KEY DRIVERS OF POVERTY IN DEVELOPING NATIONS: A CASE OF NIGERIA

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Abstract

Effort is made in this study to examine the key drivers of poverty in Nigeria from 1992 to 2021. This work which toes a slightly different path seeks to decipher if there are unconventional drivers of poverty in Nigeria, aside the orthodox drivers; education and health. The study employed the Ordinary Least Squares method is employed to analyze the potential impact of migration, governance, corruption, income levels, foreign direct investments, external factors and public debt on poverty levels in Nigeria. The secondary data used for the study were obtained from the World Bank, UNDP, ILO, IMF, and the CBN. The results of the analyses revealed that mitigation of corruption, higher income levels, increase in foreign direct investment, effective governance and public debt all have the potential of reducing poverty in Nigeria. Specifically, migration and investment were found to have significant impact on poverty levels in the country. Foreign direct Investment was found to have negative relationship with poverty, implying that increase in foreign direct investment reduces poverty. Furthermore, public debt was found to share a negative relationship with poverty levels in Nigeria. Though salient factors which are peculiar to Nigeria such as poor utilization of borrowed funds and mismanagement of borrowed funds tend to dampen this impact. The study recommends improved security to attract more foreign investments, prudent management of borrowed funds by spending on productive ventures, and reduction of corruption through the reform of the judicial system.

Keywords: Drivers, Poverty, Indicators, Developing, Nations

INTRODUCTION

Poverty is a state or condition in which one lacks the financial resources and essentials for a certain standard of living. Poverty is a state of deprivation in which people or communities lack access to the resources and necessities needed to live a healthy and dignified life. Living in poverty implies not being able to afford medical care or access to basics such as electricity, shelter, and food. Improper nutrition can cause stunting and wasting, permanently impacting children's development. Poverty in countries lacking access to clean water and sanitation leads to the spread of preventable diseases and unnecessary deaths, particularly of children. Interestingly, the prevalence of poverty is generally intense in rural areas of Nigeria; about 80% of the country's populace lives below the poverty line, with constricted social and infrastructural amenities (Ogundipe et al., 2019, Aderounmu, 2018, and World Vision International, 2023).

Historically, poverty is calculated based on an individual's income and how much their earnings can afford. However, recent measures such as the new multidimensional measures consider holistic factors impacting people's quality of life. Children living in poverty often face obstacles to accessing quality education, which can perpetuate the cycle of poverty from one generation to the next. About 9.2% of the world's population is estimated to be living on less than $2.15 a day. In the United States, 11.6% of the country's population put at about 37.9 million people lives in poverty. These numbers are calculated based on income and a person's ability to meet basic needs. However, when looking beyond income to people experiencing deprivations in health, education, and living standards, 1.2 billion people in 111 developing countries are multidimensionally poor (University of Oxford, 2022; World Bank, 2021).

Absolute poverty refers to people living on less than $2.15 a day, measured using the international poverty line. It can also be described as when a person cannot afford the basics, such as food, shelter, and clothing. Although extreme poverty is not only about low income; it is also underscores what people can or cannot afford. Relative poverty refers to the household income level below a certain percentage, typically 50 per cent or 60 per cent, of that country's median income. This measurement takes into consideration the subjective cost of participating in everyday life. For example, plumbing is a necessity in some places; without plumbing, a person could be considered impoverished; but, in other regions, plumbing is a luxury. Relative poverty helps consider income inequality within a country (World Vision International, 2023; World Bank, 2021).

Much of the world's poverty is concentrated in sub-Saharan Africa, which is home to approximately 413 million poor people; where the poverty rate – at 41 per cent – is notably higher than the average of the other regions of the world put at about 13 per cent. Globally, 10 per cent of the world's population lives in extreme poverty, down from the 36 per cent recorded in 1990. Notably, Africa remains the world's most rural region, with still 60 per cent of the continent's population living in rural areas as of 2014, though with urbanization increasing rapidly this figure is projected to decline to 44 per cent by 2050. Though the menace of poverty is a global phenomenon, it is most excruciating in developing and the least developed countries (World Vision International, 2023).

Like its other continental peers, Nigeria continues to be profoundly bedeviled by high prevalence of poverty despite the high GDP growth recorded in the country over time. Several of the studies which define poverty in terms of income outcomes describe the relationship between growth and poverty as non-pro-poor, while a small but growing percentage of studies which dominates the recent development literature and uses a combination of income and non-income outcomes to measure poverty describes this relationship as non-inclusive growth. Regardless of the perspective from which the concept of economic growth is viewed from, growth in Nigeria has been neither pro-poor nor inclusive. The country's economy has grown at an average of over 6 per cent for over a decade, however, using an absolute poverty line of US $1.25 per day, 63 per cent of Nigerians were classified as poor in 2004, and 67 per cent in 2010. The country also performed poorly in most non-income outcome indicators. For example, in 2004, 58 per cent of Nigerians had access to water, 48 per cent to electricity, and 31 per cent to improved sanitation, while in 2010, 63 per cent had access to water and 29 per cent to improved sanitation (World Bank, 2024).

