Original Paper

Manifestation of Income Inequality and Poverty Prevalence in Selected North Central States of Nigeria

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Abstract

Poverty in Nigeria has been described as pervasive owing to the fact that the nation has witnessed a persistent increase in poverty level over the years. More so, there has been a renewed and growing concern about poverty and income inequality due to their negative implications for both economic growth and social peace. In Nigeria, the twin issues of poverty and inequitable income distribution present a paradox. This is because, though the country is rich in land, human and natural resources, yet 70 percent of Nigerians are still considered poor with low per capita income. More so, it has been argued that income inequality is a manifestation as well as strong cause of poverty. The study therefore analyses the empirical relationship between manifestation of income inequality and poverty prevalence among households in selected North Central States in Nigeria. This study employed survey method using structured questionnaire. A representative sample of 600 respondents was planned for the survey in order to have at least 462 households responding. However, the study has 501 household respondents representing 84 percent success rate. The result shows that 84 percent households believe that income inequality is a major determinant of poverty in Nigeria and 76 percent also agreed that poverty occur most in rural area than urban areas. It was found that a disproportionate share in income across divide would exacerbate poverty among rural dwellers particularly farmers, artisans, and traders. The study therefore recommends a deliberate policy of reducing income inequality so as to reduce the incidence of poverty especially among the rural dwellers.

Keywords

Manifestation, poverty and income inequality
1. Introduction

There has been a renewed and growing concern about increasing poverty and income inequality both within and across countries and their negative implications for both growth and social peace (Bourguignon, Fournier, & Gurgand, 1998; Birsall, 2005).

In Africa, poverty remains a scourge that undermines development in contemporary African Society in that: it is deep-rooted and pervasive (Igbatayo & Igbinedion, 2006). Perhaps, nowhere in the African continent is the scourge more prevalent than in sub-Saharan African, where about one-sixth of people are chronically poor (World Bank, 1996; CFA, 2005).

In Nigeria, the twin’s issue of poverty and inequality income distribution presents a paradox. This is so because, though the country is rich in land, human and natural resources, the people are still considered to be poor, as nearly 70 percent of Nigerian in 1999 were living in poverty (Soludo, 2006).

In the past few years, Nigeria government has spent colossal sums of money at various levels in vain attempts at reducing poverty by initiating and executing several poverty alleviation programmes. However, many of the programmes do not produce the desired result.

Studies have shown that poverty and income inequality are closely related (Ravallion, 2009). More so, it has been argued that income inequality is a manifestation as well as a strong cause of poverty (UNU/WIDER, 2000). Income inequality is often studied as part of broader analysis covering poverty and welfare. Income inequality is detrimental to economic growth and development, because it aggravates poverty and that is why it is important to measure and monitor its level from time to time (Ugoh & Ukpera, 2009).

From the foregoing, it became imperative that measurement and analysis of poverty and inequality are crucial for cognitive purposes (to know what the situations is); for analytical purposes (to understand the factors determining this situations); for policy making purposes (to design interventions best adapted to the issue); and for monitoring and evaluation purposes (to assess the effectiveness of current policies; and to determine whether the situation is changing).

The paradox of the scenario is that while a privileged few Nigerians are living in affluence, majority are in the state of abject poverty: the poverty experience by Nigerians is pervasive, multifaceted and chronic, affecting the lives of a large proportion of the populace (Kudi, Usman, Akpoko, & Banta, 2008). In an extension of the paradox above, Nigeria’s case is that of the rich country but poor people. This is captioned “Poverty in the midst of plenty” by the World Bank (World Bank, 1996).

North Central States in particular, Kogi, Niger and FCT are not exempted from this challenge which has caused the states to continue to witness anti-social behavior from her teeming un-employed youth despite the enormous human and natural resources.

Apparently, the scenario has become increasingly worrisome particularly because poverty and income inequality are shown to have been closely related (UNU/WIDER, 2000; Kocenikov & Shorrocks, 2003). More importantly, poverty in Nigeria besides its being exacerbated by inequality in income is also seen to be essentially a rural phenomenon attributed to the majority who are located in the rural
and engaging in agricultural production and allied activities.

