Poverty and Its Intractability: Causes and Consequences

Ibrahim Musa¹, Sule Magaji², Chukwuemeka Ifegwu Eke³, Oku Abdul-Malik Yakeen⁴
¹University of Abuja, Nigeria

Abstract

Poverty is a disease that continues to cause insecurity and other forms of social vices in a country, which in turn affects the growth and development of the nation. The increasing poverty rate, especially in Nigeria, has become a complex problem that has resulted in economic degradation, which must be immediately resolved. Therefore, this study examines poverty and its intractability in Nigeria: causes and consequences. The study analyzes the data using Ordinary Least Square methods. The data were obtained from Federal Reserve Economic Data and the National Bureau of Statistics (NBS). The results indicate that the poverty rate will rise by 0.035375 and 2.564296 units, respectively, for every unit increase in population and unemployment (UMP). Besides, the result shows that a unit increase in the human development index (HDI) will lead to a -4.347621 decrease in the poverty rate in Nigeria. The framework affirms that poverty is an intractability in Nigeria. The study consequently suggests that the government, non-governmental organizations, and private citizens prioritize funding for human development and embrace a solid fiscal policy that will boost economic output and lower the country's degree of poverty.

Keywords: Insecurity; Intractability; Poverty; Social Vices; Unemployment

INTRODUCTION

The greatest global challenge is poverty, which all nations must combat with fervor and skill (Sule & Sambo, 2020). Billions of people worldwide endure dehumanizingly filthy living circumstances exacerbated by hunger, disease, desperation, and degradation (Aderounmu, Azuh, Onanuga, Oluwatomisin, Ebenezer & Azuh, 2021). Sub-Saharan Africa (SSA) is the area where poverty incidence is most prevalent. Due to Sub-Saharan Africa’s pervasive and ongoing poverty, there is a greater need for infrastructural and human development projects (Estache & Wodon, 2014). World Bank (2020) data shows that 88 – 115 million people are extremely poor, with at least half of this number residing in SSA alone. A startling 87 percent of the world’s poorest people are predicted to live in SSA by 2030 if the existing economic problems are not resolved.

Nigeria is one of the Sub-Saharan African countries that is oddly poor while being endowed with abundant natural resources, including human resources (Sule & Sambo, 2020). According to the World Poverty Clock, Nigeria is currently the "poor capital of the world," with 46.5 percent of its population living below the poverty threshold of $1.90 per day. According to Iheonu & Urama (2019), which cited the World Poverty Clock (2019), the number of people living in extreme poverty in Nigeria is rising by roughly six people per minute.
The National Bureau of Statistics (NBS) reported that between 1980 and 2010, the percentage of Nigerians living in poverty rose from 27.2 to 69.0 percent. According to NBS (2019), 82.9 million individuals in Nigeria—or 40 percent of the population—live below the poverty level of 137,430 nairas ($381.75) each year. According to the World Bank (2018), nearly 50 percent of Nigerians live below the international poverty threshold of $2 per day, while the jobless rate peaked at 23.1 percent (Abiodun, Amao, Oluwatusin & Farayola, 2020).

Since 413.3 million individuals lived in extreme poverty in Africa in 2015, this region had the highest proportion of such individuals (Beegle, Christiaensen, Dabalen, & Gaddis, 2016). There is now more unemployment as a result of the rapid population rise. One of the main factors contributing to poverty is unemployment. Nearly 60% of Nigeria's estimated over 200 million people—86.9 million—live in absolute poverty, which is a staggering number (Kazeem, 2021). By 2050, Nigeria is projected to have the third-largest population in the world due to rapid population growth (Osabohien et al., 2021).

