TITLE PAGE

POVERTY AND THE NIGERIAN ECONOMY

A PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELOR OF SCIENCES (B.S.C) DEGREE IN ECONOMICS

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EC / 2009 / 701

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AUGUST 2013

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DEDICATION:

This research work is solely dedicated to God Almighty and to my beloved and caring parents; Mr. and Mrs. Imaga Uka whose sacrifice and benevolence had made my education a success and a possibility.

ACKNOWLEDGEMENT:

I am indebted to many people who in their own way and style have contributed not only to my research work but also to making my stay in this prestigious institution worthwhile.

First of all, I wish to acknowledge the effort of my able supervisor Mr.Osoduru P.E.C for his patience, fatherly advice, and knowledge impacted on me to make my project a success.

I also cannot fail to acknowledge my lecturers who on daily basis impacted their wisdom on me to make me come out of the institution knowledgeable. Without passing through them my stay would not have been complete.

My friends cannot be left out of the picture because I did everything with them in, spent my hard times and lovely times with them and has continued giving me support no matter how annoying I became, they were Onyeka Akabogu, Emmanuel Uzodimma, Udochukwu Nwoha, Stanley, Christopher, Felix Chimeze, Dubem, Chike Nwanosike, Elochukwu, Benson, Dozie, Nnamdi, Sixtus, Ebuka, then the female counter pacts who were always there assisting me with their soft, caring and sometimes annoying nature they were Ozioma, Chinwe Ukonta, Oluchi Enderlyn, Oluchi Okeke, Nkechi, Mary Jane, Rachel and many others who in their ways helped to encourage me in my research work. I am greatly indebted to you all. And I am very grateful.

Finally I cannot repay the debt I owe to you my parents that brought me into the world and gave me the best gift you can give to a child which is education and still did not leave me but still aided me financially, spiritually and your daily elderly advices. I sincerely appreciate all u did for me.

And to all those who contributed in one way or another but was not mentioned be rest assured that your contributions were put to heart and well appreciated and pray for God’s reward on you all and God’s blessing on your efforts.

TABLE OF CONTENTS

Title page ………………………………………………………. I

Approval page ……………………………………………….. ii

Dedication ……………………………………………………iii

Acknowledgement ……………………………………………….iv

Table of contents ……………………………………………….. VI

Abstract ……………………………………………………..... IX

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE STUDY………………………………1

1.2 STATEMENT OF THE PROBLEM………………………………5

1.3 OBJECTIVE OF THE STUDY……………………………………6

1.4 SIGNIFICANCE OF THE STUDY………………………………6

1.5 SCOPE AND LIMITATIONS OF THE STUDY………………….6

CHAPTER TWO: LITERATURE REVIEW

2.1 THEORETICAL LITERATURE……………………………………7

2.2 EMPIRICAL LITERATURE………………………………………19

CHAPTER THREE: METHODOLOGY

3.1 NATURE OF THE MODEL………………………………………24

3.2 MODEL SPECIFICATION……………………………………..24

3.3 ESTIMATION PROCEDURE……………………………………25

3.4 TECHNIQUES FOR EVALUATION OF THE RESULT……………..25

3.4.1 EVALUATION BASED ON STATISTICAL CRITERION…………….25

3.4.2 EVALUATION BASED ON ECONOMETRIC CRITERION……………26

3.5 DATA SOURCE…………………………………………………….27

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 PRESENTATION OF RESULTS…………………………28

4.2 INTERPRETATION OF RESULTS…………………………..29

4.2.1 ANALYSIS OF REGRESSION COEFICIENTS……………………29

4.2.2 ECONOMIC A PRIOR EXPECTATION…………………………….30

4.2.3 STATISTICAL CRITERIA (FIRST ORDER CONDITION)………….31

4.2.4 ECONOMETRICS TEST (SECOND ORDER TEST)………………….34

4.3 HYPOTHESIS TESTING …………………………………………….38

CHAPTER FIVE: SUMMARY, POLICY RECCOMENDATIONS AND CONCLUSION

5.1 SUMMARY ………………………………………………….40

5.2 POLICY IMPLICATION………………………………………..41

5.3 CONCLUSION………………………………………………..42

BIBLIOGRAPHY……………………………………………………43

ABSTRACT:

This research study by means of robust statistical analysis investigated the poverty situation in Nigeria and how it affects the citizens and the economy at large. This research was taken in a period of 25 years which is from 1985 – 2010. The ordinary least square method was used to investigate this work.

The empirical analysis carried out showed that the Nigerian economy has changed from a diversified economy to a mono economy because of the over dependence of the oil sector and this has resulted to the increase of poverty in Nigeria

Using the ordinary least square regression we see that there is a positive relationship between the per capital income and the GDP of the country, positive relationship between government expenditure on health and GDP but a negative relationship between government expenditure on education and unemployment and the GDP of the country.

The Nigerian government in curbing this problem of poverty has introduced many poverty alleviation policies and programmes but they have all been a failure because the implementation of these policies did not take into cognizance the masses that they are doing these policies for.

CHAPTER ONE

1.1 BACKGROUND OF THE STUDY

Poverty has many aspects of perception. Some people or most people take poverty as deprivation and deficiency. But poverty is a phenomenon which has historical, social, psychological, cultural and international dimension, these means that poverty's definition depends on the angle the person looking at it looks at it.

As there are variations in the living standard of people round the world the same way the economic growth rates vary from one nation to another. Some countries are poor; some are fairly well off while others are rich. However as everything is relative so is poverty, what most people in the united states today see as stark poverty would be seen as luxury in some parts of Asia and Africa.

The key variables by which the poor can be singled out are: food, income, health, freedom, justice, equity etc. And all these variables mentioned above are the key challenges facing our beloved country Nigeria today. But the key challenge facing Nigeria and other developing countries is how the country can sustainably feed her population and Nigeria's population is over 140 million people.