Previous researchers have attempted similar work but with remarkable difference and limitations. Most work particularly in Nigeria focuses on income inequality and growth. It was against this background that this study was undertaken to investigate the empirical relationship between manifestation of income inequality and poverty prevalence among household in selected North Central States of Nigeria. However, the objective of this study is to investigate the relationship between the manifestation of income inequality and poverty prevalence.

2. Literature Review and Theoretical Framework

2.1 Concept of Poverty

Poverty is one of the intractable problems facing mankind today. It has been estimated that at least 50 percent of the poor in sub-Saharan Africa live in East Africa and Nigeria (Ilori, 1999). Poverty is a living conditions in which an entity is faced within economic, social, political, cultural and environmental deprivations to which a person, household, community or nation can be subjected. It is saddening that while the number of the poor in developed countries has reduced considerably over the years, the reverse is the case in many developing countries including Nigeria.

Many opinions believe that income and consumption levels say very little about standard of living. This is probably the reason why the 1990 WDR stressed the need to include other social factors such as health, life expectancy, accesses to clean water, education and so on. Engalama and Bamidele (1997) summarized the definition of poverty in both absolute and relative terms. Poverty is defined as “a state where an individual is not able to cater adequately for his/her basic needs of food, clothing and shelter, meet social and economic obligations; lack gainful employment, skills, asset and self-esteem and has limited access to social and economic infrastructures such as education, health, portable water and sanitation and as a result has limited chance of advancing his/her welfare to the limit of his/her capabilities” (NES, pp. 141-150).

Though there seems not to be a universally acceptable definition of poverty, Nweze and Ojowu (2002) as well as Sachs (2005) opine that poverty can be categorized into three, namely: Absolute, Relative and Subjective. Absolute poverty deals with basic human needs measured by resources required to maintain physical efficiency (Haralambos & Heald, 1980; Kuper, A. & Kuper, J., 1996). However, relative poverty is a situation where an individual or a household’s income is less than average income of the population in the society being considered. This means that the individual or household has goods and services which are lower than those of other persons or household in the country, state, community or society (Oladunni, 1999). The concept of subjective poverty, expressed in a range of non-material and intangible qualities: it is based on respondent’s perception of their standard of living. The feeling of whether one is poor or not depends on individual/societies psychology.

However, poverty can be measured by identifying the poor and the aggregation of their poverty characteristics into an overall measure. Three of such overall measures include poverty line, profiles
and indicators. In general, poverty lines provide the basis for measuring the poverty profile of a country while the poverty indicator serves as indirect measure.

2.1 Concept of Income Inequality

Inequality can be conceptualized as the dispersion of a distribution whether one is considering income, consumption or some welfare indicators, therefore, income inequality refers to how evenly or unevenly income is distributed in a society (Babatunde, 2008). Income inequality is often studied as part of broader analysis covering poverty and welfare. As mentioned earlier, income inequality is detrimental to economic growth and development, because it aggravates poverty and that is why it is important to measure and monitor its level from time to time. Income inequality can be measured using the Gini co-efficient and the Regression based decomposition.

2.2 Trends in Poverty and Inequality in Nigeria

Poverty among plenty is the world greatest challenge and the resurgence of interest in the issue derives from the effect that growth has on poverty. Economic growth which is accompanied by high inequality will have a lesser poverty-reducing effect than one which is inequality-neutral. It also follows that the decline in poverty incidence resulting from growth would be larger when accompanied by declining inequality.

However, Nigeria is also one of the most unequal societies in the world, with income distribution skewed heavily such that whenever aggregate growth occur, it is not shared by all. On the average, Nigerians are very income poor. But the skewed distribution of the available income makes the situation of the have-nots to be desperate.

Poverty and inequality are global phenomenon but the rates in Nigeria are higher than most countries in the world. Since 1980s, the poverty rate has been trending significantly downward in all regions of the world except in sub-Saharan Africa (SSA).

According to Bello (2007) 70 percent of the over 140 million Nigerian lived below the poverty line of US$1 per day. Poverty has been on a continuous rise in the country.

![Figure 1. Nigerian Poverty Profile (1980-2010)](source: NBS, 2010.)
The percentage of Nigerians living in poverty is growing. Poverty in Nigeria has substantially risen between 1980 and 2011. The proportion of the core poor have continued to increase overtime.

