

# Strategies for Alleviating Poverty in Nigeria

Arema, B. I.

Department of Economics, University of Ilorin, P. M. B. Ilorin, Kwara State, Nigeria

## Abstract

The paper uses descriptive and analytical tools to identify the causes of poverty in Nigeria. To this end, a simple linear model of poverty is built to ascertain the strength of the causes of poverty such as unemployment, inflation and low income. The paper observes that unemployment, inflation and low income have significant impact on the level of poverty in Nigeria. The impact of poor health care and low literacy level was found to be statistically insignificant. Therefore, the paper concludes that to effectively alleviate poverty in Nigeria, both the public and private sectors must embark on employment generating programmes and activities; inflation must be controlled to ensure that it does not exceed single digit; and the minimum wage should be increased substantially. Also the Federal Government should solve the petroleum products supply problem instead of deregulating the oil down stream. Deregulation will no doubt aggravate inflation and by extension poverty.

**Keywords:** Poverty, Development, Growth, Population, Unemployment.

## 1.0 Introduction

Many Nigerians are today living a most difficult life with basic amenities such as food, water, electricity and security almost totally absent. By many counts, Nigeria ranks among the most resource-endowed countries in the world. Despite its resources, however, it today ranks among the 20 poorest nations (UNDP, 2006). The proportion of the core poor is shown from United Nations (UN) estimates to have risen sevenfold from 4 million in 1980 to 30 million in 1996, while the poverty rate rose from 42.7 percent to 65.6 percent from 1992 – 1996. In 2007, it is estimated that about 70.2 percent of Nigerians live on less than USD\$1 a day, while up to 91 percent live on less than USD\$2 a day. With 55.5 million poor people in 1998, Nigeria had the largest number of the world's extreme poor in comparison with war torn countries such as Democratic Republic of Congo's and Ethiopia's 48.2 million and 37.4 million respectively. It is disturbing to observe that there is a wide gap between the rich and the poor, town and country as well as regional disparities in the distribution of income. As further shown, where as the percentage of total income earned by the richest 20 percent of the population in 2006 was 55.7 percent; the corresponding figure for the poorest 20 percent was 4.4 percent.

Nigeria's poverty situation in the face of its rich petroleum resources was aptly summed up in Feyide (1990) "All the characteristics of poverty appear to be present in this country, yet it is true that Nigeria cannot properly be described as a poor country. Our rich endowment of human and natural resources is one aspect of our national wealth. The fact that the resources include vast resources of hydrocarbon makes all the difference to our classification in the international scale of prosperity". "We have the ingredients of wealth but they have not been fully converted into real prosperity". In the oil boom of earlier years, when the naira was stronger with higher purchasing power than the US dollar, we were all proud to be Nigerians. The ostentatious display of wealth, at home and abroad and the ensuing 'oil wealth illusion' effect led to the extravagant squandering of the petrol money like the biblical prodigal son, instead of its productive investment and utilization to transform and develop the economy to guarantee lasting real, as against spurious/illusionary transient prosperity (Feyide, 1990).

According to the Human Development Report (HDR) (1991), 77 percent of the world's people earn 15 percent of its income while 23 percent earn 85 percent. Poverty indicators especially in the developing countries are gloomy. There are about 1.2 billion poor people in the third world countries. The figure is estimated to rise to 1.5 billion by the year 2025. The United National Development Programme (UNDP) estimated that, about 900 million adults could not read or write. 1.5 billion stay in absolute poverty.

