

POVERTY, INEQUALITY AND THE CONFLICTING HIGH STATISTICS OF ECONOMIC DEVELOPMENT IN NIGERIA

Abdul Rahim Romle, Rukayyah Mustapha, Faizal Md.Hanafiah and Mashitah Mohd Udin.

School of Government, Universiti Utara Malaysia, 06010 Sintok Kedah, Malaysia.

Abd.rahim@uum.edu.my, rounah444@gmail.com, hfaizal@uum.edu.my, mashita@uum.edu.my.

ABSTRACT: Nigeria is a very rich country with abundant resources, a fast rising country in terms of GDP figures, and at the same time stands as one of the leading nations in terms of poverty. This is more so that the country is a leader in terms of petroleum extracting and marketing. This research aims at investigating the relationship between economic development and poverty and the resultant effects of poverty and the role these two plays in the development process. Generally, this study is to examine the rise of poverty and inequality in Nigeria and the conflicting rise in GDP. Using secondary data from the World Bank, the ordinary least squares results were quite revealing. Between 1984 and 2014 the study reveals that while all economic indicators were pointing towards growth, development indicators were pointing towards poverty and underdevelopment. The findings of the research are that economic development in the country to some extent helps in reducing poverty while an increase in inequality is accompanied with an increase in growth. This shows that the increase in growth and development benefits only a small segment of the society. The study suggests that government has to come up with long lasting policies towards poverty alleviation and narrowing down of inequality.

Keywords: poverty, inequality, economic development, economic growth.

INTRODUCTION;

Poverty and inequality are found in all societies, the fact just remains that the issue of poverty and inequality are more prevalent in some countries compared to other countries. The topic of poverty and inequality in Nigeria have attracted discussions and writings from many scholars. The performance of the country since independence is not encouraging. Researchers are of the views that the performance of the country since independence is disappointing despite the revenue generated from oil. It is also argued that the Nigerian experience provides a telling confirmation of the role of waste and corruption in undermining a nation's economic development. The economic policies chosen decides whether these opportunities are harnessed or dissipated. The choices made for the past thirty years are some of the reasons Nigerians find themselves poor today [1].

Nigeria is a middle income country that was recently named the largest economy in Africa [2], it is also on track of becoming amongst the twenty biggest economies in the world by the year 2020. According to the World Bank, it is one of the fastest growing economies in the world by GDP. Official figures for 2013 put the country's GDP at \$503 billion [3]. The adjustment pushes Nigeria up 12 places to become the 24th largest economy in the world and yet Nigerians continue to struggle with poverty and inequality. Ironically, Nigeria's GDP figures did not stop it from ranking number three among world's ten countries with extreme poor citizens published by the World Bank [4], while 45% of its citizens are categorized as poor. The situation is saddening, It therefore raises some vital questions about why this gloomy picture in the face of such beautiful and positive looking statistical indices. Yemi Kale of the National Bureau of Statistics (NBS) is of the believe that; while GDP represents how rich a nation is, it however does not mean the individuals of the nation are rich; this is as a result of the issue of unequal income distribution of wealth.

Poverty reduction and widening inequality have been getting a growing attention in discussions related to development in

the past two decades. Advancement and effort put forward by policy makers on poverty reduction and improving equality has turned out to be an important tool used for measuring the achievement of development policy. During the 1970s and 80s, the major concentration was on growth, the need to develop the economies and incomes. Therefore, growth stood as a criterion for better-quality welfare. Development literatures in the 1990s on the other hand saw growth as very important to strategies that are mainly aimed for poverty reduction. A lot of researches are of the view that countries that were able to tackle and reduce their poverty are those countries with a record of fast and rapid growth rates [5].

The issue of poverty and inequality is associated with disparity access to infrastructure and amenities. There are basically more rural poor than urban poor. This situation arises as a results of the composition of Nigeria's economy, especially the energy (oil) and agriculture sectors, corruption, mismanagement, wrong policy choices and implementation and many more. This situation is so as a result of the fact that oil revenue is poorly distributed among the population, with higher government spending in urban areas than rurally. High unemployment rates renders personal incomes even more divergent.