With splendid wealth in the hands of a few and extreme lack at the doorsteps of many, Nigeria is considered a nation of riches and poverty. The average Nigerian is poor. The divergence between Nigeria's macroeconomic indicators and the reality on the ground is a source of concern; the reality is that people die because they can neither afford three square meals a day nor have as access to basic healthcare. As strange as this may sound, this goes on alongside ostentatious displays of wealth by the privileged few. The effects of poverty on the life of the average Nigerian have been reviewed over time from the standpoint of economic growth and development. Nigeria's poverty index witnessed a slow but steady rise between 1992 and 1997, thereafter it experienced a pause between 1997 and 2001, then degenerated into a peak in 2003 before a gradual descent in 2004. This improvement continued till 2010 when it again got worse and has yet to get better. In concrete terms, poverty in Nigeria is rising with over 100 million of the country's population living on less than $1 per day despite strong growth, as Africa's second-largest economy. The percentage of Nigerians living in absolute poverty, which includes those who cannot afford the basic needs of food, shelter and clothing, rose to 60.9 per cent in 2010 compared with 54.7 per cent in 2004 (Kanu et al., 2019; Okoroafor and Nwaeze, 2013).

This study broadly attempts to empirically examine the key drivers of poverty in Nigeria, which would provide the opportunity to proffer viable and veritable policy recommendations that can appreciably mitigate the malaise. More specifically, it seeks to critically examine the impact of income levels, external factors, governance indicators, capital accumulation, fiscal factors and migration factors on poverty levels in Nigeria, and also probing the short-run and long-run relationship between explanatory variables and the explained variable with the intention of determining the direction of causal relationship between the regressors and the regressand.

Conceptual Framework

Poverty

Poverty is a state or condition in which one lacks the financial resources and essentials for a certain minimum standard of living. Poverty can have diverse social, economic, and political causes and effects. When evaluating poverty in statistics or economics there are two main measures: absolute poverty which compares income against the amount needed to meet basic personal needs such as food, clothing, and shelter, and relative poverty which measures when a person cannot meet a minimum level of living standards, compared to others in the same time and place. The definition of relative poverty varies from one country to another, or from one society to another (Todaro, 2006).

The United Nations (1998) posits that poverty is fundamentally a denial of choices and opportunities, and a violation of human dignity. It means a lack of basic capacity to participate effectively in the 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 nor a job to earn one's living, and 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 in marginal environments, without access to clean water or sanitation.

The World Bank (2017) describes poverty in this way: "Poverty is hunger; it is a lack of shelter; it is being sick and not being able to see a doctor. It is not having access to school and not knowing how to read. It is not having a job, fear for the future, and living one day at a time." Poverty is a situation people want to escape from, hence, it is a call to action - for the poor and the wealthy alike - to change the world so that many more may have enough to eat, find adequate shelter, have access to education and health, get protection from violence, and have a voice in what happens in their communities."

Despite the many definitions, one thing is certain, poverty is a complex societal issue. No matter how poverty is defined, it can be agreed that it is an issue that requires everyone's attention. All members of our society must work together to provide opportunities for all our members to reach their full potential. It helps all of us to help one another.

Poverty Indicator and Poverty Line

Globally, poverty is defined as the number of people worldwide who live on less than $2.15 a day. A person surviving on less than $2.15 a day lives in extreme poverty. More than 736 million people – or one out of every ten people on the planet – currently live below this poverty threshold, and children, a highly vulnerable segment of society, account for more than half of the world's poorest citizens (Compassion International, 2023; World Bank, 2024).

Poverty around the world is not evenly distributed. Although extreme poverty rates vary by country, clustering does occur regionally. Thirty-three of the 47 countries on the United Nations' list of Least Developed Countries are in Africa, and over 400 million of the global poor live in low- and middle-income countries on the continent, with the vast majority living in Sub-Saharan Africa. Another 24 percent of the global poor people live in India (Compassion International, 2023; World Bank, 2024).

Despite the concentration of poverty in Africa and Asia, the abuse, despair, and inequality that come with poverty are a global problem. Due to the coordinated efforts of the global community to reduce poverty, the percentage of the world's population living in extreme poverty has decreased significantly in recent decades. In 1990, almost 1.9 billion people lived on less than $2.15 a day, at that time, that was over 35 per cent of the world's population. In recent years, only ten per cent of the world's population lives under the poverty line; even though the world is a lot better than where it used to be, the work is not done yet, since there are still hundreds of millions of people living below the poverty line (Compassion International, 2023).

