2004. They tried to identify the link between political instability and economic growth. Finally, they found that a lower growth is associated with a higher degree of political instability. Specific country studies, such as that of Munoz (2009), which used the Autoregressive Distributed Lag Model (ARDL) to study the link between political instability and economic growth for Venezuela from 1983 to 2000, found that political instability negatively affects economic growth through investment. In the same vein, Asteriou and Price (2001) studied this relationship for the United Kingdom over the 1961 to 1997 period using the GARCH model and found a negative effect of political instability on economic growth.

In another article, Aisen and Veiga (2013) empirically determined the effects of political instability on economic growth. Using the GMM system technique and a sample of 169 countries from 1960 to 2004, they argued that the highest levels of political instability are associated with a lower growth rate of GDP per inhabitant. Regarding the transmission channels, the authors also found that political instability negatively affects economic growth by lowering productivity growth through the accumulation of physical and human capital.

Finally, economic freedom and ethnic homogeneity are beneficial to economic growth, whereas democracy may have a small negative effect.

Moreover, Kirmanoglu (2003) studied the causal link between political instability and economic growth using Granger causality test for a sample of 19 countries. His findings suggest that there is no empirically significant relationship between political instability and economic growth in 14 of the 19 examined countries. He reports that political stability actually increases economic growth only for 2 countries, whereas for the 3 remaining countries, he reports that the causality runs the other way.

Therefore, the literature seems to agree on the importance of political stability for economic growth in the way that it leads to the creation of the desired structure, the attraction of private investors and helps multilateral companies set the stage for economic growth, which leads to the implementation of long-term optimal macroeconomic policies.

Theoretical Framework

This paper adopted the Institutional Growth Theory as a framework of analysis. Institutional growth argument may be seen as the "regulative, normative and the cognitive structures and activities of a nation that provide the desired stability and meaning or social behavior" (Scott, 1995). Thus, institutions, if they are to operate in such mechanism, they will have to operate and play according to the rules, regulations and practices offered by such mechanism or consistent with the regulatory, cognitive, and normative institutions. The institutions are representation of social order and they definitely influence and shape the interactions amongst the economic actors and thus there gets created an institutional distance between them (Powell & DiMaggio, 1991).

Institutional theory gives a general frame of reference as to what constitute an institution and what are the factors that affect it. Here, the word institution has been used in diverse ways. It refers not only to business organizations but also to trade unions, political parties, governments and other similar formal structures. In today's world, the theory requires more than a general frame of reference because the characteristics of the organizations are changing with the change in factors related as well as unrelated to the processes of organization. It is observed that emphasis of institutional theory has shifted from generalized system of social belief to the elements and sources that identify social purposes and appropriate means to become legitimate with the pressures (Dacin, 1997; Kondra & Hinings, 1998).

Institutional theory will remain an important framework for various topics in international management. The theory is broad enough to assist researchers in characterizing and explaining the changes at national, transnational and global levels (Philips & Tracey 2009; Kar, Bhasin & Stojanovska 2015).

Research Methodology

This work employed both primary and secondary sources of data collection. The primary data was sourced through the use of key informant interview, while the secondary data was sourced from published works in journals, books, newspapers, magazines, internet sources and policy documents. This study adopted qualitative approach, utilized descriptive method of data analysis and presented it in form of charts, tables, graphs and simple percentages.

Comparative Political Stability and Economic Growth in Ghana and Nigeria

The importance of political stability to economic development of any country cannot be overemphasized. This is because political stability and economic growth are deeply interconnected. On the one hand, the uncertainty associated with an unstable political environment may reduce investment and the speed of economic development. Also, poor economic performance may lead to government collapse and political unrest.