It has further been acknowledged that income inequality is a matter of concern when it comes to making improvement on poverty reduction and slight improvement can be achieved in poverty reduction when inequality is high and increasing [6]. This has led to an increase attention on the role that inequality plays in the growth and poverty reduction procedure. Studies have conveyed a rising inequality in many countries for the last two and half decades, coupled with the fact that the period was accompanied by an increase concentration geared towards reducing the incidence of poverty. Nigeria, like many developing countries, implemented policies to overcome this issue and restructure its economy.

In mid-1986, the government of Nigeria in its quest to revitalize and reform the economy, introduced the structural adjustment programme (SAP) which included the devaluation

of the exchange rate, reform of trade and budgetary and monetary contraction. Thus, growth was anticipated to lead noticeably towards more and better equality in the country such policies include alongside SAP policies in the 1980s, the National Economic Empowerment and Development Strategy (NEEDS) which was launched in 2004. After the reforms, there was an improvement in the real growth rate, it became positive from the 1980's through the 90's and 2000's, but despite the rise in the growth rate, poverty still remained highest in the country.

PROBLEM STATEMENTS

Nigeria is a country endowed with a lot of blessings, both human and natural resources; the country has a fertile soil and a suitable climate fit for agricultural activities. With the abundant resources available to the country, the country, therefore has the prospective of constructing a successful economy if the resources are well utilized. This will enable the country to reduce its poverty level to a minimal percent; but unfortunately, Nigeria is yet to realize this potential [7].

The placement of Nigeria recently as one of the fastest growing country's in terms of GDP with a growth rate averaging 7% annually in official World Bank data. During the last decade, placement of Nigeria among the fastest growing economies in the world seem to be in conflict with Nigeria grabbing the 3rd position in poverty ranking. This has been an issue of concern and discussion and has gotten the attention of many. The first Nigerian economic report addressed the puzzle of why a decade of rapid GDP growth by official statistics did not bring stronger welfare and employment benefits to the population. The statistics made conspicuous the contrast between speedy economic growth and slight welfare improvements for a considerable number of the population [8].

It was also posited that the situation in Nigeria today is the puzzle of poverty in the midst of abundant resources, a situation whereby the greatest oil producer in sub-Saharan Africa ironically stands out as number three in the world in terms of poverty. A report relating to the fall in poverty and rising income inequality in Nigeria also stressed on this issue, stating that the NBS's higher poverty figures are not in harmony with the recent rebasing of the national account, which nearly doubled the nation's GDP in 2013. Most researchers believe that the attention of the government does not seem to reach all people equitably.

The economy is not growing in the same phase, most of the poor people in the country are located in the northern part of the country [8], there is also the issue with the level of inequality in the country, the people who find themselves poor or for a very long period of time, the likelihood of them remaining that way is high because the way the economy is moving is neglecting the poor citizens in the sense that they don't have the same opportunity as the rich with only a few exceptions.

RESEARCH OBJECTIVES:

Generally, this study aims to examine the rise of poverty and inequality in Nigeria and the conflicting rise in the GDP in the country. But specifically, the study has two main objectives:

1. Investigate the relationship between poverty and economic growth.
2. To investigate the relationship between inequality and economic development/growth.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

In recent years, there has been an increase in attention with regards to poverty. Among the billions of people living around the world in the developing countries, 1.3 billion are living below a dollar per day; many are lacking the basic amenities and means of survival is hard, many are lacking safe drinking water and a good shelter with about one-fifth undernourished; and one-third of the poor people living in the sub-Saharan Africa expecting to die at the age of 40. The situation is not just on developing countries with low growth rates, but even those developing countries experiencing strong growth are also struggling [9]. This is the current issue in Nigeria; the country being a developing country with strong growth rate but with high level of poverty still existent in the country.