The poverty threshold, poverty limit, poverty line, or breadline is the minimum level of income deemed adequate for sustenance in a particular country. The poverty line is usually calculated by estimating the total cost of one year's worth of necessities for the average adult. The international poverty line is a monetary threshold under which an individual is considered to be living in poverty. It is calculated by taking the poverty threshold from each country—given the value of the goods needed to sustain one adult—and converting it into dollars. The current international poverty line is $2.15 per day. The new global poverty lines of $2.15, $3.65, and $6.85 reflect the typical national poverty lines of low-income, lower-middle-income, and upper-middle-income countries respectively as of 2022 (World Bank, 2023).

In Nigeria an individual is considered poor when he has less than 137.4 thousand Nigerian Naira (roughly 334 U.S. dollars) per year. In that light, according to the Nigerian national standard, a person earning less than 87.8 thousand Naira (about 213 U.S. dollars) in a year was said to be living below the poverty line. In total, 40.1 per cent of the populace in Nigeria lives in poverty (NBS, 2023).

Governance Indicator and Poverty

Governance indicators are a set of six indicators that capture the viability of governance across various nations of the world. These indicators are structured around three pillars: independence, accountability and scope of action (OEDC, 2023).

(i) Voice and Accountability: This has to do with the freedom of citizen to freely exercise their political franchise and have their freedom of speech and expression without intimidation form government or any of its agents.
(ii) Political Stability: This means the absence of violence in form of clashes, war, sexual harassment, kidnapping, banditry, terrorism and other form of discomforts.
(iii) Government Effectiveness: It measures the quality of public services, the quality of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to its stated policies.
(iv) Regulatory Quality: It captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
(v) Rule of Law: The rule of law index assesses the extent to which countries/ territories adhere to

the rule of law in practice by examining eight factors, namely constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice and criminal justice.

(i) Control of Corruption: It captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. The estimate gives the country's score on the aggregate indicator in units of a standard normal distribution, i.e., ranging approximately from -2.5 to 2.5

Macroeconomic Variables that affect Poverty

Capital formation is that part of a country's current output and imports which is not consumed or exported during the accounting period, but is set aside as an addition to its stock of capital goods.. Capital formation is an accumulation of additional capital assets like machinery, plant, transportation, raw materials, electricity, and utility projects for future production or manufacturing sectors to aid economic growth. Three steps to the process of capital accumulation are savings, investment and spending prudently in the economy as put by Keynes (Wall Street Mojo, 2020).

Gross domestic product (GDP) is the standard measure of the value of final goods and services produced by a country during a period. The broadest and most widely used measure of national income is gross domestic product (GDP), the value of expenditures on final goods and services at market prices produced by domestic factors of production (labor, capital, materials) during the year. There is nominal and real GDP. GDP per capita is the sum of gross value added by all resident producers in the economy plus product taxes not included in the valuation of output, divided by mid-year population. By implication, gross domestic product per capita also called mean standard of living measures a country's economic output per person and is calculated by dividing the GDP of a country by its population. It is a global measure for gauging the prosperity of nations and is used by economists, along with GDP, to analyze the prosperity of a country based on its economic growth (OEDC, 2023; World Bank, 2020).

There are a few ways to analyze a country’s wealth and prosperity. GDP per capita is the most universal measure of wealth and prosperity because its components are regularly tracked on a global scale, providing ease of calculation and usage. Income per capita is another measure for global prosperity analysis, though it is less broadly used. At its most basic interpretation, GDP per capita shows how much economic production value can be attributed to each individual citizen. GDP per capita considers both a country's GDP and its population. Therefore, it can be important to understand how each factor contributes to the overall result and how each factor is affecting GDP per capita growth. In a nut shell, gross Domestic Product (GDP) per capita is a core indicator of economic performance and commonly used as a broad measure of average living standards or economic wellbeing, despite some recognized shortcomings (WHO, 2017).

Foreign direct investment is one of the external factors that play important role in contribution to growth especially in developing nations. Foreign Direct Investment (FDI) is a substantial lasting investment made by a company or government in a foreign country. FDI investors typically take controlling positions in domestic firms or joint ventures and are actively involved in their management. The investment may involve acquiring a source of materials, expanding a company's footprint, or developing a multinational presence. Nigeria is the third host economy for FDI in Africa, behind Egypt and Ethiopia. The country is among the most promising poles of growth in the continent and attracts numerous investors in the sector of hydrocarbon, energy, construction, etc. According to UNCTAD's World Investment Report, FDI flows to Nigeria totaled USD 4.8 billion in 2021, more than doubling from the previous year (USD 2.3 billion in 2020) and well above the pre-pandemic level. In the same year, the total stock of FDI was estimated at USD 91.8 billion, around 20.8 percent of the country's GDP (Agu, 2022).

