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# Economic Growth and Poverty Reduction in Nigeria

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**Abstract**

*Economic growth is said to be pro-poor if poverty measure adopted falls within growth rate. Studies on economic growth indicates that economic growth is essential for poverty reduction, especially when it leads to increase in employment and improvement in opportunities for productive activities among the people that are poor. The fact that poverty goes beyond income has received little attention. The study shows that Nigeria has not experienced inclusive growth over the years. The country has experienced pervasive poverty, high rate of unemployment and high level of income/wealth inequality despite impressive economic growth rates over the years. The study highlights the major factors that could be responsible for non-inclusive growth in Nigeria; these factors include poor performance of the manufacturing sector, weak knowledge base, poor human capital development and low level of global competitiveness. The government and policy makers in Nigeria should take urgent steps to make Nigeria highly globally competitive that will pave way for inclusive growth in the country. Adequate efforts should be made to tremendously reduce poverty, unemployment and income/wealth inequality in the country, to therefore improve and sustain the rate of economic growth in Nigeria from which poverty could be reduced. Measures, such as stable macroeconomic policies, huge investment in agriculture, infrastructural development and good governance are suggested.*

**Keywords:** Nigeria, Inequality, Pro-poor growth, Human capital, Poverty, Economic growth.

Responsible government all over the world strive to achieve rapid development. Interestingly, the concept of development has evolved over time. Development has in recent times been seen as the expansion of human freedom, covering various kinds of freedom-economic, social and political and embracing all segments of the society and not just some privileged (Sen, 1999; Osmani, 2008; Uche and Fidelix, 2013). It has increasingly been recognized that to achieve the various kinds of freedom that underpin development, it is not the growth that matters, but the growth process. In most cases the growth in the economy of any nations is a clear indication of an improvement in the socio-economic wellbeing of people. A deterioration in the growth rate as shown in most developing countries is thus a manifestation of the fall in the standard of living of the people that cumulates into poverty. The Nigeria experience (in recent times) is pathetic having witnessed a fall in its Gross Domestic Product (GDP) from an annual average rate of 10.5 percent in 1985 to 3.2 percent in 2007) (ADB, 2008). Subsequently, the country also witnessed a decline in its per capita income from US $ 1600 in 1980 to US $ 1160 in 2008 (ADB, 2008). One of the consequences of these declines is the rate of poverty which has increased from 28.1 percent in 1980 to about 88 percent in 2002 (Gafar, Mukaila, Raji and Michael 2015).

It is instructive to observe at this point that many countries in the developing world have achieved impressive economic growth rate in recent years. Unfortunately, the poverty levels in these countries have in general not reduced significantly (World Bank, 2013 and 2014). Indeed, the impressive growth rates in many countries have not sufficed in bringing about the desirable reduction in the poverty rates and significant increase in overall qualities of life in these countries. Poverty has various manifestation which include among others: lack of income and productive resources sufficient to ensure sustainable livelihood, hunger and malnutrition, ill health, limited or lack of access to education and other basic services, increased morbidity and mortality from illness, homelessness and inadequate, unsafe and degraded environment and social discrimination and exclusion. It also characterized by lack of participation in decision making in civil, social and cultural life (World Bank 1990; United Nation 1995). Yashie (1993) reiterated that the factor that causes poverty include (i) Structural causes that are more permanent and depend on a host of (exogenous) factors such as limited resources, lack of skills, location disadvantage and other factors that are inherent in the social political set-up. The disables, orphans, landless farmers, household headed by females fall into this category; (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 wars, environmental degradation and so on also induce transitory poverty. As a consequence, mass poverty tend to inhibit the development of democratic structure and a higher level of participation. As observed by Aku*etal.*, (1997) as cited by Gafar *et al.,* (2011) with mass poverty there tend to be a general loss of confidence in the constituted authority thereby generating disrespect and rendering government policies ineffective; political apathy among contending forces; and social disillusion with respect to what the societal objectives are and people's responsibilities towards the attainment of these objectives.

