

**THE IMPACT OF PUBLIC SPENDING ON POVERTY
REDUCTION IN NIGERIA [1980-2011]**

BY

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CERTIFICATION

This project has been supervised and approved as having certified the requirement for award of Bachelor of Science [B.sc] to OZOANA IFEANYI with registration number of EC/2009/750 in the department of Economics, Caritas University, Amorji-Nike Enugu State.

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DEDICATION

I dedicate this project research to God almighty and our mother Virgin Mary seat of wisdom the mediatory of all the angel for their guidance and protection throughout my stay in the university.

I also dedicate this work to my parent Mr. Ozoana Clement and Mrs. Ozoana Scholastica for their support, encouragement, caring, and assistance despite of difficulties of life.

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ABSTRACT

This work was done to analyze the impact of public spending on poverty eradication in Nigeria from (1980-2011). In this research work, multiple regression analysis was used and five variables were used in the empirical analysis. They are government expenditure on agriculture and water resources (AGWR), health (HTH) education (EDU) transportation and communication (TRCM) and Housing and environment. The data used in this research was collected from secondary data obtained from National Bureau of Statistics (2008) (MBS), and CBN statistical bulletin. The major findings shows that government expenditure on health, education and transport and communication are insignificant and a unit increase of government expenditure in these sectors will reduce poverty level. While that of agriculture and water resources, and housing and environment are significant and a unit increase will increase poverty level. Recommendation were proffered based on the findings of this research. That the government at all level should ensure that its expenditure are channeled towards projects that will reduce poverty level in Nigeria.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Public spending represents the annual expenditure by the federal government to achieve some macro-economic objectives which may include poverty reduction, increase in national productivity and macro-economic stability in the system.

Since the late 1980's, an increase in public spending has become a major instrument in Nigeria. This was attributed to the following reasons as the major causes of an increase in government expenditure in Nigeria. First is the dominant role of public sector in major economic activities in Nigeria. This could be attributed to several factors among them are oil boom of the early 1970's, the need for reconstruction of war affected areas after Nigerian civil war in 1970, the industrialization strategy adopted at that time by the federal government (import substitution strategy) and the need to raise gross domestic product (GDP).

On the other hand, the collapse of oil prices in and general mismanagement of the economy in 1980's brought the issue of poverty eradication in Nigeria. Furthermore, the recent flood disaster in Nigeria has re-awakened the fight against poverty in Nigeria. In the mid 1980s, it was observed that the private sectors were declining in economic activities as measured by aggregate output, industrial production, non oil exports etc. were all showing

decreasing signs. Above all, there widespread evidence of massive poverty in the economy despite of the growing public expenditure and fiscal deficit in the economy (library of congress country studies 1980's).

In 1986, all major socio-economic indicators were showing downwards which brought high rate of unemployment and decreased in purchasing power. Poverty was spending among Nigerians especially the low income earners and economic growth was downward sloping.

Poverty in Nigeria did not become an issue of great concern until after the oil boom when the international oil price crashed and there was an international economic slump. The continuous downward trend in the oil prices in the international market increased the poverty level in Nigeria. The over-dependency on oil revenue and inadequate efforts to mobilize funds from non oil sources led to a serious decline in government revenue. External reserve deteriorated, and cause huge accumulated trade arrears and thereby limiting government effort in provision of basic amenities and social facilities.

Thus the poverty level in Nigeria continues to be on the increased over the past few decades. The 1991 world development report (WDR) showed that Nigeria the most populous country in Africa has a significant number of her population categorized as poor people.

In recognition of the adverse effect of poverty in Nigeria, federal government set up Structural Adjustment Program (SAP) to reduce over

dependency on oil and to provide food to all Nigerians. This had been followed by the introduction of other policies such as national FADAMA programs. Furthermore, the federal government made poverty reduction the core objectives of its annual budget and also initiated various policies measures aimed at promoting people's welfare and reducing poverty in the economy.

Poverty become an issue of global dimension with nations striving either to reduce or outright poverty in there economy. The complexity of the phenomenon and its impacts on national economics has attracted the attention of international organizations and agencies with government in different nations embarking on policies aimed at reducing poverty. Consequently, Nigerian fiscal policies especially as regard expenses in the areas that have positive impact on the well being of the poor, have progressively being on the increase over the years. Recently, the Imo State government took a bold step towards poverty reduction by introducing free education to all the indigenes of the state up to the tertiary level.

Finally, the extent to which government spending have impacted on the well being of the people prompted this study.

1.2 STATEMENT OF THE PROBLEM

In Nigeria, poverty has been on the increase which can be attributed to inequality existing in the economy such as corruption, macro-economic instability and inconsistency in government policies. In an ordinary framework, poverty is concern with absolute, modulate or relatively standard of living or inability to attain a minimal standard of living. Poverty is found to be at the worst in the rural areas. Which is characterized by malnutrition lack of standard education, low life expectancy and sub-standard housing? In attempt to alleviate these problems, three actors are observed in the literature as being involved in any giving country. Namely; the three ties of government (federal, state and local government), international organizations and nongovernmental organizations (NGO's).

1.3 RESEARCH QUESTION

- i To what extent has public expenditure affected the levels of poverty and economic growth in Nigeria?
- ii What is the direction of relationship between public expenditure and poverty reduction in Nigeria?

1.4 OBJECTIVE OF THE STUDY

In the context of this study, the following objectives will be achieved.

- i To evaluate the impact of public expenditure on poverty reduction in Nigeria
- ii To determine the direction of relationship between public expenditure and poverty alleviation in Nigeria.

1.5 RESEARCH HYPOTHENSIS

Ho: Public expenditure has no impact poverty reduction in Nigeria

Ho: There is no direction of relationship between public expenditure and poverty reduction in Nigeria.

