IMPACT OF WELFARE PAYMENTS ON STANDARD OF LIVING IN NIGERIA: A CASE OF ANAMBRA STATE

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Abstract

This study responds to the concerning reality of poor living standards in Nigeria, particularly in Anambra State, despite substantial government budgets allocated for transfer payments. It explores whether these welfare payments are contributing to stagnation in living standards from 1980 to 2024. Utilizing a survey approach, we analysed primary data from selected local government areas and towns in Anambra state through a multi-stage random sampling method, employing the Chi-square technique for analysis. Findings of the study indicate that transfer payments and transfer payments done at the expense of living wage have strong effects on standard of living in Anambra state. Notably, the adverse effects of transfer payments and transfer payment done at the expense of living wage were confirmed to be significant. To improve conditions, the study advocates that the government should regard transfer payments as part of a broader macroeconomic strategy aimed at enhancing the living standards of the populace, rather than viewing them as a standalone solution. Additionally, it suggests implementing transfer payments within a framework that supports the payment of a living wage.

Keywords: Welfare programs, Subsidies and redistributive effect, Wage level, Economic development
Gel Codes: I38, H23, I31, O16

INTRODUCTION

Fiscal transfers, often referred to as welfare payments, represent a vital mechanism through which governments redistribute income and wealth within the economy. These payments are unique in that they do not exchange goods or services, instead acting as direct financial support to individuals or groups. Common examples of these transfers include unemployment benefits, retirement pensions, financial aid for students, social security payments, and subsidies for essential commodities. It is worth noting that when calculating gross domestic product (GDP), government spending excludes these transfer payments, as they reflect a reallocation of funds rather than an investment in newly produced goods and services.

The foundation of welfare payments lies in the desire to elevate the standard of living for everyone, not just a select few. They provide a crucial safety net during the unpredictable moments in life, assisting individuals in navigating tough times. For instance, obligations arise when otherwise robust and healthy workers face incapacitation due to illness, accidents, or aging; hence, it becomes essential to allocate funds to ensure they can maintain a basic standard of living. To finance these payments, funding typically comes from general or targeted tax increases, or through the establishment of trust funds that draw from specified tax revenues or other government income sources (Effiong, 2024; Isah & Idris, 2023).

The government's struggle to afford and approve minimum wage rates that align with a living wage stems largely from the significant costs associated with governance. A substantial portion of these expenses is attributed to transfer payments. Essentially, the cost of governance encompasses government spending on recurring expenses, reflecting the share of total income allocated to non-productive activities. This includes costs related to overhead, salaries, pensions, subsidies, and more. For Nigeria, the recurrent expenses of the federal government as a percentage of total expenditure were recorded at 25%, 97%, 34%, 84%, 62%, and 76% for the years 1990, 1995, 2000, 2009, 2020, and 2022 respectively (CBN, 2023; World Bank, 2023).

From time to time, Nigeria's federal government launches welfare programs aimed at supporting vulnerable individuals, often providing stipends to those who contribute little or nothing in return. However, these programs have faced significant criticism for various reasons. A major issue is their non-inclusive nature, largely due to the lack of essential data regarding eligibility. Many potential beneficiaries are overlooked, including those who urgently need assistance but are unfairly excluded. Furthermore, challenges such as inadequate funding, widespread corruption, limited availability of relevant data, and lack of accountability have hindered the effectiveness of these programs (Davies, 2009; Umeghalu, 2017).

Many welfare programs launched in Nigeria have struggled to demonstrate significant improvements in the living standards of their beneficiaries. According to the United Nations Development Programme's (UNDP) Human Development Index (HDI) figures — 0.450 in 2003, 0.482 in 2010, 0.516 in 2015, and 0.535 in 2022 — indicate that Nigeria remains classified as a country with low human development, despite its extensive welfare initiatives and substantial financial investments each year. This situation implies that transfer payments tend to have limited impact on enhancing living conditions, particularly when such payments overshadow more critical economic measures. In this context, there is a risk that these transfer payments may detract from genuine efforts to elevate living standards (Adewole & Osabuohien, 2007; UNDP, 2023).