The issue now faced by countries Nigeria included is that of defining poverty itself, how to tell when one is poor and how to come up with ways to eradicate poverty; and also how to ensure equality in the society. At the same time, countries are increasingly focusing on how to achieve development, how to improve their economy and also how to be able to contest with other developed nations. This is an important issue of concern for a lot of countries. Countries focus on achieving/attaining the developed state and in the process of doing that neglect other important matters at hand; which should be focusing on ensuring that the people are also carried along in the process of development, not just growing the economy. The country has recently been mentioned to be among the fastest growing economies in the world, the best in Africa with a GDP (growth domestic product) increasing at the rate of not less than 6%, but ironically, the country is also named to be the third country with the largest number of poor people. Statistics places the country at number 3.

For the country to achieve a successful poverty reduction, the poor needs to be identified first and also there is a need to understand the nature of their poverty. From available evidences it is obvious and confirmed that the poor are more prevalent in rural areas followed by the urban areas, and also female-headed households are more prone to poverty compared to male-headed households, the poor in the rural areas are mostly farmers; as a result of the uneven distribution of the poverty among households and states/zones, there is a need for policy makers to put these differences into consideration when making policy's for poverty reduction in order to ensure effectiveness in poverty reduction. Some parts of the south regions are showing a cooperative movement which is helping them with poverty reduction in the region, there is a need for the other regions to closely study and emulate this movement implemented by the

south in order to also achieve a reduction in the rate of poverty especially amongst the unemployed [10].

THEORETICAL FRAMEWORK

According to Adam Smith, in his book the wealth of nations; his main concern was with the forces that manage the relative levels of prosperity among countries and how that causes differences between countries. He discussed the benefits of division of labour showing how it depends on the scale of activity and the extent of the market. Large-scale activity and extended market, according to him gives room for specification and thus improve skills and labour efficiency [11].

Furthermore, he also stressed the importance of free institutions under which people easily take advantage of their potentials in terms of skill, knowledge and resources, he however, failed to give the precise relationship between extended specialization and economic productivity, the theory was not rich in addressing issues related to income distribution. David Ricardo, however was concerned with relations between prices and income distribution in order to understand how a change in distribution could hinder or favour accumulation; unlike Smith, David Ricardo stressed more manufacturing. He went as far as trying to come up with laws that will control and regulate the way in which the division coming from the whole produce of the land among land owner, capitalist and worker should be carried out. Malthus on the other hand came up with a theory of population growth; by putting more importance on the inter dependence of growth in terms of population and the supply of food. According to him, if poverty can best be explained and understood from the relationship existing between population and the available means of subsistence; then population growth may be associated with improvement in living standard.

Adam Smith also contributed that humans are driven by self-interest, that is driven by self-interest needs control and regulation; and that control for Smith should not come from the state, because to him, the state during his time was in favour of the interest of the land owners, therefore the control should be coming from the market place activities i.e. a regulation stemming from the competition between free individuals acting as buyers and sellers [12]. Economic growth for Adam Smith is dependent on the accumulation of capital, which is also dependent on savings from the revenues gotten from hard work; this is as a result of the virtues of frugality and self-discipline. Economic growth also achieved and made possible by following a culture that is entrenched in morality, and liberty that comes naturally [13].

In relation to poverty, a lot of theories are available. One of this theory's is the basic needs theory; in studies related to poverty and MDG's, this theory stands out as the best [14]. This theory can also be used in explaining poverty and economic growth. The basic human needs theory explains that to live and achieve well-being, there are certain essentials that are needed by humans [15]; according to the theory, the minimum requirement for a decent living is what is referred to as the basic needs. The basic needs theory provides explanation on the basic needs of individuals and provides a

guide on how to help the poor break free from poverty, it helps them earn necessities of life, such as good water, access to health, food, transport, good education etc.

