

Poverty in Nigeria: Some Dimensions and Contributing Factors

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Abstract

Unemployment, corruption, non-diversification of the economy, income inequality, laziness, and a poor education system can be considered to be some of the key factors contributing to poverty in Nigeria. This article analyzes these factors after reviewing some of the most recent contributions to the literature and summarizing some of the key dimensions of poverty in Nigeria. It also shows that there are various linkages between the six key factors as well as enforcing feedbacks from the various dimensions of poverty in Nigeria.

I. Introduction

Poverty is a multidimensional phenomenon. The *World Development Report 2000/2001* (see World Bank, 2001) summarizes the various dimensions as a lack of opportunity, lack of empowerment and a lack of security. The window of opportunity remains closed to the poor masses, and this makes them practically inactive in the society. Their lack of empowerment limits their choices in almost everything and their lack of security makes them vulnerable to diseases, violence and so on. Similarly, a United Nations statement says:

Poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to; not having the land on which to grow one's food or a job to earn one's living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living on marginal or fragile environments, without access to clean water or sanitation.¹

¹ United Nations Statement of June 1998, which was signed by the heads of all UN agencies; see: <http://www.helium.com/items/1587576-poor-service-delivery>.

In Nigeria, widespread and severe poverty is a reality. It is a reality that depicts a lack of food, clothes, education and other basic amenities. Severely poor people lack the most basic necessities of life to a degree that it can be wondered how they manage to survive. There are several effects and deficiencies associated with poverty in Nigeria. One of the main effects of poverty is poor health, as is reflected in Nigeria's high infant mortality and low life expectancy. Poor people in Nigeria face several health issues as they lack basic health amenities and competent medical practitioners. Most children do not have the opportunity of being immunized and this leads to certain physical defects in some of the children. Their health has become low priority and as they have little or no choices, they live with whatever they are provided with, whether healthy or not.

This article focuses on some of the key factors that contribute to poverty in Nigeria: (1) unemployment, especially among young graduates; (2) corruption, especially among political office holders; (3) non-diversification of the economy; (4) income inequality; (5) laziness, especially among those who come from wealthy households; and (6) a poor education system. Some of these could also be considered to be causes of poverty. While the distinction between causes and effects of poverty is fuzzy, our discussion below will show that these factors seem more likely to be causes than effects of poverty in Nigeria. Some of the more obvious effects or dimensions of poverty in Nigeria are provided in the section on empirical background.

II. Literature Review

There is a relatively large literature addressing poverty in Nigeria. The following three publications are some of the most recent contributions.

- According to Garcia, Kohl, Ruengsorn and Zislin (2006), Nigeria's main challenges include, reducing poverty, diversifying its economy from the oil and gas sector towards more labor intensive sectors, and improving health and education. The oil has increased economic volatility and inflation while those living in poverty being most vulnerable to volatility and inflation. To add to it, instability of government revenues and a crowding out of agriculture (which provides the source of income to the poor) have made the situation worsen. The oil industry does not employ a sizeable number of unskilled workers, thereby contributes little to reducing poverty.²
- Ford (2007) discusses the oil crisis in the oil producing region of Nigeria. He states that poverty has been linked to high crime rates, especially in the Niger Delta region where there is a sharp contrast between the rich and the poor. The masses cause social unrest because the wealth gotten from their territory does not get to them. In the Nigerian society, the best way to acquire wealth is to enter the political sphere. Most of the time political success is tied to criminal activities. He ends the article by stating that the link between economic and political power must be broken for progress to be made.

