POVERTY REDUCTION AND ECONOMIC GROWTH IN NIGERIA: THE CAUSES, CONSEQUENCES AND WAY FORWARD

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Abstract
Poverty has become one of the most critical problems the country is facing, especially since the inception of the present administration. Years of corruption, civil war, military rule, and mismanagement have exacerbated poverty level and hindered the economic growth of the country. Despite being endowed with diverse human and material resources, years of negligence and adverse policies have led to the under-utilization of these resources thereby undermining the economic benefits to the people and skyrocket the incidence of mass poverty in the polity. There is, thus, an urgent need for arresting the high level of poverty in the country in order to address the challenges the country is facing. 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. It is the final submission of this paper that with good governance, the rulers will be able to provide necessary opportunities to the poor including social services, employment, safety nets and security and information that will permit accountability, transparency and openness which in the long run would help increase economic growth and reduce poverty.

Keywords: Poverty, Unemployment, Poverty Reduction, Economic Growth, Nigeria,

Introduction
There is a close relationship between growth in the economy of any nation and improvement in the socioeconomic well-being of its people. In like manner, deterioration in the growth rate as shown in most developing countries like Nigeria is a correlation to the fall in the standard of living of the people that culminates into poverty. Evidently, in recent times, Nigeria has witnessed a decline 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). Similarly, the country also experienced a decline in its per capita income from US $1600 in 1980 to US $1160 in 2008 (ADB 2010). It is needful to note that the situation has worsened in the last four years of the present administration. This indeed gives cause for concern. Consequently, these declines in GDP and per capita income have exacerbated the rate of poverty which has in turn increased from 28.1 percent in 1980 to about 88 percent in 2002 and still worsening by the day (FOS various issues).

In the light of the above, the need to explore the above subject matter cannot be over emphasized considering the exigency of the time. The need to grow the economy and reduce poverty remains imperative task of every responsive government. This paper therefore, attempts a review on issues of poverty, poverty reduction strategies and economic growth in Nigeria. The conclusion and recommendations form parts of the last section of the paper.

Review of Conceptual and Theoretical Issues on Poverty, Poverty Reduction and Economic Growth
There are several approaches to exploring the meaning of poverty in the first instance. Here we look at some of them. Encyclopedia Americana (1989) views poverty from two different perspectives:
a) “Moneylessness” which means both 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
b) “Powerlessness” meaning 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”

From the above perspectives, we notice poverty is associated with lack of money and power. But one may ask, is that all there is to poverty. Let us proceed and see.

In the submission of Aku, Ibrahim and Bulus (1997) poverty is explored 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, beliefs, knowledge, information and attitudes which deprives the people the control of their own destinies; and
(v) Political deprivation in terms of lack of political voice to partake in decision making that affects their lives. Related to the definition of poverty is the measurement of poverty.

According to Foster, et. al (1984), the most frequently used measurements are:

a) the head count poverty index given by the percentage of the population that live in the households with a consumption per capita less than the poverty line;
b) poverty gap index which reflects the depth of poverty by taking in to account how far the average poor person’s income is from the poverty line; and
c) the distributional sensitive measure of squared poverty gap defined as the means of the squared proportionate poverty gap which reflects the severity of poverty.

Studies by United Nations Development Programme (UNDP, 2009), advocates the use of the Human Development Index (HDI). HDI combine three components in the measurement of poverty:

a) life expectancy at birth (longevity);
b) education attainment and;
c) improved standard of living determined by per capita income.

The first is associated with survival-vulnerability to death at a relatively early age. The second has to do with knowledge - being excluded from the world of reading and communication. The third relates to a decent living standard in terms of overall economic provisioning.

In the light of the above, note needs be taken in concurrence with (World Bank 2010; UnitedNations 2015), that poverty has various manifestations 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 is also characterized by lack of participation in decision making in civil, social and cultural life.

Focusing on the causatives of poverty, Yahie (1993) posits that the factor that causes poverty include:

(i) The transitional causes that is 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; and
(ii) The structural causes that are more permanent and depend on a host of (exogenous) factors such as limited resources, lack of skill, location disadvantage and other factors that are inherent in the social and political set-up. The disables, orphans, landless farmers, household headed by females fall into this category.