Unfortunately, although the number of people living in severe poverty has decreased globally, its distribution and growth remain uneven in sub-Saharan Africa, with Nigeria suffering the most (World Bank, 2020). (Sulaimon, 2020). According to UNICEF, one in five children worldwide who are out of school is in Nigeria, with the situation visibly worse in Northern Nigeria. This low level of education always results in poverty due to insufficient investment in human capital (Iheonu and Urama, 2019). Therefore, the study focuses on Nigeria's poverty and its intractability, including its causes and effects.

Given the above problem statement, this study aims to answer the following research questions: Does unemployment cause the poverty rate to increase in Nigeria? What is the human development index's impact on Nigeria's poverty rate? Does the increase in population a factor influencing the poverty rate in Nigeria? The main objective is to analyze poverty and its intractability in Nigeria: causes and consequences. While the specific objectives are to examine whether unemployment causes the poverty rate to increase in Nigeria, investigate the impact of the human development index on the poverty rate in Nigeria and examine if the population is a factor influencing the poverty rate in Nigeria.

LITERATURE REVIEW

Concept of poverty

Poverty is defined by many scholars in different ways because what is observed as poverty in one society may not be poverty in another society. Poverty, according to the World Bank (1990, 2014), is defined as the inability to meet the bare necessities of life. Magaji & Aliyu (2007) defines poverty as a lack of employment.

According to Obadan (1997), poverty has a wide range of characteristics, including a lack of purchasing power, exposure to risk, malnutrition, a high mortality rate, a short life expectancy, a lack of access to social and economic services, etc. Poverty manifests itself in a variety of ways, including hunger, malnutrition, poor health, restricted or no access to education and other basic services, an increase in morbidity and mortality from illness, homelessness, an inadequate, unsafe, and degraded environment, and social exclusion and discrimination (Shaba, Obansa, Magaji & Yelwa, 2018).
Poverty is thought to be caused primarily by a lack of economic growth, persistent structural imbalances, weak Gross Domestic Product (GDP) growth, high population growth rates, underdevelopment of industries and factors of production, degradation of natural resources, barriers to rural development as the engine of the economy, and limited access for the vast majority of the population to basic social services. People's purchasing power and living conditions are seen as being constrained by poverty (Aluko & Magaji, 2020).

Several interconnected elements, including a lack of resources, a need, a pattern of deprivation, a lack of entitlements and fundamental security, dependency, exclusion, social class, economic status, and intolerable hardship, are said to contribute to poverty (Chen et al., 2019).

According to Magaji and Adamu (2010), poverty is defined as a notable lack of well-being, including the absence of the necessary skills, resources, opportunities, and security to contribute meaningfully to society.

Therefore, this study defines poverty as people's inability to access basic necessities such as shelter, healthcare, quality education, food, clothing, and means of transportation.

**Causes and Consequences of Poverty**

The study conducted by Yahie (1993) confirms that the factors that cause poverty include: (a) structural causes, which are more long-term and depend on a variety of exogenous factors, such as limited resources, a lack of skills, geographic disadvantage, and other factors that are inherent in the social and political set-up; and (b) transitional causes, which are prima facie causes of poverty.

According to Yahie (1993), the causes of poverty are (a) structural causes, which are more long-lasting and dependent on a variety of exogenous factors, including a lack of resources, a lack of skills, geographic disadvantage, and other factors that are inherent in the social and political structure; and (b) transitional causes, which are primarily brought on by structural adjustment reforms and changes in domestic economic policies and may cause price changes and unemployment.

Obadan (1997) names a number of elements as the root causes of poverty, including a lack of access to markets, a lack of physical resources, a lack of employment opportunities, the depletion of natural resources, a lack of influence over the creation of development initiatives, and a lack of access to assistance for those who are marginalized.

De Haan (2000) points out that social exclusion on a broad scale may also contribute to poverty. The multidimensional poverty index and the UNDP’s human development index list education as one of the main determinants of human development. The relationship between poverty and illiteracy is strong, and it appears to be both a cause and an effect of poor, feeding the cycle of poverty (Kambon & Busby, 2000).