Although Nigeria has one of the world's biggest economic growth rate (averaging 7.4% over the last decade) and also blessed with plenty of natural resources such as oil, but still it retains a high level of poverty with 63% living below $1 daily. When one talks about poverty in Nigeria it knows no bound as it is visible in all aspects and segments of the society. Poverty is not just limited in the rural areas it is also evident in the urban areas slums in the country.

As said earlier poverty is relative and also physical. It is physical because one can note its effects on the people that are affected by poverty and it is relative because what is regarded as poverty in some nations can be seen in other nations as luxury.

The poor are those that have limited and insufficient food, poor clothing, live in crowded and dirty shelter (Galbraith 1995), cannot afford medical care and recreations, cannot meet family and community obligations and other necessities of life. When we come home there is no precise definition or explanation needed for an individual to know what poverty is, as many people cannot afford decent food ,medical care, recreation, decent shelter and clothing meet up with family obligations etc, no wonder poverty is regarded as a form of oppression (UNDP conference Report,15-17 March 2011).

Poverty means more than been impoverished and more than just lacking financial means, it is an overall condition of inadequacy, lack and scarcity, deficiency of economic, political and social resources. These are a broader perspective of poverty which reflects its true dimensions. Therefore someone can be said to be in poverty if the person's income and resources (material, cultural and social) are so inadequate as to exclude them from having a standard of living which is regarded as acceptable by the society generally.

Poverty is not a respecter of creed, race or educated and uneducated, it affects all when it strikes. Nigeria is a country that enjoys the bountiful environment of nature and yet cannot appropriate the natural resources to its advantage. It is greatly ironic that at the last two decades Nigeria has received over $300 billion on oil and gas revenue and at the same time the population of the critically poor has been doubled. Nigeria has been described as a paradox by the World Bank (1996) in the sense that the poverty level in Nigeria contradicts the country's immense wealth. Nigeria retrogressed into been one of the 25 poorest countries at the threshold of the 21st century whereas she was among the richest 50 in the early 1970s.

The big question is what are the causes of this poverty despite the country's immense wealth and natural resources? The shift in emphasis from agriculture to oil exploration in the early 70's is one of the causes. These shift transformed the country's economy to a mono economy making us to abandon other sectors that give us revenue like agriculture. The fact that the resources generated by oil are not been invested in the non oil part of the economy of which 90% of Nigerians depend on for their livelihood is another issue. It has been estimated that more than 80% of all poor live in the rural areas of which 92% of them live in absolute poverty. And these poor people in the rural areas are mostly into our abandoned agriculture, they are usually small scaled.

Many administrations have tried eradicating poverty in the wrong way, most administration think that by enhancing growth and development of the cities that it would subsequently promote the development of the rural communities by way of "trickledown effect'' but these rather created a wide gap between the people in the cities and those in the villages. The villages became disadvantaged, isolated, dull as the youth and able bodied men left the village to escape the rural drudgery and also search for white collar jobs.

Nigeria has in its own way tried to eradicate poverty through many poverty alleviation programmes which were geared towards reduction of poverty in the country. The poverty alleviation and development plan started in year 1994, the structural adjustment programme of 1986, the national accelerated food production project, the poverty alleviation programme of early 2000 which looked at employment and crime wave among the youths, the operation feed the nation of 1976, USAID of 1975 but so far all these programmes have failed to obtain their objective which is reduction of poverty.

1.2 STATEMENT OF THE PROBLEM

The problem of poverty in Nigeria is not to be entirely blamed on lack of sufficient resources but also on the allocation and management of these resources that are available for use.

Despite the fact that monetary measures is simple studies have shown that these measures are deficient (Revallion 1996). Revallion argues that poverty is multi faceted; therefore multi indicators are necessary including measures of real expenditure per adult access to non market goods like health and education. Hence for effective poverty measurement there is needed to go beyond money metric measures. It is necessary to employ multi dimensional approach in which expenditure on market goods is placed side by side with “non income goods’’ and indicators of intra household distribution. These will help us to understand the causes of poverty more so that better policies that can fight poverty can be formulated.

1.3 OBJECTIVES OF THE STUDY

The objectives of the study are to evaluate the performances of the Nigerian economy. Specifically the study tends to examine

- ✓ How the Nigerian economy had fared in the poverty trend
- ✓ The effect of poverty on output.

1.4 HYPOTHESIS

- ✓ There is no positive trend of poverty in Nigeria
- ✓ There is no effect of poverty on output in Nigeria

1.5 SIGNIFICANCE OF THE STUDY

The study attempts to put together the poverty cases in the Nigeria economy and its effects on the people. This study should serve as a document for those with power strong enough to influence anti - poverty policies. It should be regarded as a guide to policy matters in our country Nigeria and other third world countries.

1.6 SCOPE AND LIMITATIONS OF THE STUDY

The scope of this study is to analyze the Nigerian economy on poverty. This duty is limited to the Nigerian economy for the period of 1986 -2010.

CHAPTER TWO

THEORETICAL LITERATURE

The answer to the effects of poverty has been the key research of many economists in the world. This was because while some countries had maintained a continuous growth others were falling or stagnating. The degree, intensity, severity of poverty is referred to as the degree of impact of poverty on a given population. When you look at the Nigerian economy the problem of poverty has been a long time cause of concern to the past and present governments. Governments focused on structural developments, town and country planning as a practical means of dealing with the problem. Some poverty policies and programs have been put in place by the government as a way of curtailing poverty. In a fairly recent survey Nigeria poverty profile was described as wide spread and severs. Nigeria's basic social indicators now place her as one of the 25 poorest countries in the world.

Whether you measure poverty in relative or absolute terms poverty is generally more visible and acute in the rural areas of Nigeria. Although population of the people dwelling in the urban areas are in constant increase because of the constant migration of youths and able bodied men from rural areas to the urban areas.