![Figure 2. Nigerian Poverty Profile—Estimated Population versus Population in Poverty (1980-2010)](image)

*Source: NBS, 2010.*

Statistics also shows that inequality calculated by Gini coefficient rose consistently from 1985 except for a slight decline in 1992. At the national level, inequality declined from 0.43 in 1985 to 0.41 in 1992 and rose to 0.49 in 1996. It decline to about 0.43 in 2004 and increased to approximately 0.45 in 2010 (NBS, 2010).

According to the MPI report, as at 2010, 46 percent of Nigeria lived below the national poverty line with only 28 percent in urban areas, and nearly 70 percent in the rural areas. The report ranked the thirty-six states and federal capital territory according to incidence of poverty with Lagos state having the lowest poverty rate of 8.5 percent and Zamfara state with the highest poverty rate of 91.1 percent. The national average rate of poverty in Nigeria stands at 46 percent.

The regional averages shows that South West 19.3 percent, South-South 25.2 percent, South-East 27.36 percent, North Central 45.7 percent, North-East 76.8 percent and North-West 80.9 percent.
2.3 Manifestation of Income Inequality and Poverty in Nigeria

In Nigeria, poverty is manifested in the following sceneries

i. The decay of social service accompanied by rapid population growth.

ii. Limited access to social and economic infrastructure such as water, housing, health facilities and schools.

iii. Rising level of poverty in rural areas aggravated by lower level of access to public services.

iv. There is also low level of income that is decline in household income on the micro level and a decline in per capital income on the macro level. This is because, the more unequal the distribution of per capital income, the higher the incidence of poverty. Also, the lower the average income level, the greater the incidence of poverty.

v. Cyclically, poverty causes hunger and starvation, which triggers actions resulting to begging, stealing, robbery, wars and other social vices in order to eradicate hunger and starvation. Sustained civilian hunger causes ill health and death which in turn lead to low productivity and slow economic growth.

vi. Income inequality refers to how evenly or unevenly income is distributed in a society, it is often study as part of broader analysis covering poverty and welfare. Hence, it is detrimental to economic growth and development.

vii. Finally, there usually the effect on low income, which has adverse effect on ability to save. More so, greater number of people do not have access to financial institution for fund but rather rely heavily on informal financial institution.

2.4 Empirical Review

Pigou (1912) and Dalton (1920), proposed a Pigou Dalton transfer. This principle opines that inequality increases when there is a transfer of income from a poorer to a richer person. More so, measure of inequality in literature satisfies this principle. Furthermore, Dalton (1920), proposed the population principle of income inequality measurements which observe any equality measures are invariant to
replications of the populations. This implies that merging two identical distributions will not alter the level of inequality.

Oyekale (2005) examined, “sources of income inequality and poverty in rural and urban Nigeria” they used the data from National Integrated Households’ Survey collected by the Nigeria Bureau of Statistics (NBS) in 2003. The mean, standard deviation and coefficient of variation were used to measure income inequality vis-à-vis the per capita income, which is a measure of welfare. It was found that, income inequality is detrimental to economic growth and development and that income inequality is increasing in the rural and urban areas in Nigeria, which can be linked to the growing dimension of poverty.

Study by Awe and Olawumi (2012) on Income inequality and growth showed that, Gini Coefficient in Nigeria is high, i.e., an indication of a high level of income inequality. The study covered the period of 1977-2005 and employed a co-integration technique on employment rate, inflation rate, Gross Domestic Product (GDP), etc., using Gini Coefficient as an indicator variable. Furthermore it found that social spending were true determinants of income distribution in Nigeria.

2.5 Theoretical Framework

The theoretical foundation of this study is based on Modern Theory. The modern theoretical approach however, considers the income dimension as the core of most poverty related problems. To this end, poverty according to modern theory may arise from:

a) Change in average income
b) Change in the distribution of income

Assuming a relationship between poverty line (L) and the average income of the population (Y), the poverty index will increase/decrease as $L/Y$ increases/decrease. So, the higher the average income is above the poverty line, certain, paribus, there will be less poverty. The theoretical foundation of this work is based on this theory.

3. Methodology

3.1 Study Area

The study area consist of Kwara, Niger, Benue, Kogi, FCT and Nasarawa of which Kogi, Niger and FCT were selected for in-depth analysis. These states were chosen as the survey area because of their strategic geo-location together with their characteristics of high prevalence of poverty (NBS, 2006).

3.2 Sources and Method of Data Collection

Primary Data was used for this study. That is, survey method using structured questionnaire.