According to Aku et al. (1997), government programs are ineffective in a society enduring poverty because there is a general lack of faith in that population. Poverty also makes members of society more brittle and vulnerable to outside influences. Furthermore, poverty drives production to remain essentially subsistence-level due to a lack of the money needed for expansion. The amount of work increases, but marginal productivity stays low.

According to Adepoju (2018), one of the consequences of poverty is that it increases insecurity. According to him, poverty brought on by unemployment tends to raise crime and violence levels in the nation. Most young people without jobs turn to criminal activity such as armed
robery, kidnapping for ransom, computer fraud, and other types of deception. They often earn just enough money from these activities on the reserve to cover their basic needs.

The consequences of poverty can also lead to an increase in the crime rate; an increase in famine, an increase in child labor; an increase in child trafficking, and other forms of socio-vices, which will, in turn, hinder the growth and development of the country.

Source: Adopted from Magaji (2002)

Figure 1. Poverty and Its Intractability

The above chart shows that consequences reinforce the causes of poverty in Nigeria. As a result, poverty is interactive. There is no one area of the economy where poverty is confined. It is a significant development issue that cannot be solved through hurriedly launched ad hoc projects because its causes and effects affect the entire economy.

Empirical Review

Adepoju (2018) looks into the variables that affect the Markov Model of Poverty Transitions, the Multinomial Logistic Regression Model, and the Alkire and Foster Measure of Multidimensional Poverty in rural Nigeria. The prevalence and severity of multidimensional poverty are predominantly chronic (46.5 percent) among rural Nigerian families, with assets and education playing the two most significant roles. Education level, the size of the home, and other characteristics affected temporary poverty, but marital status, household size, possession of assets, and ownership of land affected chronic poverty. The study suggests intensifying efforts and providing incentives to encourage the development of human capital in rural areas, as well as the adoption and enforcement of pertinent regulations to prevent the marginalization of rural women in asset ownership.

Evans & Kelikume (2019) analyze how the Niger Delta insurgency, Boko Haram terrorism, and attacks by Fulani herders in Nigeria are impacted by poverty, unemployment, inequality, corruption, and poor government. This study used a fully modified OLS (FMOLS) technique of
Inclusive Society and Sustainability Studies (ISSUES), Vol. 2 (2), 48-58

Poverty and Its Intractability: Causes and Consequences
Ibrahim Musa, Sule Magaji, Chukwuemeka Ifegwu Eke, Oku Abdul-Malik Yakeen

estimate and annual data from 1980 to 2017. The results of the estimations demonstrated that attacks by Fulani herders, Boko Haram terrorists, and Niger Delta militancy were significantly influenced by poverty, unemployment, inequality, corruption, and weak governance. According to deprivation theories, the study discovered that the country’s numerous deprivations sparked terrorism by Boko Haram, attacks by Fulani herders, and insurgency in the Niger Delta. The violence resulted from unfavorable socio-material conditions, including poverty, structural injustice, environmental degradation, and poor governance.

The impacts of youth employment in agriculture as a primary occupation on income and poverty are studied in Nigeria by Osabohien et al. (2021). The Heckman two-stage model and propensity score matching technique were utilized in the study to use data from 683 carefully selected families (PSM). The findings show that a young person's gender and desire to continue in agriculture considerably boost the likelihood of engaging in agriculture as their major employment. Adolescents who work in agriculture as their primary job significantly increase household income per capita and have a 17 percent likelihood of decreasing poverty. The variables that positively explained the per capita income were the daily wage rate for hired workers and the total area of cropland possessed. A lower poverty level was associated with the respondents’ desire to remain in agriculture, market access, having agriculture as a major job, revenue from agricultural production, the total dollar value of all household assets, and their age squared. These findings suggest that providing full-time agricultural jobs to young people can boost their income and lower their poverty level.