The main sectors attracting FDI inflows into Nigeria include oil and gas, telecommunications, manufacturing, real estate, and agriculture. The UK has a long history of trade and investment with Nigeria and remains one of the largest investors in the country. China has become an increasingly important investor in Nigeria in recent years, particularly in infrastructure projects such as roads, railways, and power plants; while the U.S. is also a significant investor in Nigeria, particularly in the oil and gas sector. Data from the Bank of Nigeria show that in Q2/2022 the total value of capital importation into the country stood at USD 1.5 billion from USD 875.62 million in the corresponding quarter of 2021, showing an increase of 75.34 per cent. The largest amount of capital importation was received through portfolio investment, which accounted for 49.33percent (USD 757.32 million), followed by other investments with 41.09 percent (USD 630.87 million), while foreign direct investment accounted for 9.58 percent (USD 147.16 million) of total capital imported. The UK was the largest investor, 50.8 percent of the total, ahead of Singapore, 9 percent, and South Africa, 8 percent. (Agu, 2022).

Migration refers to the movement of a person or people from one country, locality, or place of residence to settle in another. Migration is first and foremost a normal human activity. Humans have always moved from one country, locality, or place of residence to settle in another. We tend to migrate from the homes of our families or guardians into our own homes. People migrate between regions, cities and towns, and also migrate between countries.

Migration has been a significant element in the history of Nigeria and those of other countries. In fact, all of the major ethnic groups living in the Nigeria believe that their settlement was established because of their ancestors' decision to migrate there. Later on, at the beginning of the 20th century, after the Europeans arrived in Africa, thousands of Nigerians started moving abroad to the Ivory Coast, Mali, Ghana, Sudan, and Togo in search of job opportunities. Even though Nigeria is an important immigrant destination, it is mainly an emigrant country. As of 2020, there were 1,308,568 migrants recorded in the country, mostly coming from Benin, Ghana, Mali, Togo, and the Niger Republic. The migrant stock has always been small, but it has been gradually growing through the decades. Return migration is another important phenomenon in the country, and returnees usually face difficulties in integrating into Nigeria. The country has also been experiencing large-scale rural-to-urban migration, which is affecting national agriculture and increasing poverty in rural areas. Furthermore, in 2022 the country hosted 82,773 persons with refugee status and 1529 asylum seekers. Most of them were originally from Cameroon. (Migrants and Refugees, 2020).

In 2022, the estimated net migration rate in Nigeria was -0.21 migrant(s)/ 1,000 populations. Despite the importance of migration for the country, the government still lacks services or programs for Nigerian emigrants, as well as an official and current database on migration. UNDESA estimated Nigerian international emigrants to be 1,256,114 in 2015 and 1,438,331 in 2019, thus suggesting an increase in the emigration trend. According to IOM, emigration more than doubled between 1990 and 2013 (from 465,932 to 1,030,322). Most Nigerian migrants reside in the USA (309,699), the UK (203,980), Cameroon (148,076), and Niger (130,982). In 2017, the Nigerian government introduced the Immigration Regulation in order to counter and reduce illegal immigration, as well as irregular emigration, preventing Nigerians from dying in the desert or at seas while attempting to reach other countries. Despite the high risks and failure of migrants in traveling to Europe by crossing the sea or the desert, the number of migrants keeps rising (IOM, 2021).

Public debt is the debt which the state owes its subjects or the nationals of other countries. Government may borrow from banks, business organizations, business houses and individuals. The borrowings of the government may be within the country or from offshore sources. Public debt refers to the amounts owed by the different levels of government and used to finance public deficits resulting from a higher level of program spending than total government earnings (Ezeanyeji, 2017).

REVIEW OF RELATED LITERATURE

Poverty is the absence of development; it is in that light that this study reviewed a couple of development theory that bear relevance to poverty, within the context of the argument made in the study. Ragnar Nurkse in his Vicious Circle of Poverty theory argued that a country is poor because it is poor. According to him, the main cause of vicious circle of poverty is the lack of capital formation. He argued that vicious circle of poverty takes place due to the small size of the market. The cycle of poverty refers to a self-perpetuating pattern in which individuals or families experience poverty and find it difficult to escape from it. It involves a combination of economic, social, and psychological factors that create barriers and keep people trapped in poverty across generations. The cycle tends to reinforce itself and make it challenging for individuals to break free from poverty's grip.