Jones (1986:61) has explained that the causes of poverty in any nation is associated with the socio political and economic setting of such a nation and not necessarily the people, the implication here is that the type of leadership available in any state has direct bearing or linkage with the many causes of poverty of that nation or country. Some of the causes of poverty include the following:

- ✓ Economic and underdevelopment of that economy
- ✓ Low productivity of goods and services
- ✓ Weak governance
- ✓ Corruption etc.

Economic underdevelopment:

Nigeria is suffering from economic underdevelopment. The country just like many other undeveloped countries depend on developed countries for trade, finance, technology, military know how etc. Nigeria lacks the autonomous capacity to control, exploit and manage the natural, economic and human resources. This situation makes us depend heavily on imports from developed countries and these affects our domestic industries as they are unable to compete with import substitution and these leads to reduction of employed people send these in inevitably increases crime in the country.

Low productivity:

Productivity is defined as the measure of how resources are been brought together in organizations and utilized for accomplishing a set of results. (Mali, 1978:6). The concept of production therefore seeks to establish a relationship between inputs and the resulting output with a view to determine whether resources are yielding expected results. In Nigeria the country's abundant human and natural resources have over the years failed to yield the necessary results of improving the people's living condition hence there is high poverty in the country. Factors necessary for low productivity are weak government, poor attitude to work unemployment, indiscipline corruption etc.

In 1985 using the benchmark for poverty as estimated by World Bank on the basis of 2/3rds of the mean per capital household expenditure i.e. (395.00 naira) about 43.0% of the entire population was considered poor, 31.7% of the urban population and 50% of the rural population lived poverty line.

Let's take a look at how poverty is really measured? According to Sen. (1959:360), the first known traditional approaches for measuring poverty began with specification of a "poverty line'' sometimes called the "head count measure''. These are applied by counting the number of people below the poverty line income. A person is said to be in poverty if his consumption of income level falls below some minimum level necessary for meeting his basic needs. These minimum level now is what it's known as the "the poverty line''. This poverty line varies from country to country. Most international bodies like World Bank adopt poverty line that suits their values. In Nigeria the vision 2010 committee set up by late general Sani Abacha military government had in 1997 established for the country a poverty line of 3920 naira) per head per month at 1997 current prices. The United Nations development programme (UNDP) uses the human development index (HDI) to measure human progress or retrogression. This is done by utilizing data on life expectancy, adult literacy rate and purchasing power parity (PPP) or real GDP per capital adjusted for local cost of living. As of 1997 the UNDP ranked Nigeria 146 out 174 countries in HDI. This shows that there is high poverty in Nigeria (UNDP 1997:3).

In most urban areas, poor wages, high unemployment rates, absence of social security benefits have limited the ability of people to provide the basic needs of human existence. Similarly the intensity of the poverty level in the rural areas is not only visible in the low income but in the poor living condition with little or no access to portable water, electricity and modern care facilities. Indeed in terms of quality of life, detoriation in income, employment, and poor social infrastructures the poor has become poorer and the rich has become richer.

As we know skill is a requirement for gainful employment but when you look at the incidence of poverty among educated Nigerians it reflects the problems of unemployment and low wage levels even among that have regular or self employment. The problem of Nigeria is the pattern of development of which the government has tended to favor the urban sector to the detriment of the traditional rural sector consistently worsening the domestic terms of trade of the latter.

Evidence from the World Bank poverty assessment on Nigeria using the 1992/93 household data shows that the nature of those in poverty can be distinguished by the following characteristics: sector, education, age, gender, and employment status of the head of the household, (FOS, 1995) other characteristics include household size, and share of food in the total expenditure.

The research showed that 67.1 million Nigerians were in poverty in 1997/98 out of which 33.3 million and 48.8 million were located in the urban and rural areas respectively (FOS, 1999). Thus about 65% of the poor live in the rural areas indicating that poverty is high in the rural areas. An instance is in the year 1992, 46.4 million Nigerians were said to be living in absolute poverty out of which 80.2% or 37.7 million were in the rural areas (Ogwu Mike, 1996). The marginalization of the rural areas through urban based development policies is largely responsible for the poverty incidence in the rural areas. The challenge in Nigeria is not to improve one sector and abandon another or to introduce policy distortion and inefficiencies in resource attraction to benefit one group or sector. The challenge is to adopt growth and social service oriented policies (i.e. public expenditure revenue and investment budget) that will enable all its inhabitants to improve their welfare.

The framework of neo classical economics can be viewed as a summation of the various contributions of authors to the model of long run economic growth.

Solow (1956) made huge contributions to the growth of economic theory in which he has been seen as the pioneer of neo classical model. (Domar 1957:8)

The implementation of the neoclassical growth model can be viewed on a short run and long run analysis. In the short run policy measures like the tax cut will affect the steady state level output but not the long run growth rate. Instead growth will be affected as the economy converges to the new steady state level of output which is determined mainly by the rate of capital accumulation, this in turn determined by the proportion of output that is not consumed but is used to create more capital (saving rate) and also the rate at which level of capital stock depreciates. This implies that the long run growth rate will be exogenously determined and the economy can be predicted to converge towards a steadying state growth rate which depends on the rate of technology progress and labor force growth. Therefore a country will grow faster if it has a higher saving rate.

Modification of the neo classical growth model can be greatly attributed to the line of thoughts of Ramsey (1928), Cass (1965) and Koopmans (1965) which are centered on the social planning problems(not market outcomes) that uses a dynamic optimization analysis of household's saving behavior which is taken as a constant fraction of income by Solow. Their basic assumption is that agents in the community are identical and they live forever. This means that they will maximize their utility over their life time.

The new growth theory which is also known as the endogenous growth theory started gaining feet firmly in the growth literature in the early 1980's. this came about as a response to series of criticisms with the assumptions made in the neo classical theory, they tend to discard the assumption of constant return to sale by replacing it with increasing returns to scale and try to see growth as generated by variables that are been determined within the model. So technology and human capital are seen as endogenous unlike the neo classical model that assumed these to be exogenous. However their main emphasis about the long term growth is that they do not depend on exogenous factor and investment (king and Kebelo, 1990).

