

Economic Growth and Poverty Reduction in Nigeria: A Study of Bayelsa State of Nigeria.

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Abstract

Economic growth is one of the surest and most sustainable ways of combating poverty. Cross-country studies on economic growth and poverty reduction indicate that a 1% increase in growth has been associated on average with a 1.5% reduction in poverty. The Asian Development Bank ADB (2004) report stated that there is a great deal of variation how much economic growth has reduced poverty across countries and even within countries over different periods of time. In statistical terms, the report noted that variation in economic growth can explain only around 45 percent (%0 of the variation in poverty reduction. These two stylized facts about growth and poverty linkages that poverty reduction is closely associated with economic growth but that this association is by no means perfect suggests two challenges for policy makers. However poverty remains a development issue, it has continued to capture the attention of both national governments and international development agencies for several decades. Since the mid 1980s, reducing poverty has become a major policy concern for governments and donor agencies in all poverty stricken countries, Nigeria inclusive. Thus, to attain the objective of reducing poverty in Nigeria, the pre-occupation of the government has been the growth of the economy as a pre-requisite for improved welfare. To this effect the government therefore initiated several economic reform measures which include Economic Stabilization measures of 1982, Economic emergency measures in 1985 and structural adjustment programme (SAP) in 1986. Components of SAP include market-determined exchange and interest rates, liberalized financial sector, trade liberation , commercialization and privatization of a number of enterprises. The study is located in Bayelsa state of Nigeria. The Research design adopted for this study is the cross-sectional survey method. To ensure that the six(6) local government areas were chosen out of the eight local government areas constitute Bayelsa State and their communities and the respondents were truly representative of the population. The stratified random and purposive sampling methods were adopted. The researcher used 200 questionnaires and the questionnaire was the major instrument for the collection of data for this study. The researcher adopted both qualitative and quantitative techniques of data analysis. It is commended that for the package for economic reform to be successful it must be anchored on institutional reform, hence the latter forms a key component of needs. This marks a notable departure from earlier reform efforts.

Keywords: *Economic, Growth, Poverty, Reduction, and Bayelsa Sate.*

1. Introduction

The recent years have witnessed an increasingly strong interest in the impact of economic growth on Poverty. An important reason for this has been the establishment of the so-called Millennium Development Goals, which have set Poverty reduction as a fundamental objective of development (Duclos & Vardiar chouchane, 2010:48). According to the authors, in the literature review on the linkages between growth, poverty and inequality, there is often a tension between macro and micro analysis. Shorrocks & Vandar Hoeven (2004) were of the view that although a search for general conclusions may seem natural at a macro level, it is important that a careful micro work is needed to deal adequately with poverty issues.

The World Bank and IMF have begun to stress that a central way of reducing poverty is to boost GDP growth and in particular, they strive to archive poverty reduction- Gross Domestic Production (GDP) growth. The organization for Economic Co-operation and Development (COECD)(2001) defined upside growth as growth that leads to significant reductions in poverty. Whether GDP growth will automatically reduce poverty depends on the relationship with inequality (Miles & Scott, 2005:27). It was revealed from the study that, if the benefits of GDP growth accrue only in the rich, then GDP growth will boost inequality but leave poverty unaffected. It may even be possible that GDP growth in a modern sector of the economy may leads to declines in traditional

sectors where the poor are mainly based. In this case, GDP growth produces widening inequality and higher levels of poverty immiserizing growth. Ijaiya, Bello & Ajayi (2011) opined that growth in the economy of any nation is a clear indication of an improvement in the socioeconomic well-being of its people. The African Development Bank (AFDB)(2008) report indicated that a deterioration in the growth rate as shown in most developing countries is thus a manifestation in the fall in the standard of living of the people that cumulates into poverty.

According to Aho, Lariviere & Martin, D.(1998) the concept of poverty has evolved in the history of economic thoughts, witnessing different stages of transition since the 18th century. The second transition in the evolution of the concept of poverty began at the end of the colonial period with new awareness of the problem of poverty as it afflicts developing countries. The post colonial period has been characterized by a deliberate transfer from the North to the south of the anti-poverty policies development in Europe during the nineteenth and twentieth centuries. Poverty has been traditionally understood to mean a lack of access to resources, productive assets and income resulting in a state of material deprivation (Baulch, 1996:53).