1.7 SIGNIFICANT OF THE STUDY

A research to investigate the impact and relationship between public expenditure and poverty reduction in Nigeria occupies an important detail which cannot be over-emphasized. The parastatas responsible for poverty reduction in Nigeria will find this study useful as it will unveil the current poverty profile and better strategies to alleviate them.

In the other hand, the federal government will benefit from this because it will help them to channel public fund on the economy judiciously.

Finally, the rural dwellers whose represent gross poverty in Nigeria remains the most beneficiaries of this study because it will help government to make policies that will promote their standard of living.

1.7 SCOPE AND LIMITATIONS OF THE STUDY

This study is limited to analyze the impact of public expenditure and poverty reduction in Nigeria from 1980-2011. The choice of this period based on the economic history. The 1980s witnessed a radical change in Nigerian economy, which led to the introduction of structural adjustment program (SAP). It also the period when the standard of living index fell, was resulting in further rise in the incidence of poverty.

Furthermore, looking at how government expenditure helps in reducing of poverty, not all sectors of the economy were used. The sectors are those that have direct impact on people's welfare, which include agriculture and water resources, health, housing and environment, education, transportation and communication.

This research work suffered some limitations because research in economics has never been easy with the researchers. In most cases the researcher is threaten to a number of factors such as; the mobility of involve in this research was stressful; the time required to carry out this research was highly limited as the researcher required time for other academic activities.

Finally, despite of the above problems encountered, by the special grace of God, the objective of this study will be achieved.

CHAPTER TWO

2.1 LITERATURE REVIEW

In content of this section, views of authors and notable economics will be discussed in a line the concept of public expenditure and poverty reduction in Nigeria.

According to the UNDP [1997], there are three perspective to the definition of poverty. The first is income perspectives which views poverty as a situation where a person is poor if the income level is below the defined poverty line. Second, is the basic need which views poverty as deprivation of material requirements for minimal acceptable fulfillment of human needs, including foods, basic health, education, essential service, employment and participation. The third is lack of capacity which represent the absence some basic capabilities to function. A person lacking the opportunity to achieve some minimal acceptable levels of these functioning.

This views was complemented by the 2004 world development report. The agreed that poverty has many dimensions, In addition low income [living on less than 1dolla per-day], illiteracy, ill health, gender inequality and environmental degradation are all aspects of being poor [word bank 2004].

In general as explain by OBADAN [1997], poverty has both income and non-income dimensions, which are usually intertwined this definition boarded

on income and consumption. He stated that people are regarded as poor when measured by standard of living if income or consumption is below the poverty line. Poverty is referred to lack of physical necessities, assets and income which is a sub-set of the general condition of deprivation which include poverty, social inferiority, isolation, physical weakness, vulnerability, powerless and humiliation.

The Nigerian economy characterized by large rural, mostly agricultural based, three- fourth of the poor, and by a small urban capital intensive sector, which has benefited most by exploitation of the countries resources and from the provision of services that successive government have provided. This duality arose in large measures from domestic policies that steered most investment, physical, human and technological into a few already capital intensive sectors of the economy. A fundamental problem with Nigeria's past pattern of development has been that the incentives regimes that prevailed for most of the last two decades have tended to favour the urban modern sector to the detriment of the traditional rural sector.

Nevertheless, the poor in Nigeria are not a homogeneous group. They can be found among several or occupational groups and can be differentiated by nature of their poverty assessment in Nigeria using 1992/1993 household survey data, shows that the nature of the following characteristics. Sector,

education, age, gender and employment status of the head of the household [Fos, 1995].

2.2.1 THEORETICAL LITERATURE

The Measurement of Poverty

The measurement of economic poverty seems to identify those families whose economic position [well being] defined in terms of command over resources, fall below some minimal acceptable level. In addition to requiring a precise definition of economic position of well being, Haveman and Mullikin [1999] believes that measures specify a minimum level of well being or needs in terms of commensurate with resources.

The major attempts at measuring poverty were done over a century ago by both [1889], Rowntree [190] and Naoroji [1901]. These initial attempts were attempted to identify the poverty lines, hence poverty profile and indicators were introduced at a late period. Apparently, no single indicator can measure adequately all diversions of the hardship people face in poverty [Okunmdewa 1997].

The World Bank [1993] highlighted three key issues to be considered in poverty measurement. First, is the yardstick to be used in determining living standard and assessing who is poor and who is not. Secondly, in drawing the poverty line, that is the cut-off living standard level below which a person is

classified as poor and counting the people whose income is below the line. The third deals with the measurement of the depth of severity of poverty. This idea seems to tally with Seris [1981] proposition when he noted that poverty measurement could be conceived of as having two components; first is the definition of poverty that identifies the poor and second is an index that gauges the extent and depth of poverty within the population as well as within the sub group of the population.

The poverty line is an income and consumption data- base tool for measuring poverty. People are counted poor as when their measured or expenditure standard of living [usually estimated on income or consumption expenditure] is below a minimum acceptable level. This may be absolute or relative poor [Englama and Bamidele 1997]. Absolute poverty is lack of resources to obtain and to consume a certain bundles of good and services. Relative poverty is in respect of living standards that prevail in a particular society.

An advantage of measuring poverty approach is that it reflects the changing perceptions of the acceptable minimum living standard [Anyanwu 1997]

2.2.2 CAUSES OF POVERTY

According to World Bank [2002], one of the routes of investigating the causes of poverty is to examine the dimensions highlighted by poor people.