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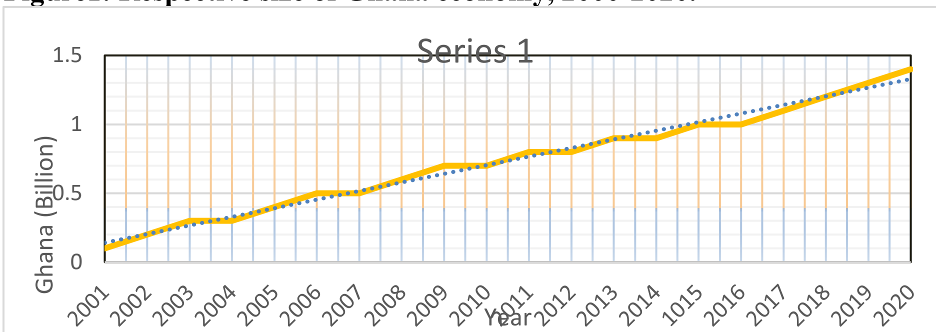
In analyzing the economic growth the approach employed in comparative analysis involved mappings and examining the economic crises and their effects on Nigeria and Ghana over a 20-year period. The analysis considered a comparative set of indicators, such as gross domestic product (GDP) growth, government revenue, debt, GDP per capita amongst others. Ghana is a country with population of 33.5 million people, had a GDP of \$70 billion and per capita income of \$2042 as of 2020 and total fiscal revenue of \$8.83 billion in 2020. Ghana's economy is largely dependent on the export of commodities, such as gold, cocoa, oil and falling commodity prices. The service sector is the largest contributor to the economy in Ghana with 47%, while the industry and agricultural sectors accounted for 32% and 21% of GDP respectively. Given its strong agricultural and service sectors, Ghana displays relatively higher level of economic diversification. It is also considered a lower-middle-income country and is smaller in size than Nigeria.

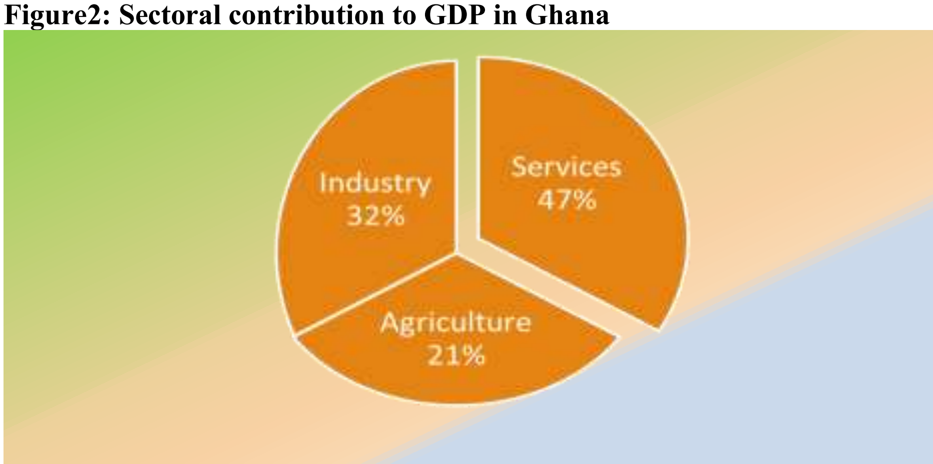
Below are some statistical analyses of the Ghanaian economy from 2000 to 2020 (Boateng, Asafo-Adjei, Addison, Quaicoe, Yusuf & Adam, 2012).

Figure1: Respective size of Ghana economy, 2000-2020.