Welfare payments are designed as temporary measures by the government to ease the burden of living costs, aimed at supporting individuals in meeting their needs. However, this approach falls short of being an effective substitute for robust economic policies that should take precedence over ensuring the welfare of the majority rather than a select few. This dilemma often arises when the government hesitates to implement higher minimum wage rates due to substantial budget allocations for ongoing welfare programs. As a result, many citizens, including those with jobs, find themselves struggling to afford even the essentials. A common justification from the government for not increasing wages is the claim that it cannot afford higher rates since approving higher wage rates would mean lesser funding to maintain existing welfare programs and social infrastructure projects (Bonte-Friedheim, 2018; Shen, Yang & Zanna, 2018).

There is a notable gap in research focusing on the link between welfare payments and living standards in impoverished developing nations, especially in Nigeria. The country's low average wage is a significant contributor to widespread issues such as hunger, illiteracy, inadequate healthcare, and various forms of social deprivation. This situation raises concerns that efforts to enhance living standards may be misguided if they place too much emphasis on welfare transfers. Prioritizing welfare payments over workers' earnings may inadvertently drive more individuals toward heightened vulnerability, especially when the number of people who achieve lasting escape from poverty through these welfare programs is comparatively small. Moreover, Nigeria's persistent ranking in low human development prompts critical examination of governmental priorities in this area (Ufoeze, Okoro, & Ibenta, 2017; Okeke & Eme, 2015; Ejuvbekpokpo, 2012).

This study aims to assess whether the substantial government expenditure on welfare payments genuinely contributes to improving living standards. Specifically, it will examine the impact of welfare payments, particularly those implemented at the detriment of providing a living wage, on the quality of life in Anambra State from 1970 to 2023. This timeframe allows for a thorough analysis of the effects of various subsidy programs, including the petroleum subsidy introduced in the early 1970s, education subsidy, and other welfare initiatives. The evaluation will also compare the benefits accrued from these programs against a hypothetical scenario where higher average wages were prioritized instead. Additionally, this period enables a comprehensive assessment of the effectiveness of welfare payments in both the short and long term.

Transfer Payments and Economic Development

Welfare payments play a crucial role in the economy by helping to reduce inequality, boosting aggregate demand, and enhancing living standards. These benefits are closely linked; changes in one area often lead to shifts in the others. In today's economic landscape, development focuses on improving the living standards of the population. This contrasts with traditional views, which equate economic development with mere economic growth—the increase in aggregate demand. Historically, it was thought that economic growth was both necessary and sufficient for achieving economic development, leading to the belief that the two concepts were nearly identical. However, the realization that high growth rates do not always translate into true economic development has prompted the modern perspective on this issue (Fournier & Johansson, 2016).

The discourse surrounding the social and economic impacts of welfare payments is quite contentious, with much of the current debate emphasizing potential drawbacks. Critics argue that welfare payments can disincentivize work and savings, hinder international competitiveness, reduce job creation, and encourage premature exits from the labor market. Conversely, welfare payments can have significant positive effects on the economy. They can empower individuals to earn income and enhance their productive capabilities, they can also sustain effective demand at the national level, and foster an environment where a market economy can thrive—especially by encouraging workers to embrace innovation and adapt to change (Awaworyi-Churchill et al., 2015; Ham, 2016; ILO, 2006; Nyasha & Odhiambo, 2019; Obeng, 2015; Xu et al, 2015).

Social protection and decent employment are essential for a market economy to ensure income security for everyone. Not only does social protection provide a safety net, but it also fosters social unity and a sense of security within the community. Unemployment poses one of the biggest risks for individuals relying on their labor for income. However, unemployment benefit systems are only available in a limited number of countries, leaving many workers—especially almost all self-employed individuals—unprotected. To mitigate the risk of unemployment, it is crucial not just to have benefits, but also to implement measures like protections against unfair dismissal and pathways for promotion.

Welfare Payments and Socio-economic Wellbeing

Welfare payments play a crucial role in addressing the gap between economic growth and improved living standards. However, while they can offer significant benefits, these payments should not be viewed as the sole solution for economic development. Effective development strategies that truly enhance living standards must combine the insights of both traditional and modern development approaches (Ceyhan, Kostekci, & Gov, 2021).

The modern perspective focuses on a broader range of factors, emphasizing improvements not only in income but also in health, education, freedom, and overall happiness. In contrast, traditional views prioritize income growth. This focus on income is vital, as increased income translates directly into higher aggregate demand through greater consumption, improved tax revenues, and increased government spending. Therefore, the essential strategy for raising living standards is ultimately to boost personal income. One of the most effective ways to achieve this in a fair and widespread manner is to raise the minimum wage (Todaro & Smith, 2011; Onwuka, 2011).