**Literature Review**

According to Encyclopedia American (1989) poverty can be seen from two different perspectives (i) "moneylessness" which mean booth an insufficiency of cash and chronic inadequacy of resources of all types to satisfy basic human needs, such as, nutrition, rest, warmth and body care; and (ii) "powerlessness" meanly those who lack the opportunities and choices open to them and whose lives seem to them to be governed by forces and persons outside their control. That is, in positions of authority or by perceived "evil forces" or "hard luck". Aku*et al.*,(1997) saw poverty from five dimensions of deprivation: (i) personal and physical deprivation experienced from health, nutritional, literacy, educational disability and lack of self-confidence (ii) economic deprivation drawn from lack of access to property, income, assets, factors of production and finance (iii) social deprivation as a result of denial from full participation in social, political and economic activities; (iv) cultural deprivation in terms of lack of access to values, belief, knowledge, information and attitude which deprive the people the control of their own destinies; and (v) political deprivation in term of lack of political voice to partake in decision making that affect their lives.

These shows that poverty does not have a universally accepted definition; this is partly because the phenomenon affects various aspects of human condition including physical, psychological, social and even spiritual aspect (Ozughalu, 2010). What is certain however, is that when analyzing the concept of poverty, three main approaches can be identified namely- poverty as deprivation, poverty as exclusion and poverty as dissatisfaction (Martins, 2005). Under the poverty as deprivation approach, the poor are seen as those that are deprive of basic necessities of life, Uche and Fidelis (2015). This approach corresponds to the concept of absolute poverty. In general absolute poverty, refers to lack of adequate resources to afford a three square meal that guarantees the attainment/maintenance of objective minimum acceptable standard of living Owowonami (1997).

The World Bank on the other hand, appears to have built its theory of poverty around the dimensions highlighted by the poor themselves. These include:

- Lack of Income and assets to meet the basic necessities
- Sense of voicelessness and powerlessness and
- Vulnerability to adverse shocks, linked to inability to cope with these shocks themselves (World Bank 2001; 34)

The Bank takes the economic concept of "assets" as a starting point in understanding the determination of poverty. To this end, assets are classified into human assets (e.g. capacity for human labour, skills and good health); natural assets (e.g. land); physical assets (e.g. access to infrastructure): financial assets (e.g. savings and access to credit); and social assets (e.g. network of contacts and reciprocal relations). The poor generally lack most, if not all, of these assets. It is obvious, therefore, that poverty could be perceived in terms of various kind of factors these include economic, social, political and natural factors. Some of these may be categorized as institutional factors. There are also geographical, technological and cultural dimensions and variables. These various factors often work together to cause and sustain poverty or affluence.

**Indicators of Non-inclusive Growth in Nigeria**

Following World Bank report (1996), Nigeria's socio-economic condition can aptly be described as a paradox: "the country is rich but the people are poor". Nigeria is often described as the giant of Africa, this is largely due to the size of the country and her immense natural wealth. Nigeria is richly endowed with natural and human resources. The country has a very large arable land and the climatic condition of the country is most suitable for agriculture and various outdoor activities. The country also has very rich forest resources and tremendous reserves of oil and gas as well as other mineral resources. Fidelis and Uche (2015) explained that Nigeria is currently among the ten largest exporter of crude petroleum, she is a major cocoa exporter; she is one of the largest producers of bitumen, iron, steel, coal, tin ore, columbine, marble, tantalite, uranium and kaolin to mention only but a few. The flora and fauna in Nigeria creates a very rich source of biodiversity that serves as a reservoir for the growth and development of the pharmaceutical industry in the country and sustainable source of genetic materials for immensely improving the nation's food production potentials. In terms of human population Nigeria is a great force to reckon with.

Unfortunately, and despite these enormous material and potential human resources in Nigeria, the country has been wallowing in abject poverty. It is disheartening to note that in recent times, poverty has become pervasive in Nigeria, engulfing on overwhelming proportion of the country's population. Indeed, the country in recent times has been with palpable fear, shrieks of despair, yell of rage, insecurityand expression of agony by millions of Nigerians who are trapped in the inglorious web of poverty and mad with fury of the malady (Ozughalu, 2010).

In 1960, when Nigeria got political independence, the poverty level was estimated at 15% (federal government of Nigeria, 2010. Twenty years after (i.e. in 1980), the poverty level in the country increased enormously to about 27.2%, sixteen years after this period (i.e. in 1996), the poverty level in the country increased greatly to about 66% and fourteen years after this time (i.e. in 2010) the poverty level in the country increased further to 69.0% and it was estimated to increase again to 71.59% in the following year (i.e. 2011) (see federal office of statistics, 1999, National Bureau of statistics, 2005, 2012a and 2012b). Indeed the country's per capita real income has been declining over the years and has become very low in recent times.