Nigeria the most populous nation in Africa is a poor country even in the midst of abundant resources. The 1998 UNDP human development report described Nigeria as a rich country with a poor population and the poorest and most deprived OPEC country. Nigeria was by 2003 rated the 188<sup>th</sup> of the 192 member nations of the World Health Organization (WHO) because of the poor state of the country's health infrastructure. The country was placed 146<sup>th</sup> out of 162 nations on the UNDP index of social indicators. The incidence of poverty in Nigeria in recent times is rather pathetic. With an average of 35.5 percent between 1980 -1984 the poverty rate increased to 44.5 percent in 1989. Between 1990 and 1994 the average poverty rate was 46.78 percent. During the same period, the poverty level was higher in the northern agro-climatic zone at 40 percent compared with the middle and southern zones at 38 percent and 24 percent respectively (FOS 1999). By the year 2000, statistics indicates that poverty is deep and pervasive with an estimated 70 percent of the population living in poverty. Indeed, the Nigeria economy faces enormous challenges and a bleak future if fundamental steps are not taken to redress the legacies of the past. Among the many requirements for rejuvenating the economy is rapid and broad based growth. It would require Nigeria doing things in fundamentally different ways than in the past to break way from the low growth-

poverty traps.

The main objective of this paper is to investigate the causes of poverty in Nigeria with a view to proffering strategies for alleviating it. To this end, a simple linear model of poverty is built to ascertain the strength of the causes of poverty such as unemployment, inflation, low income, poor health care and low literacy. On the basis of the regression results, strategies for alleviating poverty in Nigeria are proffered. The rest of this paper is organized as follows. Section 2 reviews related literature on poverty, model specification is contained in section 3, section 4 discusses the results of the regression analysis and the paper is concluded in section 5.

## 2.0 Review of Related Literature

### 2.1 Conceptual Issues on Poverty

Poverty can be defined as a condition of having insufficient resources or income. In its most extreme form, poverty is a lack of basic human needs, such as adequate and nutritious food, clothing, housing, clean water, and health services. Extreme poverty can cause terrible suffering and death, and even modest levels of poverty can prevent people from realizing many of their desires. The world's poorest people -- many of whom live in developing areas of Africa, Asia, Latin America, and Eastern Europe -- struggle daily for food, shelter, and other necessities. They often suffer from severe malnutrition, epidemic disease outbreaks, famine, and war. In wealthier countries -- such as the United States, Canada, Japan, and those in Western Europe—the effects of poverty may include poor nutrition, mental illness, drug dependence, crime, and high rates of disease (Corbett, 2008).

Extreme poverty, which threatens people's health or lives, is also known as *destitution* or *absolute poverty*. In the United States, extreme poverty is traditionally defined as having an annual income that is less than half of the official poverty line (an income level determined by the Bureau of the Census). Extreme poverty in developing nations, as defined by international organizations, means having a household income of less than U.S. \$1 per day. *Relative poverty* is the condition of having fewer resources or less income than others within a society or country, or compared to worldwide averages. In developed countries, relative poverty often is measured as having a family income less than one-half of the median income for that country (Corbett, 2008).

The reasons for poverty are not clear. Some people believe that poverty results from a lack of adequate resources such as land, food, and building materials -- that are necessary for the well-being or survival of the world's people. Others see poverty as an effect of the uneven distribution of resources around the world on an international or even regional scale. This second line of reasoning helps explain why many people have much more than they need to live in comfort, while many others do not have enough resources to live. UNDP (2006) states that poverty is hunger, lack of shelter, being sick and not being able to see a doctor, not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Losing a child to illness brought about by water borne disease. Poverty is powerlessness, lack of representation and freedom (World Bank, 1994). Vision 2010 defines poverty as a condition in which a person is unable to meet minimum requirements of basic needs of food, health, housing, education and clothing.

In developing nations, general levels of living tend to be very low for vast majority of people. These low levels of living are manifested quantitatively and qualitatively in the form of low incomes (poverty), inadequate housing, poor health, limited education, high infant mortality, low life and work expectancies, and in many cases a general sense of malaise and hopelessness (Todaro & Smith, 2007). The magnitude and extent of poverty in any country depend on two factors: the average level of national income and the degree of inequality in its distribution. Clearly, for any given level of national per capita income, the more unequal the distribution, the greater the incidence of poverty. Similarly, for any given distribution, the lower the average income level, the greater the incidence of poverty.