Source: World Bank, 2023

Figure2: Sectoral contribution to GDP in Ghana

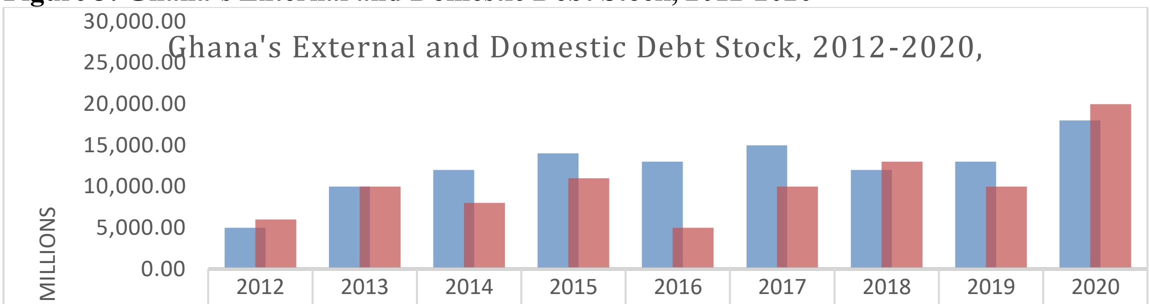


Source: Ghanaian Statistical Services, 2023

Ghana's public debt, which was at a sustainable level in 2006 at 26.2% of GDP due to the debt relief provided to the country under the heavily indebted poor countries initiative, has steadily increased over the years, reaching \$58.6 billion in 2020 at 76.6% of GDP. Ghana recorded an external debt of \$28.3 billion and domestic borrowing of \$30.3 billion as shown in the table below. The country's fiscal deficit rose to 11.8%, pushing up public debt from 79.6% of GDP in 2017 to over 90% in 2019, with debt servicing consuming 117.6% of revenue.

The increase raised concerns about the possibility of a default, which would impact the country's access to the global credit market and prompt the rapid depreciation of the Cedi (Boateng, Asafo-Adjei, Addison, Quaicoe, Yusuf & Adam, 2012).

Figure 3: Ghana's External and Domestic Debt Stock, 2012-2020



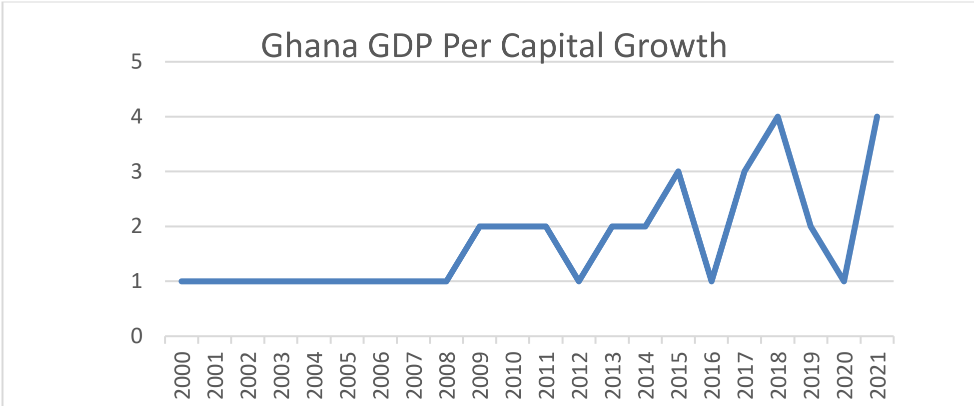
	2012	2013	2014	2015	2016	2017	2018	2019	2020
External Debt	5000	10000	12000	14000	13000	15000	12000	13000	18000
Internal Debt	6000	10000	8000	11000	5000	10000	13000	10000	20000

Source: World Bank, 2023

Fallout from the above is that it has also triggered some crises in the economy. Ghana experienced economic volatility during the period of 2000 to 2020 due to a combination of internal and external factors. The table below has shown that the country experienced strong growth until 2011, driven by stability and reforms. Deceleration, however, occurred in the period 2012 to 2014 in the face of fiscal challenges and external shocks, including commodity price fluctuations. For instance, energy supply challenges, a sharp depreciation of the domestic currency, and lower commodity prices contributed to the slowdown. Unlike Nigeria, Ghana exhibited more resilience to exogenous and endogenous shocks, and the country has not experienced any recession since 2000. However, Ghana's per capita GDP declined in 2015 and 2020 but immediately rebounded due to prudent economic policies and robust governance. Resilience and strong growth returned during the period 2017 to 2019, but the COVID-19 pandemic prompted a contraction in 2020.