Poverty can be conceptualized as a phenomenon that exists at national, community, household and individual levels. At the National level, poverty represents a state of general socio-economic underdevelopment arising from poor national resource endowment, poor human resource endowment, low productivity, low and stagnating national income or gross domestic product, inadequate availability of social and infrastructural facilities and services, and general inability to provide a minimally decent level of living for the ordinary citizens (Mutiullah, 2010).

At the community level, poverty is a state of general socio-economic deprivation arising from environmental and natural resource degradation, inadequate access to social services and basic infrastructure, inadequate local employment and income- generating opportunities, and general appearance of physical decay and wasting of community asset.

At the household or individual level poverty is the inability to gain access to basic necessities of life, such as food, clothing, decent shelter and so on, inability to fulfil basic economic and social obligation and a general lack of esteem, inadequate income to meet basic needs, lack of skills or opportunity for gainful employment, lack of access to productive assets and social constraints to self-improvement are some of the underlying factors in the incidence of poverty (Okumeye; 1995).

**Poverty Reduction Strategies in Nigeria**

To reduce poverty various schools of thought advocate a number of measures for instance Mercantilists laid emphasis on foreign trade which according to them is an important vehicle for the promotion of economic growth and poverty reduction. The classical economists (Adam Smith, David Ricardo, Thomas Malthus, Karl Max, etc.)views on poverty reduction brought to fore industrial revolution that took place 1750-1850. The early development economists of the 1940s and the 1950s advocate the theory of forced-drift industrialization via big push, balanced growth and Labour transfer (Ijaiya 2002). In the 1970s Chenery*et al.*,(1974) as cited by Gafar, Mukaila, Raji and Michael (2011) advocates redistribution of income. To them, poverty canbetter be reduced if radical redistribution of income or land is allowed to take place in view of the interlocking power and self-interest of the rich and the bureaucracy in the handling of nation's resources. The World Bank (1983, 1990, and 1991) emphasizes on the need for stable macroeconomic policies and economic growth. To the World Bank, sound fiscal and monetary policies will create a hospitable climate for private investment and thus promote productivity which in the long-run would lead to poverty reduction.

The 1980s to the 2000s had witnessed the introduction of new strategies/approaches to poverty reduction. Key among them are the basic needs and capabilities/ entitlements approaches, participatory development, social capital, community self-help, good governance and human right approaches to poverty. In line with this discussion Ogwumike (2001) grouped the strategies for poverty reduction in Nigeria into three eras-the pre- SAP era, the SAP era and the democratic era.

The Pre-SAP era, the measure includes;

- The operation feed the nation
- The river basin development authorities

- The Agricultural development Programmes
- The Agricultural credit guarantee scheme
- The Rural electrification scheme and the
- The Green revolution programmes

In the SAP era the programmes geared towards poverty reduction includes;

- The Directorates for food, roads and rural infrastructures,
- The National directorate of employment
- The Better life programme
- The Peoples Bank
- The Community Bank
- The Family Support Programme and
- The Family Economic Advancement Programme

The democratic era witnessed the introduction of the poverty alleviation programme (PAP) designed to provide employment to 200,000 people all over the country. It was also aimed at inculcating and improving better attitudes towards a maintenance culture in high ways, urban and rural roads and public buildings. 2001 PAP was chased out and fused into the newly created National Poverty Eradication Programme (NAPEP) which was an integral part of the National Economic Empowerment and Development Strategy (NEEDS).

**Economic Growth and Poverty Reduction in Nigeria**

According to Horrick and Kindleberger (1983) economic growth involves the provisions of inputs that leads to greater output and improvements in the quality of life of a people. Jhingan (1985) refers to it as a quantitative and sustained increase in a country's per capita output or income accompanied by expansion in its labour force, consumption, capital and volume of trade and welfare (see also Thirwall 1972). According to Todaro (1977) and the World Bank (1997) to determine the growth of the country's economy certain indicators are usually taken into consideration. These include; (i) the nation's Gross Domestic Product (GDP), (ii) the nation's per capita income (iii) the welfare of the citizens and (iv) the availability of social services and accessibility of the people to these services. Gross Domestic Product refers to the total output of the final goods and services produced in acountry during any given period of time by residence of a country irrespective of their nationality. Per capita income is the total national income divided by the population of a country welfare is usually measured by the increased and sustained flow of goods and services consumed by the people with the resultant effects of an increase in life expectancy at birth, reduction in infant and maternal mortality. According to Calamitsis (1999). Hermandez-ceta (1999) Quattera (1999), Dollar and Kray (2001) Gafar, Mukaila, Raji and Michael (2011) the progress in above indicators are better determined by the following factors; good rule of law, a well-defined property rights for landholders and informal entrepreneurs, openness to international trade, developed financial markets that strengthens savings mobilization and intermediation and promotes sound Banking systems, macroeconomic stability, moderate size of government, political stability and security of life, a capable and efficient civil service, a transparent an predictable and impartial regulatory and legal system, and good governance with emphasis on tackling corruption and inefficiency and on enhancing accountability.