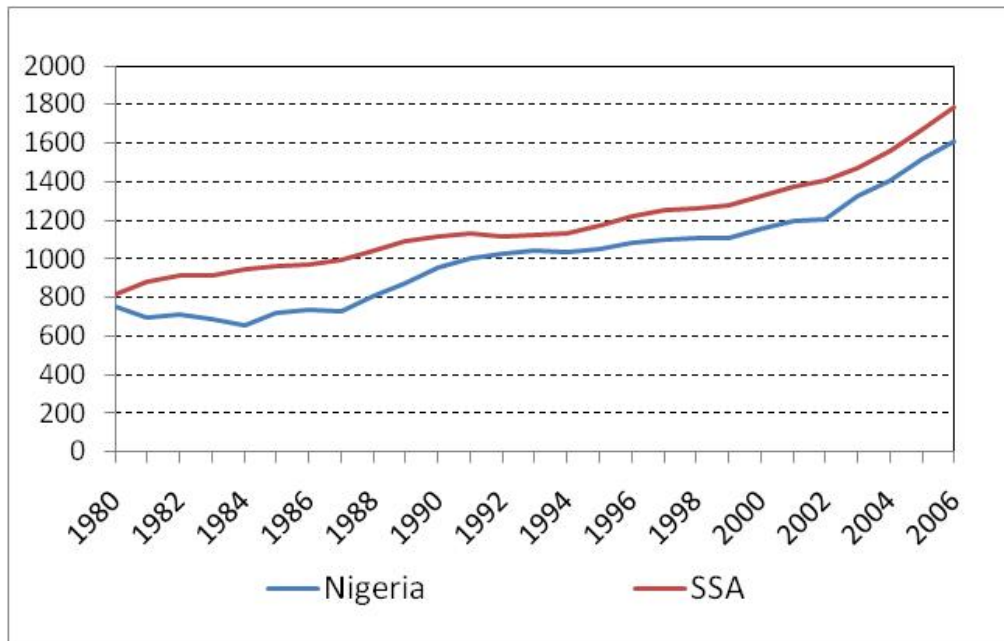
² Garcia, Kohl, Ruengsorn and Zislin (2006), p. 15.

- Nnadi (2008) discusses the various impacts of globalization on the Nigerian economy. These impacts have resulted to social and economic problems in the country such as inequality, the emergence of a social underclass and low development. He also states that globalization has affected Nigeria's economic growth through a decline of foreign direct investment and that for unemployment, poverty and inequality to be alleviated Nigeria's economic policies need to be changed.

III. Empirical Background: Some Dimensions of Poverty in Nigeria

Nigeria is a West African country with about 152 million people (as of 2008). It is by far the most populous country in the whole of Africa. Although Nigeria's GDP per capita has been increasing through the course of time in nominal US dollar terms (see Figure 1), many Nigerians are still living in poverty. Obviously, the average income per capita does not give the real picture due to Nigeria's high income inequality, which will be discussed in more details in the next section. According to the World Resources Institute's environmental resource portal *Earth Trends*, about 71 percent of Nigerians live on less than \$1 a day and about 92 percent live on less than \$2 a day.³

Figure 1: GDP per capita in current international dollars, 1980-2006



Source: World Bank (2008) *World Development Indicators 2008*, CD-Rom.

Though data on poverty is many times controversial, this seems to be confirmed by the data provided by the United States Central Intelligence Agency's World Factbook

³ See <http://earthtrends.wri.org/povlinks/country/nigeria.php>.

(henceforth CIA Factbook),⁴ which stated that 70 percent of the Nigerian population lived below the poverty line in 2007. On the other hand, based on the World Bank's World Development Indicators 2008 CD-Rom, Nigeria's prevalence of undernourished is with about 10 percent of the population over the last decade inconsistent with 70 percent of the people living below the poverty line, especially as the prevalence of undernourished in Sub-Saharan Africa is given to be at around 30 percent over the last decade.

Anyway, it is clear that given the rich natural resources, the level of poverty in Nigeria is remarkably high. While data on Nigeria's poverty over time remains scattered, there is some evidence that Nigeria's poverty has actually increased over time.⁵ Nigeria also ranks third in the world for the most people living with HIV/AIDS and has the third highest death rate as a result of HIV/AIDS (CIA Factbook).