HYPOTHESIS;

H₁-The relationship between poverty and economic growth/development is negative as the null hypothesis and the relationship between poverty and economic growth is positive as the alternative.

H₂-The relationship between inequality and economic growth is negative as the null hypothesis and the alternative is the relationship between inequality and economic growth is positive.

METHODOLOGY

This research will adopt the quantitative research method making use of secondary data from reliable source. In order to evaluate secondary data, there is a need for ensuring the reliability of the sources used by the researcher, [16] suggest that the researcher must consider expertise, credibility, reputation and overall trustworthiness of the source. The government data seem to be more dependable and have more credibility than other sources, but even the government data has its criticism as [17] it has been mentioned that even government sometimes have veiled agendas with regards to what data they present and how they present it. [16] Additionally emphasized that a data is more credible and dependent on when the source has an originality to it, where information of the methodology and method of the data collection are given and when the researcher knows the provider or a situation where the provider of the data is known and is ready to be recognized.

This study is using data from the World Bank, this source is known to have reasonable reliability to it. The study will take the GDP study from 1986- to 2014. This is the period that was accompanied with a lot of changes, and this also happens to be the period when the rise in GDP growth in the country became conspicuous and known. The data will be analysed using STATA. The study will make use of Nigeria as a whole; using the time-series approach, this source has been used by a lot of other scholars in conducting their research. Scholars like [18-19-20-21-22]among others all made use of the secondary data gotten from a variety of sources, but the most reliable being the world bank development report, world bank annual data, Bureau of statistics and other sources.

DATA ANALYSIS AND RESEARCH FINDINGS.

The analysis was done using the three variable; poverty, inequality and economic development/growth. To measure poverty, two parameters were adopted health and school enrollment. These two parameters were used because this are two important issues in the country when discussing poverty. This was also used by [14], in his research related to poverty. Infant mortality was used to represent health while the primary school enrollment was used to measure education in the country. GINI coefficient is the best parameter for measuring inequality as used by many researchers, including [23] in the article 'U shape hypothesis', and [14]. Finally, the GDP (Gross domestic product) per capita was used for

economic development/growth. Stata was used in running the data for a period of 28 years, i.e. 1986-to 2014

Table 1 above shows the level of reliability of the data set employed. It can be seen from the table that health has the highest mean value of 516352.9, followed by inequality with

a mean value of 44.39 and lastly education has a mean value of 1.10. the descriptive table is from the year 1980-2014; i.e a period of 34 years.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev	Min	Max
GDP	34	750.3547	769.2868	153.08	3005.51
Hlth	34	516352.9	46631.95	420000	567000
Gini	34	44.39118	3.649272	38.7	48.8
Edu	34	1.10E+07	3109402	7838732	1.81E+07

Table 2: Correlation analysis

	GDP	Health	Inequality	Education
GDP	1.000			
Health	0.020	1.000		
Inequality	0.911	0.512	1.000	
Education	0.002	0.002	0.002	1.000
	0.806	0.518	0.685	
	0.000	0.002	0.000	

RESULT FOR ANALYSIS.**Table 3: OLS regression results on the relationship between**

Regressors	Dependent variable = Real GDP per Capita
Health	-0.010 [0.001]***
Gini	40.91539 [19.502]**
Education	0.000244 [0.000]***
Constant	1404.218 [728.803]*
R-squared	0.8832
Adj. R ²	0.87
F-Value	75.58***

Note: a) *, ** and *** indicates the rejection of null hypothesis that a particular parameter estimate is not significantly different from zero at 1%, 5% and 10% levels of significance respectively. b) standard error in brackets

The result for correlation between dependent and independent variables proves to be very important. Table 2 above gives the correlation of the variable. Health has the highest with a value of 0.911, followed by education with a value of 0.806 and lastly inequality follows with a value of 0.002.