3.3 Sample Size and Sampling Technique

Stratified Random Sampling Technique was employed in order to select about 462 respondents for the study at an equal rate of 154 respondents each state with a consideration of the three senatorial zones that makes up the state. Furthermore, four Local Government Area (LGs) for each senatorial zone of the state and six area council in FCT are considered Geographical location factor played a significant
role in the choice of the local councils via each zone otherwise tagged on Urban and Rural Local Government. Other factors considered are accessibility to basic primary healthcare facilities, accessibility to portable water, rural electrification, etc. This is in line with the studies of Chou (1969), Walpole (1974) and Obansa (2011). The study made use of descriptive statistics.

4. Presentation and Discussion of Result

This section presents the result and analysis of data collected from survey from field survey.

4.1 Socio-Economic Characteristics of the Population under the Study

The data employed in this study constituted mainly of primary data from survey conducted in thirty local government areas across the three selected North Central states of Kogi, Niger and FCT-Abuja; and other relevant secondary data obtained from various sources.

A representative sample of 600 respondents was planned for the survey in order to get at least 462 households responding, however, the study had 501 households responded representing about 84 per cent success rate.

<table>
<thead>
<tr>
<th>Table 1. Socio-Economic Characteristics of the Respondents of the Study Area</th>
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</thead>
<tbody>
<tr>
<td>Study area</td>
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<tr>
<td>Percentage distribution of respondents</td>
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<tr>
<td>Mean age of respondents by the study area</td>
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<tr>
<td>Percentage distribution of respondents with at least primary school education</td>
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<tr>
<td>Mean income per month (naira)</td>
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<td>Estimated average of Business capital per month</td>
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<td>Occupation of Respondents</td>
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<tr>
<td>Gender distribution of respondents in the study area</td>
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Table 1 indicates the socio-economic characteristics of the population of the area of study. It is of note that most of the respondents from the study area were between the mean age of 30, 32 and 33 years respectively for the selected states, a category to which the core of the workforce is located. Most of them were married and heads of households.

The percentage distribution of respondents in the study areas shows almost an equal number of household responding from Kogi and Niger State with 36.73% and 36.13% respectively. However, FCT Abuja had only about 27.15% of respondents. The skewedness of result can be explained by the size of the study area.

There was a substantial variation between male and female respondents. A total of 59.3% of the respondents were male while the female respondents were only 40.7%. However, the skewedness of the respondent in favor of the male is attributed to the fact that among Muslim who constitutes greater percentage of the population in the state are married women who are usually prohibited from exposure to strange male research assistance based on religious belief.

The occupational characteristics of the population showed a predominance of farmers who constituted 37.3%, closely followed by civil servant with 23.6%, while others (Transportation, Traders, Petty Business Men and Women, etc.) is 26.4%. The average monthly income/wage of the respondent fell within the mean income or wage of 12,938.9, N16, 053.01 and N8, 028.00 respectively. While the estimated average of business capital per month shows N16, 812.00, N22, 534.02 and N26, 037.00 for Kogi, Niger and FCT respectively.

The percentage distribution of respondents with at least primary education shows that Kogi State 16.9%, Niger 25.9% and FCT 18.1%. The implication of this is that, information dissemination to the people through print, electronic media might not have a serious problem in examining income inequality and poverty prevalence in the selected area.

**Table 2. Percentage Distribution of Manifestation of Income Inequality and Poverty Prevalence in Nigeria**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have any other support from financial institution other than the source of your fund?</td>
<td>28</td>
<td>72</td>
<td>100</td>
</tr>
<tr>
<td>Have you heard of income inequality before?</td>
<td>80</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>Does your saving change directly with your income level?</td>
<td>78</td>
<td>22</td>
<td>100</td>
</tr>
<tr>
<td>Do you think we have income inequality problem in Nigeria?</td>
<td>68.9</td>
<td>31.1</td>
<td>100</td>
</tr>
<tr>
<td>Does your present income level satisfactory with your current expenditure level?</td>
<td>20.2</td>
<td>79.8</td>
<td>100</td>
</tr>
<tr>
<td>Do you have other source(s) of income augmenting your expenditure level?</td>
<td>34.1</td>
<td>65.9</td>
<td>100</td>
</tr>
</tbody>
</table>
Has inadequate income level ever prevented you from accessing the basic primary health care delivery in your locality? 80 20 100
Do you think that income inequality is a major determinant of poverty in Nigeria? 84 16 100
In your view, where do you think poverty occurs most in Nigeria? Rural area 76 Urban area 24 100
Is government doing enough to reduce poverty in Nigeria? 33.1 66.1 100


From the Table 2 above, 80 percent of the respondents have heard about income inequality. As we can see from table above, more households are vulnerable to poverty at rural than in the urban centers in the study areas. The result shows that 76 percent of the residents vulnerable to poverty in the rural area while 24 percent in urban areas.