Thus, reducing inequality through welfare payments should be accompanied by the establishment of a system that enables workers to earn a living wage, one that aligns with current living costs. In many poorer developing nations, such as Nigeria, the burden of welfare payments is substantial, yet they still struggle to provide a living wage. This approach can harm the overall well-being of many workers while attempting to support a smaller vulnerable population, which may inadvertently increase the number of people facing economic hardship (Guzi, M. & Kahanec, 2018).

Social protection plays a key role in shaping socio-economic development by influencing how individuals act in various roles—whether as workers, jobseekers, savers, or community members. It affects the decisions made by businesses and the functioning of markets, such as setting wages and prices. In the labor market, social protection can significantly influence workforce participation. For instance, certain welfare benefits might tempt individuals to exit the workforce, particularly when early retirement options are available. On the flip side, these protections can also encourage individuals to join the formal economy, primarily due to the potential benefits like pensions (Alumona & Odigbo, 2017; Effiong, 2024).

Welfare payments come with both advantages and disadvantages. While they may offer substantial support, they can also lead to unintended negative consequences within society. Here are some critical questions that highlight the potential downsides of welfare payments that communities should consider: Do these benefits make individuals less motivated to search for a job when they are unemployed? Do unemployment benefits facilitate better matches between workers and employers? Can sickness benefits lead to reduced work hours by encouraging absenteeism, or do they help expedite recovery and curb the spread of illness among employees? Furthermore, does social protection form a component of a broader strategy that enhances worker productivity? And, according to some economists, does the presence of state pensions decrease personal savings rates?

Unemployment Benefits and Unemployment

Numerous studies have explored the idea that the length of time individuals receive unemployment benefits is positively linked to the amount of those benefits (the replacement ratio) and the maximum duration they can receive them. While several of these studies have established significant relationships, the effects tend to be rather modest (Isah & Idris, 2023).

One major question that remains is the fate of individuals once they stop receiving unemployment benefits. It is not a given that they secure regular employment following the end of their benefits. A recent study sheds light on this issue. In Eastern Europe, individuals who are no longer receiving unemployment benefits are more likely to exit registered unemployment, but this often leads to inactivity rather than gaining employment. Similarly, in Slovakia, adjustments to eligibility periods have led individuals to leave unemployment not primarily to start regular jobs, but for various other reasons. In some Scandinavian countries, those without unemployment benefits have shown a higher tendency to exit the labor market entirely or to participate in active labor market programs.

In other nations, individuals who stop receiving unemployment benefits frequently find themselves engaging in informal or even illicit activities, leading to significant tax evasion and additional societal costs. Since the absence of benefits might simply push people out of the labor force, it is essential to investigate the connection between unemployment benefits and employment more closely. The primary concern is whether people are receiving unemployment benefits while they have the capacity to work instead. A recent study concluded, based on cross-country data, that there appears to be no link between unemployment benefits and overall employment. Additionally, it found that high rates of unemployment were often correlated with the lack of effective active labor market policies (Uzodigwe, Umeghalu & Ozoh, 2019).

LITERATURE REVIEW

A consensus among several theories posits that rising income is a key driver of enhanced living standards. The vicious circle of poverty theory highlights low income as a significant barrier to development in poorer nations, advocating for capital accumulation as a solution. Three other theories align with this perspective, asserting that low income hinders the achievement of a higher quality of life. However, they offer varied strategies for boosting real income. The minimum effort theory suggests that growth should outpace population growth, whereas the big push theory and labor surplus theories emphasize the need for substantial investments in both agricultural and non-agricultural sectors, as well as labor-intensive areas of the economy respectively. The Structuralist/International school examines underdevelopment through the lenses of international and domestic power dynamics, through existing institutional constraints, and the resulting dual economy phenomenon that plagues many Third World countries (Leibenstein, 1954; Lewis, 1954).

Light, Nwaobia & Nwobia (2024) carried out a review which delved into the effectiveness of Conditional Cash Transfers (CCTs) and Unconditional Cash Transfers (UCTs) in Sub-Saharan Africa. By examining 27 studies published between 2014 and 2024 and following the PRISMA guidelines, the study evaluated their impacts on financial stability, education, and health. Generally, CCTs were found to be more effective than UCTs in achieving specific educational and health objectives due to their incentive structures. However, UCTs provide more flexibility, which can enhance mental health and strengthen economic resilience in vulnerable environments. The results highlight that the impact of cash transfer programs can vary significantly depending on the context, underscoring the importance of customized and integrated approaches.