World Bank (1999) defined poverty as hunger; lack of shelter; being sick and not being able to go to school; not knowing how to read; not being able to speak properly; not having a job; fear for the future; losing a child to illness brought about by unclean water; powerlessness; lack of representation and freedom. Schubert (1994) defined poverty as either absolute or relative or both. Absolute poverty is that which could be applied at all time in all societies such as the level of income necessary for bare subsistence, while relative poverty relates to the living standards of the poor to the standards that prevail elsewhere in the society in which they live. Sen (1999) defined poverty as deprivation of basic capabilities such as being healthy, having a good job, being safe, being happy and having self-respect rather than low income.

### 2.2 Causes of Poverty

According to Corbett (2008), poverty has many causes, some of them very basic. Some experts suggest, for instance, that the world has too many people, too few jobs, and not enough food. But such basic causes are quite intractable and not easily eradicated. In most cases, the causes and effects of poverty interact, so that what makes people poor also creates conditions that keep them poor. Primary factors that may lead to poverty include (1) overpopulation, (2) the unequal distribution of resources in the world economy, (3) inability to meet high standards of living and costs of living, (4) inadequate education and employment opportunities, (5) environmental

degradation, (6) certain economic and demographic trends, and (7) welfare incentives.

The first cause of poverty is overpopulation. This refers to a situation of having large numbers of people with too few resources and too little space, is closely associated with poverty. It can result from high *population density* (the ratio of people to land area, usually expressed as numbers of persons per square kilometer or square mile) or from low amounts of resources, or from both. Excessively high population densities put stress on available resources. Only a certain number of people can be supported on a given area of land, and that number depends on how much food and other resources the land can provide. In countries where people live primarily by means of simple farming, gardening, herding, hunting, and gathering, even large areas of land can support only small numbers of people because these labor-intensive subsistence activities produce only small amounts of food.

The second cause of poverty is uneven distribution of global resources. Many experts agree that the legacy of colonialism accounts for much of the unequal distribution of resources in the world economy. In many developing countries, the problems of poverty are massive and pervasive. In recent decades most of these countries have tried to develop their economies with industry and technology with varying levels of success. Some nations have become fairly wealthy, including the Republic of Indonesia, Malaysia, Singapore, South Korea, and Thailand. Many developing countries, however, lack essential raw materials and the knowledge and skills gained through formal education and training. They also often lack the infrastructure provided by, for example, transportation systems and power-generating facilities. Because these things are necessary for the development of industry, developing countries generally must rely on trade with developed countries for manufactured goods, but they cannot afford much.

Third cause of poverty is inadequate education and employment. Illiteracy and lack of education are common in poor countries. Governments of developing countries often cannot afford to provide for good public schools, especially in rural areas. Whereas virtually all children in industrialized countries have access to an education, only about 60 percent of children in sub-Saharan Africa attend elementary school. Without education, most people cannot find income-generating work. Poor people also often forego schooling in order to concentrate on making a minimal living. In addition, developing countries tend to have few employment opportunities, especially for women. As a result, people may see little reason to go to school.

The fourth cause of poverty is environmental degradation. In many parts of the world, environmental degradation—the deterioration of the natural environment, including the atmosphere, bodies of water, soil, and forests—is an important cause of poverty. Environmental problems have led to shortages of food, clean water, materials for shelter, and other essential resources. As forests, land, air, and water are degraded, people who live directly off these natural resources suffer most from the effects. People in developed countries, on the other hand, have technologies and conveniences such as air and water filters, refined fuels, and industrially produced and stored foods to buffer themselves from the effects of environmental degradation.