Poverty has enormous consequences. According to Von Hauff and Kruse (1994) there are three major consequences of poverty stated below;
a) Consequences for those affected. That is, for the people affected, poverty leads to physical and psychological misery caused inter-alia by inadequate nourishment, lack of medical care, a lack of basic and job related education and marginalisation in the labour market;

b) Consequences for the national economies of countries affected arising through the formation of slums in cities, a worsening of ecological problems particularly as a result of predatory exploitation in the agricultural sector and through the failure to use the available human resources; and

c) Consequences for the political and social development of the countries affected. That is, mass poverty tends to preserve or re-enforce the existing power structures and thus also the privileges of a minority of the population. In some cases, this involves corrupt elites. These privileged minorities in the population are not generally interested in structural changes for the benefit of the poor population.

More so, high level of poverty tends to inhibit the development of democratic structure and a higher level of participation. With mass poverty there tend to be a general loss of confidence in the constituted authority there by 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 (Aku, et. al, 1997).

Poverty Reduction here simply refers to all those strategies put in place by the government for the purpose of halting or mitigating the menace of poverty in Nigeria. To abate poverty various schools of thought advocates a number of measures. For instance, the 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 Marx, etc.) views on poverty reduction brought to fore the social changes brought about by technological changes resulting from the industrial revolution that took place between 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) advocates redistribution of income. To them, poverty can better 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 the nations’ resources. The World Bank (1983; 1990; 1991; 2011) emphasizes on the need for stable macroeconomic policies and economic growth. World Bank also maintain that, 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 (Dollar and Kraay 2000; Sandstrom 2004; Edwards 2005). This approach is what is referred to as pro-poor growth approach to poverty reduction. The 1980s to the 2000s 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 reduction (Woolcock and Narayan 2000; United Nations 2002; United Nations 2004).

Economic Growth and Poverty Reduction

Cognizance of the causes and consequences of poverty in Nigeria, it becomes imperative to address the menace. Herrick and Kindleberger (2003) submit that economic growth involves the provisions of inputs that lead to greater outputs and improvements in the quality of life of a people. Adding to that, Jhingan (1985) describes 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.

In a reasoned submission, Todaro (1977) aligned with World Bank (1997) in the view that to determine the growth of any country’s economy certain indicators are usually taken into consideration, which includes:

a) Gross Domestic Product (GDP);

b) per capita income of such country
c) the citizens welfare; and

d) availability cum accessibility of social services to the people.

To further buttress the above points, Gross Domestic Product refers to the total output of final goods and services produced in a country 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 determined 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. Availability and accessibility to social services include health care services, education and clean water (Thirlwall 1972; World Bank 2005).

In view of the foregoing, Dollar and Kraay (2001) insist that the progress in the 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 promote sound banking systems, macroeconomic stability, moderate size of government, political stability and security of life, a capable and efficient civil service, a transparent and predictable and impartial regulatory and legal system, and good governance with emphasis in tackling corruption and inefficiency and in enhancing accountability. These points raised above are critical to poverty reduction and economic growth on a global scale. It must be added that technological innovation is central to economic growth and poverty reduction. As a poverty reduction strategy higher technological capabilities will permit greater amount of output from any given level of input, while the increase in output permitted by improve technology will go a long way to increase standard of living of the people and thereby reduce poverty. In addition to the above, Atoloye (1997) further added that economic growth enhancing strategies such as import substitution and export-led growth strategies are also important for poverty reduction. For instance, the emphasis on export-led growth is in the pursuit of the international competitiveness which makes it possible for a country to control its domestic production process, increase productivity and generate surpluses which are transmitted across its national borders in return for foreign exchange. The maintenance of the tempo in addition to development of adequate human capital would help to accelerate and sustain income level and enables man to take control of his environment and pave the way for sustainable poverty reduction.

Edwards (2005) opine that economic growth can reduce poverty through two means:

a) Where there is increase in employment and improvement in the opportunities for productive activities among the poor. This suggest that growth that emphasized labour-intensive strategy is generally more effective in reducing poverty than growth that is biased against export;

b) Where economic growth is associated to increase in productivity it will improve wages and under most circumstance the poor segments of the society will see an improvement in their living condition.