The study by Isah & Idris (2023) explored how the conditional cash transfer program has contributed to reducing poverty in the Lavun Local Government Area of Niger State. Utilizing a survey research method, we formulated two hypotheses to guide our investigation. Data were collected quantitatively through a structured questionnaire, targeting a population of 4,000 beneficiaries from twelve political wards within the local government area, covering the years 2017 to 2021. We applied purposive and simple random sampling techniques to select 506 respondents for analysis. The Chi-square method was employed to test the hypotheses, enabling us to examine the relationship between the dependent and independent variables. Our findings indicate a significant link between the conditional cash transfer scheme and poverty alleviation, demonstrated by increased school enrollment among pupils and improved access to health services. Many beneficiaries reported a greater ability to utilize healthcare facilities following the implementation of the CCT intervention. In conclusion, the study affirms that the conditional cash transfer program has effectively met its goal of alleviating hardship among its target beneficiaries.

In a relevant study, Adeaga et al. (2022) investigated the impact of Household Uplifting Programs (HUP) on the welfare of participants in Oyo State. Employing a three-stage sampling method, they selected 160 respondents, comprising 68 beneficiaries and 92 non-beneficiaries, while utilizing propensity score matching to mitigate bias. Their findings reveal that many beneficiaries view HUP positively, noting various advantages such as increased income, improved school enrollment for children, access to essential materials and health services, and enhanced capacity to fulfill household needs. Nonetheless, the study concluded that while monthly income and educational qualifications positively influence beneficiaries' welfare, larger household and family sizes negatively affect their overall welfare status.

Similarly, Effiong (2024) conducted a study on social security in Nigeria through a descriptive approach. Their findings revealed that, unlike other developing nations where social security serves as a crucial safety net for the less fortunate, in Nigeria it is viewed more as an optional government welfare service rather than an individual's right. While it is acknowledged that different societies have varying capacities to provide social security, it is essential to recognize that living and working without such protections is fundamentally inhumane, as it exposes individuals and families to ongoing insecurities that threaten their material well-being and health.

In a related study, Alumona and Odigbo (2017) highlighted issues surrounding the enforcement of social security measures in Nigeria. They noted that, despite the Pension Act's provisions for coverage of all employees (both public and private), effective enforcement within the private sector remains inadequate. Consequently, a significant portion of Nigeria's unemployed population remains vulnerable and without protection. This situation suggests that the Pension Act may not sufficiently fulfill the considerable responsibilities assigned to it regarding social security.

RESEARCH METHODS

Research Design

The study employed a survey design as its core research method. Surveys are effective for gathering data from a specific group of respondents, allowing researchers to acquire valuable insights on a range of topics. The approach typically involves collecting information through questionnaires, which can be administered online or in person. This design was chosen because it enables researchers to gather data from a subset of the population and make generalizations applicable to the larger community. Conducting surveys is both straightforward and cost-effective.

In this study, questionnaires were crafted to gather opinions and information from varied individuals concerning specific issues related to the population. The collected responses were organized according to the study's objectives, and data analysis was performed using the Statistical Package for Social Sciences (SPSS).

Area of the Study

This study focuses on Anambra State, located in the southeastern region of Nigeria. It is made up of 21 local government areas (LGAs), predominantly inhabited by the Igbo ethnic group, with a minority population from the Igala tribe. Anambra is bordered by Enugu and Kogi states to the north, and Imo, Delta, and Abia states to the south. The state contains over 180 semi-urban towns, with the majority of its residents engaged in trading, farming, public service, and various roles in the service sector. Similar to many other regions in Nigeria, residents of Anambra face economic challenges and would benefit greatly from enhanced government support. The presence of a large informal sector adds complexity to taxation and the equitable distribution of government resources.

Population of the Study

The population for this study includes the diverse residents of Anambra State, encompassing youth, women, and men across all 21 LGAs. Due to practical constraints, the study focused on a sample of 600 individuals. These respondents were randomly selected from 12 towns, with two towns chosen randomly from each of the six LGAs selected for inclusion in the survey.