From the above table, the OLS regression represented by table 2 depicts that a one% increase in the number of infant death/mortality will lead to a 0.010 percent decrease in GDP at a 1% statistical significance level. It further established that a 1% increase in inequality leads to 40.92% increase in gross domestic product per capita. On the part of education, the analysis shows that a 1% increase in the number student

enrollment will lead to an increase of 0.000244 percent increase in gross domestic product.

From the analysis, the result shows that the hypothesis (H₁-The relationship between poverty and economic growth/development is negative as the null hypothesis and the relationship between poverty and economic growth is positive as the alternative) is negative, it means that economic development in the country does help in reducing poverty in the country but the issue of inequality is coming between a successful poverty eradication, and that is the reason why the country in rising economically but in the same vain experiencing an increase in poverty in the country. The reason behind this can be used as a topic for further research.

In the same vain the second hypothesis (H_2 -The relationship between inequality and economic growth is negative as the null hypothesis and the alternative is the relationship between inequality and economic growth is positive) also prove to be positive as we can see the increase in inequality in the country is accompanied with an increase in Growth. This shows that there exist growth in the economy, but a growth that benefits only a few of the population. The growth is not evenly distributed to all the population. This can be used for future research. From the objective of this research it can be seen that there exists a negative relationship Between poverty, in relation to inequality and economic growth/development.

Table 3 above shows the VIF test result. VIF is a test for multicollinearity. From the result, it can be seen that the variables are moderately correlated.

RECOMMENDATION/SUGGESTION;

From the above, the study makes it clear as to what the problem in the country is; the government needs to understand that the world and economy has changed a lot, there is no function of government now that is not very difficult to handle, the population of the country is ever rising and so is the needs of the citizens. The government therefore needs to come up with better policies and also make sure that the new policies are implemented accordingly, the government needs to ensure an increase inequitable income distribution in the country. Some of the recommendations are;

The government should improve education in the country and also extend it to all areas of the country to both the rich and the poor. When all the citizens are educated, that will aid an equal opportunity for all the citizens in terms of employment.

Table 4: VIF (Variance Inflation Factor) Test

Variable	VIF	1/VIF
Gini	2.2	0.455123
Edu	1.95	0.511756
Hlt	1.6	0.626878

1. After education, the government also needs to help its citizens, especially the poor in getting a means of survival. This job provision doesn't necessarily have to be a white collar job, but provide the poor with a means of sustenance; training the poor in different skills like agriculture etc., this will go a long way in helping with employment provision. This can be adopted from the work of the great former governor of Kano state Engineer Dr Rabi'u Musa Kwankwaso, for his tremendous effort towards education and job creation to the youths, the governor trained the youths and helped them with capital to start up the various trade and businesses they learnt.
2. The government should also come up with polices that will ensure fairness in job recruitments, so that everyone will have an equal opportunity in the labor market.
3. The government should also introduce a policy that will ensure accountability in government all corrupt officials need to be probed.

4. The government should also encourage income distribution in the country, encourage and improve agriculture so that the youths get attracted to the agricultural sector.
5. Another issue is that of privatization. This is a very important area of concern that needs to be addressed, it is agreed that privatization has an advantage in the long run, but the immediate effect it has on the poor cannot be over emphasized, engaging in privatization, most of the time leads to a lot of people losing their jobs, and in a country where there exists an alarming unemployment situation, the governments focus should be on job creation and not paving way for other people to lose their job. The Nigerian government needs to be reinvented.

CONCLUSION

The objectives were to find out the relationship between growth/development on poverty and inequality. After the analysis. It can be seen that there exist a negative relationship between poverty and growth/development. From the result, a rise in inequality is accompanied with a rise in GDP which goes a long way to explain why poverty is in the rise in the midst of economic development. The government of Nigeria needs to wake up and come up with good policies that will represent the population as a whole.