The assumption of increasing returns was a major challenge in the growth models since this is not applicable in the perfectly competitive market because the production factors cannot be paid from the amount produced. But his problem was solved by using the increasing returns that are only external to the firm and this was first seen in Romer (1986), Lucas (1988) and Barro (1990), increasing returns have been specified by Romer (1986) as a major requirement in achieving endogenous growth while emphasis on human capital accumulation as endogenous growth models was explicit in Lucas (1988).

However the new growth theory has gained tremendous popularity over the few decades and thus strength can be attributed to their ability to solve most of the limitations of neo classical growth model and the inclusion of some socio economic management.

The economy has over dependence on the capital intensive oil sector which provides 80% of GDP, 56% of foreign exchange earnings and about 65% of government revenues. The largely subsistence agriculture sector has not kept up with rapid population and Nigeria once a large net exporter of food now imports some of the food product that it once produced. The Nigerian economy is struggling despite its vast wealth from fossil fuels to displace poverty that affect about 57% of its population. The co-existence of vast wealth in natural resources and extreme personal poverty in developing countries like Nigeria is referred as the “resource curse’’, Nigeria exports of oil and natural gas at a time of peak prices have enabled the country to post merchandise trade and current account surpluses in recent years. Reportedly 80% of Nigeria’s energy revenue flows to the government, 16% covers the operational costs and the remaining 40% goes to investors. However the World Bank has estimated that results of corruption of 80%of energy revenues benefit only 1% of the population. Nigeria’s economy is highly inefficient moreover, human capital is under developed. Nigeria ranked 151 out of 177 countries in the United Nations Development Index in 2004. During the 2003 -2007 she has attempted to implement an economic reform program called the National Economic Empowerment development strategy (NEEDS). The purpose of NEEDS was to raise the country’s standard of living through a variety of reforms including deregulations, liberalization, privatization, transparency, and accountability. NEEDS addressed basic deficiencies such as lack of fresh water for use and irrigation, unreliable power supply, decaying infrastructure, impediments to private enterprise and corruption.

The government hoped that NEEDS would create millions of new jobs, diversify the economy, boost non energy exports, increase industrial capacity utilization and improve agricultural productivity. To measure poverty some income based measures such as GNP per capital, purchasing power of real GDP may be used. The Gini index that measures the extent to which the distribution of income over consumption expenditures among individuals. Other approaches seek to measure the standard of living by establishing a poverty line that differentiates the poor from the non poor. Methods of estimating the poverty line under the absolute poverty approach is the food energy intake (FEI) and the cost of basic needs

(CBN). Both methods are anchored on estimating the cost of attaining a pre deformed level of food energy or calorical intake (Revallion and Bidani 1994). Another measure is the HDI. Human development Index was brought out to measure the quantitative measures of the economy and the social indicators of human development. Karl Marx argued that poverty and income inequality could bring down the economy to capitalism, he stated that poverty means less consumption of food products by the poor masses, thus he further argued that it will lead unsold stock or glut and further hinder production.

Victor Fundis (1967) defined poverty as “those with income less than one of median income”. Another definition of the poor in the economist report. President (1964) he argued that by the poor, we mean those who are not maintaining a decent standard of living, those who their basic needs exceed their means to satisfy them.

Anyanwu J.C. (1997) categorized the following as poor especially within the context of Nigeria.

- ✓ Household /individuals below the poverty line and where income is insufficient to provide for this basic needs.
- ✓ Households/individuals lacking access and other forms of support.

- ✓ Persons who had lost their jobs and those who are unable to find employment as a result of economic reforms during the structural adjustment years.
- ✓ Ethnic minorities, who are marginalized, deprived and persecuted economically, socially, politically, and otherwise.
- ✓ People in isolated areas that lack essential infrastructure.

Poverty manifests itself in different forms depending on the nature and extent of human deprivations. When the level of minimum consumption to sustain human existence becomes important in distinguishing the poor from the rich, the low income earners serve as the stratum of poor individuals or households.

Some other works under (HDI) include the World Bank Development (WBD) where poverty was seen as the inability of persons to attain a minimum standard of living. The addition, it is good we note that it is difficult to experience growth if the condition of the poor are not met and also poverty will not reduce if there is no growth. The growth of poverty relationship as to development can be seen from two perspectives.

- ✓ Traditional view
- ✓ Poverty trap view

The traditional view of development sees a country's characteristics, institutions and the policies as a major determinant of its pattern of growth and if these constraints are not favorable to growth poverty level will rise. The traditional view sees these constraints s exogenous meaning that they are not been determined within the system.

The poverty trap view sees poverty as a major setback to growth. In other words, a country that is initially poor will tend to develop a unique characteristics, not well functioning institutions and policies and hence transform into an unfavorable pattern of growth, so a country that is initially poor will remain poor while those that are rich will keep staying rich.

This research work has revealed the oil dependency and structural constraints embedded in the economy. It also shows that the performance of the economy has not led to a significant reduction on poverty. The growth performance of Nigeria has been poor and remains a huge challenge despite rising growth in the country's gross domestic product.

2.2 EMPIRICAL REVIEW/ LITERATURE

Sam Aluko (1995) in his work saw poverty as a situation where the resources of the individual are inadequate to provide socially accepted living standards. In otherwise the individuals live below the conventional poverty line demarcating the rich from the poor. In the year 1992 the Nigerian government described the poor as those unable to live a decent life while defining the term poverty as not having enough to eat, a high rate of infant mortality, low life expectancy, low educational opportunity, poor water, inadequate health care, unfit housing, unemployment, and lack of active participation in decision making (Federal Ministry of Economic Development1992:13). In a recent survey by federal office of statistics(FOS 1996) published by the World Bank under the auspices of the Nigerian planning commission (NPC) titled poverty and welfare in Nigeria 1997, Nigeria's pestering poverty was described as severe and widespread.