Sample Size and Sampling Techniques

The sample size was determined from the total population of local government areas (LGAs) in Anambra state, where 6 LGAs were randomly selected from the 21 that the state encompasses. This selection was carried out using a multi-stage random sampling technique. From each of the 6 chosen LGAs, two towns were randomly picked, leading to a total of 12 towns. Subsequently, 42 individuals were randomly selected from these towns, resulting in a total sample size of 504. The rationale behind using the multi-stage random sampling method lies in the relatively homogenous nature of the population, which minimizes the potential for significant variations in respondents' views. Therefore, this sample size provides a robust representation of the overall population, regardless of its size.

Method of Data Collection

Primary information was gathered through face-to-face interviews and questionnaires. The questionnaire method proved to be stable and consistent, allowing uniform measurement without notable variations. Additionally, the responses from the questionnaires facilitated addressing the research problems and achieving the study's objectives. Face-to-face interviews were employed to encourage respondents to express their thoughts candidly. Both open-ended and closed-ended questions were included in the study. Out of the 504 questionnaires distributed, 498 were returned, resulting in a remarkable collection rate of 99 percent due to effective monitoring. The interviews were conducted in the respondents' preferred languages. The questionnaire consisted of two sections: Section A gathered personal data regarding respondents’ age and gender, while Section B contained the questions designed to address the research inquiries. Respondents answered using a five-point Likert scale ranging from Strongly Agree (SA) to Strongly Disagree (SD).

Reliability and Validation of the Instrument

The data collection instrument was validated by two experienced lecturers from the Department of Economics at Nnamdi Azikiwe University, Awka. This validation included both face and content validity. The validators received the study's topic, objectives, research questions, and hypotheses for thorough review. They provided insightful recommendations to ensure that the questions were clear and comprehensive before the questionnaire underwent final validation. All suggested corrections were implemented prior to concluding the validation process.

Additionally, to assess the reliability of the instrument, the researcher utilized a Test-Retest method. A pilot study was carried out in two towns within [local government area], which were not included in the main study sample. After distributing the questionnaire to participants on two separate occasions to gather their responses, the researcher collected the data and analyzed it using the Cronbach Alpha coefficient. The analysis resulted in a coefficient value of 0.89, confirming that the instrument is both reliable and dependable, as this value surpasses the accepted benchmark of 0.7.

Table 1: Reliability Statistic

Cronbach's Alpha	N of Items
.894	30

Researcher’s Computation: SPSS version 25

Theoretical Framework

This study takes its cues from Ragnar Nurkse's vicious cycle of poverty theory. At its core, the theory posits that low income is the primary barrier to improvement in general well-being, with economic stagnation arising from insufficient capital. Nurkse argues that the vicious cycle of poverty in developing nations stems from deficiencies on the supply, demand, and market fronts. On the supply side, low savings, resulting from meager real income, lead to insufficient investment, which in turn hinders productivity and sustains low income, perpetuating the cycle. On the demand side, low real income translates into weak demand. This diminished demand subsequently results in lower investment, further suppressing productivity and real income, thus continuing the loop. The inefficiency in both supply and demand, driven by low income, adversely affects market conditions.

Welfare payments, subsidies, and various forms of transfer payments are intended to support developmental initiatives aimed at enhancing public welfare. These measures exist to assist individuals who may fall outside the mainstream welfare systems designed to promote the well-being of society through health insurance, pensions, scholarships, subsidies, and loans. In high-income countries, existing developmental strategies effectively address the needs of most citizens, and welfare programs further bolster these efforts. However, in developing nations like Nigeria, which attempt to emulate their developed counterparts through different forms of transfer payments, the lack of robust development frameworks means they do not adequately promote the well-being of the majority. Additionally, these countries often lack the necessary data and financial resources to implement effective welfare payments. This reality indicates that various forms of transfer payments may inadvertently inhibit initiatives aimed at enhancing living standards.

Empirical Model Specification

In line with the theoretical underpinnings of Ragnar Nurkse's vicious cycle of poverty theory delineated in the framework above, we conceptualize the standard of living as a function of income. The model for this study defines this relationship as illustrated in equation 3.1.

$$SDL = f\,(Income) \qquad (3.1)$$

Disaggregating income into personal income and transfer payments, the equation is rewritten as in equation 3.2.

$$SDL = f(PSI, TSFP) \qquad (3.2)$$

The econometric form of the equation is rewritten as:

$$SDL_t = \alpha_0 + \alpha_1 PSI_t + \alpha_2 TSFP_t + \mu_t \qquad (3.3)$$

Where: SDL = Standard of living; PSI = Personal income; TSFP = Transfer payment; α_0 = Constant

α_1 to a_2 = Coefficient of the independent variables; μ = Error term.