Progress on poverty reduction has become a major measure of success of development policy. In the 1970s and 1980s, the pre-occupation was with growth, the need to grow the economies and incomes. Growth was seen as a prerequisite for improved welfare. Many developing countries in the 1980s implemented Structural Adjustment Programmes (SAP) aimed at enhancing growth. Following these programmes, many countries recorded positive real growth rates. The development literature in the 1990s was dominated by the view that growth is central to any strategy aimed at poverty reduction. Countries that made noticeable progress on poverty reduction were those which recorded fast and high growth rates (World Bank, 2000:128).

2. Conceptual Clarifications

The two basic concepts which have been used in this study needs clarification. These include the following Economic growth and Poverty reduction in Nigeria:

Economic growth

Economic growth is the increase in the inflation-adjusted market value of the goods and services produced by an economy overtime. It is conventionally measured as the percentage rate of increase in real gross domestic product, or real GDP, usually in per capital terms; Economic growth is an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. It can be measured in normal or real terms, the latter of which is adjusted for inflation. However, economic growth could also be defined as an increase in what an economy can produce if it is using all its scarce resources. An increase in an economy's productive potential can be shown by an outward shift in the economy's production possibility frontiers. The simplest way to show economic growth is to bundle all goods into two basic categories, consumer and capital goods. An outward shift of a PPF means that an economy has increase its capacity to produce(Egunjobi, 2013:62).

Poverty Reduction

Poverty reduction is a set of measures, both economic and humanitarian, that are intended to permanently lift people out of poverty. These measures includes those promoted by Henry George in his economics classic progress and poverty, are those that raise, or are intended to raise, ways of enabling the poor to create wealth for themselves as a means of ending poverty forever. In modern times, various economists within the Georgism movement propose measures like the land value tax to enhance access to the natural world for all. Poverty occurs in both developing countries and developed countries. While poverty is much widespread in developing countries, both types of countries undertake poverty reduction measures.

Poverty has been historically accepted in some parts of the world as inevitable as non-industrialized economies produced little while populations grew almost as fast, making wealth scarce. Geoffrey Parker (2014) wrote that "Antwerp and Lyon, two of the largest cities in Western Europe, by 1600 three quarters of the total population were too poor to pay taxes, and therefore likely to need relief in times of crisis. Poverty reduction has been largely as a result of overall economic growth. Food shortages were common before modern agricultural technology and in places that lack them today, such as nitrogen fertilizers, pesticides and irrigation methods.

The dawn of industrial revolution led to high economic growth, eliminating mass poverty in what is now considered the developed world. World GDP per person quintupled during the 20th century. In 1820, 75 percent(%) of the humanity lived an less than a dollar a day, while in 2001 only about 20 percent(%) do.

Today, continued economic development is considered by the lack of economic freedoms. Economic liberalization requires extending property rights to the poor, especially to land. Financial services, notably savings, can be made accessible to the poor through technology, such as mobile banking. Poverty reduction also involves improving the living conditions of people who are already poor. Aid, particularly in medical and scientific areas is essential in providing better lives, such as the Green Revolution and the eradication of smallpox (Iyoko, 2012:15).

3. Data, Methodology And The Study Area

The study is located in Bayelsa state which is in the south-south geo-political zone of Nigeria and is one of the 36 states in Nigeria. Bayelsa state was created on the 1st October 1996, during the regime of military President late General Sani Abacha (BYSG, 2001). This study adopted the cross-sectional survey design. Obikeze (1990) has described the design as the type of research that tries to get an overview of all the subjects, a total perception of the situation of things at a given point in time. The study has been discerned to use a sample size of 200 respondents aged 18 years and above. To ensure that the local government areas, communities and their respondents were truly representatives of the population, the stratified random and purposive sampling methods were adopted. Out of the eight local government areas of the state, six(6) local government areas were chosen, two each from the three (3) Senatorial zones of the state. The questionnaire was the major instrument for data collection for this study. The researcher used both qualitative and quantitative techniques of data analysis. The hypotheses of the study were tested at 0.5 level of significance with the chi-square statistics.

4. Results And Discussion

Table 1: there is a causal relationship between poverty reduction and Economic growth in the Bayelsa state of Nigeria.

Responses on whether there is a relationship between poverty reduction and economic growth in Bayelsa state of Nigeria.

Categories	Responses		Total
	Yes	No	
Male adult folk	76	24	100
Female adult folk	80	20	100
Total	156	44	200

Table 2: there is a significant relationship between good income and economic growth in Bayelsa state of Nigeria.

Responses on whether there is a relationship between good income and economic growth in Bayelsa state of Nigeria

Categories	Responses		Total
	Yes	No	
Male Adult folk	80	20	100
Female Adult folk	70	30	100
Total	150	50	200

Table 3: there is an inverse relationship between employment and economic growth in Bayelsa state of Nigeria.