This theory was criticized on the bases that it oversimplifies the complex factors contributing to poverty, while some critics claim that the theory places excessive blame on individual choices and behaviours, ignoring the structural systemic causes of poverty. Despite the weaknesses and the criticism of this theory, the vicious cycle of poverty theory has great relevance to our current study. Its supposition that poverty is majorly precipitated by lack of capital formation which is due to a lack of effective savings and investments is a driver of poverty we seek to investigate in this study.

The New Economics of Labour Migration (NELM) was formulated by Stark in 1985. It conceptualizes migration occurring within the contexts of relative poverty and constraints as a household’s or family’s co-insurance strategy aimed at diversifying income through risk-spreading. The New Economics of Labour Migration generally assumes that migration is a positive phenomenon contributing to productivity, prosperity, and eventually greater equality in origin and destination societies through bidirectional flows of resources such as money, goods and knowledge. Essentially, they interpret migration as an optimization strategy, in which individuals (and sometimes families or households) use migration to access higher and more-secure sources of income and other livelihood opportunities. NELM is also ultimately based on the assumption that households are rational actors engaging in a long-term economic optimization strategy. The major criticism of this theory is its reductionist character. The push-pull reasoning on which these explanations are based strongly resonates with intuition but has proven inadequate and often misleading in understanding real-world migration processes. However, the theory is relevant in helping this work to decipher the role migration plays in the upsurge of poverty in Nigeria.

Structural theory of poverty emerged in the 1980s and was popularized by L. Begley. It was one of the most foremost theories on poverty that emerged in 1988. The structural theory of poverty assumes that poverty is due to the structure of the larger socioeconomic order. The proponents of this theory attribute the source of poverty to economic, political, and social systems which cause people to have limited opportunities and resources with which to achieve income and well-being. This theory presupposes that systems and structure within a nation solely drives poverty (Abdulai & Shirmshiry, 2014; Bradshaw & Holzapfel, 2006).

A select set of related empirical works out of the several others are reviewed hereunder:

Wbldemariam et al. (1999) used family of poverty indices to examine the faces of poverty in 21 urban sub-Saharan African (SSA) countries. The study employed data set from African Development Indicators from 1998 to 1999. Applying ordinary least square regression method on the family of poverty indices and Gini index to establish the relationship between urban poverty, growth and inequality. The results of the study show that 43% of the urban population in SSA is living below the poverty line of about 47 USD per person in a month; the poverty-ratio and squared poverty gap ratio were estimated to be 16% and 8% respectively, while the mean expenditure of the poor was USD 29 per person per month, which is 62% of the poverty line. These facts show the depth and severity of urban poverty in SSA.

Ibrahim and Umar (2008) assessed the determinants of poverty as well as poverty coping strategies among family households in Nassarawa State, Nigeria. The study which employed survey method randomly selected 150 farming households and used the cost of calorie method and discrimination analysis to explore the incidence and determinants of poverty. The incidence of poverty was found to be high and its determinants were size of household, size of income, number of household employed outside agriculture and the number of literate adults. The major identified poverty coping strategies include skipping of meals, reduction in the quantity of meals served and engagement in wage labour. The study recommended that the farming households should be effectively involved in the formulation of strategies for imparting knowledge on family planning for the household.

Yusuf et al (2012) in their study on the relationship between corruption, poverty and economic growth in Nigeria, applied the VEC Model with co-integration test using data from 1970-2011 to test the causal relationship between the variables. The result showed a long run relationship between corruption, poverty and economic growth in Nigeria. Evidence from the dynamic economic growth model established a linkage of growth influence on corruption. Their findings strongly suggested a significant reduction in corruption through institutional good governance approach. They found out that, there was significant improvement in the Gross Domestic Product (GDP) within the study period.

Oyedele et al (2013) applied co-integration and regression analysis in investigating the impact of external debt and debt servicing on poverty reduction in Nigeria using time series data that spanned from 1980 to 2010. Variables employed in the study include debt income ratio, debt service, degree of openness, growth of agricultural value added, per capita income, inflation rate, and investment-income ratio. The results of the analyses found that both external debt and debt servicing cause poverty in Nigeria.

Tanimu and Saifullahi (2014) applied the bound testing approach to co-integration and granger causality test to determine the relationship between poverty, inequality and economic growth in Nigeria, using the secondary time series data that span the period 2000 to 2006. In explaining the causal relationship among the variables, the result showed that there is a unidirectional causal relationship running from Real Gross Domestic Product (RGDP) to poverty, which means that an increase in GDP in Nigeria does not lead to reduction in poverty.