Definition of Variables

The term ***Standard of Living*** (SDL) typically refers to economic advancement that manifests as growth outpacing the GDP increase, ultimately resulting in higher per capita income. In more recent discussions, it has come to denote enhancements in overall well-being for the population. This concept encompasses improvements in both financial and non-financial dimensions of life, alongside social and environmental standards, which are largely influenced by prevailing laws and cultural norms. Essentially, SDL focuses on elevating the well-being of individuals in areas such as income, health, education, employment, and equality.

Personal Income (PSI) represents the average total earnings of employed individuals within a specific geographical area. It reflects the mean income earned by members of a country's labor force through salaries, wages, rents, and interest.

Transfer Payment (TSFP) consists of payments made by the government to the public without requiring any services in return. These payments include subsidies that benefit the population and welfare assistance directed toward the most vulnerable groups, including the unemployed, individuals with physical or mental disabilities, and elderly citizens.

Estimation Techniques and Procedures

The participants' responses were analyzed with a blend of descriptive and inferential statistics. A 5-point Likert scale was employed in constructing and scoring the distributed questionnaire. The parameters of the model, as presented in equation (3.3), were estimated utilizing the analysis of variance (ANOVA) method.

Testing of Hypotheses

Hypotheses were tested using ANOVA, with a significance level set at 5% (0.05). A hypothesis is supported if the observed probability value (p-value) is less than the significance threshold (0.05); conversely, if it exceeds this level, the null hypothesis will be retained.

Nature and Data Sources

This study utilizes primary data collected from the field, featuring a selection of randomly chosen locations that adequately represent the broader population under investigation. A questionnaire was employed to gather responses from participants, who were also randomly selected from these locations. The chosen sites for the study include: Adazi-Nnuku and Agulu in Anaocha LGA, Amawbia and Nibo in Awka South LGA Achalla and Mgbakwu in Awka North LGA, Nkpor and Obosi in Idemili North LGA, Nnobi and Oba in Idemili South LGA, Abagana and Enugu-Ukwu in Njikoka LGA.

RESULTS PRESENTATION AND ANALYSES

Demographic Characteristics of Respondents

Table 4.1 shows the distribution of the demographic characteristics of the people that responded to the questionnaire.

Table 2: Demographic Factors

No	Biographic	Frequency	Percentage	Total
1	**Gender**			**498**
	Male	260	52.2	
	Female	238	47.8	
2	**Age**			
	18-30	347	69.6	**498**
	30-40	130	26.1	
	40-60	21	4.3	
	60-100	0	0	

Source: Field Survey, 2025

Table 2 reveals that 52.2% of the respondents were male, while 47.8% were female. Additionally, among the respondents, 69.6% were aged between 18 and 30 years, 26.1% were in the 30-40 age group, 4.3% fell within the 40-60 age range, and there were no respondents aged 60 to 100. The majority of responses came from individuals aged 18 to 30 years.

Table 3: What evidence shows that transfer payment improves standard of living in Anambra State?

S/N	Statement	SA %	A %	N %	D %	SD %	Mean	S.D
1	You have benefitted from at least one government welfare payment?	4.6%	25.6%	18.6%	18.6%	32.6%	2.92	.97
2	The monthly welfare payment received during the programme was enough to cater for your basics?	4.6%	14%	14%	18.6%	48.8%	2.57	1.00
3	The monthly welfare payment received during the programme was enough to cater for your health needs?	20.9%	7%	20.9%	23.3%	27.9%	2.75	1.05
4	The monthly welfare payment received during the programme was enough to cater for your education needs?	9.5%	7.2%	19%	21.4%	42.9%	2.60	.99
5	The monthly welfare payment received during the programme was a source of happiness to you?	9.3%	23.3%	18.6%	16.3%	32.6%	2.09	.95
Overall Mean and Standard Deviation							**12.93**	**4.96**

Source: Researcher's Field Work, 2025

Based on the findings obtainable in table 3, only 4.6% of respondents strongly agreed that they have benefited from at least one government welfare payment, while 25.6% agreed. In contrast, 18.6% of respondents were neutral, and disagreements were notable, with 18.6% disagreeing and 32.6% strongly disagreeing with the statement. This indicates that more respondents felt negatively about the benefits of these payments than those who felt positively. When examining the sufficiency of the monthly welfare payments for basic needs, again only 4.6% strongly agreed, with 14% agreeing. A significant portion, 18.6%, disagreed, and nearly half, 48.8%, strongly disagreed, suggesting that many were not satisfied with the support they received.