Over the two decades, Ghana's economic performance was influenced by global commodity prices, fiscal management, exchange rate volatility, governance and investment trends, thus emphasizing the importance of diversification and prudent economic policies (Boateng, Asafo-Adjei, Addison, Quaicoe, Yusuf & Adam, 2012).

Figure 4: Real GDP Per Capita Growth of Ghana, 2000-2021



Source: World Bank, 2023

Ghana's Public Debt

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Economic Fallout and Volatility

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Figure 4: Real GDP Per Capita Growth of Ghana, 2000–2021

Table 3: Global, Regional and National Crises Affecting Ghana's Economy (2000–2020)

Year	Crisis	Causes
2007–2008	Global financial crisis	Collapse of the housing finance market in the US; low interest rates; easy credit; inadequate regulations
2014–2016	Commodity price shocks (global), Ebola (regional), energy/financial issues (national)	Drop in commodity prices due to global supply glut; Ebola zoonotic and human transmission; travel and migration effects
2015	Flood	Heavy rainfall
2019–2020	COVID-19	Pandemic declaration; trade and financial restrictions

Source: Onyekwena and Edafe, 2021

Impact of Global Crises

Global financial crisis (2007–2008): Ghana's economy performed well despite the global financial crisis. Real GDP growth rates were predicted to be 1.7% for 2007 and 6.4% for 2008, continuing the positive trajectory from previous years. The crisis did not significantly affect Ghana's economy due to its limited integration into the global market and reliance on stable commodity prices, especially gold. Increased cocoa and coffee production also supported export earnings and foreign exchange reserves. Domestically, the 2008 general elections influenced business sentiment and fiscal expenditure as government addressed various challenges (Anyaehie & Areji, 2015).

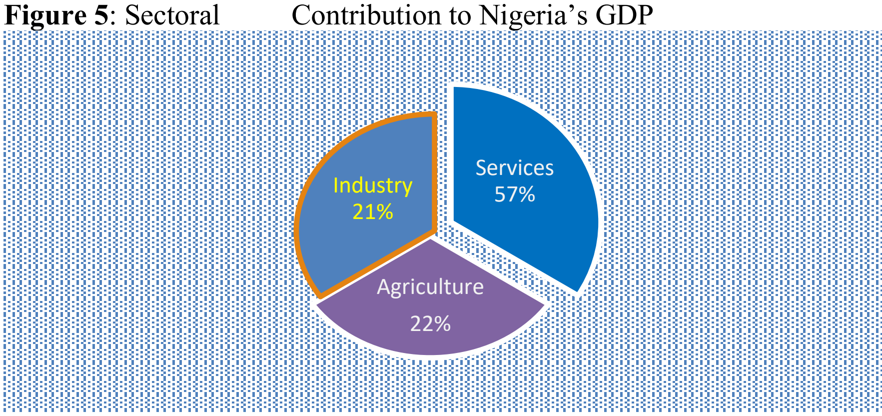
Commodity price shocks (2014-2016): The Ghanaian economy experienced adverse effects from global commodity price shocks alongside domestic challenges like energy supply constraints. Gold, cocoa, and crude oil accounted for 80% of exports. The fall in export revenues pressured the cedi, leading to depreciation against major currencies. The cedi depreciated by 31.2% in 2014 and 16.1% in 2015, increasing import costs and inflation. Headline inflation rose to 17.7% from 7.0% in 2014. The fiscal deficit reached 6.7% of GDP in 2015 (Ghana Statistical Newsletter, 2023).

Ebola (2014-2016): The Ebola outbreak affected most African economies, but Ghana remained largely unaffected and strengthened its healthcare and disease surveillance systems (Ghana Statistical Newsletter, 2023).