According to the World Bank the number of people especially Nigerians in poverty is increasingly significant. "Poverty ratio remains high in Nigeria, particularly in the rural areas. These rates declined between 2003 -2004 and 2009-2010, although not nearly as should be expected from the pace of economic growth in the country" these was said by the World Bank in its Nigerian economy report (May 2013).

The officially reported growth rate of GDP exceeded population growth in the country, the pace of poverty reduction did not reduce, and this implies that the number of poor Nigerians living below the poverty line has grown measurably. The report stated also the progress towards millennium development goals.

Nigeria ranked 153 out of 186 countries in the 2013 United Nations human development index. Also the official unemployment rate keeps increasing from 12% in 2004 to 24% in 2011 and it has kept increasing till now.

As presented by the statistician General of the federation Chief Executive officer, National Bureau of statistics Dr Yemi Kale on Monday 13th February 2012. He presented the Nigeria poverty profile report 2010 a report which emerged from the recently conducted harmonized Nigeria living standard survey (HNLSS) conducted by national bureau of statistics (NBS) with support from the World Bank, DFID (UK) and UNICEF. In 2004 the Nigerian relative poverty measurement stood at 54.4% but increased to 69% (or 112518507 Nigerians) in 2010. The North West and the north east geo- political zones recorded the highest poverty ratio in the country with 77.7% and 76.3% respectively in 2010. While the south west was 59.1%. Among states in Nigeria Sokoto had the highest poverty rate at 86.4% while the Niger had the lowest with 43.6%in 2010. 54.7% of Nigerians are living in absolute poverty in 2004 but these increase to 60.9% (or 99284512) Nigerians in 2010. The north east and the north west recorded the highest rate at 69% and 70%

respectively while the south west had the least rate at 49.8%. At state level Sokoto had the highest at 81.2% while Niger had the least at 33.8% in 2010. Referring to people living below the poverty line at 2004 and 2010. The poverty line then was us$1 a day. 51.6% of Nigerians were living below the poverty line at 2004 but these increased to 61.2% in 2010. Although the world standard is us$1.25 but us$1 is still the standard used in Nigeria. The North West had the highest percentage of 70.4% while the south west had the least of 50/1%. Sokoto had the highest rate of 81/9% while the Niger had the least of 33.9%. When we look at people living in subjective poverty 75.5% considered themselves poor in 2004 and in 2010, the number went up to 92.9%. The federal capital territory recorded the most number of people who considered themselves poor at 97.9%, Kaduna recorded the least number of people who considered themselves poor at 90.5%.

In 2011 using the relative, absolute and dollar per day poverty measures. It is estimated that poverty rose to about 71.5%, 62.8% respectively in that year. However it is expected that as the economy grows one would see a striking effect as in improvement in welfare of the citizens in that country, meaning that the growth of the economy should have a high impact on the level of poverty. Poverty can be used as a barrier to growth in the sense that a country will not grow if the citizenry are poor. This line of thought has opened the door to the existence of poverty trap, where poverty and growth interacts in vicious cycle, meaning that a high poverty level will lead to low growth and low growth will lead to high poverty level (World Bank, 2006:104).

Therefore it is important for any economy experiencing a poverty trap to maintain a focus strategy macroeconomic policy that would rely either on pro growth or pro poor since there are two directions between growth and poverty. The effectiveness and genuineness of any theory be it in economics or otherwise is tested by its behavior when subjected to empirical analysis. It is in the light of that that the researcher finds it necessary to review the empirical literature of work done by previous economists.

An empirical analysis study of poverty using the cost of basic needs approach (CBN) was carried out by Oguike (1989), he examined the utility of poverty that take into account the basic needs. He used data from 980 households from Borno, Imo, and Oyo state; he drew up a poverty line based on the weekly requirements of an average household to six to be #38 per head for a month. The study estimated that 46 million Nigerians were living in poverty as at 1987.

Another one was undertaken by the World Bank (1995). The study was able to assess poverty trend between 1965 and 1992. It was also examined that the distribution of poverty in terms of urban, rural, and regional settlements (poverty profile). According to World Bank development report (May 1992). Nigeria’s average annual growth rate between 1965 and 1990 stood at 0.1% less than South African country of Mali, with 1.7%, North Africa of Egypt with 4.1%.

Ben. E.Aigbokham (2000) used his head count index; the study found that an increasing number of Nigerians were living in absolute poverty over the study period.38% in 1995, 43% in 1992 and 47% in 1996. The corresponding numbers are 38%, 35% and 37% in the rural areas and 41%, 49% in the urban areas.

In summary all theories and studies have established strongly a high and worsening incidence of poverty in Nigeria as measured by the detoriated socio economic and other indicators of poverty such as unemployment, income level, housing conditions as well as access to infrastructures.

CHAPTER THREE

3.1 NATURE OF THE MODEL

According to Kaltsyiannis (1977:12), the first and the most important step a researcher has to take in attempting the study of any relationship is to express it in a mathematical form, which is to specify the model with which the econometric phenomenon will be explained empirically. Specifying the model in a functional form.

PCI=F (Edu, Hlth, GDP, Unempl, Pop)

3.2 MODEL SPECIFICATION

$PCI=\alpha0+\alpha1edu+\alpha2hlth+\alpha3GDP+\alpha4unempl+\alpha5pop+\mu1.$

Where: PCI = per capital income

EDU = Education

HLTH = Health

GDP = Gross domestic product

POP = Population

UNEMPL = Unemployment.

3.3 ESTIMATION PROCEDURE

The procedure per estimation adopted in this study is the ordinary least square (OLS) single equation attributed to Carifriedrish Gauss German mathematician. The method is preferred because its parameter estimates have properties of linearity, unbiasedness, and minimum variance among class of unbiased estimators possesses the blue properties of best linear and unbiased estimators which are consistent and sufficient.