Looking at the question of whether these payments could meet health needs, 20.9% strongly agreed, 7% agreed, and another 20.9% remained neutral. However, 23.3% disagreed, and 27.9% strongly disagreed, indicating a general discontent regarding health-related support. For educational needs, responses were similarly unfavorable: only 9.5% strongly agreed, while 7.2% agreed, and 19% were neutral. Meanwhile, 21.4% disagreed, and a significant 42.9% strongly disagreed, revealing a lack of confidence in the educational support provided by welfare payments. Lastly, regarding the personal happiness derived from these payments, only 9.2% strongly agreed that they brought joy, while 23.3% agreed. Neutral responses accounted for 18.6%, but 16.3% disagreed, and a considerable 32.6% strongly disagreed.

Overall, the combined percentage of respondents who disagreed and strongly disagreed across all statements exceeds those who expressed agreement. This trend suggests that transfer payments are not effectively enhancing the standard of living for the respondents in Anambra State.

Table 4: What evidence justifies making transfer payment at the expense of living wage in Anambra State?

S/N	Statement	SA %	A %	N %	D %	SD %	Mean	S.D
6	Your total monthly earnings were enough to cater for your basics?	9.3%	11.6%	18.6%	27.9%	32.6%	3.07	1.26
7	You would prefer free health care to being paid the salary that will sufficiently cater for your needs?	4.6%	25.6%	18.6%	16.3%	34.9%	2.69	1.22
8	You would prefer free education to being paid the salary that will sufficiently cater for your needs?	7%	23.3%	16.3%	18.6%	34.9%	2.70	1.21
9	You would prefer petroleum subsidy and free food to being paid the salary that will sufficiently cater for your needs?	9.5%	16.7%	16.7%	21.4%	35.7%	2.57	1.18
10	You would prefer provision of all social amenities for free to being paid the salary that will sufficiently cater for your needs?	14.3%	19%	19%	14.3%	33.3%	2.48	1.19
Overall Mean and Standard Deviation							**13.51**	**6.06**

Source: Researcher's Field Work, 2025

According to the data presented in Table 4, 9.3% of respondents strongly agreed that their total monthly earnings sufficiently cover their basic needs, while 11.6% agreed with that statement. Additionally, 18.6% of participants remained neutral. On the other hand, a notable 27.9% disagreed, and 32.6% strongly disagreed, indicating that the number of respondents who disagreed surpasses those who agreed. Regarding the second statement, "Would you prefer free health care to receiving a salary that adequately addresses your needs?", only 4.6% strongly agreed, while 25.6% agreed. In contrast, 16.3% disagreed and 18.6% strongly disagreed. When asked about their preference for free education versus a sufficiently compensating salary, 7% strongly agreed, 23.3% agreed, 16.3% remained neutral, 18.6% disagreed, and a significant 34.9% strongly disagreed.

For the statement concerning the preference for petroleum subsidies and free food over a satisfactory salary, 9.5% strongly agreed, 16.7% agreed, 16.7% remained neutral, 21.4% disagreed, and 35.7% strongly disagreed. Lastly, 14.3% of respondents strongly agreed that they would favor the provision of all social amenities for free instead of receiving a salary that would adequately meet their needs, with 19% agreeing, another 19% remaining neutral, 14.3% disagreeing, and 33.3% strongly disagreeing. This analysis reveals that the combined percentage of those who disagreed and strongly disagreed across all statements exceeds those in other categories. This suggests that transfer payments, when prioritized over a living wage, do not significantly enhance the standard of living for respondents in Anambra State.

Testing of Hypotheses

In evaluating the working hypotheses that align with the objectives of this study, a significance level of 0.05 is utilized. The null hypothesis will be rejected if the t-value is deemed significant at this level; otherwise, it will be accepted.

Table 4: Test Statistic

	Transfer payment	**Transfer payment done**
Chi-Square	430.162[a]	273.217[b]
Df	15	15
Asymp. Sig.	.000	.000

Source: Researcher's Computation using SPSS Version 25, 2025

Hypothesis One

H_0: Transfer payment has no significant effect on standard of living in Anambra State.