COVID-19 (2020): Ghana's economy faced significant challenges during the pandemic, resulting in a sharp slowdown and real GDP growth of 0.4%. Inflation rose to 10.4%, above the medium-term target band. Government spending increased, while revenues declined, widening the fiscal deficit and contributing to rising debt. The cedi remained relatively stable due to buffers such as Eurobond inflows and IMF support (Ghana Statistical Newsletter, 2023).

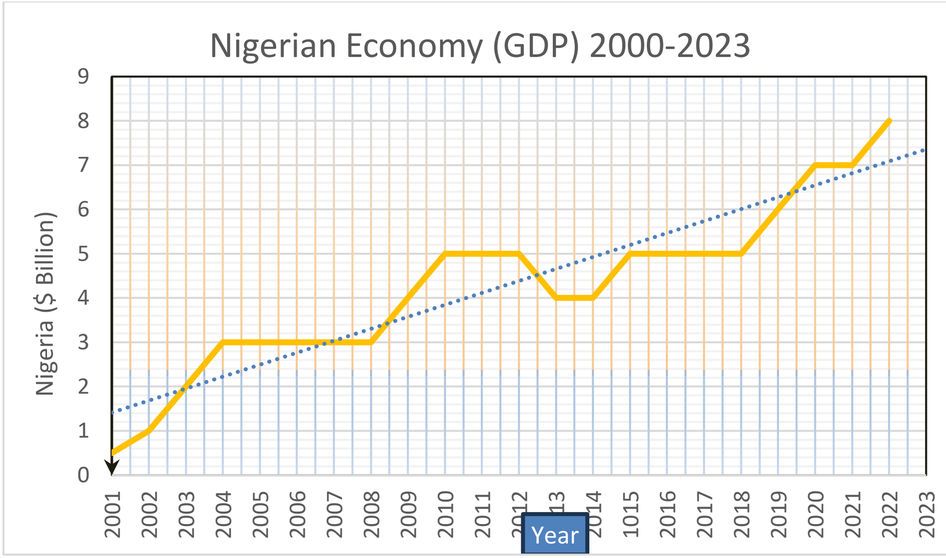
Nigeria has the largest economy in Africa with a GDP of $ 550.93b and a population of 218.5m with a per capita income of $244.5 as of 2022. It is currently classified as a lower-middle income country endowed with abundant natural resources, the Nigerian economy remains dependent on the oil sector for the bulk of its fiscal revenue of $25 billion and foreign exchange earnings of $2.29 billion making it susceptible to oil price fluctuations and external shocks. Below are the GDP and sectoral contribution to the GDP in Nigeria from 2000 to 2020 (CBN, 2021).

Figure 5: Sectoral Contribution to Nigeria's GDP



Source: National Bureau of Statistics, 2023

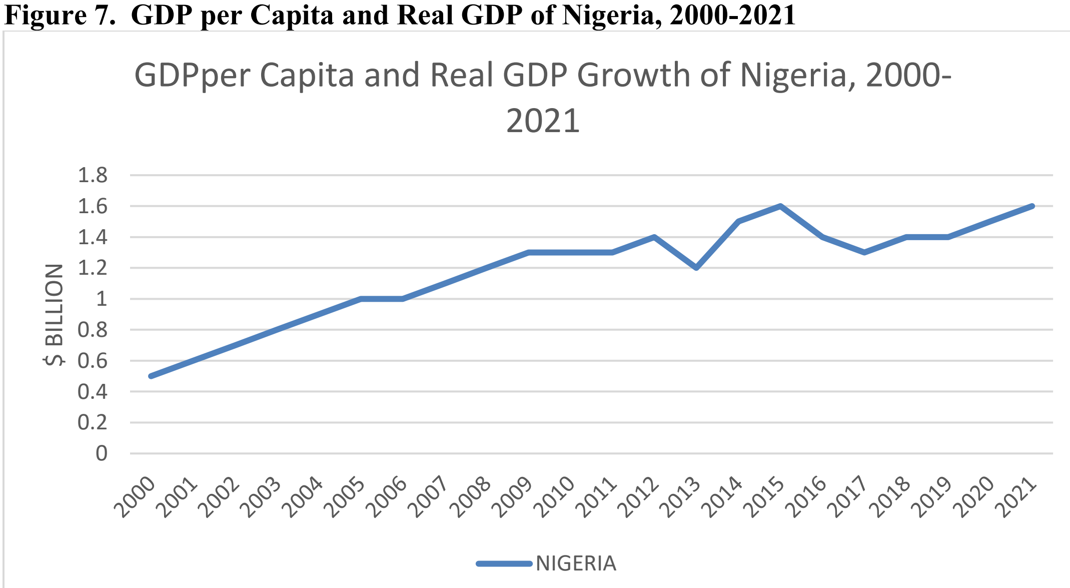
Figure 6. Respective sizes of Nigerian economy (GDP), 2000-2023.