Nigeria's infant mortality rate has been estimated to be currently 99 per 1000 births, which implies that Nigeria has the thirteenth highest infant mortality rate in the world (CIA Factbook). The infant mortality of children under the age of 5 was 189 per 1000 births in 2007. These high mortality rates are mostly due to mothers not having enough money to take care of their children. Many mothers are also ignorant of some preventive measures such as immunizations and vaccines. The immunization rate against diphtheria, pertussis and tetanus (DPT) for children between 12-23 months was about 54 percent in 2007. Many children in Nigeria die as a result of malaria, diarrhea, tetanus and similar diseases. Most of these are preventable and curable diseases, but due to inadequate health care facilities and lack of money far too many children die off from them. Like the grown-up population, many children also lack access to safe water and sanitation, which typically leads to several diseases.

When compared to Sub-Saharan Africa, Nigeria seems to be better off in a few economic and social aspects but worse off in most. This is illustrated with some selected economic and social data in Table 1. First of all, the average Nigerian is slightly poorer in terms of GDP per capita than the average person in Sub-Saharan Africa. Second, the life expectancy of an average Nigerian at birth has been estimated to be as low as 47 years, which is again slightly topped by that of Sub-Saharan Africa (51 years). In terms of gross primary enrollment in 2006, Nigeria was with 96.2 percent slightly better off than Sub-Saharan Africa (93.2 percent), though Nigeria's gross primary enrollment for girls was slightly below that of Sub-Saharan Africa. Nigeria's immunization rates for both DPT and measles are relatively low compared to Sub-Saharan Africa which rates as high as 72 percent in DPT and 71 percent in measles, while Nigeria's immunization rates are still at 54 percent and 62 percent, respectively for DPT and measles.

⁴ <https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html>

⁵ For example, according to the Encyclopedia of Nations [<http://www.nationsencyclopedia.com/>], Nigeria's GDP per capita declined from \$1,200 in 1981 to about \$300 in 2000. It also states that while the standard of living has declined for many Nigerians, it has improved substantially for a few, mostly the already better off. It has also been stated that the number of people below the poverty line has been on the rise in Sub-Saharan Africa, with 45 percent of the population living below the international poverty line of \$1 a day. The region is said to have the highest level of intra-regional poverty as half of its population is classified as poor (see the Organization of the Islamic Conference (OIC), Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC) (2007), p. 8).

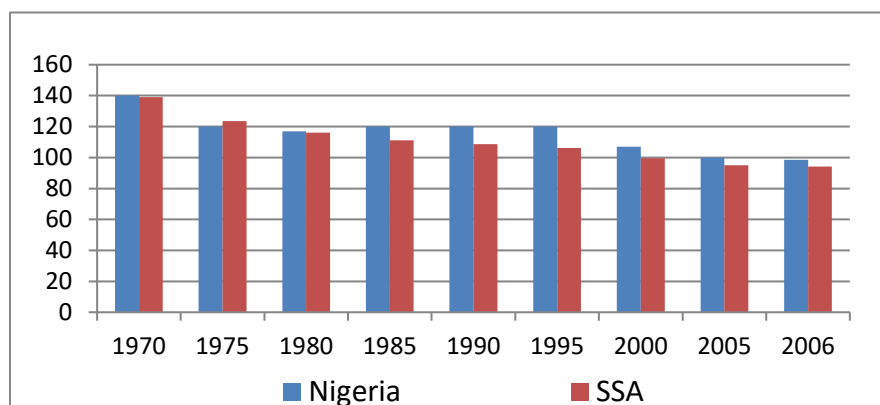
Table 1: Selected Poverty and Social Data for Nigeria and Sub-Saharan Africa