Responses on whether there is a relationship between employment and economic growth in Bayelsa state of Nigeria.

Categories	Responses		Total
	Yes	No	
Male adult folk	85	15	100
Female adult folk	70	30	100
Total	155	45	200

Table 1 revealed that out of 100 in the male adult category, 76 of the respondents gave answers in the affirmative of the respondents reacted to the contrary. Also out of the 100 in the female adult category, 80 pf the respondents supported the assertion in the hypothesis while 20 of the respondents held a different view point. From the foregone analysis, a majority of the stakeholders held the view that there is a causal relationship between poverty reduction and economic growth in Bayelsa state of Nigeria.

Table 2 also shows that out of the 100 in the male adult category, 80 of the respondents affirmed the assertion of the hypothesis while 20 of the respondents reacted to the contrary. Also out of the 100 in the female adult category, 70 of the respondents gave their support to the assertion of the hypothesis while the remaining 30 respondents were opposed to the assertion in the hypothesis. From the foregone analysis, it was clear that good income has a significant relationship with economic growth in Bayelsa state of Nigeria.

Table 3 revealed that out of the 100 in the male adult category, 85 of the respondents gave their support to the assertion of the hypothesis while the remaining 15 respondents reacted to the contrary. Also out of the 100 female adult category,70 of the respondents affirmed the assertion in the hypothesis while 30 of the respondents were opposed to the assertion. From this analysis , it could be asserted that employment has an inverse relationship with economic growth in Bayelsa state of Nigeria.

5. Implications Of The Results Of The Study

Numerous implications could be derived from the results presented in this study. But we will concern ourselves with a few important implications. According to our data, one of the dependent variables was poverty reduction has a causal relationship with economic growth but in spite of the short comings of the various poverty reduction steps taken by the past governments failed as a result of non-performance. These includes Agricultural Development programmes, Nigeria Agricultural Co-operatives and Rural Development Bank, National Agricultural Insurance Scheme, National Directorate of Employment, National Primary Health Care Agency, Peoples Bank, Urban Mass Transit, mass education through Universal Basic Education (UBE) , Rural Electrification Schemes (RES) among others.

The recent effort is based on the seven point agenda. Like earlier reform packages, the strategy considers economic growth as crucial to poverty reduction. The major issues of the seven point agenda include: power and energy , food security, wealth creation and transportation. Others are land reforms, security and mass education. There may have been increased polarization in income distribution, resulting in a wider gulf between the poor and the rich, manifested in a disappearing middle class in the Nigerian economy.

6. Policy Thrust Or Ways Forward

Based on the outcome of the findings, the followings are the ways forward for this study:

1. Commitment to due process, good governance transparency, accountability and social responsibility.
2. Implementation of policies should be people oriented and deeply rooted. Effort should be geared at empowering beneficiaries of poverty schemes.
3. Government should invest more on Agriculture and Power sector.
4. Government should have the courage to prosecute and punish those who sabotage her efforts at reducing poverty.
5. Political allegiance and continuity of programmes, project and services.
6. Broad based economic growth and equality.
7. Harmonization of agricultural and industrial strategies.

7. Conclusion

In conclusion, the national poverty incidence result shows 65.6 percent (%) in 1996 and declined to 54.4 percent (%) in 2004. The poverty depth (P1) and poverty severity (P2) were 0.358 and 0.207 in 1996 but these decreased respectively to 0.225 and 0.122 in 2004. Estimates of inequality also indicate that Nigeria has more unequal distribution of income than Ethiopia, Madagascar, India and Niger. Further analysis also suggests that poverty in Nigeria is predominantly a rural phenomenon, with rural poverty increasing from 28.3 percent (%) in 1980 to 63.8 percent (%) in 2004. The proportion of the urban poor also rose from 17.2 percent in 1980 to 43.1 percent (%) in 2004. The result shows that rural areas approximately 44.4 percent (%) of households in 2004 could not meet their food expenditure requirements, 19.4 percent (%) could meet their food expenditure requirements, but not the minimum expenditure to cover other basic needs. For the urban households, 26.7 percent (%) were not able to meet their required food expenditure requirements while 16.4 percent (%) could meet their food expenditure but not other non-food basic expenditure needs. In this connection, the government should give expression to poverty reduction objectives in national development plans. Issues of good governance, controlled population, economic equalities, zero tolerance to corruption, crime should be looked into and policies be formulated.

8. References

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International journal of Advanced Research in Public Policy, Administration and Development Strategies vol. 1 (1): 1-15