Aderounmu et al. (2021) use data from the World Development Indicators (WDI) from 1992 to 2016 and look at the significant factors affecting Nigeria’s poverty rate and how they may affect policy initiatives. The Autoregressive Distributed Lag (ARDL) model was employed in the study to examine the data. According to the findings, unemployment causes a short-term increase in poverty of 1.4, 1.5, and 3.3 percent, whereas inflation causes a short-term decrease of 0.08 percent.

The relationship between poverty, income inequality, and economic growth in Nigeria from 1981 to 2018 is examined by Nwosa & Ehinomen (2020). The investigation used the autoregressive distributed lag approach. The findings revealed that inequality had a positive and significant impact on economic growth, but poverty had a minimal impact. Additionally, it shows that while poverty has minimal bearing on the relationship between income disparity and economic growth, poverty significantly impacts that relationship.

Sule & Sambo (2020) examine the problems and viewpoints surrounding poverty in Gombe State, including its sources, effects, and solutions. Both primary and secondary data sources were employed in the investigation. When appropriate, statistical tools like tables and charts were used to show and interpret the data. The study discovered that Gombe State’s poverty level has reached an intolerable score of 74.6 percent and that inadequate government macroeconomic and microeconomic policies are the primary causes of poverty.

In southwestern Nigeria, Abiodun et al. (2020) examine the poverty level in smallholder arable agricultural households. The study used a well-structured questionnaire to gather information from 120 chosen farm family heads using a multi-stage sampling approach. The data were analyzed using descriptive statistics and Foster-Greer-Thorbecke (FGT) indices. The outcome demonstrates how ineffective government at all levels has been in eradicating poverty in the nation.
Sulaimon (2020) uses cross-sectional data from 2016 to assess the factors contributing to Nigeria’s multidimensional poverty. The Multidimensional Poverty Index serves as a proxy for multidimensional poverty (MPI). The data were analyzed using analysis of variance (ANOVA), Tukey’s test, and ordinary least squares (OLS). The ANOVA findings show significant geographical variations in multidimensional poverty. Regarding multidimensional poverty, Tukey’s test reveals notable variations between most northern sub-regions and southern and northern regions. In the south, there aren’t any discernible distinctions between sub-regions in terms of multidimensional poverty.

These reviews measure specific poverty indices using specific econometric models. However, they are silent about the intractability of poverty. This research fills the gap.

**Human Capital Theory of Poverty**

This study premises its framework on the Human Capital Theory of Poverty. The macroeconomic development theory serves as the theoretical foundation for human capital theory (Schultz, 1993). The legendary book Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education by Becker (1993) provides examples of this topic. The information, skill, and experience one gains via education and training are referred to as human capital.

The most important form of capital, according to Becker (1993), who emphasized the social and economic significance of the human capital theory, is that which is invested in people. Becker (1993) distinguishes between general-purpose human capital and firm-specific human capital. Human capital is knowledge obtained via education and training in disciplines valuable to various enterprises, such as general abilities in human resource development. Regardless of the application, Becker sees education and training as the most crucial investment in human capital.

**Hypotheses**

The hypotheses to be tested in the study are expressed in their null form as:

\[ H_01: \text{Unemployment has no significant impact on the poverty rate} \]
\[ H_02: \text{Population has no significant impact on the poverty rate} \]
\[ H_03: \text{Human capital development index has no significant impact on the poverty rate} \]

**RESEARCH METHOD**

A multiple regression model was built to analyze poverty and its intractability in Nigeria: Causes and consequences. The rationale for using a multiple regression model is anchored on the fact that more than one explanatory variable was used. The study used the Ordinary Least Square (OLS) estimator owing to its best, linear, and unbiased (BLU) properties among other estimators. The study adopted the work of Aderounmu et al. (2021) with modifications. Their model was given as:

\[ POVT = f (UNEMT, INFT, LNPRAP) \]