Evidences abound in polities in other climes where this approach has succeeded. For instance in most East Asian countries like Japan, Hong Kong, South Korea, Malaysia, Singapore and Indonesia, which given the remarkable increase in their GDP, per capita income, welfare and improvement in the quality of their social services, inequality and poverty have tendentiously reduced. In Malaysia for example the income of the poorest 20 percent has increased from $431 in 1970 to $14275 in 2010. By 2004, 88 percent and 99 percent of the population have access to health care services and clean water respectively. Infant mortality rate dropped from 16 per 1000 live birth in 1990 to 10 per 1000 live birth in 2006. Life expectancy at birth rose from 70 years in 1990 to 74 years in 2006 (World Bank 2008; Wikipedia 2017).

The findings illustrated above clearly show the correlation between economic growth and poverty reduction. It is exigent that in the case of Nigeria relevant steps and strategies be adopted to ensure that the right results are realized in the fight against poverty. A number of measures will be suggestive here.
Recommendations

The following recommendations are apt for policy aimed at growing the economy and reducing poverty:

a) Government at all levels in the country should create more employment opportunities to address the unemployment problem. Although some states have some job employment projects, they are still a far cry from solving the crisis at hand. The private sector and non-governmental organizations should be encouraged to create more jobs to accommodate the unemployed in the country.

b) The Nigerian government should set up a fund for rescuing industries that are at the verge of bankruptcy like is being done in most developed countries. If money is injected into ailing industries, they will be able to resuscitate, reducing the rate of downsizing and retrenchment.

c) There is a need for the diversification of the national economy. Nigeria is over-dependent on oil, which is subjected to global oil price fluctuation. Apart from the fact that the country has so many other mineral resources yet to be explored, the country should venture into other sectors like agriculture, tourism and entertainment. It is noteworthy that revolutions in the ICT sector, especially regarding mobile communications, created a lot of jobs in Nigeria. Other sectors of the economy can do same.

d) Government should provide enabling environment for businesses to thrive in the country. Currently, the business climate in Nigeria is too harsh. The most debilitating is the lack of basic infrastructure. The epileptic power situation in the country has forced many companies to either shut down or move their production plants to smaller neighbouring countries where power is available and stable. If the issue of power supply is solved, there is assurance that the manufacturing sector will be resuscitated. These will lead to the flourishing of small and medium scale enterprises, translating into the creation of more jobs.

e) Government should place more emphasis on technical as well as vocational education in the country. This will enable more and more people to acquire practical skills that will help them to be self-employed and not to continue to seek white-collar jobs. Courses tailored along these lines could be introduced into the curricular of schools to encourage the students to learn how they can use these skills to better their lots as well as for them to become employers of labour.

f) 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.

Conclusion

It remains indubitable that ensuring the well-being of the citizens and residents of a country still remains the most important responsibility of government. More so, safeguarding lives and property of Nigerians as well as the provision of enabling environment for economic activities and job provision are of paramount importance. In fact, once security is not guaranteed in any nation, its economic development will be gravely affected since no investor invests in an unstable and crisis ridden environment. Similarly, the citizens can only more effectively and productively exert their best potentials in the right peaceful environment.

There is, therefore, a need for urgent measures to be put in place to address the problem of unemployment and security challenges the country is facing, considering the country’s position on the continent and in the international community. Nigeria is ranked the 6th largest oil producer in the world. Yet, the country’s unemployment rate is one of the highest in the world. Nigeria needs to adopt a skill-oriented education principle to train skilled technical manpower, to build and maintain its critical infrastructure to drive the economy and also, to create employment. There is also a need to promote sound morals and ethical values in the country. There is a need to inculcate discipline in Nigerians, especially the youth, in order to ensure that they do not get drawn into criminal activities all because they are unemployed or out of work for one reason or the other. Although, this may be meaningless if the country’s leaders do not lead by example.
It is the final submission of this paper that with good governance, the rulers will be able to provide necessary opportunities to the poor including social services, employment, safety nets and security and information that will permit accountability, transparency and openness which in the long run would help increase economic growth and reduce poverty.

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