RREFERENCES

- [1]. Catherine P, Chukwuma C.S & Paul C (2008). Economic Policy and Options for a Prosperous Nigeria. *International monetary fund*.
- [2]. Daniel, M. (2014). Nigerian Economy Overtakes South Africa's on Rebased GDP, Bloomberg Business.
- [3]. National Bureau of Statistics (2013)
- [4]. Daily Independent, (2015), World Bank Report on Poverty in Nigeria.
- [5]. Dollar D & Kraay A, (2000), Growth is Good for the Poor, *Journal of Economic Growth*.
- [6]. Tony Addison and Giovanni Andrea Cornia,(2001), Income Distribution Policies For Faster Poverty Reduction, *WIDER Discussin Paper, UNU-WIDER.Washington, D.C*.
- [7]. Frances N.O, Friday S. E & Olumide S.A, 2013 Challenges facing the achievement of the Nigerian vision 20; 2020. *Global Advanced Research Journal of Social Science* 2(7), 143-157.
- [8]. Nigerian Economic Report,(2013), The World Bank.
- [9]. Allen.L, Avinish.P, Benjamin.S, Bruce.R, Carol.G, C.Ford, Carol.L, David.E, Eugene.L, Gene.S, Henry.O, James G, JessicaE, John.B, Michael.O &Thomas M, (2001), Closing The Great Divide: Development and The Eradication of Poverty. *Foreign Affairs Editors Choice Book Series* p.40
- [10]. Fidelis O O, (2002), An Appraisal of Poverty Reduction Strategies in Nigeria. *CBN Economic & Financial Review*, VOL. 39 NO. 4
- [11]. Adam smith, (1904), An Inquiry Into the Nature and Causes of the Wealth of Nations, *London;Methuen & Co.Ltd*.

- [12]. Elaine H & Richard P, (2011), Theories of Development; Contentions, Argument, Alternatives. *Rawat Publications*: 1, 2, 31-32.
- [13]. Fitzgibbons, A. (1995), Adam smith's system of Liberty, Wealth and virtue. Oxford, UK: *Clarendon Press*.
- [14]. Bello M A, (2010) An Economic Analysis of Poverty, Inequality and Future of Millennium Development Goals in Nigeria.
- [15]. Havva. K (2007). Reducing Violence: Applying the Human Needs Theory to the Concept in Chechnya, *The Journal of Turkish Weekly*, Vol 3, No 11, pp: 89-108.
- [16]. Stewart, D.W (1984) Secondary Research; Information Sources and Methods, *Beverly Hills*; Sage pp.23
- [17]. Geoff. L, (2005), Research Method in Management; A Concise Introduction to Research in Management and Business Consultancy. *Elsevier Butterworth-Heinemann, Lincare House, Oxford*.
- [18]. Akhemonkhan L, Patel A,& Raimi A,(2014),"Harnessing the potentials of technology incubation centres (TICs) as tools for fast-tracking entrepreneurship development and actualisation of the Vision 20:2020 in Nigeria", *Humanomics*, Vol. 30 Iss 4 pp. 349 – 372
- [19]. Slabbert, D,Ukpere A & Wilfred I(2009),"A relationship between current globalisation, unemployment,inequality and poverty", *International Journal of Social Economics*, Vol. 36 Iss 1/2 pp. 37 – 46
- [20]. Lukman Raimi O.D. Ogunjirin, (2012),"Fast-tracking sustainable economic growth and development in Nigeria through international migration and remittances", *Humanomics*, Vol. 28 Iss 3 pp. 209 – 219
- [21]. Minh Q, (2008),"Human capital, poverty, and income distribution in developing countries", *Journal of Economic Studies*, Vol. 35 Iss 4 pp. 294 – 303
- [22]. Nicholas Apergis Oguzhan Dincer James E. Payne, (2011),"On the dynamics of poverty and income inequality in US states", *Journal of Economic Studies*, Vol. 38 Iss 2 pp. 132 - 143
- [23]. Simon A, Andrew M & Babatunde A A (N.D) Poverty in Nigeria.