The fifth cause of poverty is individual responsibility and welfare dependency. There are differing beliefs about individual responsibility for poverty. Some people believe that poverty is a symptom of societal structure and that some proportion of any society inevitably will be poor. Others feel that poverty results from a failure of social institutions, such as the labor market and schools. These people feel that poverty is beyond the control of those who experience it, but might be remedied if appropriate policies were enacted. Other people feel that the poor intentionally behave in ways that cause or perpetuate their poverty. For instance, if people voluntarily choose to use drugs and this leads them to poverty, it can be argued that they are to blame for their situation. However, such an argument cannot completely explain cases in which poverty leads to drug dependence.

According to Yahie (1993), the causes of poverty include; (i) structural causes that are more permanent and depend on a host of exogenous factors such as limited resources, lack of skills, locational disadvantage and other factors that are inherent in the social and political set-up. The disabled, orphans landless farmers, households headed by females fall into this category; and (ii) the transitional causes that are mainly due to structural adjustment, reforms and changes in domestic economic policies that may result in price changes, increased unemployment and so on. Natural calamities such as drought and man-made disasters such as war, environmental degradation and so on also induce transitory poverty.

Figure 1: Population Growth and Poverty Rate

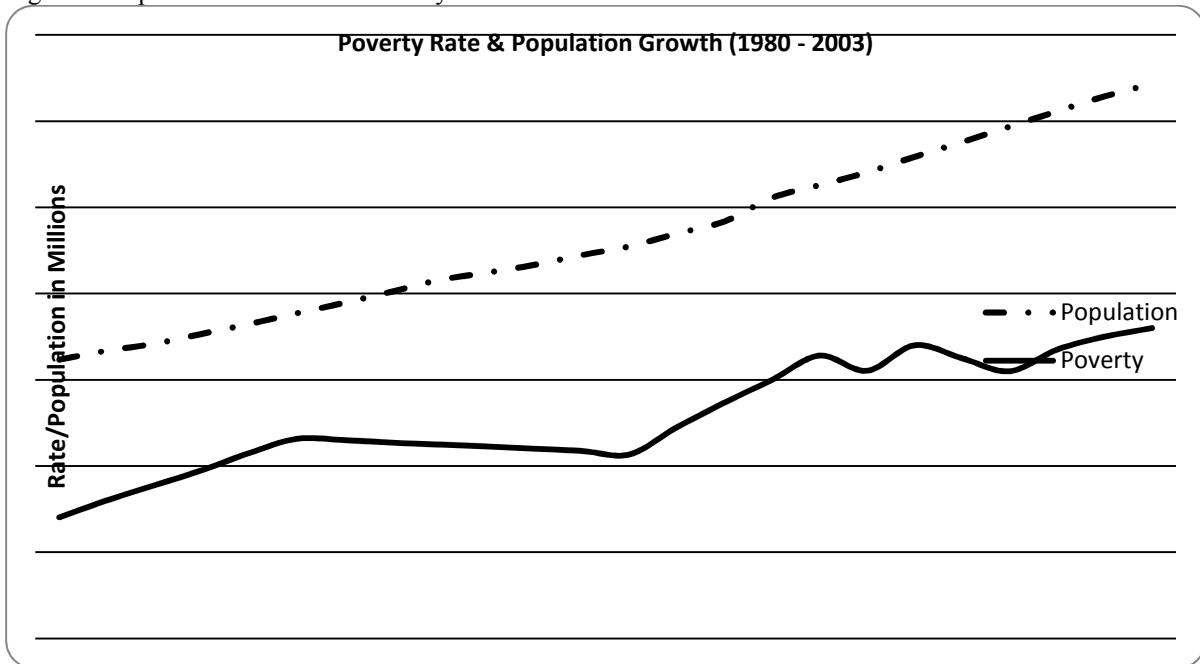


Figure 2: Inflation Rate and Poverty Rate

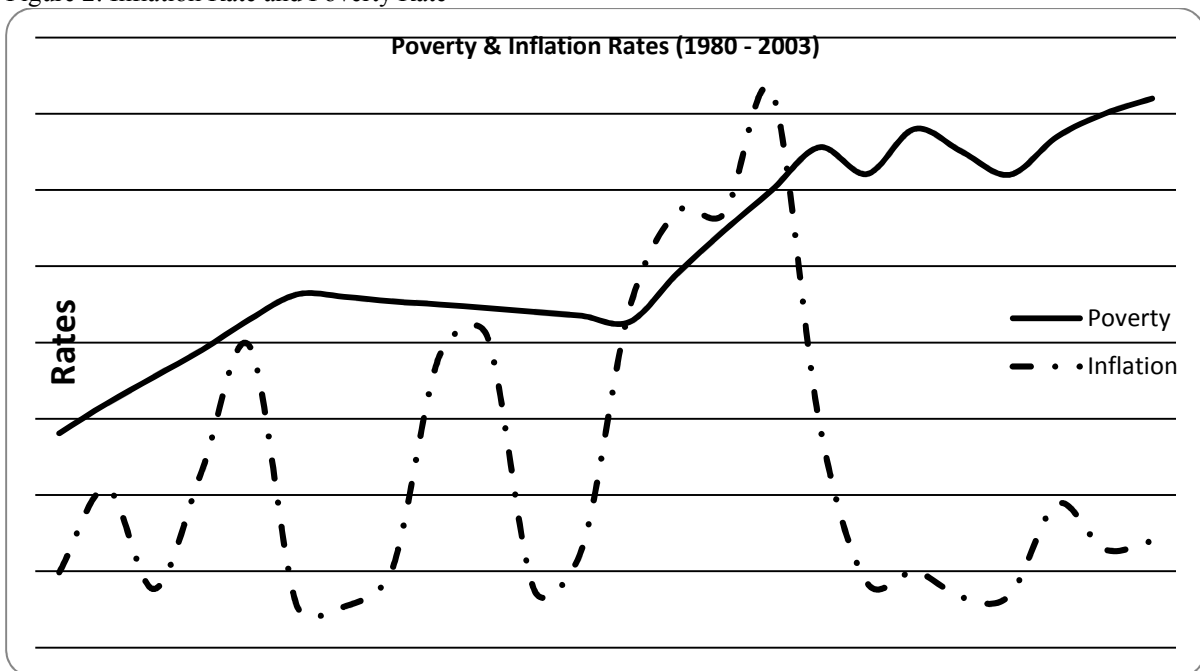


Figure 3: Unemployment Rate and Poverty Rate

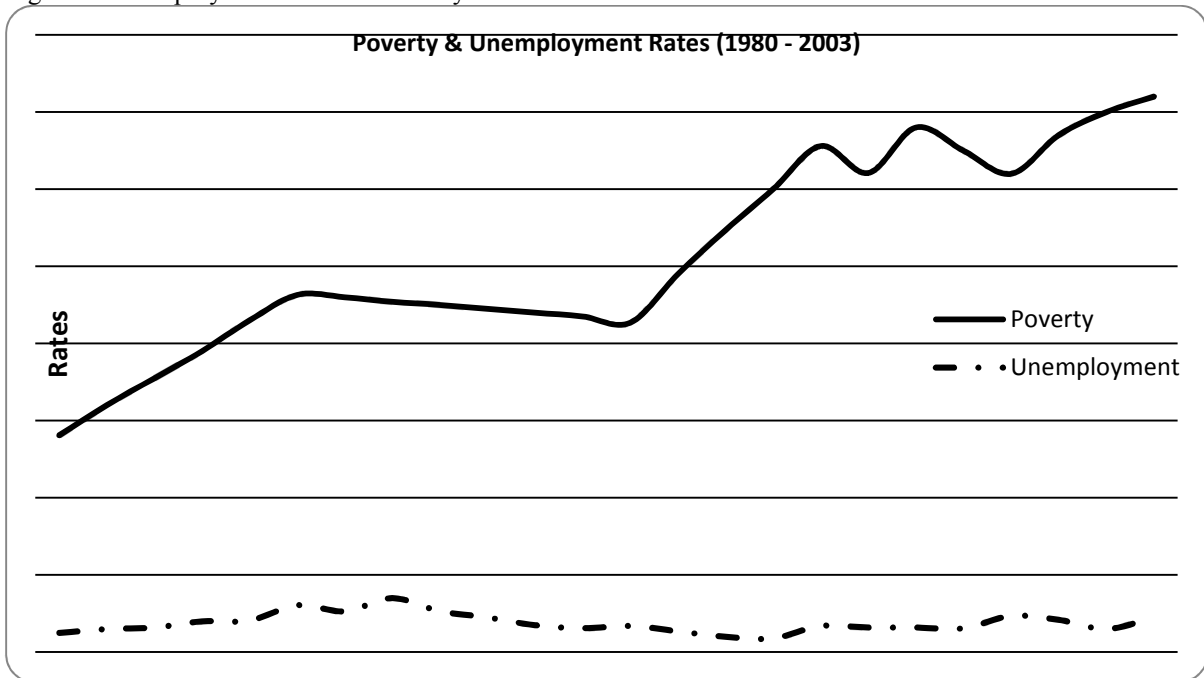
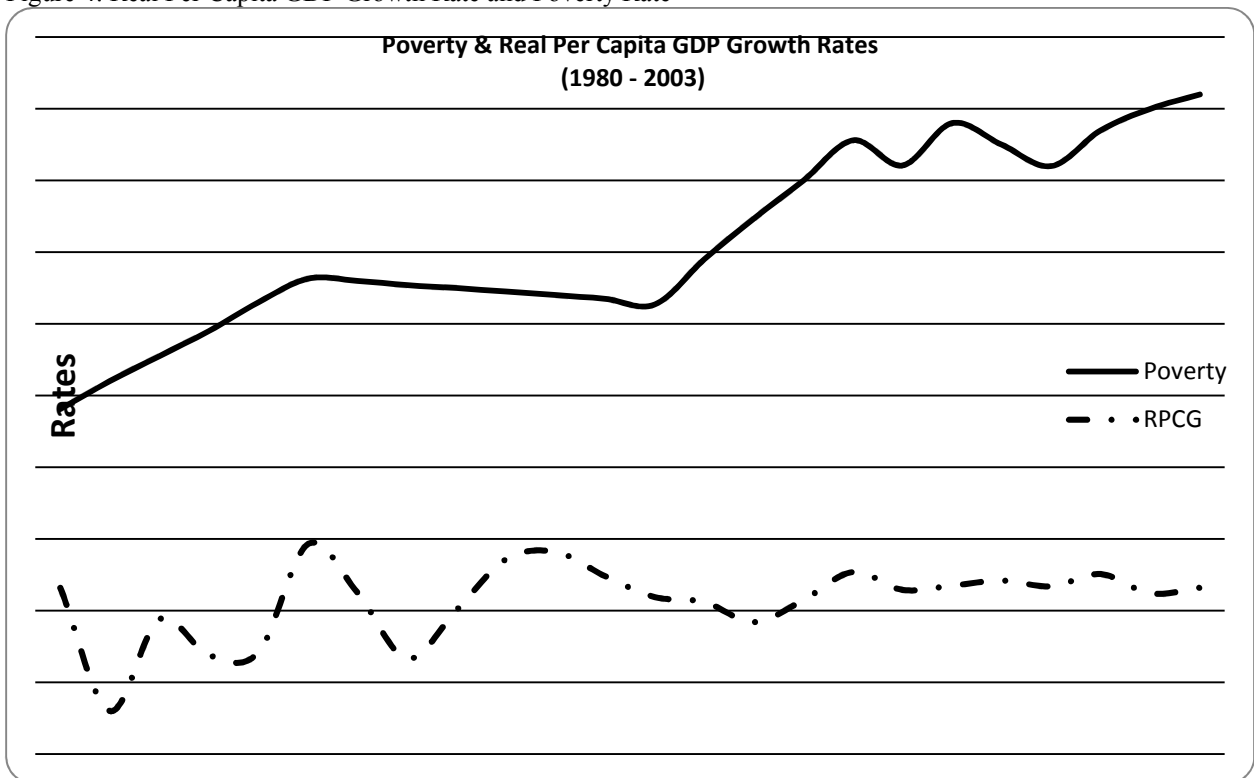