Abula and Ben (2016) examined the effect of public debt on economic development in Nigeria from 1986 to 2014. The Johansen co-integration test, Error Correction Mechanism (ECM), and the Granger Causality test were utilized estimate the relationship between the variables and the fit of the estimated results. The results showed evidence of a long-run relationship among the variables. The results of the ECM indicated that external debt servicing and external debt stock have a negative and insignificant impact on economic development in Nigeria, while domestic debt stock has a significant influence on economic development. The results also showed that domestic debt servicing has a negative and significant effect on economic development in Nigeria, while the Granger causality test revealed that there is causality between dependent and independent variables.

Breunig and Majeed (2019) analyzed the relationship between income inequality, poverty and economic growth using the GMM method. Their findings suggest that the proposition that inequality is harmful to economic growth on its own may be too strong. The analyses results demonstrate that inequality interacts with high level of poverty to negatively and significantly impact economic growth. They also found that when poverty is low (less than 25%), the relationship between inequality and economic growth is statistically insignificant. For higher levels of poverty, inequality negatively effects economic growth. This negative impact increases as poverty increases.

RESEARCH METHODOLOGY

Theoretical Framework

This study is hinged on the structural theory of poverty. The theory postulates that human are not static in their conditions or welfare within a political, social, and economic structure with specific values and ideologies. Categorically, these values and ideologies are could be liberal, neoliberal, capitalist or socialist. It emphasized on the changing welfare of the people and explained that people do not remain poor forever because life is dynamic. At one point they may be poor and at another time they may be improved. They start with low incomes and with the passage of times due to social elevation or promotion. The theory examines among other things the relationship between political systems (administration, corruption, and accountability), income levels and poverty. While there are other variables the theory is comprised of, the aforementioned variables tend to have more bearing with this study.

Model Specification

Adopting the model used in the work by Ekpo and Udo (2013) which estimated poverty as a function of relevant macroeconomic variables, and modifying it to accommodate the arguments made in this study, the model of this study is as specified below:

$$POH=\beta_0 + \beta_1 NNSAVINGS + \beta_2 NETMIG + \beta_3 COC + \beta_4 GOV + \beta_5 GDPPC + \beta_6 EXTDEBT + \beta_7 FDI + \mu$$

Where POH: Poverty Headcount; NNSAVINGS: Net National Saving; NETMIG: Net Migration; COC: Control of Corruption Estimate; GOV: Government Effectiveness Index; GDPPC: Gross Domestic Product Per Capita; EXTDEBT: External Debt; FDI: Foreign Direct Investment; β_0: Intercept otherwise known as the constant term; β_1-β_7: Coefficients of the regressors (endogenous variables); μ: Error term otherwise called stochastic term or disturbance term

Data and Data Sources

The secondary data used in this which spans the period 1990-2021 are sourced from reports and bulletin of Poverty and Inequality Platform (PIP), World Bank, International Monetary Fund (IMF), and Central Bank of Nigeria (CBN) databases.

Poverty Headcount: It refers to the percentage of people living below poverty line measured as the percentage of the total population.

Net National Saving: It is the total stock of all physical assets minus depreciation measured in the country's local currency, Naira.

Net Migration: *It is the* difference between immigrants and emigrants weighed by the number of people

Control of Corruption Estimate: It refers to the approach adopted in the control of corruption and is measured by the value of recovered looted funds in the local currency, Naira.

Government effectiveness Index: This is the rating of government performance and its efficiency including its various agencies and it is measured in the number of rating.

Gross Domestic Product (GDP): It is the total output of goods and services produced in a country over a given period of time. It is measured in the local currency, Naira.

External Debt: It is the total amount in US Dollar owed by Nigeria to other countries or to international financial institutions like International Monetary Fund (IMF) and World Bank.

Foreign Direct Investment (FDI): This is the inflow of capital into the country from abroad in the form of investments, it is quantified in US Dollars.

DATA PRESENTATION AND ANALYSIS

Table 1: Augmented Dickey-Fuller Unit Root Test

Variable	ADF Statistic	Critical Values	Order of Integration	Remark
POH	-3.209450	-2.967767	1(1)	Stationary
NETMIG	-6.255442	-2.967767	1(1)	Stationary
NNSAVINGS	-6.787363	-2.963972	1(1)	Stationary
FDI	-6.872308	-2.963972	1(1)	Stationary
EXTDEBT	-3.936876	-2.963972	1(1)	Stationary
COC	-6.545713	-3.612199	1(1)	Stationary
GOV	-7.514277	-2.963972	1(1)	Stationary
GDPPC	-4.322244	-2.963972	1(1)	Stationary

Source: Researcher's computation (2025)

Evidence from unit root test result in Table 1 shows that all the variables of the study are stationary at first difference, since the decision rule is to reject null hypothesis if the ADF statistic value exceeds the critical value at a chosen level of significance (in absolute terms), while and accept stationarity when ADF statistics is greater than critical value. Since we have obtained stationarity at first difference, the Engle-Granger co-integration test can now be conducted as this meets the conditions under which the test could be applied.