These dimensions include lack of income and assets to attain basic needs, sense of voiceless and powerlessness in the society, and vulnerability in the institutions of the state and society, and vulnerability of adverse shocks, linked with inability to cope with them. Tella [1997] sees the cause of poverty by two dimensions, rural and urban poverty. In the rural communities poverty is related to poor physical facilities, food insecurity, primitive agricultural practices, poor nutritional values, little access to saving and credit and general inability to meet basic needs, while in the urban communities, the cause of poverty is identify as employment, underemployment, the inability to educate children due to high cost, inadequate diet, home without amenities such as latrines, bathrooms, or kitchens, irregular water supply and electricity, inability to clothe oneself adequately by prevailing social standards.

In his assessments of causes of poverty in Nigeria Obadan [1997], identified the following as the predominant ones in sub-Saharan Africa.

- i. inadequate access to employment opportunities
- ii. Inadequate physical assets such as land and capitals
- iii. Low endowment to human capital
- iv. Inadequate assistance for those living at margin
- v. Minimal access to credit even as [SME's]

Dividing the causes of poverty in Nigeria into five broad categories, Tella [1997] stated that is better to attack poverty from its cause so as to identify the policy tools to use in planning poverty reduction strategy. He listed social, cultural, political, economic and unclassified items as the causes of poverty in Nigeria. While emphasizing corruption, individual cultivation and bad relationship and lack of revolutionary consciousness on the part of the followers as issues affecting the economy.

Abudullahi [1993] views the causes of poverty as two types; first is the structural poverty which is a more permanent phenomenon, depends on host of factors limited productive resources, lack of skills for gainful employment, location disadvantage, endemic socio-political and cultural factors. The other is the transitory poverty. While structural poverty in long term and persistent, transitory poverty is short term and it causes more revisable. The causes includes natural disasters like war and environmental degradation, and changes in domestic policy that may result in price changes, increase unemployment etc.

2.2.3 POVERTY SITUATION IN NIGERIA

Nigeria with an estimated population over 150 million people, has a life expectancy of about 51.8 yearly, 31.6 percent literacy rate of 183 per 1000 lives births for children below five years, and very access of its population lives below poverty line. There is also a large income inequality with the top

10 percent of the income bracket accounting to close to 60 percent of the total consumption of goods and service [UNDP 1998-2003]. Thus, the poverty level in Nigeria was 28.1 percent in 1980, rose to 44 percent in 1990, 65 percent in 1995 and by 2001, 70.2 percent of the population were below the 1 US dolla a day poverty line [HDR 2003]. Equally in 1980 the HDI was 0.384 rose to 0.400 in 1985, 0.452 in 1995 and 0.463 in 2001. However, Nigeria rank in HDI fell from 137 out of 174 countries in 1998 to 152 from 175 countries in 2001 [HDI 2003]. Like most Saharan African countries, poverty in Nigeria is rural phenomenon, having a strong correlation with the age and education of head of households as well as household size, while most of the poor engage in agricultural sector of the economy. The poor in Nigeria lives in area that link with bad and most often inaccessible roads, thereby preventing access to productive impacts and difficulty in getting their outputs to markets. They have small farms, use traditional inputs and grow mainly food crops for family consumption. Poor household faces food insecurity, lack adequate shelter, have only one set of clothing, and do extensive physical work either on the farm or other occupation. In recognition of the important task of poverty reduction, government initiated some policies in past geared towards poverty reduction through skill improvement and the creation of awareness for self actualization through gainful self employment.

In line with global convention of ameliorating the worsening condition of the poor, the federal government responded by shifting public expenditure towards poverty reduction programmes and projects were consequently initiated to cushion the effect of poverty. Some of these are the national poverty eradication programme [NAPED], Family Economic Advancement Programmes [FEAP], National Directorate of Employment [NDE], Better life for rural women, directorate of food, roads and rural infrastructure [DFRR], etc.

2.2.4 THE EFFECTS OF POVERTY IN NIGERIA

These are some of the effects of poverty in Nigeria.

- i. **Powerless:** poverty contributes to the powerlessness in many ways, especially through exploitation by wealthy individuals. Poor people are unable to obtain or demand for their right because they are powerless.
- ii **Isolation:** The poor are isolated from the outside world because of lack of education, remoteness or being out of contact, their children do not have the privilege of going to school and have remained dropouts.
- iii **Physical weakness:** There is high ratio of dependency to able bodied adults. The dependencies are young children, the sick, the old or the handicapped. The reason could be that the adults have been permanently weakened, disabled by accidents, illness or early death. Members of

these poor household or community are seasonal hungry and weakened by infestation, parasites, sickness and malnutrition.

- iv **Low standard of living:** The poor are usually have fewer assets, live in small house. Poverty promotes ignorance, social discontent and estrangement.
- v **Vulnerability:** The poor are always attracted by drawing on the slender reserves of cash by reduced consumption, barter or loans from friends, relatives or trades.

2.3 EMPIRICAL LITERATURE

Poverty Profile In Nigeria

Poverty is inevitable in the world and in any country, but the poverty rate or the percentage of the population below the poverty line is greater in some countries than other and this is what differentiates countries into rich and poor countries. Poverty in this context shows a condition where a person or group of persons are unable to satisfy their most basic requirement for survival in terms of food, clothing, shelter, health, transport and communication, agriculture, water resources, housing and environment.

Poor countries are poor because they had underdeveloped infrastructures and facilities for health, education, agriculture, governance at a large scale and law enforcement. They remain poor because they lack the economic resources

and mental prepared to redress their development deficiencies. In Nigeria, the 1960 poverty figure almost doubled in two decades and since 1980 has continued in an upward climb. The most depressing assessment by the Federal office of statistics (FOS) came in 1996 when it estimated that 60% of Nigerians live below the poverty line. The high profiled in poverty index report of 1999 which placed the country among the group of 25 poorest nations in the world. The factors that have got us into deeper morass. These factors include corruption, poor managerial capacity at service level, debt situation, low production and observe of skills, training programme burgeoning population growth and the effect of globalization on the Nigerian economy.