Source: World Bank, 2023

Agriculture was the main stay of the economy before the discovery of crude oil, but today, the oil sector for 80% of government revenue, 90% of total export and 95% of foreign exchange earnings. Nonetheless, the service sector is the biggest contributor to Nigeria's GDP, accounting for 57% of GDP compared to the agricultural sector's 22% and the industry sector's 21% (World Bank, 2021).

Figure 7. GDP per Capita and Real GDP of Nigeria, 2000-2021



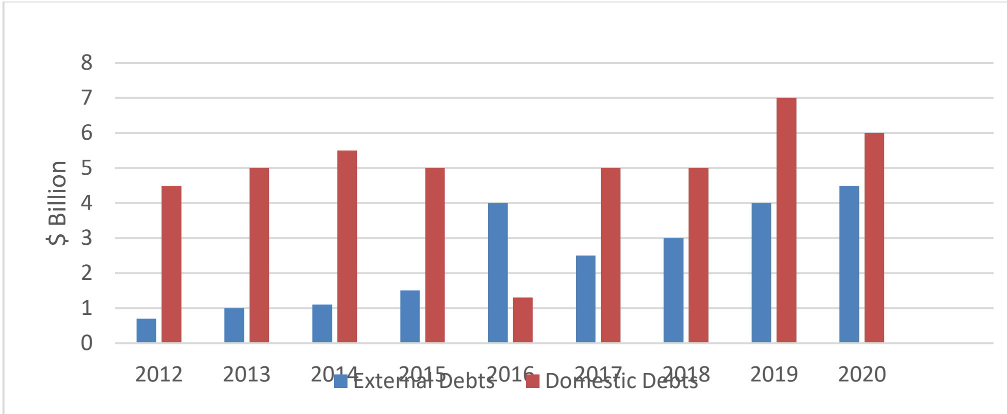
Source: World Bank, 2023

In Nigeria, economic fluctuations from 2000 to 2020 were previously driven by the country's heavy reliance on oil exports and external factors. The surge in global oil prices in 2002, driven by increased demand and geo-political tensions, provided a windfall for Nigeria. However, this was followed by significant economic down turn in 2016 and 2020. The 2014 commodity prices shocks, resulting from a drop in oil prices from the supply glut in the global oil market, led to a recession in 2016. A key driver of this glut was the Shell oil boom in the US and the organization for economic cooperation and development's, OPEC production decisions, which impacted Nigeria's economy (Baffes, & Vorisek, 2018).

In addition, China's shift to a more consumption driven economy also affected the demand for communities, including oil, further harming Nigeria's economic stability. This shock was followed by the global upheavals unleashed in the Covid-19 pandemic. Also, structural challenges such as declining oil production, a lack of investment, infrastructure short comings and vandalism of oil facilities and reliance on imports hampered the country's ability to maximize gains, highlighting the need for economic diversification and reforms.