The functional model for this study is written as:

\[ POV = f (UMP, POP, HDI) \]
The econometrics model is written as:

$$POV = \beta_0 + \beta_1 UMP + \beta_2 POP + \beta_3 HDI + Ut \ldots \ldots 3.2$$

Where:

- $POV$ = Poverty Rate is the dependent variable, while $UMP$= Unemployment Rate, $POP$ = Population and $HCD$= Human capital Development Index are the independent variables.
- $\beta_0$= Constant term, $\beta_1$ – $\beta_3$= Set of parameters to be estimated and $Ut$= Error term

**A prior expectation**

Economic a-priori, which is used to explain the sign and size of the parameters in the model and as well as explain the movement of variables (independent and dependent variables) in the models, will be checked to determine whether they conform to economic theory. The a-prior expectations are: $\beta_1<0$; $\beta_2<0$; $\beta_3>0$

**FINDINGS AND DISCUSSION**

**Descriptive Statistics**

The descriptive data revealed that the mean $POV$ for the study period is 57.49913, while the mean $HDI$ value is 1.6616. It also shows that the mean values of $UMP$ and $POP$ for the time period under consideration are 10.0287 and 1.49E+08, respectively. Skewness results demonstrate that the variables in the model are positively skewed. The results also revealed that all of the variables have a Kurtosis value greater than one.

<table>
<thead>
<tr>
<th></th>
<th>POV</th>
<th>UMP</th>
<th>HDI</th>
<th>POP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>57.49913</td>
<td>10.0287</td>
<td>1.6616</td>
<td>1.49E+08</td>
</tr>
<tr>
<td>Median</td>
<td>55.21</td>
<td>9.61</td>
<td>1.674091</td>
<td>1.46E+08</td>
</tr>
<tr>
<td>Maximum</td>
<td>66.9</td>
<td>15.8</td>
<td>1.949075</td>
<td>1.96E+08</td>
</tr>
<tr>
<td>Minimum</td>
<td>52.99</td>
<td>7.81</td>
<td>1.359634</td>
<td>1.11E+08</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>4.696633</td>
<td>1.735819</td>
<td>0.186863</td>
<td>26341545</td>
</tr>
<tr>
<td>Skewness</td>
<td>0.719582</td>
<td>2.200457</td>
<td>-0.092135</td>
<td>0.233813</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1.972625</td>
<td>7.356206</td>
<td>1.713977</td>
<td>1.839907</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>2.996411</td>
<td>36.74688</td>
<td>1.617486</td>
<td>1.499304</td>
</tr>
<tr>
<td>Probability</td>
<td>0.223531</td>
<td>0</td>
<td>0.445418</td>
<td>0.472531</td>
</tr>
</tbody>
</table>

**Table 1. Descriptive Data**

The descriptive statistics, on the other hand, show that $POP$ has the most variability among other variables, with a standard deviation of 26341545, which is greater than the standard deviation of the remaining variables in the model. The Jarque-Bera test results show that all of the variables in the model are regularly distributed.
Table 2. Regression Estimate

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>41.90894</td>
<td>14.05671</td>
<td>2.98142</td>
<td>0.0077</td>
</tr>
<tr>
<td>UMP</td>
<td>0.035375</td>
<td>0.097788</td>
<td>0.361749</td>
<td>0.7215</td>
</tr>
<tr>
<td>HDI</td>
<td>-4.347621</td>
<td>1.193476</td>
<td>-3.642821</td>
<td>0.0017</td>
</tr>
<tr>
<td>POP</td>
<td>2.564296</td>
<td>0.785964</td>
<td>3.262613</td>
<td>0.0041</td>
</tr>
</tbody>
</table>

R-squared 0.614261
Adjusted R-squared 0.553355
F-statistic 10.08536
Prob(F-statistic) 0.000342