APPROACHES TO POVERTY ALLEVIATION

Poverty can be viewed from two angled namely:

- i. Nutrition
- ii. Illness

In a poverty-ridden society like Nigeria, were the majority of its citizens are poor, families no longer feed properly due to the high cost of it basic staples such as garri, rice, beans and yam etc. meat like beaf and poultry have disappeared from the family pat.

The intake of protein mineral and vitamins have been drastically reduced below minimum requirements, such that individuals in most household thus

become vulnerable to pellagro, retard growth (mental and physical) and a greatly reduced resistance to diseases. This is the real story of life in the country especially now that the price of petroleum products are high (N97) and the prices of food stuffs are increasing.

The Nigerian government has embarked on the use of several approaches in reducing poverty.

i. RURAL DEVELOPMENT APPROACH:

This approach views the rural sector as a unique sector in terms of poverty reduction. This is because majority of the poor in developing countries live in this sector. In addition the level of paid employment in this sector is very minimal; hence, traditional measures of alleviating poverty may not easily work in the rural sector without radical changes in asset ownership structure etc. Emphasis in this approach to development has focused on the integrated approach to rural development. This approach recognizes that poverty is multidimensional and therefore, requires a multi-prolonged approach. The approach aims at the provision of basic necessities of life such as food, shelter, safe drinking water, education, health care, employment and income generating opportunities to rural dwellers in general and the poor in particular. One basic problem with this approach to poverty alleviation is that it is difficult to focus attention on the real poor given that poverty in the rural areas is pervasive. In other words, it makes targeting of poverty reduction program very difficult.

ii. ECONOMIC GROWTH APPROACH

Given the low labour absorption capacity of the industrial sector, broad based economic should be encouraged. This should focus on capital formation as it relates to capital stock and human capital. Human capital formation has to do with education, health nutrition and housing needs of labour. This is obvious from the fact that investment in these sources of human capital as a source of growth in output has to be accorded the rightful place.

c. TARGET APPROACH:

This approach favour the directing of poverty alleviation program to specific grows up within the society. This approach includes such programs social safety nets, micro credits and school meal program.

Good poverty reduction policies takes time to design and need intelligent planning, human and technical resources, and a well established administrative capacity to implement. Genuine poverty reduction must be inter-sectoral and intersect with most other development and social change initiative of the government, private sector and the NGO community. Genuine poverty reduction program should be founded on the five elements, mental and psychological preparation, a multi-sectorial approach, long term planning, setting of précised target for a road map, and development or organization competence.

POVERTY REDUCTION STRATEGIES IN NIGERIA

In Nigeria, various poverty reduction measures had been implemented. They includes:

i. THE SAP ERA:

Conscious policy effort by government towards poverty alleviation began in Nigeria during the era of structural adjustment programme (SAP). The severe economic crises in Nigeria in the early 1980s worsened the quality of life of most Nigerians. The government made determined effort to check the crisis through the adoption of SAP further worsened the living condition of many Nigerians especially the poor who were the most vulnerable group. This made the government to design and implement many poverty reduction programmes between 1986 and 1993. Also under the guided deregulation that spanned the period 1993 to 1998, more poverty alleviation programmes were put in place by government.

ii. THE NATIONAL DIRECTORATE OF EMPLOYMENT (NDE)

This was the main aspect for employment creation during the period. Objectives of NDE includes: to design and implement programmes to combat mass unemployment and articulate policies aimed at developing work programme with labour intensive potentials. Given that poverty manifests itself in the form of unemployment and underemployment, the programmes NDE

could be said to have poverty alleviation focus. For instance, the directorate has four main programmes that not only create jobs but also enhance the productivity and income earning potential of the youths and other beneficiaries. Those programmes include the vocational skills development programmes (VSD), special public works programmes (SPN), the small scale enterprises programmes (SSE) and agricultural employment programme. available evidence shows that NDE has achieved remarkable progress in respect of its various programmes. Some of these include:

- i. The training of over 766,783 persons (including the disabled) in the National Open Apprenticeship scheme between 1987 and 1996.
- ii. Those who have benefitted pre-settlement scheme were over 106,854 at the end of 1996.
- iii. The school on wheels scheme had engaged youth 15,317 unemployed youth at the end of 1994.
- iv. The special public work programme for over 154,910 persons between 1987 and 1996 (Central Bank Annual Reports, (1992-1996).

iii. THE DEMOCRATIC ERA

At inception of current democratic government, many Nigerians were made to believe that poverty reduction is the ultimate goal of the government. The government embarked on poverty alleviation programmes such as (SAP), which aimed at job creation. However, at the end of 2000 budget implementation,

many Nigerians were yet to feel the impact of government poverty reduction programme. According to the article NAPEP: eradicating poverty (2003). In 1999, when the government of Nigeria under the leadership of Olusegun Obasanjo, he identified poverty as one of its core area of focus, this prompted it to recall the existing poverty alleviation schemes with a view of harmonizing them and improving them. Three presidential panels were set up in this regards. The findings and recommendation of these panels coalesced in the formation of National Poverty Eradication Programme (NAPEP) in January 2001. NAPED encompasses several programmes on food, shelter, employment, health care, water supply, transport, education, gender development and recreation. NAPED has been structured to integrated four sectoral schemes: Youth Empowerment Scheme (Yes), Rural Infrastructural Development Scheme (RIDS), Social welfare Service Scheme (SOWESS) and Natural Resource Development and conversion scheme (NRDCS). Recently, the federal government under the leadership of President Goodluck Jonathan in 2012 inaugurated the subsidy Re-investment and empowerment programme (SURE-P). Graduate internship scheme 2012. The federal government of Nigeria through the public works, youth and women employment component of the subsidy re-investment and empowerment program (SURE-P) established the GIS (Graduate internship scheme) which aims to provide the unemployed graduates youths with job apprenticeship opportunities that will expose them to skills and experiences relevant to the current labour market and enhance their employability. The

graduate internship scheme (GIS) will employ 50,000 youths across the country to ensure that their skills have been developed towards empowering them to be employable in the short/medium/long term. GIS will ensure that youths are attached as apprentices in reputable public/private firms for a period of one year where the skills of such individuals will be sharpened.