As a poverty reduction mechanism technological change will permit a greater output from any given level of inputs, while increase in output permits by improve technology will go a long way to increase standard of living of the people thereby reducing poverty. This includes changes in technological knowledge (e.g. ways to employ how to organize businesses (managerial strategies). In dimension's estimates, technological change accounted for 28 percent of growth and was the most important influence on labour productivity.

According to FOS (1996), the economic growth approach is based on the assumption that economic deprivation caused by lack of access to property, income, assets, factors of production and finance are root causes of all poverty and that non-economic causes of poverty are only secondary arising from the primary economic causes. Attention's therefore focused on rapid economic growth as measured by rate in real per capita national income, price stability and declining unemployment, among others. All these are to be attained through proper harmonization of monetary and fiscal policies. In line with this economic growth can reduce poverty through two ways; when there is increase in employment and improvement in opportunities for productive activities among poor. This suggest that growth emphasized labour-intensive strategy is generally more effective in reducing poverty.

When economic growth is associated to increase in productivity it will improve wages and under most circumstances the poor segments of the society will see an improvement in their living standard. With these there will be increase in income which will increase the welfare and improvement in the quality of their social services and reduced poverty (Edward; 1995).

## Conclusion

Nigeria has often been described as a "sleeping giant". This is largely because she is not living up to expectations. The country has all it takes to be among the super socio-economic powers in the world. Unfortunately, the country has not been maximizing her potentials. The country has been wallowing in poverty in the midst of plenty. This is unacceptable. The country should urgently take steps to break the yoke of poverty and underdevelopment. The country should do everything possible to launch herself on the path of optimal development. Among other things, corruption, poverty, insecurity, unemployment, income/wealth inequality and the power sector should be sufficiently tackled. All legitimate efforts should be made to make Nigeria achieve economic growth and development within a short term.

**Recommendations**

In order to raise the standard of living and reduce poverty in Nigeria, the following suggestions should be considered.

1. The government and policy makers in Nigeria should take urgent steps to make Nigeria highly globally competitive; this will pave way for economic growth in the country.
2. There is also need for renewed emphasis on government interventions in the nation's economic activities that would help the poor particularly those found in the agricultural and informal sectors. In this regard; the government should intensify efforts in the provision of more infrastructural facilities and the maintenance and repair of existing ones.
3. Efforts should be geared to improve the agricultural sector through resurrection of agricultural produce marketing board, intensive research and technological innovations, provision of credit facilities to farmers (to be channeled through microfinance institutions and cooperative societies) and provision of quality health care services.
4. The issue of good governance that has eluded the nation and corruption that has ruined the nation's economy should also be addressed. When good governance is allowed to thrive civil and economic liberties that are essential for individual initiative and development would be enhanced. Similarly, with good governance, the rulers will be able to provide necessary opportunities o the poor including social services employment, safety nets and security and information that will permit accountability, transparency and openness which in the long run will help increase economic growth and reduce poverty.
5. The economy should be adequately diversified so that the industrial sector can contribute greatly to national output. The manufacturing sector should be sufficiently galvanized so that it can contribute greatly to gross domestic product, the production base of the country should be sufficiently strengthened so that the country may be transformed from being a "consuming economy" to become a "producing economy".
6. To put Nigeria on optimal development path, certain critical sectors must be sufficiently reformed and strengthened. These sectors include: the power and education sectors state of emergency should be declared in these sectors.
7. The government should use appropriate fiscal measures to adequately reduce the extent of income and wealth inequality in the country. The gap between the rich and poor should not be very wide.
8. Poverty should be sufficiently tackled through appropriate anti-poverty policies and programmes.
9. Social safety nets should be provided for the most vulnerable groups among the poor.

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