Durbin-Watson stat: 1.787088

Authors’ computation, 2021

The coefficient of multiple determination ($R^2$) in table 4.1 reveals that the change in the explanatory variables of the estimated model explained approximately 61% of the variation in the dependent variable (POV). It indicates that the calculated model is well-fitting. The adjusted coefficient of determination ($R^2$) also demonstrates that, after accounting for the loss of a degree of freedom caused by the addition of explanatory variables to the model, the estimated model has a decent fit (that is, adjusted $R^2=55\%$). The high F-statistic values ($F=10.08536$) suggest that the parameters of the calculated model are statistically significant jointly or concurrently. It means that the estimated model is appropriate for forecasting, predicting, policy making, and analysis. The Durbin-Watson (d) statistic values (i.e., d=2) indicate the presence of autocorrelation in the calculated model. The decision rule specifies that a Durbin-Watson value near 2 or 2 implies the lack of autocorrelation. The calculated model’s predicting power is more trustworthy in the absence of autocorrelation, which is supported by the explanatory variables’ good explanatory power, as indicated by the high value of the adjusted $R^2$.

The results also demonstrate that a unit rise in the unemployment (UMP) rate causes approximately 0.035375 increases in the poverty rate in Nigeria, indicating that UMP has a considerable impact on the poverty rate in Nigeria. Similarly, a unit increase in population leads to a 2.564296 increase in Nigeria’s poverty rate; the likelihood value indicates that POP considerably impacts Nigeria’s poverty rate. However, the result demonstrates that a unit rise in the human development index results in a -4.347621 decrease in Nigeria’s poverty rate; the likelihood value indicates that HDI has a considerable impact on Nigeria’s poverty rate.

**Hypotheses Testing**

From the result of estimation, since the t-statistics value (0.36) of the unemployment rate is lower than the t-critical value (2.04) at a 5 percent significant level, we accept the null hypothesis that states that unemployment has no significant impact on the poverty rate in Nigeria. Contrarily, the estimated t-statistic value (-3.64) of the human development index is higher than the t-critical value (2.04) at a 5 percent significant level in absolute terms. Thus, we do not accept the null hypothesis that states that the human development index has no significant impact on the poverty rate in Nigeria and accept the alternative hypothesis. Finally, the t-statistic value (3.26) of the population is greater than the t-critical value (2.04) at a 5 percent significant level. Therefore, we do not accept the null hypothesis that states that population has no significant impact on the poverty rate.
Unlike Adepoju (2018), which examined the effect of rural and urban dwelling on poverty, and Evans & Kelikum (2019), which focuses on inequality and poverty in Nigeria, this study is unique by focusing on poverty intractability. The findings of this study on the impact of unemployment on poverty run contrary to the findings from the work of Osabohien et al. (2021) and Aderounmu et al. (2021).

The aforementioned finding implies that population growth and unemployment have a significant impact on Nigeria’s poverty rate. In the case of HDI, however, an increase in human development will alleviate poverty in Nigeria. The preceding result confirms that population growth and unemployment are key contributors to Nigeria’s poverty rate. In addition, the government’s failure to invest enough in human development has led to the rise in Nigeria’s poverty rate.

CONCLUSION

The objectives of the study were to examine whether unemployment causes the poverty rate to increase in Nigeria, to investigate the impact of the human development index on the poverty rate in Nigeria, and to examine if the population is a factor influencing the poverty rate in Nigeria. To achieve these set objectives, the study estimated variables underpinning the poverty rate in Nigeria with the use of OLS multiple regression. The findings show that population and unemployment have a significant impact on the poverty rate in Nigeria. The study affirms that the causes and consequences of poverty in Nigeria are intractable.

Recommendation

Based on the findings, the study recommends the following
a. Government, Non-governmental organizations, and private individuals should prioritize investing in human development. It will, in turn, help to reduce poverty in the country.
b. The Nigerian Government should adopt the policies of China in utilizing their population growth to increase the productivity growth of the country.
c. Government should adopt a good expansionary policy to boost productivity, thereby reducing the unemployment rate in Nigeria.

REFERENCES