Figure 4: Real Per Capita GDP Growth Rate and Poverty Rate



**Table 1: Correlation Matrix of the Causes of Poverty in Nigeria**

	Poverty	Population	Inflation Rate	Unemployment Rate	Real Per Capita GDP
Poverty	1				
Population	0.95	1			
Inflation Rate	-0.03	-0.04	1		
Unemployment Rate	-0.08	-0.16	-0.04	1	
Real Per Capita GDP	0.4	0.42	-0.18	0.02	1

### 3.0 Methodology

The paper builds a multiple variable model of poverty based on theoretical causes of poverty that have been identified in the literature. These include; overpopulation, low income, high cost of living and unemployment.

### 3.1 Model Specification

The model for this study is specified thus:

$$POV = a_0 + a_1POP + a_2INF + a_3UNEM + a_4RPCG + e$$

A-Priori Expectation:  $a_1, a_2, a_3 > 0$ ;  $a_4 < 0$

Where:

POV = Poverty Rate

POP = Population Growth

INF = Inflation Rate

UNEM = Unemployment Rate

RPCG = Real Per Capita GDP

### 3.2 Estimation Procedure

The model built is estimated using Ordinary Least Square (OLS) estimation technique. The estimated model is thereafter evaluated to ascertain whether the results obtained satisfy theoretical, statistical as well as econometrics requirements.

### 4.0 Results

The results of the OLS estimation of the poverty model is shown on table 2.

**Table 2: The Long run Poverty Rate Model Results by OLS**

Modeling POV by OLS		Sample: 1980 - 2006		
Variable	Co-efficient	Standard Error	‘t’-Value	
Constant	-11.09	-	-	
POP	0.6234	0.0477	13.0696**	
INF	0.0278	0.0482	0.5781	
UNEM	0.9218	0.7527	1.2247	
RPCG	-0.0047	0.1796	-0.0261	

(\*\*) Significant at 1percent Level

$R^2 = 0.9572$

$F = 51.9937$

It can be observed that all the explanatory variable satisfy their a-priori expectations. They all have the right signs. To this extent we can say that population growth, inflation, unemployment have positive impact on poverty in Nigeria. This means that they all aggravate the poverty situation in Nigeria. Income level (Real per capita GDP) has a negative impact on poverty. This means that increases in the level of income will bring about reduction in poverty level.

It can also be observed that among all the explanatory variables only population is statistically significant. Other variables are not statistically significant. The model explains over 95 percent of the variation the level of poverty in Nigeria. The model taken together is statistically significant at 1 percent level.

### 5.0 Conclusion

The paper examined the causes of poverty in Nigeria. It was observed that population, inflation, unemployment have positive impact on poverty level. So, to reduce poverty, population growth should be checked. People should

be encouraged to have small families. Also, the monetary authorities should keep inflation under control. Inflation rate should not be allowed to exceed a single digit. The government resolve to deregulate the petroleum down stream should be dropped. Deregulating the petroleum down stream will aggravate inflation and by extension poverty. The positive impact of unemployment on poverty means that to reduce the high poverty level, employment opportunities should be created for the teeming unemployed youths in Nigeria. The government and the private sector should embark on employment generating programmes and activities to reduce the poverty level in Nigeria. The negative impact of income level (Real per capita GDP) on poverty means increase in the level of income will bring about reduction in the level of poverty in Nigeria. So, to reduce the high poverty level in Nigeria the level of income in of the people should be increased in a way that will not fuel inflation. This may involve increasing the minimum wage.

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