More so, about 68.9 percent of the respondents’ acknowledged income inequality as a current problem in Nigeria while 31 percent disagreed. Only 33 percent believed that government is doing enough to curtail this menace.

A good number of the responding households (66 percent) were believed not to have any other source of income with its adverse effect on their ability to save from the meager income they earn.

The Table 2 above indicates that most of the capitals operated by the respondents are from their personal savings, income from friends and other informal financial institutions such as: Adashi, Osusu. More so, 78 percent agreed that their savings change directly with their income level.

Furthermore, greater number of respondents, 80 percent agreed that their income level has prevented them to accessing the basic primary healthcare in their locality. This is a manifestation of poverty prevalence in the rural areas.

4.2 *Summary of Major Findings*

Poverty remains a multi-dimensional concept, as it does not lend to itself to a single universally accepted definition. Inequality on the other hand, implies the dispersion of a distribution whether one is considering income, consumption or some other welfare indicators.

It is obvious that high prevalence rate of poverty in conjunction with income inequality no doubt has greatly affected the development of human capital in North Central and Nigeria in general.

The study obviously found a causal relationship between manifestation of income inequality and poverty prevalence. Given the result in Table 2, it is seen that 84 percent of the respondent agreed that inequality in income is a significant determinants of poverty prevalence in North Central states and in Nigeria in general.

The study found a considerable level of poverty prevalence in North Central States. In addition, the study found a high prevalence of poverty in rural area up to 76 percent (see Table 2). This is also in line with multidimensional poverty index report of 2010 which shows that 46 percent Nigerian live below
the National poverty line with only 28 percent in urban areas and nearly 70 percent in rural areas.

5. Conclusions and Recommendations

5.1 Conclusions

Increasing income inequality and poverty continue to be the most challenging economic problem facing most developing countries and Nigeria is not an exception. Poverty has remained a major source of concern to many developing nations of the world because of its debilitating effects on citizenry. In Nigeria poverty is multi-faceted and it incorporates economic, social, cultural and political dimensions. As such achieving an appreciable rate of poverty reduction through equitable income distribution within a reasonable time requires commitments of both government and society in general.

5.2 Recommendations

Arising from the preceding empirical findings, the following policy implications can be deduced.

i. The study found income inequality significant; as a result, reducing inequality in income level amongst groups should be a deliberate policy to reducing incidence of poverty in Nigeria especially amongst the rural dwellers. Government should give subsidies and credit facilities to farmers, artisans and traders through cooperative organizations, specialized agencies and micro finance houses in order to step up their incomes. Government should also increase it expenditure in social services, promote employment opportunities and encourage labour augmenting technical change. Beside government at all level should ensure more equitable distribution of income and an acceptable revenue sharing formula.

ii. Government should reasonably step up expenditure in both social service and health sector with a view to enhance growth of domestic economy and alleviate the impact of poverty.

iii. More so, there is need to overhaul existing poverty alleviation programmes, so that they are strengthened to make the desire impact. In addition, there is need to campaign against large family size, while women are placed on birth control to reduce dependency ratio especially in rural areas.

iv. Quality education is seen as key to eradicating inequality in income and in turn high incidence of poverty in Nigeria. Government should increase it expenditure on education with a view of reducing the high literacy level in line with the Millennium Development Goals (MDGs). Efforts should be made to fund and re-position the tertiary institutions with a view of making graduates self employed rather than seeking for jobs after graduation. There is need for instituting good governance in every sphere of government activity which is a sine-qua-non for poverty reduction.

v. In all, greater efforts should be made towards strengthening the domestic macro economic growth in the economy. This is complemented by relevant policies aimed at addressing equitable distribution of income among various groups and sectors.
References