The SURE-P has the objective to create opportunities for unemployed graduates to be engaged for a period of one year. The scheme will be a form of partnership with firms and institutions in which they get free labour and undertake to groom and mentor the interns to acquire skills on the job experience while government pays stipends to the interns.

In line with the federal government of Nigeria promise of more job creation curb increasing unemployment rates, the federal government inaugurated the youth enterprise with innovation in Nigeria (You Win) programme in 2011 by president Goodluck Jonathan You Win programme was set up with the following objectives. To generate jobs by encouraging and supporting aspiring entrepreneurial youth in Nigeria to develop and execute business ideas that will lead to job creation. The programme will provide aspiring youth with a platform to show case their business acumen, skills and aspirations to business leaders, investors and mentor in Nigeria. Generate 80,000 to 110,000 new jobs, provide business training for up to 6,000 youths, provide a

one time equity grant for 1,2000 selected aspiring entrepreneurs to start or expand their business.

Formal President Obasanjo government inaugurated the national Fadama development project (NAFDP) in partnership with the world bank. The Fadama programme was aimed at totally eradication of poverty and hunger in Nigeria. The federal government and World Bank provide loans to the participating states in Nigeria.

Fadama has become a popular programme among many practicing farmers in different parts of Nigeria. It has helped many farmers to increase their production capacity and also meet the objectives of food security programme. Fadama programme was divided into three phases I, II and III. Phase I and II have been successfully implemented and articulated while stage III phase is still ongoing at various states in Nigeria and the FCT.

Finally, there is no doubt that unemployment is the major cause of poverty in Nigeria today. But poverty is not synonymous with employment. Some of the poor are employed and some unemployed. Sustainable poverty reduction will therefore require not only the proper identification of the poor (including their characteristics and survival strategies) but also a multiprolonged approach giving multidimensional nature of the poverty problem. The present government under the leadership of President Godluck has already taken bold step to

rationalize the various agencies whose activities impact on poverty alleviation through the nine (9) points agenda of the President government in Nigeria.

2.3.3 CAUSE OF FAILURE OF POVERTY REDUCTION POLICIES IN NIGERIA

Painfully, when government designs poverty reduction programmes, they failed to address the root cause of poverty end rather seek opportunities to make political points at the expense of Nigerians. Poverty cannot be totally eradicated like polio or bird flow diseases because it is implicated by our mental, physical, emotional, religious and socio-cultural life. Poverty is more complex than getting a vaccination for child killer diseases. The question is can poverty be eradicated in Nigeria, many of Nigerians poverty alleviation programmes are preparing over cracks on the wall of poverty to disguise or hide the symptoms. Even when we adapt or adopt world programme, we entrust the implementation to people who do not understand poverty and will not recognize poverty alleviation solution. Thus, despite of the implementation of various poverty reduction policies in Nigeria, our economy experiences an increasing rate of poverty, which means that most of the policies have failed in Nigeria.

Some of the causes of these poverty alleviation policies include:

i. PROBLEM OF FUNDS

Poverty alleviation in Nigeria is known as the provision of money to the state and local government so as to be able to employ the unemployed without funds. Poverty reduction effort will not work well without adequate funds because funds plays important role in poverty reduction of any country (Maduagwu 2005).

ii. POLICY INCONSISTENCY

The implementation of various poverty alleviation policies has been unstable. Many of these can be attributed to political instability in the country (Olurode 2002). Nigeria has been experiencing political instability after our independent in (1960), which brought different regimes and administration. According to the article battle against poverty, the first break in continuity for poverty reduction policies took place when the first civilian President Alhaji Shehu Shagari named his own project green revolution which shared the same ideology with operation feed the nation introduced by General Olusegun Obasanjo. Thus, we see a situation where each regime and administration may want formulate and implement its poverty reduction policy, sometimes, we notice that most of these different regime gives different names to the same policy and may be make modifications where they deem fit and carry on from where the past administration stopped, they bring but another new policy and start implementing them from the scratch.

iii. LACK OF POLITICAL WILL AND COMMITMENT

This is one of the main reasons for the failure of poverty reduction in Nigeria. Most or all of our leaders so far lack the political will and are not committed to the reduction of poverty in our system (Olurode 2002). Once this is the cases Nigeria will keep on experiencing an increasing rate of poverty.

2.3.4 ACHIEVEMENTS OF POVERTY ALLEVIATION PROGRAMME IN NIGERIA

According to Maduagwu 2005, in the aspect of agriculture, there were subsidies in the pricing of some agricultural inputs such as fertilizers, chemical, seed and seedlings. The agricultural credit guarantee scheme (ACGS) was subsequently established in 1977 with the objectives of facilitating farmer's access to bank credit as to help to stimulate production.

The Fadama programme in Nigeria has contributed more than any other poverty alleviation programmes in Nigeria. The recent statistics released by the Minister of Agriculture shows that more than 5 million households have benefited from the various intervention of the Fadama programme in Nigeria with an increase in the average income. The minister maintained that the results of the survey conducted on the Fadama project represents 49% increase in the income of the Fadama uses household.

Furthermore, the minister emphasized that the Fadama projects have helped in the efforts to reduce rural poverty, increase food security and contribute to the achievement of key millennium development goals in Nigeria. (Federal ministry of agricultural quarterly report 2013).