3.4 TECHNIQUES FOR EVALUATION OF THE RESULT

The technique for calculating the result will be based on economic apriori expectation, statistical tests and econometric tests.

3.4.1 EVALUATION BASED ON STATISTICAL CRITERION (FIRST ORDER TEST)

- ✓ R^2: this measures or explains the total variations in the explanatory variables caused by variations in the explanatory variables included in the model.
- ✓ The T-test: this is used to test whether the variables are to significant or not in determining the level of per capital income (PCI)

- ✓ The F –test; this tests the overall significance of the regression model.

3.4.2 EVALUATION BASED ON ECONOMETRIC CRITERION (SECOND ORDER TEST)

- ✓ Normality test;

The test is carried out whether the error term follows normal distribution. The normality test adopted is the Jacque-Bera (JB) statistics which follows the chi-square distributions.

- ✓ Stationary test:

This is to test whether the mean value and variance of the stochastic terms are constraint overtime. The augmented Duckey Fuller Test (ADF) is appropriated.

- ✓ Co-integration test;

This is used for testing whether the variables have long term relationship or are stable overtime as a result of this different order of integration. The augmented Duckey Fuller (ADF), using the residuals which test will be used to confirm whether long run relationship exists.

- ✓ Test for auto correlation:

This is used to test whether the errors corresponding to different observations are uncorrelated. The test statistics adopted for this test is the Durbin Watson statistics.

- ✓ Test for heterosedasticity:

This test is used to test whether error term in the regression model have a common variance.

3.5 DATA SOURCE

The data used in this research work are secondary data sourced from the Central bank statistical bulletin from 1986 to 2010 and population – Us statistical division unemployment national bureau of statistics, US mortality rate – Us statistical division.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF RESULTS

4.1 PRESENTATION OF RESULT:

The results of the ordinary least square regression conducted are highly presented with the interpretations and comprehensive analysis of it. Below is the summary of the result.

Table 4.1: Summary of result

Number of obs = 25

F (4, 20) = 189.88

Prob > F = 0.0000

R-squared = 0.9743

Root MSE = .33085

LGDP	Coef.	Std. Err.	t	P> |t|	[95% Conf. Interval]
LPCINC	0.6303509	0.1038081	6.07	0.000	0.4138111 0.8468908
LEDU	-0.0189689	0.0823626	-0.23	0.820	-0.1907743 0.1528364
LHLTH	0.3879663	0.1049825	3.70	0.001	0.1689766 0.6069559
UNEMPLOY	-0.0123931	0.016514	-0.75	0.462	-0.0468407 0.0220546

_CONS	5.380053	0.5778911	9.31	0.000	4.174594 6.585513

4.2 INTERPRETATION OF RESULT:

4.2.1 ANALYSIS OF REGRESSION COEFFICIENTS:

4.2.2 PER CAPITAL INCOME (LPCINC)

From the above result, the study found a positive relationship between LPCINC and gross domestic product which 0.6303509, implying that a unit increase in LPCINC will increase GDP by 0.6303509 units.

ii. GOVERNMENT EXPENDITURE ON EDUCATION (LEDU):

The result of this study showed a negative relationship between GDP and LEDU. From the findings, the coefficient of LEDU is -0.0189689 which implies that a unit increase in LEDU will decrease GDP by 0.0189689 units.

III. GOVERNMENT EXPENDITURE ON HEALTH (LHLTH):

There exist a positive relationship between GDP and LHLTH. From our findings, the coefficient of LHLTH is 0.3879663, which shows that a unit increase in LHLTH will increase GDP by 0.3879663 units.

IV. UNEMPLOYMENT (UNEMPLOY):

We found a negative relationship between GDP and UNEMPLOY, where the coefficient of UNEMPLOY is -0.0123931, thereby decreasing GDP by 0.0123931 units.

V. CONSTANT (CONS):

The coefficient of the constant is 5.380053. It shows that when all independent variables are held constant, the value of GDP will be 5.380053.

4.2.2 ECONOMIC A PRIOR CRITERIA

This shows if the a priori expectation conforms to empirical findings.

Table 4.2: Economic a priori expectation

Variables	**Expected signs**	**Observed signs**	**Remark**
LPCINC	+	+	Conforms
LEDU	+	-	Does not conform
LHLTH	+	+	Conforms
UNEMPLOY	-	-	Conforms

4.2.3 **STATISTICAL CRITERIA (FIRST ORDER CONDITION)**

I. **COEFFICIENT OF MULTIPLE DETERMINANTS (R^2).**

The R^2 which measures the overall goodness of fit of the entire regression is 0.9743, showing that approximately 97.43% of changes in the GDP can be accounted for by LPCINC, LEDU, LHLTH, and UNEMPLOY.

II. The T-test:

The t-test is used for testing the individual significance with n-k degrees of freedom. Conventionally, when the absolute value of the t-value is greater than 2, then it is considered significant at 5%.

Decision rule

Reject Ho, if t-cal > t-tab or accept Ho if otherwise

n = 25

K = 5

n-k = 20

Table 4.3: t-test

Variables	t-cal	t-tab	Conclusion
CONSTANT	9.31	±2.0860	Significant
LPCINC	6.07	±2.0860	Significant
LEDU	-0.23	±2.0860	Insignificant
LHLTH	3.70	±2.0860	Significant
UNEMPLOY	-0.75	±2.0860	Insignificant

This shows that LPCINC and LHLTH are significant, while LEDU and UNEMPLOY are insignificant.

iii. **F- TEST STATISTICS**

This test was conducted to ascertain the significance or overall significance of the estimated regression.

The hypothesis is stated.

Ho: $\beta = 0$

H1: $\beta \neq 0$

Ho: Shows that the model is not significant.

H_1: Shows that the model is significant

Decision rule

If F-cal > F-tab reject null hypothesis that the overall estimate is not significant and conclude that the model is significant.

For the numerator, the degree of freedom = k – 1+ 5-1 = 4.