From Table 2, it was observed that the regression line has a positive constant of 283.7536. Its value indicates the level of poverty that will be prevalent in the country if all the regressing variables were to be held constant. The test result also shows that Net National Savings (NNSAVINGS) shares a positive relationship with Poverty Headcount (POH), while Net Migration (NETMIG), External Debt (EXTDEBT), Foreign Direct Investment (FDI), Control of Corruption (COC), Gross Domestic Per Capita (GDPPC), and Government Effectiveness Index (GOV) all share negative relationships with Poverty Headcount (POH).

Table 2: Output of OLS regression

Variable	*Coefficient*	*t-Statistic*	*Prob.*
C	283.7536	4.162179	0.0003
*ln*NNSAVINGS	1.846220	0.945154	0.3540
NETMIG	-1.46E-05	-1.046594	0.3057
GOV	-4.362072	-4.227805	0.0003
*ln*GDPPC	-16.20548	-8.789280	0.0000
FDI	-1.493175	-2.494854	0.0199
*ln*EXTDEBT	-7.539818	-4.394400	0.0002
CORR	-8.209791	-2.531032	0.0183
R-squared	0.918784	Durbin-Watson stat	1.958983
Adjusted R-squared	0.895096	F-statistic	38.78676
SE of regression	3.086204	Prob(F-statistic)	0.000000

Source: Researcher's compilation (2025) **R^2 = 0.918784; F-statistic = 38.78676; Prob. = 0.0000**

The coefficient of determination of 0.918784 indicates that the explanatory variables explain over 90 percent of the variability in the explained variable. The F-statistic of 38.78676 and its p-value of 0.0000 implies that the coefficients of the explanatory variables are significant.

Table 3: Serial Correlation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.820328	Prob. F(2,22)	0.4533
Obs*R-squared	2.220793	Prob. Chi-Square(2)	0.3294

Source: Researcher's compilation (2025)

The serial correlation test in Table 3 was conducted to test the null hypothesis that there is serial correlation among residuals. The rule is to reject the null hypothesis if the Chi-Square prob. is less than 0.05. The Chi-square prob. is 0.3294, which is greater than the designated 0.05 level of significance.

Table 4: Heteroskedasticity Test

Heteroscedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.059679	Prob. F(7,12)	0.4428
Obs*R-squared	7.640178	Prob. Chi-Square(7)	0.3654
Scaled explained SS	3.866847	Prob. Chi-Square(7)	0.7950

Source: Researcher's compilation (2025)

Table 4 shows the result of the heteroskedasticity test conducted to find out whether the residuals are serially correlated or not. The decision rule is to accept the null hypothesis that there is a homoscedasticity (i.e., no Heteroscedasticity) in the residuals of the probability if the calculated F-statistic value is greater than the 0.05 level of significance chosen in the study. Since the F-statistic of 0.4428 is greater than 0.05 level of significance, the study accepted the null hypothesis which states that the model has no Heteroscedasticity in the residuals, therefore, the data is reliable for predication.

Table 5: Multicollinearity Test

Variance Inflation Factors
Date: 09/13/23 Time: 10:14
Sample: 1990 2021
Included observations: 32

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
NNSAVINGS	3.815591	7509.421	4.957839
NETMIG	1.94E-10	2.283444	2.272467
GOV	1.064524	3.791509	1.960878
GDPPC	3.399518	568.0852	6.762759
FDI	0.358205	4.863604	1.673491
EXTDEBT	2.943897	5777.208	1.595866
CORR	10.52129	45.34834	1.050147
C	4647.734	15615.00	NA

Source: Researcher's compilation (2025)

Generally, the Variance Inflation Factor (VIF) is the yardstick used to measure the presence of multicollinearity. The result summarized in Table 5 suggests the levels at which a variable is correlated with other independent variables in the model, given the VIF values for most variables in the model which are below 10, indicating that the multicollinearity is not severe. However, there is some moderate multicollinearity observed for the variable GDPPC which has VIF value exceeding 5. It is generally recommended to address multicollinearity if the VIF values exceed 5 or 10, depending on the specific context of the analysis. However, going by the rule of thumb, if VIF coefficient is greater than 10, the study concludes that there is multicollinearity but if the coefficient is less than 10, there is no multicollinearity. Based on the foregoing, we conclude that there is no perfect linear correlation between the variables.