One of the achievements of poverty reduction policies in Nigeria was to develop opportunities in health, education and employment and increase access to these opportunities. In the aspect of health, there has been little improvement through the improvement in the living conditions of the people by the rural electrification projects supported by World Bank in Nigeria.

YouWin programme in Nigeria has successfully empowerment more than 300,000 women in Nigeria and exposed them to various skills acquisitions. On the other hand, the SURE-P programme under the chairmanship of Mr. Christopher Kolade, has successful empowered more than 1 million youths in Nigeria and provided more than 500,000 jobs across the country.

One may now ask, if these government expenditures have been able to achieve all these, how can one now say that they all failed in reducing poverty, as stated earlier, most of these government expenditure do not address the root cause of poverty. The programmes serve as instruments of propaganda and to secure headlines rather than a scientific means of terminating peoples suffering and hardship. Therefore, the programmes were not data or science driven though research had been done (Olurode 2002). SO at the end, the government or those

in-charge of implementing the policies end up using a very little percentage or proportion of funds allocated to them to help the poor, so that when asked to show for what the money allocated to them was used for, they will present the few that have benefited, what an ordinary Nigerians would call eye service. The rat of the funds is story/history. From the causes of failure of poverty reduction policies, it is obvious that in formulating the poverty alleviation policies, the government consider themselves first before the poor masses.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Research methodology refers to the process used in collection and analysis of data for the research. According to Osondu (2005) a research is a systematic method of finding solution to a problem, being systematic, means that the researcher follows the laid down steps in arriving at the workable solution.

3.1 METHODOLOGY

This represents the methodology that is used in measuring the effect of government expenditure on poverty reduction. In this research work, multiple regression analysis will be used for the analysis. Regression analysis describes the nature of relationship between variables by expressing the relationship in mathematical form.

The result of the model would be evaluated based on three criteria namely, economic a priori expectation, statistical tests of significance and economic test.

3.2 MODEL SPECIFICATION

According to Koutsoyiannis (1997) , the specification of economic theory is always based on economic theory or any available information in relation to the phenomenon being studied thus model specification used for this

investigations follows that poverty level is function of government expenditure on health, agriculture and water resources, transportation and communication, and housing and environment.

Based on this, a model is specified where poverty level is expressed as function of government expenditures.

The structural form of the model is;

$$POVL = F(GE) \dots\dots\dots 3.1$$

Where

$$GE = EDU, HTH, AGWR, TRCM, HSEV \dots\dots\dots 3.2$$

Therefore

$$POVL = F(EDU, HTH, AGWR, TRCM, HSEV \dots\dots\dots 3.3$$

Expressing equation 3.3 in linear form

$$POVL = BO + B1 EDU + B2 HTH + B3 AGWR + B4 TRCM + B5 HSEV + ECM - 1 + \mu \dots\dots\dots 3.4$$

Where

GE = Government expenditure

POVL = Poverty level in Nigeria

EDU = Government expenditure on education

HTH	=	Government expenditure on health
AGWR	=	Government expenditure on agriculture and water resources.
TRCM	=	Government expenditure on transport and communication
HSEV	=	Government expenditure on housing and environment
BO	=	Constant term
B1-B5	=	The estimation parameters
μ	=	The disturbance of stochastic error term.

3.3 MEMTHODS OF EVALUATION

3.3.1 STATSTICAL TEST:

The following statistical, test is being carried out to test the reliability of the model.

- i. **THE COEFICIENT OF MULTIPLE DETERMINATIONS (R^2):** This shows percentage of the total variation of dependent variable explained by changes in the independent variables. The value of R^2 lies between 0 and 1. The higher the R^2 , the greater the goodness of fit and the closer the R^2 to zero the worse the fit.

ii. t-Test

To test for the statistical significance of individual regression coefficient, t-statistics is used. A two tailed test is conducted at 5% level of significance.

iii. F-Statistics

F-test is carried out to test overall significance of the whole regression. The calculated F-value is compared at 5% level of significance.

3.3.2 ECONOMETRIC CRITERIA (SECOND-ORDER TEST)

- i. **Auto correlation test:** This would be performed to see whether the error corresponding to different observation is uncorrected.
- ii. **Multi-co-linearity test:** This test would be conducted on the variables so as to ascertain if there is linear correlation between any two set of the variables, when all other variables are held constant.
- iii. **Heteroscedasticity:** The test is carried out using white general heteroscedasticity test (white cross term) the test asymptotically follows a chi-square distribution with degree of freedom equal to the number of regression (excluding the constant term).

3.3.3 ECONOMIC A PRIORI TEST

The a priori criteria or expectation are determined by the principle of economic theory and refers to the sign and size of the parameters of economic relationship.

3.4 SOURCE OF DATA

The data that will be used in this study are secondary data from the national bureau of statistics (MBS) and central bank of Nigeria (VBN) statistical bulletin.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF REGRESSION RESULT

4.1 PRESENTATION OF RESULT

Below, the regression result from the model specification stated in the previous chapter is presented.

Table 4.1: Presentation of Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	47.92645	2.002776	23.93001	0.0000
EDU	-3.34E-05	4.05E-05	-0.826323	0.4161
HTH	-2.53E-07	7.18E-05	-0.003519	0.9972
AGWR	0.000110	7.54E-05	1.463367	0.1554
TRCM	0.000208	0.000102	2.038297	0.0518
HSEV	-1.62E-06	6.20E-06	-0.261250	0.7960
R-squared	0.330128	Mean dependent var	52.35312	
Adjusted R-squared	0.201306	S.D. dependent var	9.545612	
S.E. of regression	8.530883	Akaike info criterion	7.292623	
Sum squared resid	1892.175	Schwarz criterion	7.567449	
Log likelihood	-110.6820	F-statistic	2.562672	
Durbin-Watson stat	0.332986	Prob(F-statistic)	0.051666	

4.2 ANALYSIS OF THE RESULT

4.2.1 ANALYSIS OF THE REGRESSION COEFFICIENTS:

Form the above tables, the interpretation of the results as regards the coefficient of the various regressors is stated thus:

The value of the intercept C is 47.92645. This shows that poverty level (PVL) is 4.9507 if all other variables are kept constant.