	Nigeria	Sub-Saharan Africa
Basic Data (2007)		
Population, mid-year (millions)	148	800
GNI per capita (Atlas method, US \$)	920	952
GNI (Atlas method, US \$)	136.3	762
Average Annual Growth (2001-2007)		
Population (%)	2.4	2.5
Labor Force (%)	2.5	2.6
Most Recent Estimate (2001-2007)		
Life expectancy at birth (years)	47	51
Infant mortality (per 1000 live births)	99	94
Child Malnutrition (% of children under 5)	27	27
Access to an improved water source (% of population)	47	58
Literacy (% of population age 15+)	69	59
Gross primary enrollment (% of school-age population)	96	94
Male	105	99
Female	87	88

Source: World Bank (2008), Nigeria at a glance, available at:
http://devdata.worldbank.org/AAG/nga_aag.pdf

As Figure 2 shows, Nigeria’s infant mortality rate stood at 140 per 1000 births in 1970. Although there was some progress during the 1970s, an increase was noticed by 1985. During the subsequent ten years, Nigeria made zero progress in reducing infant mortality. Following some progress in the late 1990s and early 2000s, Nigeria’s infant mortality rate is today about the same as it was since 2005. Figure 2 also shows that Sub-Saharan Africa has been making more progress on the issue of infant mortality than Nigeria.

Figure 2: Infant Mortality (per 1000 live births) in Nigeria and SSA, 1970-2006



Source: World Bank (2008) *World Development Indicators 2008*, CD-Rom.

IV. Some Key Factors Contributing to Poverty in Nigeria

IV.1. Unemployment

Unemployment is a major factor contributing to poverty in Nigeria. There is a strong correlation between unemployment and poverty. When people are unemployed, their source of livelihood depletes over time. The cost of living becomes high and the standard of living goes down. There are many people in Nigeria who lack the opportunity of being employed. The formal unemployment rate in Nigeria as estimated by the World Bank in 2007 was 4.9 percent and Nigeria ranked 61st across the world's countries (CIA Factbook).

As reported by Teshome (2008), the then newly released *African Development Indicators* report of the World Bank showed that “education, once seen as the surest, undisputed gateway to employment, no longer looks so certain.” This is very true in the case of Nigeria. The fact that you are an educated Nigerian is no guarantee that you will be employed. Furthermore, according to the World Bank report, unemployment in Africa is higher among those who have attained a higher education of some kind, and also those in wealthy households because they depend solely on the wealth of their families and do not consider employment a priority.

Many graduates in Nigeria wander the streets without anything reasonable to do for a living. The government is capable but unwilling to provide jobs for them. Employment in Nigeria is usually not based on merit but depends on how connected you are with people that have power. This leaves many highly qualified people in poverty as seemingly no one cares to know what they are capable of achieving. These people are missing out on the income they would have gotten if they were employed. The number of quality jobs in the economy is low and many government resources are misallocated.

Unemployment-induced poverty tends to increase the crime rate and violence in the country. Most unemployed youths resort to crimes such as armed robbery, kidnapping for ransom, internet fraud and other forms of fraudulent activities. The reservation wage they get from these activities is typically barely enough to take care of their basic necessities.

IV.2 Corruption

Transparency International defines corruption as “the abuse of entrusted power for private gain.”⁶ This has become a common act in Nigeria and it has destabilized the political system drastically. Government funds are being misappropriated on a daily basis by the leaders, who only put the interest of their family and friends at heart while ignoring the masses. The corruption has eaten so deeply into the government and economy that everyone seems to be blinded by it. Corruption has almost become an accepted way of life in Nigeria.

In Nigeria, the government's income is generated mostly from natural resource revenues. This income, instead of being used for developmental purposes, is then circulated among the political office holders and their families, leaving the rest of the people to wallow in poverty. Political leaders practically ignore the affairs and wellbeing of their people who

⁶ See http://www.transparency.org/news_room/faq/corruption_faq.

elected them into office. They mismanage and embezzle funds. There are several issues involved with bad governance in Nigeria, use of wrong policies, adaptation to wrong policies and implementation of those wrong policies. In any case, it is clear that Nigeria's corruption has increased poverty and inequality as well as contributed to high crime rates.