H_1: Transfer payment has significant effect on standard of living in Anambra State.

The t-test conducted on the variable produced a chi-square statistic of 430.162 with 15 degrees of freedom, yielding a p-value of 0.000. This result provides compelling evidence against the null hypothesis and indicates a significant difference in how respondents perceive or respond across various categories of transfer payment.

Hypothesis Two

H_0: Transfer payment done at the expense of living wage has no significant effect on standard of living in Anambra State.

H_1: Transfer payment done at the expense of living wage has significant effect on standard of living in Anambra State.

Similarly, another t-test on the second variable resulted in a chi-square statistic of 273.217 with 15 degrees of freedom, also leading to a p-value of 0.000. This finding further reinforces the strong evidence against the null hypothesis and highlights a notable difference in respondents' perceptions or responses regarding transfer payments made with regard to living wage considerations.

Discussion of Findings

The study on welfare payments in Anambra State provides significant insight into how the public views government welfare initiatives. Notably, the data shows that a greater number of respondents disagreed or strongly disagreed with the effectiveness of these payments in enhancing their standard of living compared to those who agreed. This points to a general skepticism regarding the impact of transfer payments, suggesting that many residents feel these initiatives are either inadequate or misguided in tackling the real economic challenges they face.

Moreover, transfer payments often seem to be perceived as temporary fixes rather than sustainable solutions. They might not contribute to long-term income stability, job creation, or overall household well-being. Instead of achieving meaningful improvements in quality of life, these payments may only provide short-term relief, leaving persistent issues such as unemployment, inflation, and access to essential services largely unresolved. This could explain the high dissatisfaction levels among respondents regarding the current system.

Furthermore, there's a notable concern about the perceived trade-off between transfer payments and living wages. Many believe that prioritizing financial assistance over ensuring fair and adequate wages ultimately harms their standard of living. This suggests that the residents of Anambra State may place a higher value on gainful employment with sustainable wages than on direct financial aid. The feeling that welfare payments might undermine efforts to improve working conditions or wage levels complicates the matter even further. Residents may contend that if more resources were focused on generating jobs or ensuring wages align with living costs, their long-term quality of life would benefit more than it does from transfer payments alone.

CONCLUSION

This study highlights the significant gap in living standards between populations in developed countries and those in less developed nations, even though poorer countries allocate substantial budgets for welfare payments comparable to those of their wealthier counterparts. Conducted in Anambra State, this survey aimed to demonstrate that while welfare payments can support development plans intended to enhance the majority's living conditions, they should not serve as a substitute for carefully structured development initiatives—especially when such payments are so extensive that they restrict necessary increases in the real minimum wage. The analysis utilized the Chi-square technique to evaluate primary data collected via questionnaires from selected locations using a multi-stage random sampling method. Findings indicate that welfare payments, particularly those that undermine living wages, do impact overall living standards. The effects of both welfare payments and those compromising wage levels were found to be significant.

These results resonate with Amartya Sen's perspective on economic development. Sen posits that true economic progress involves fostering freedom and dismantling barriers to that freedom. A higher wage is essential for this freedom, while any substitute benefits that compromise wage levels become hindrances to improving the living standards of the populace. In Nigeria, the government often justifies the low wages in both public and private sectors by providing free or subsidized goods and services, such as electricity, healthcare and education. However, given the increasing strain these welfare payments have placed on the economy in recent years, the government has begun a gradual reduction of these benefits—but without corresponding wage increases. This situation persists largely because the populace has become accustomed to earning meager salaries in exchange for subsidized but inadequate public services, which fail to elevate their living standard to a level comparable to that found in more developed countries.

The study presents several key recommendations: firstly, the government should regard living wage a vital macroeconomic tool that enhances effective development initiatives aimed at elevating the living standards of the majority. It is crucial that welfare payments do not replace the necessity for all workers. Given that market forces alone often fail to ensure fair compensation, implementing a minimum wage is essential to boost average real earnings. With real income approaching a living wage, the percentage of vulnerable individuals in society can significantly decrease. Secondly, it is recommended that government budget allocations for welfare payments be linked to a percentage of total tax revenues. This approach would not only streamline tax collection efforts but also enhance the sustainability and effectiveness of welfare payments for recipients and the broader community.

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