The table below examines the external and domestic debt stock of Nigeria from 2012 to 2020. Nigeria's external debt has surged due to oil price fluctuations, reaching $114.4 billion growing faster than GDP. Debt servicing consumes a significant proportion of government revenue, estimated at 94% in 2020. Over shadowing key sectors like education 8%, health 5% and infrastructure with 6% of the budget allocated. To address the challenges posed by the debt overhang and the debt servicing burden, Nigeria has taken steps to manage its debt through, debt restructuring and securing loans and financial support from international organizations such as the International Monetary Fund and World Bank (World Bank, 2021).

Figure 8. Nigeria's External and Domestic Debt Stock, 2012-2023.



Source: World Bank, 2023

Table 4: Global, regional and national crises that affected Nigeria's economy from 2000-2020

Year	**Crisis**	**Causes**
1999-Present	farmers/herders	Conflict over farmland, grazing routes
2007 – 2008	Global financial crisis	Collapse of house finance market in the US low Interest rates, easy credit, inadequate regulations.
2009-Present	Boko Haram	Insurgency
2014 – 2016	Commodity price shocks (global), Ebola (regional) and electricity/financial (national).	Drop in prices from supply glut in the global market, zoonostic and human transmission of Ebola and travel migration.
2012-2020	Agricultural shocks	Flood, drought
2019 – 2020	Covid 19	Declaration of Pandemic, trade and financial restrictions.

Source: Onyekwena and Edafe, 2021

Global financial crisis 2007-2008: the 2007 to 2008 global financial crisis had a significant impact on Nigeria due to its heavy reliance on crude oil exports and capita inflows. The crisis led to decreased demand for oil exports and challenges in the banking sector, despite some reforms. Surprisingly, Nigeria's economy remained resilient, with steady GDP per capita growth attributed to the impressive performance of the non-oil sectors, like agriculture and prudent macro-economic policies. Nigeria's GDP per capita growth stood at 3.7%, in 2007, 3.9% in 2008, 5.1% in 2009 and 5.1% in 2010 respectively.

Commodity price shock 2014- 2016: over the years, Nigeria's economy has remained vulnerable due to its heavy reliance on crude oil, despite a decline of the share of GDP. Oil exports accounted for over 90% of total exports and 86% of foreign exchange inflows over the period. The 2014 to 2016 commodity price shock caused a significant drop in oil prices, impacting the Nigerian economy in the form of currency depreciation and inflationary pressures. Nigeria had experienced decade of robust economic growth, averaging 6.8% annually until 2014, largely driven by high oil prices, strong consumer demand and a growing services sector. However, economic growth declined significantly in 2015 and further contradicted in 2016 due to a plummeting oil price; which reached a low of $27 per barrel in 2016 from $115 per barrel in June 2014, as well as attacks on oil infrastructure, energy shortages and foreign exchange difficulties. The non-oil sector was not robust enough to compensate for the oil induced recession inflation surged to 17.1% in July 2016, which was mainly attributed to structural and cost-push factors, low industrial activity, high electricity tariff and currency depreciation. Fiscal balances shifted from surpluses to deficits, with the 2016 budget reflecting increased debt servicing cost and fuel subsidies. Export resources dropped sharply, and the current account balance turned negative. Gross international reserves also declined, posing challenges for the Nigerian economy.

Ebola 2014-2016: the Ebola virus disease was introduced to Nigeria by a Liberian Diplomat who visited Nigeria in July 2014. This precipitated the taking of immediate measures by the Federal Ministry of Health and Nigeria's Centre for Disease Control, such as quarantine and emergency declarations. Nigeria faced initial challenges, such as a lack of preparedness and diagnostic capacity, but overcame these by adopting a multi-sectoral approach.