For the denominator, the degree of freedom n – k = 25 – 5 = 20 at 5% level of significance.

Table 4.4: F-test

F - cal	F – tab	Decision	Conclusion
189.88	2.87	Reject H0	Significant

The result shows F – cal > F – tab (that is 189.88 > 2.87) , therefore the overall estimate of the model is significant.

4.2.4 ECOMETRICS TEST (SECOND ORDER TEST)

1. **TEST FOR AUTOCORRELATION:**

The Durbin Watson test for autocorrelation is used to determine if there is auto correlation among the error terms generated in the model.

Table 4.5: Decision rule

Null hypothesis (Ho)	**Decision**	**If**
No positive autocorrelation	Reject	$0 < d < dl$
No positive autocorrelation	No decision	$dL \leq d \leq du$
No negative correlation	Reject	$4 - dl < d < 4$
No negative correlation	No decision	$4 - du \leq d \leq 4 - dl$
No positive or negative autocorrelation	Do not reject	$du < d < 4 - du$.

D = Durbin Watson   dL= Lower limit   du = Upper limit

d = 2.195338   dL = 1.12276   du = 1.65403

We say, $du < d < 4 - du$ (that is, $1.65403 < 2.195338 < 2.34597$).

With this, the researcher concludes that there is no positive or negative autocorrelation in the residuals and therefore, the null hypothesis should not be rejected.

2. TEST FOR NORMALITY

The normality test is used to check whether the residuals are normally distributed. Chi – square distribution with 2 degrees of freedom, using the chi square table, if X^2-cal > X^2-tab, reject the null hypothesis.

Ho: residuals are normally distributed.

H_1: residuals are not normally distributed.

Using chi-square the table under 2 degrees of freedom and at 0.05 level of significance,

X^2-cal = 10.58

X^2 -tab = 5.99147

Therefore, the residuals are not normally distributed since 10.58 > 5.99147, thus, we reject Ho.

3. Test for Heteroscedasticity:

The test adopted is the white's General Heteroscedasticity (no cross terms). The test follows the chi-square distribution asymptotically.

Hypothesis:

$H_{o:}$ $\beta_1 = \beta_2 = \beta_3 \ldots\ldots\ldots = \beta_n = 0$ (Homoscedasticity)

H_1: $\beta_1 \neq \beta_2 \neq \beta_3$ ………$\neq \beta_n \neq 0$ (Heteroscedasticity)

$\alpha = 0.05$ at 8 degrees of freedom.

Decision Rule:

Reject H_o if $X^2_{cal} > X^2_{cal}$, accept H_o otherwise.

$X^2_{cal} = 24.46$, while $X^2_{tab} = 23.685$ at 14 degrees of freedom

Conclusion:

Since $X^2_{cal} = 24.46 > X^2_{tab} = 23.685$ at 14 degrees of freedom, we reject H_o and conclude that the variance of the error term is not constant.

4. Test for Multicollinearity:

The basis for this test is the correlation matrix. Multicollinearity is said to exist if any correlation value is in excess of 0.8.

The result of the correlation matrix is summarized below:

Table 4.6: summary of correlation matrix

Variables	Correlation coefficient	Conclusion
LHLTH & LEDU	0.9267	Multicollinearity
LPCINC & LEDU	0.8391	Multicollinearity
LPCINC & LHLTH	0.9171	Multicollinearity
UNEMPLOY & LEDU	0.6658	No multicollinearity
UNEMPLOY & LHLTH	0.7248	No multicollinearity
UNEMPLOY & LPCINC	0.7498	No multicollinearity

From the table 4.6 above, it is clear that there exist multicollinearity between LHLTH & LEDU, LPCINC & LEDU, and LPCINC AND LHLTH.

4.3 HYPOTHESIS TESTING:

H_0: There is no positive trend of poverty in Nigeria.

H_0: There is no effect of poverty on output in Nigeria.

CONCLUSION: The results obtained revealed that per capita income and government expenditure on health have a positive and a significant impact on the real gross domestic product, this means that increases in these variables then to increase the real gross domestic product. Also, unemployment and government expenditure on education were found to have a negative and an insignificant impact on the real gross domestic product. Thus, we accept the first null hypothesis and reject the second, concluding that;

- There is no positive trend of poverty in Nigeria.
- There is an effect of poverty on output in Nigeria.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This last chapter presents the summary of the research findings, conclusions and recommendations.

5.1 Summary of findings:

This research work seeks to analyze the poverty situation in Nigerian economy from the estimated result poverty is significant in expanding changes in the conditions of health, education, unemployment. This is as a result of the fact that it is expected that as the economy grows one would experience an improvement in the life of the citizens, meaning that economic growth should have a huge impact on the level of poverty.

Population should be a positive impact on the level of poverty; the population should be a positive contributor to the economy in the sense of increase in the man power and the labor force of the country. Countries like china, Japan and Korea who have huge population still maintain a stable economy.

Poverty in the economy is as a result of or can be attributed to poor health status, unemployment and other factors that hinder the productivity of an economy. Nigeria is highly endowed with immense wealth and natural resources but still it has a substantial portion of her population in poverty.

The problem of over dependence on oil which has turned our economy into a mono economy into a mono economy is also an issue, although Nigeria has earned over 300 billion US dollars from crude oil alone. This income should today have today transformed the socio economic development of the country instead Nigeria's basic social indicators now place her as one of the 25^{th} poorest country in the world.

5.2 Policy Implementation:

The implementations of these findings are as follows:

- ✓ Nigeria's heavy reliance on oil sector should be made in such way that the various sectors of the economy can be diversified.
- ✓ The policy document should make use of intervention program, aids from international agencies; poverty alleviation programmes which devoid of inner caucus of corruption and looting.
- ✓ It is imperative that to sustain growth the Nigerian economy needs to create an investment enabling environment.
- ✓ There should be consistency in government policies rather than reversal in policies which should address poverty.