IV.3. Non-Diversification of the Economy – Oil Over-Dependency

While Nigeria's poverty has been identified to be caused by many factors, Nigeria's non-diversification of the economy can be seen as a major factor. Before 1970, the Nigerian economy was driven by the agricultural sector. The oil sector which only constituted 1 percent of the country's export revenue in 1958 rose to 97 percent by 1984 and has since then not gone below 90 percent. In 2008, the oil and gas sector constituted about 97.5 percent of their export revenues, 81 percent of government revenues and about 17 percent of GDP.⁷

In Nigeria, those in power have practically ignored other sources of income, and today, Nigeria depends heavily on exporting oil. This dependency on natural resources is often referred to as "Dutch disease", whereby natural resources make a country less competitive. Excluding the few working in the oil sector, the majority of the people have been impoverished as their products have become irrelevant. The agricultural sector, which was their major means of income before the discovery of oil, is considered almost useless.

Beyond the Dutch disease, Nigeria's abundance of a natural resource has led to what is known as a resource curse, which is reflected in the "Niger Delta Crisis (reflecting the region of the country where most of the oil is coming from). The people in this region are fighting for resource control as they claim the government is not fulfilling their promise of giving them the large part of the oil revenues. The wealth from natural resources in Nigeria is supposed to be working with the derivation policy, but this policy is not functional in any way, as the oil-producing states are still impoverished and this policy is supposed to work in a way such that these states with these natural resources should be able to get a large part of the countries revenue as they contribute a lot to the national wealth.

According to Collier (2007), resource wealth sometimes contributes to a conflict trap and the surplus from natural resource exports reduces growth. He goes on to discuss the case of Nigeria in the 1970s, when other exports of the country like agriculture became non-profitable due to increase oil revenues. He explains how the Dutch disease can damage the growth process by closing out on the exports in other promising sectors of the economy. The first half of the 1980s gave rise to a huge oil boom in Nigeria and also led to excessive government borrowing and investment on wasteful projects that made the corruption in the country more apparent. As the world price of oil crashed in 1986, Nigeria's oil revenues reduced drastically and Nigeria's external debt increased drastically. The introduction of the structural adjustment program (SAP) was one of the government reforms advocated by the international financial institutions to reduce Nigeria's oil dependency. Despite

⁷ The relatively low contribution of the oil and gas sectors to GDP has been due to the ongoing security crisis in the Niger delta region. According to Nigeria's National Bureau of Statistics (<http://www.nigerianstat.gov.ng/index.php/pages/sectorStatistics>), the share of the oil and gas sector in GDP has typically been between 25 to 30 percent in most of the recent years.

increased national output in non-oil sectors, poverty and social indicators worsened as most of the revenues generated were used for servicing Nigeria’s external debt. Nigerians have blamed the soaring poverty level despite the increase in output to the introduction of the reforms and policies introduced during the late 1980s. Nigerians hence came to the conclusion that there was a conspiracy by world financial institutions to take their country down.

IV.4. Inequality

Inequality implies a concentration of a distribution, whether one is considering income, consumption or some other welfare indicators or attributes (see Oyekale, Oyekale and Adeoti, 2007). There was an increase in income disparity after the economic growth which Nigeria experienced between 1965-1975, and this income inequality has increased the dimension of poverty in the country (Oluwatayo, 2008, p. 1). The income inequality between the people in rural and urban areas in Nigeria is remarkably high, as those who live in the rural areas base all their income on agriculture which is today not a thriving sector in Nigeria as oil has taken over the economy. They do not invest their money to acquire skills as people in the urban areas would and this makes them more vulnerable to poverty and leads to some social and economic problems such as violence, corruption and so on (Oluwatayo, 2008, p. 2).