Table 6: Jarque-Bera Test for Normality

Jarque-Bera Statistic	Prob.
0.4012	0.8182

Source: Researcher's compilation (2025)

The Jarque-Bera statistics in Table 6 is used as the parameter for normality testing. The null hypothesis assumes that data are normally distributed. The decision rule is to reject the null hypothesis if the p-value of the Jarque-Bera test statistic is less than 0.05. From our results, the Jarque-Bera test statistic is 0.401238, and the corresponding probability or p-value is 0.818224. Hence, we do not reject the null hypothesis.

Discussion of Findings

The intercept of the regression line of 283.7536, as can be deduced from Table 2, means that if all the variables are held constant or fixed (zero), the poverty headcount in Nigeria will stand at about 283.8 per annum. Also, an R^2 = 0.918784 shows that the explanatory power of the regressing variables is extremely high and very strong. This implies that about 91.8% of the variations in poverty are being accounted for or explained by the variations in the independent variables which include capital accumulation, migration, governance, income levels, public debt corruption and foreign direct investment.

The F-statistic = 38.78676 and its prob. = 0.0000 indicates that the overall model is statistically significant. A statistically significant F-statistic suggests that there is evidence to reject the null hypothesis, indicating that at least one of the independent variables in the model has a significant relationship with the dependent variable. In other words, the regression model, as a whole, is providing valuable information and is not simply a result of chance. In practical terms, this means that the set of independent variables in the model (NNSAVINGS, NETMIG, GOV, GDPPC, FDI, EXTDEBT and COC) collectively have a significant impact in explaining the variations in the dependent variable (POH).

The net national saving had a positive relationship with poverty headcount implying that a percentage increase in Net National Savings will lead to an increase in poverty headcount by 1.18. The reasons for this might be due to high income inequality which favours the rich as high income earners. The poor do not have enough to feed and may have nothing to save. There was a negative

Relationship between migration and poverty headcount.

Net Migration (NETMIG), External Debt (EXTDEBT), Foreign Direct Investment (FDI), Control of Corruption (COC), Gross Domestic Per Capita (GDPPC), and Government Effectiveness Index (GOV) all share a negative relationship with Poverty Headcount (POH). The negative relationships indicate an inverse movement between the drivers and poverty (i.e., an increase in the driver, would lead to reduction in poverty headcount). In other words, a unit increase in net migration will lead to a decrease in poverty headcount by 1.46, holding other variables constant. Also, a unit increase in the Government effectiveness index (GOV) will lead to a decrease in poverty headcount by 4.36, holding other variables constant. Furthermore, a unit increase in Gross domestic product per capita (GDPPC) will lead to a decrease in poverty headcount by 16.2, holding the net influence of other variables constant. This implies that Gross Domestic Product per capita has the highest impact when it comes to poverty reduction. In continuation, a unit increase in Foreign Direct Investment (FDI) will lead to a decrease in poverty headcount by 1.4, holding the net impact of other independent variables constant. A unit increase in External debt (EXTDEBT) will lead to a decrease in poverty headcount by 7.5, holding the net influence of other independent variables constant. Also, a unit rise in Control of Corruption (COC) will lead to a decrease in poverty headcount by 8.2, holding the net effect of other independent variables constant. The estimated coefficients are all statistically significant and conform to apriori expectations.

The serial correlation test, auto-correlation test, heteroskedasticity test and normality test have all shown by virtue of the prob. of the test statistic that the data and residuals are free from all the problems tested.

Conclusion

Effort is made in this study to determine the key drivers of poverty in Nigeria, given the high prevalence of poverty in the country, the complexity of the phenomenon, and since finding the solution to the challenge of poverty in Nigeria has been an arduous task. The key poverty drivers in the country identified in the work include low income, poor control of corruption measures, poor and ineffectual governance mechanisms, abysmal management of pubic borrowings and low foreign direct investment inflow.

The study employed the Ordinary Least Squares method is employed to analyze the potential impact of migration, governance, corruption, income levels, foreign direct investment, external factors and public debt on poverty levels in Nigeria. The secondary data used for the study were obtained from the World Bank, UNDP, ILO, IMF, and the CBN. The results of the analyses revealed that mitigation of corruption, higher income levels, increase in foreign direct investment, effective governance and public debt all have the potential of reducing poverty in Nigeria.

Specifically, migration and investment were found to have significant impact on poverty levels in the country. Foreign direct investment was found to have negative relationship with poverty, implying that increase in foreign direct investment reduces poverty. Furthermore, public debt was found to share a negative relationship with poverty levels in Nigeria. Though salient factors which are peculiar to Nigeria such as poor utilization of borrowed funds and mismanagement of borrowed funds tend to dampen this impact. The study recommends improved security to attract more foreign investments, prudent management of borrowed funds by spending on productive ventures, and reduction of corruption through the reform of the judicial system.

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