5.3 CONCLUSION

From the analysis the research work found that the economy is oil driven which has led us to a mono economy and there is need for the diversification of the economy into agriculture and manufacturing to stimulate growth and economic boost and also investment in the economy.

Since there is a direct relationship between oil boom and poverty in Nigeria perhaps it justifies the ideology of Karl Marx that whenever there is direct relationship between growth and poverty it means that the economy is growing at the expense of the poor. It is important that there is a team work on poverty alleviation programme, foreign agencies, nongovernmental organizations (NGO) and with all these efforts the economy will not be resource cursed or what can be called lacking in the midst of plenty

TITLE PAGE

POVERTY AND THE NIGERIAN ECONOMY

A PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELOR OF SCIENCES (B.S.C) DEGREE IN ECONOMICS

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EC / 2009 / 701

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AUGUST 2013

APPROVAL PAGE

This is to certify that the research work was undertaken by IMAGA JEREMIAH UKA and thoroughly supervised and approved as having fulfilled the partial requirement by the department of Economics, faculty of social science, Caritas University Amorji-Nike Emene Enugu, for the award of Bachelor of Science (B.S.C) degree in Economics

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DEDICATION:

This research work is solely dedicated to God Almighty and to my beloved and caring parents; Mr. and Mrs. Imaga Uka whose sacrifice and benevolence had made my education a success and a possibility.

ACKNOWLEDGEMENT:

I am indebted to many people who in their own way and style have contributed not only to my research work but also to making my stay in this prestigious institution worthwhile.

First of all, I wish to acknowledge the effort of my able supervisor Mr.Osoduru P.E.C for his patience, fatherly advice, and knowledge impacted on me to make my project a success.

I also cannot fail to acknowledge my lecturers who on daily basis impacted their wisdom on me to make me come out of the institution knowledgeable. Without passing through them my stay would not have been complete.

My friends cannot be left out of the picture because I did everything with them in, spent my hard times and lovely times with them and has continued giving me support no matter how annoying I became, they were Onyeka Akabogu, Emmanuel Uzodimma, Udochukwu Nwoha, Stanley, Christopher, Felix Chimeze, Dubem, Chike Nwanosike, Elochukwu, Benson, Dozie, Nnamdi, Sixtus, Ebuka, then the female counter pacts who were always there assisting me with their soft, caring and sometimes annoying nature they were Ozioma, Chinwe Ukonta, Oluchi Enderlyn, Oluchi Okeke, Nkechi, Mary Jane, Rachel and many others who in their ways helped to encourage me in my research work. I am greatly indebted to you all. And I am very grateful.

Finally I cannot repay the debt I owe to you my parents that brought me into the world and gave me the best gift you can give to a child which is education and still did not leave me but still aided me financially, spiritually and your daily elderly advices. I sincerely appreciate all u did for me.

And to all those who contributed in one way or another but was not mentioned be rest assured that your contributions were put to heart and well appreciated and pray for God's reward on you all and God's blessing on your efforts.

ABSTRACT:

This research study by means of robust statistical analysis investigated the poverty situation in Nigeria and how it affects the citizens and the economy at large. This research was taken in a period of 25 years which is from 1985 – 2010. The ordinary least square method was used to investigate this work.

The empirical analysis carried out showed that the Nigerian economy has changed from a diversified economy to a mono economy because of the over dependence of the oil sector and this has resulted to the increase of poverty in Nigeria

Using the ordinary least square regression we see that there is a positive relationship between the per capital income and the GDP of the country, positive relationship between government expenditure on health and GDP but a negative relationship between government expenditure on education and unemployment and the GDP of the country.

The Nigerian government in curbing this problem of poverty has introduced many poverty alleviation policies and programmes but they have all been a failure because the implementation of these policies did not take into cognizance the masses that they are doing these policies for.

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TABLE OF CONTENTS

Title page …………………………………………………………. I

Approval page ……………………………………………………….. ii

Dedication …………………………………………………………iii

Acknowledgement ……………………………………………………iv

Abstract ………………………………………………………….... VI

Table of contents ……………………………………………….. Vii

CHAPTER ONE: INTRODUCTION

1.6 BACKGROUND OF THE STUDY………………………………

1.7 STATEMENT OF THE PROBLEM………………………………

1.8 OBJECTIVE OF THE STUDY……………………………………

1.9 SIGNIFICANCE OF THE STUDY………………………………

1.10 SCOPE AND LIMITATIONS OF THE STUDY………………….

CHAPTER TWO: LITERATURE REVIEW

2.1 THEORETICAL LITERATURE………………………………….

2.2 EMPIRICAL LITERATURE………………………………………

CHAPTER THREE: METHODOLOGY

3.1 NATURE OF THE MODEL………………………………………

3.2 MODEL SPECIFICATION……………………………………..

3.3 ESTIMATION PROCEDURE……………………………………

3.4 TECHNIQUES FOR EVALUATION OF THE RESULT……………..

3.4.1 EVALUATION BASED ON STATISTICAL CRITERION…………….

3.4.2 EVALUATION BASED ON ECONOMETRIC CRITERION……………

3.5 DATA SOURCE

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 PRESENTATION OF RESULTS…………………………

4.2 INTERPRETATION OF RESULTS…………………………..

4.2.1 ANALYSIS OF REGRESSION COEFICIENTS……………………

4.2.2 PER CAPITAL INCOME…………………………………………….

4.2.3 STATISTICAL CRITERIA (FIRST ORDER CONDITION)………….

4.2.4 ECONOMETRICS TEST (SECOND ORDER TEST)………………….

4.3 HYPOTHESIS TESTING ……………………………………………….

CHAPTER FIVE: SUMMARY, POLICY RECCOMENDATIONS AND CONCLUSION

5.1 SUMMARY …………………………………………………….

5.2 POLICY IMPLICATION………………………………………..

5.3 CONCLUSION………………………………………………..

BIBLIOGRAPHY……………………………………………………