Table 2 shows that there is a very high disparity between the income of the richest 10 and 20 percent and the poorest 10 and 20 percent. In 2003, the income of the poorest 10 percent of Nigeria’s population was only 1.9 percent, while that of the richest 10 percent was 33.2 percent. Table 2 also shows that the income share of the richest 10 percent has decreased slightly compared to 1996 (37.1 percent), though the 2003 share remains higher than what it was in 1993 (32.5 percent). A more equal distribution of Nigeria’s income would go a long way in reducing the rate of poverty, but because it is typically the rich people who hold political offices or are related to those holding political office, income remains concentrated among the rich.

Table 2: Nigeria’s Income Inequality, 1993-2003

Income Share	1993	1996	2003
Income Shared by Lowest 10%	1.4	1.9	1.9
Income Shared by Lowest 20%	4.0	5.0	5.0
Income Shared by Highest 10%	31.5	37.1	33.2
Income Shared by Highest 20%	49.4	52.1	49.2

Source: World Bank (2008) *World Development Indicators 2008*, CD-Rom.

IV.5. Laziness

Laziness is a common disease which is virtually suffered by many Nigerians today, especially those from wealthy households. Everyone wants to be comfortable but they are not ready to work towards it. This often leads to greed where people will do whatever they can to keep the family wealth for themselves. In most families, everyone depends on the bread winner, who works so much to keep the family going and when he dies the family is likely to become poor because of mismanagement of funds. In most Nigerian families, the death of the bread winner means the death of the whole family fortunes; because everyone was depending on him/her to provide everything.

IV.6. Poor Education System

Education can play a major role in reducing poverty. According to the World Bank, education is central to development. It promotes economic growth, national productivity and innovation, and values of democracy and social cohesion. In Nigeria, the population with no education account for most of the poor. The education system in Nigeria can be regarded as a failure compared to other countries in the world. The United Nations Universal Declaration of Human Rights⁸ states that “everyone has the right to an education.” This right to education has been denied to many Nigerians, of which many of them can be considered invisible to the society now. This deprivation of education applies more to females than males, because they are considered the inferior sex. Hence educating them is seen as unnecessary as they are expected to marry as early as possible.

V. Conclusion

Poverty is multi-dimensional and even though it is difficult to separate the various dimensions of poverty from the various causes of poverty, in the case of Nigeria, we have shown that unemployment, corruption, the non-diversification of Nigeria’s economy, inequality, laziness, and a poor education system are some of the key determinants of poverty. These determinants are many times related to each other and also enforce each other. For example, unemployment, poor education and poverty can be seen as vicious cycle. Today, people who are not educated lack the opportunity of being hired for good jobs, and the poor masses today still cannot afford to go to school which makes them the poor unemployed masses tomorrow. Hence, all these factors are correlated and must all be tackled together if any progress wants to be made.

Being educated does not necessarily mean you will be employed. Many people graduate from school and stay for years without a job. This is partly due to a lack of employment opportunities as well as corruption. Many offices hire solely by preference, not by merit. Preferential treatments have become the order of the day, and this increases the number of unemployed graduates. Nigeria needs to do more for the employment of young graduates, which will also help in reducing crime rates, as many youths resort to crime for survival.

A factor that is very critical for Nigeria is the need for economic diversification. As the Niger Delta crisis suggests, if there is a problem in the oil sector, the whole country is

⁸ See <http://www.un.org/en/documents/udhr/index.shtml>.

facing economic and social problems as oil contributes about 97 percent of Nigeria's export revenues. More investments need to be made in the agricultural sector and other promising sectors of the economy.

Finally, there are various aspects of poverty that have not been discussed in this article. For example, the area of health care also needs more attention, especially with regards to reducing Nigeria's high rate of infant mortality. Many children are dying from several preventable diseases, such as cholera, malaria and so on. By providing clean water and adequate health care services, the government can save the lives of these infants.

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