Covid-19: the Covid-19 crisis, which triggered a global recession in 2020, led to a significant reduction in global economic activity, particularly in Nigeria, which relies heavily on imports. The pandemic impacted the national budget, necessitating adjustments due to the drop in the oil price. Nigeria's vulnerability to the oil price shock triggered volatility in the foreign exchange market and a reduction in fiscal space; thus negatively affecting the country's resilience to the Covid-19 shock. The decline in oil and tax revenues resulted in an estimated $10 billion reduction in government revenue in 2020. In this regard, between 2019 and 2020, government revenue decreases from 8% to 5% of GDP. This led to rising food inflation, high unemployment rates, and mass protests in 2020 and worsening food insecurities (NBS, 2021).

Agricultural shocks: agriculture plays a vital role in Nigeria's economy, accounting for approximately 23% of real GDP over the past decade. However, the sector is highly susceptible, to climate change, particularly in terms of crop yield reduction caused by drought and floods mostly in rural areas. These shocks have had adverse effects on food production, availability and prices, making basic food items less affordable for many Nigerians (World Bank, 2021).

In Nigeria, inter and intra ethnic rivalries, religious crisis and insecurity also constitute potent challenges. There have also been frequent inter religious clashes and sharia instigated riots in the Northern part of Nigeria as well as the emergence of the Boko Haram Islamic Jihadists with well-known preferences in religious belief and social practices (Eso, 2011). These inter and intra ethnic rivalries and religious crises not only result in the loss of human and material resources that cannot be quantified in monetary terms which occasioned untold economic hardship, they most fundamentally breed state of anarchy that threatens the unity and corporate existence of the Nigerian state; leaving those who act on behalf of the state with magnitude of national issues to contend with. For instance, while the militancy in the Niger Delta took a heavy toll on the nation's economy because of its dependence on oil for foreign exchange earnings, the Boko Haram insurgency in the North has left as at last count over 16,000 policemen, soldiers and civilians, including politicians' dead. Properties worth millions of naira destroyed. This has resulted in Nigeria being considered as unsafe country for foreign direct investments. This is compounded by acute youth unemployment. Various estimates put unemployment rate in the country at between 20% and50%. Among graduates of tertiary institution, unemployment rate is put at between 50% and 75%. This has resulted to general insecurity and high crime rate in the Nigerian society (Fatoki & Ajayi, 2017).

Human capital is another indirect channel through which democracy affects growth. As mentioned earlier most democracies place great weight on providing the basic needs of the public. It can also be maintained that human capital is indirectly affected by instability. To Annett (2001) political instability leads to higher government consumption aimed simply at reducing the risk of losing office, thus leaving little room to spend on human capital development. Conversely, economic freedom and government effectiveness promote human capital development as they encourage specialization, thereby increasing the productivity of human capital.

Political Instability and Economic Growth

Political instability can have serious consequences for economic growth as there is a direct connection between capital flight and instability. When regimes are unstable, savings decrease because citizens fear losing value, and consumption increases. Investors reduce demand for fixed capital and prefer short-term, liquid, and speculative investments. This reduces productive investment and slows economic development (Feng, 2001). Resnick (2019) observes that peaceful democratic societies tend to sustain growth better than conflict-prone or authoritarian ones. Ghana's sustained growth reflects strong political institutions, free elections, and respect for human rights. Compared to countries like Côte d'Ivoire, Ghana has avoided large-scale internal conflicts. Ghana's successful Eurobond issuance in 2007 further reflects investor confidence driven by political stability (Chung, 2007).

According to Samuel Baah-Duodu (Ghana High Commission, Abuja, interview August 24, 2023), stable democratic governance assures investors of safety of investments. Government effectiveness, trade liberalization, and strong institutions increase investor confidence and productivity.

Conclusion and Recommendations

Most studies in Sub-Saharan Africa highlight weak governance, weak institutions, and poor resource distribution, all of which undermine political stability. Ghana performs better due to stronger governance and peaceful coexistence. Nigeria can learn from Ghana's experience. Democracy, economic growth, and development thrive in peaceful environments. Ethnic and religious violence should be discouraged. Unemployment and poverty must be addressed as they remain major threats to democratic governance and national stability.

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