The coefficient of Government on education (EDU) is $-0.000003.34$. This indicates that EDU is negatively related to the poverty level. Thus, a unit increase in EDU will cause PVL to reduce by 0.000003.34 units all things being equal.

The coefficient of government expenditure on health (HTH) is $E - 0.000002.53$. The result indicates that HTH is negatively related to the poverty level and that a unit increase in HTH will cause PVL to decrease by 0.000002.53 units.

Government expenditure on agriculture and water resources (AGWR) has a positive coefficient (0.000110). This indicates that a unit increase in AGWR will bring about an increase in the poverty level by 0.000110 units all things being equal.

Government expenditure on 9wtransport and communication (TRCM) coefficient indicates that TRCM is positively related to the poverty level. The

coefficient 0.000208 indicates that a unit increase in TRCM will increase PVL by 0.000208 units.

Government expenditure on housing and environment (HSEV) has a significant negative relationship with the poverty level according to the result. The coefficient of HSEV (-0.000001.62) indicates that a unit increase in HSEV will increase PVL by 0.0000001.62units.

4.2.2 ANALYSIS OF THE EVALUATION METHODS

4.2.2.1 EVALUATION BASED ON ECONOMIC CRITERIA

This test is aimed at determining whether the signs and magnitudes of the results are in line with what economic theory postulates. Table 4.2 is a summary of the outcome of the parameter estimates.

Table 4.2: Evaluation based on economic a priori criteria

Variable	Expected sign	Obtained sign	Conclusion
EDU	+	-	Does not conform
HTH	+	-	Does not Conform
AGWR	+	+	conforms
TRCM	+	+	conforms
HSEV	+	-	Does not Conform

4.2.2.2 EVALUATION BASED ON STATISTICAL CRITERIA

1. The R^2 (Coefficient of determination):

The R^2 , which measures the overall goodness of fit of the entire regression, shows the value as follows;

- R^2 is 0.330128. This indicates that the independent variables explain 33.0% of variations in the dependent variable.

2. The t-test (Student t):

Under this section, t-statistics is used to test whether the individual parameters are statistically significant or not.

Test Hypothesis

H_0 : $\beta_i = 0$ (The individual parameters are insignificant)

H_1 : $\beta_i \neq 0$ (The individual parameters are significant)

Decision Rule:

Reject H_0 if $t_{cal} > t_{tab}$ and accept H_0 if otherwise.

At $\alpha = 5\%$ (at 5% level of significance) with n-k degrees of freedom.

For Model 1, $t_{tab} = t_{0.025}^{26} = 2.056$

The t-test is summarized in the tables below.

Table 4.3: The t-test for the model

Variable	t-value	$t_{0.025}$	Remark
C	23.93001	2.056	significant
EDU	-0.826323	2.056	Insignificant
HTH	-0.003519	2.056	Insignificant
AGWR	1.463367	2.056	Insignificant
TRCM	2.038297	2.056	Insignficiant
HSEV	-0.261250	2.056	Insignificant

3. THE F-STATISTICS TEST

Under this section, F-statistics is used to test if the model is statistically significant or not.

Test Hypothesis

$H_0: \beta_0 = \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = 0$ (The model is insignificant)

$H_1: \beta_0 \neq \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq \beta_6 \neq 0$ (The model is significant)

Decision rule

Reject H_0 if $F_{cal} > F_{tab}$ and accept H_0 if otherwise

At 0.05 significance level;

$$F_{cal} \text{ (from the result)} = 2.562672$$

$$F_{tab} (5, 23) = 2.59$$

Since F_{cal} is 2.562672, we accept H_0 as $F_{cal} < F_{tab}$. We therefore conclude that the two models are not statistically significant and not fit for policy making.

4.2.2.3 EVALUATION BASED ON ECONOMETRIC CRITERIA

1. TEST FOR AUTOCORRELATION

The underlying assumption is that the successive values of the random variables are temporarily independent. The problem is usually dictated with Durbin-Watson (DW) statistics.

Test Hypothesis

$H_0: P = 0$ (the U's are not auto correlated)

$H_1: P \neq 0$ (the U's are auto correlated)

At $\alpha = 0.05$ (0.05 level of significance)

The decision rule is presented in the table below

Table 4.4: decision rule

Null hypothesis (H_0)	Decision	If
No positive auto correlation	Reject	$0 < d^* < d_l$
No positive auto correlation	No decision	$d_l \leq d^* \leq d_u$
No negative auto correlation	Reject	$4 - d_l < d^* \leq 4$
No negative auto correlation	No decision	$4 - d_u \leq d^* \leq 4 - d_l$
No auto correlation, positive or negative	Do not reject	$d_u < d^* < 4 - d_u$

Where: d_l = lower limit

d_u = upper limit

d^* = Calculated Durbin-Watson

$d_l = 1.109$, $d_u = 1.819$, and $d^* = 0.332986$.

d^* falls within the range $0 < d^* < d_l$. This is the rejection zone. Therefore, we conclude that there is positive serial correlation in the residuals.

2. TEST FOR HETEROSCEDASTICITY

This test was carried out to ascertain the level of distribution of error term (to know whether the variance is constant). This test was carried out using White's heteroscedasticity test (with no cross terms). It follows chi-square distribution

with degrees of freedom equal to the number of regressors excluding the constant term.

Test Hypothesis

H_0 : Homoscedasticity (If the variance is constant)

H_1 : Heteroscedasticity (If the variance is not constant)

The decision rule is to reject H_0 if $X^2_{cal} > X^2_{tab}$.

The calculated X^2 from the Heteroscedasticity test result is 0.745426 while the critical value at 1 degree of freedom is 3.84. Since $X^2_{cal} < X^2_{tab}$, we accept H_0 and conclude that the variance is constant.

3. Multicollinearity Test:

The test is carried out using the correlation matrix. This suggests that if the pairwise correlation coefficient between two regressors is in excess of 0.8 then we say that there is multicollinearity. The correlation matrix is presented below.

Table 4.5: Correlation matrix

	PVL	AGWR	EDU	HSEV	TRCM	HTH
PVL	1.000000	0.430678	0.332183	0.117372	0.511300	0.378671
AGWR	0.430678	1.000000	0.574314	0.171822	0.447249	0.566412
EDU	0.332183	0.574314	1.000000	-0.068660	0.675864	0.366231

HSEV	0.117372	0.171822	-0.068660	1.000000	0.199795	0.598824
TRCM	0.511300	0.447249	0.675864	0.199795	1.000000	0.586344
HTH	0.378671	0.566412	0.366231	0.598824	0.586344	1.000000

No pair-wise has a correlation in excess of 0.8, thus we are fit to conclude that multicollinearity does not exist between any pair-wise in the model.

4.3 HYPOTHESIS TESTING

HYPOTHESIS:

H_0 : Public spending has no impact on poverty reduction in Nigeria.

H_0 : There is no direction of relationship between spending and poverty reduction in Nigeria.

CONCLUSION:

From the results obtained, it was revealed that government expenditure on education, health, agriculture and water resources, transport and communication, and housing and environment, does not have any significant impact on poverty reduction. Therefore, we accept the null hypothesis that public spending has no impact on poverty reduction in Nigeria.

Also, from the result we obtained that,

- Government expenditure on education has a negative relationship with the poverty level.

- Government expenditure on health has a negative relationship with the poverty level.
- Government expenditure on agriculture and water resources has a positive relationship with the poverty level.
- Government expenditure on transport and communication has a positive relationship with the poverty level.
- Government expenditure on housing and environment has a negative relationship with the poverty level.

CHAPTER FIVE

SUMMARY, RECOMMENDATION AND SUMMARY

5.1 SUMMARY OF FINDINGS

The following findings were drawn from the empirical analysis which shows that:

- i. Government expenditure on education (EDU) is insignificant to poverty reduction and the coefficient is $-0.000003.34$. This shows that a unit increase of government expenditure on education will reduce poverty level by 3.34 units $0.000003.34$.
- ii. Government expenditure on health (HTH) is insignificant on poverty reduction in Nigeria and the coefficient is $-0.000002.53$ which indicates that a unit increase in health will reduce poverty level by $0.000002.53$ units.
- iii. Government expenditure on housing and environment (ESV) is insignificant to poverty reduction and the coefficient is $-0.000001.62$. This shows that a unit increase in (HESV) will reduce the poverty level by $0.000001.62$ units.

- iv. Government expenditure on agriculture and water resources (AGWR) is significant to poverty reduction in Nigeria with the coefficient of 0.00110. This shows that a unit increase in (AGWR) will increase poverty level by 0.00110.
- v. Government expenditure on transportation and communication (TRCM) is significant to poverty reduction with the coefficient of 0.00208. This shows that a unit increase in (TRCM) will increase government expenditure by 0.000208.

5.2 RECOMMENDATIONS

Having estimated the parameters of the regressions extracted the possible findings, the following recommendations are made.

- i. The federal government should increase its monetary budget on education for the purpose of procuring educational materials, equipments, conducive environment for both staffs and students and enhance skill acquisition equipment to technical school to enhance human capital development which will also lead to self employment.
- ii. Poverty is at increase in rural areas of the country, occasioned by inadequate and conducive houses and the environmental degradation especially in river line areas and oils producing communities. Government should channel more fund to this sector to sanitize the environment degradation suffered by the people living in such areas.

Government people also provide basic infrastructures to enhance the productivity of the rural dwellers.

- iii. Government should budget more fund on health sector for the purpose of procuring health equipment and channel more money on university teaching hospital and sisters institutions in Nigeria for the purpose of training and equipment medical practitioners and other health workers in order to attain the goals and objectives of the world health organization (WHO) and also to reduce high infant and maternal mortality rate, HIV/AIDS and other killers diseases.
- iv. Notwithstanding the positive results generated by agricultural and water resources, and transportation and communication, federal, state and local government needs to improve their budgetary expenditure in these two sectors. For the purpose of acquiring more agricultural equipments and machinery and modern methods of transportation and communication in the economy.
- v. Government should ensure that its expenditure are channeled towards projects and programmes that will reduce the rate of poverty in Nigeria.
- vi. Finally, various poverty alleviation programmes in Nigeria should be coordinated and consolidated with the development of a comprehensive framework geared towards human capital development.

5.3 CONCLUSION

Poverty is widespread and deep-rooted in Nigeria, as shown by different socio-economic indicators. Although, government has achieved some level of progress at the aggregate level, within the limits of available resources, and internet of strategies for poverty reduction. Large proportion of Nigerians still lack access to the most basic human needs.

Based on the findings of this research, the study draws the following conclusions.

- i. The level of government expenditure in Nigeria is inconsistent and unreliable
- ii. There is gross misplacement of government expenditure pattern in Nigeria and finally, there is direction of relationship between public spending and poverty reduction in Nigeria.

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