

MISERY INDEX WORSENS POVERTY IN NIGERIA

By Rasaki Stephen Dauda

Introduction

The main goal of policy makers across both developed and developing economies globally, is to improve the welfare of the populace. Currently, Nigeria is faced with numerous macroeconomic and development challenges, which include high rate of poverty and rising misery index. The nation's misery index rose from about 61.2 in 2020 to around 73.1 in 2022. The recent report of Steve Hanke's Annual Misery Index (HAMI) on 156 countries shows Nigeria moving from the 15th position in 2020 to 11th in 2021 worldwide and the fourth Africa. The implication is that the country is the 11th most miserable nation globally and the fourth in the continent of Africa, respectively.

The immediate factors responsible for the worsening misery index of the country arise from the poor performance of its components. Arthur Okun, the first author of misery index, computed it as the sum of unemployment and inflation rates. It was however improved upon by Robert Barro, and later by a Johns Hopkins University Professor of Applied Economics, Steve H. Hanke, who added bank lending rate and real GDP growth rate; thus, given the index as the addition of unemployment, inflation and bank lending rates minus the growth rate of real GDP. The performances of these variables have substantial influence on the misery index. The high rates of the first three variables and low rate of the fourth will inadvertently raise the index and worsen misery level among the population. A high or worsening misery index has the capacity to degenerate the level of poverty and hurt the poor because the poor suffer most from the adverse performance of either or all of the various components of the index.

In 2018, Nigeria was referred to as the poverty headquarters of the world, the position she held until 2022 when India overtook her. Even at that poverty rate in the country is still higher than the rate in India.

Nigeria's National Bureau of Statistics in 2022 reported that approximately 133 million people, which translates into 63% of her population were multidimensionally poor. However, poverty in the nation is disproportional between the Southern part of the country and the Northern region. The rate in the South is low compared to the North. Similarly, poverty remains higher in the rural areas than in the urban areas.

Misery Index and Poverty Situation in Nigeria

The high state of misery index in Nigeria has the wherewithal to further worsen the situation of poverty in the country. A critical examination of the components and their performances would support this stance.

For instance, Nigeria is currently battling with high rate of inflation, which stands at 22.4%. Generally, inflation raises prices of goods and services, and weakens the purchasing power of consumer's income; particularly when income remains unchanged. This raises the cost of living, widens the income gap and further reduces the quantity of commodities consumers can purchase for consumption. The import of this is depressed living standard and the welfare of the consumers.

The cost of living in Nigeria has continued to increase since 2016 till date. This is induced by a number of factors. For instance, the recent economic recessions occasioned by the crash in oil price and failure of the federal government to form cabinet for about seven months in 2015 contributed to this. Moreover, the lockdown imposed on the economy in 2020 due to the menace of COVID-19 coupled with the on-going Russia and Ukraine war are also some of the factors that continue to drive high cost of living in the country. The situation is further aggravated by the latest policy of fuel subsidy removal, which has led to a jump in the price of the product per liter from ₦190.00 to ₦630.00 amidst degenerating exchange rate.

Furthermore, a total unemployment rate of 33.3% and youth unemployment rate of 42.5% in a country where social safety nets and social security appear to be nonexistence will continue to degenerate poverty level and makes the poor more miserable. The high rate of the jobless people who also depend on the labour force in a country of low per capita income like Nigeria would translate into low savings, low investment, low productivity and low economic growth, which will further increase poverty. The only asset of the poor in a developing economy like Nigeria is their labour, which they employ to earn income and improve the level of their welfare. However, unemployment implies loss of income and source of livelihood, no savings, increase in household debt profile, increased malnutrition among them and deepened poverty and inequality.

The twin problems of high inflation and unemployment in Nigeria pose greater challenge for the poor and continue to enlarge their population. Inflation weakens the purchasing power of income earners (who form the labour force), any upsurge in the number of unemployed persons will place greater burden on the income of the working class. The reason for this is that there exist no unemployment benefits (an example of social security programme) in Nigeria. The working class, who earn low income, the value of which continues to be depressed by high inflation expends this meager sum to cater for the unemployed. This in addition increases the number of the poor and deteriorates poverty in the country.

In the same vein, the current 18.5 % bank lending rate in Nigeria can have detrimental effect on the level of poverty. This high rate of bank lending implies a high cost of loanable fund and this can discourage investment, worsen the situation of unemployment in the country and further

exacerbates poverty levels. The high bank lending rate in the country can also increase default rate of loan repayment even by poor households who have accessed some loans for to procure some household commodities.

Finally, Nigeria's per capita income is low in addition to low growth rate. Theoretically, high growth of the economy is expected to enhance prosperity and reduce poverty. Given the current GDP growth rate of 3.6% with low income per capita, coupled with high rates of inflation, unemployment and bank lending rate, the misery index of the country remain very high. This situation will not only put the poor in perpetual poverty but will continue to increase the rate and in addition increase the level of misery in the country.

Poverty Reduction Programmes in Nigeria

Both past and present governments at various levels in Nigeria have initiated programmes to combat the menace of poverty in the country. As presented in Dauda (2017 & 2019), many specific programmes and schemes on agricultural development, rural electrification, rural banking as well as free and compulsory primary education, support to women in rural areas were launched and have ceased to exist. The Agricultural Credit Guarantee Scheme and National Directorate of Employment policies are the only programmes still operational and in progress.

In addition, the immediate past government introduced N-Power and Trader-moni programmes to help alleviate poverty. The N-Power scheme was introduced in 2016 under the National Social Investment Programme, which aimed at empowering the youth. The Trader-moni is an initiative under the Government Enterprise and Empowerment Programme (GEEP) which was created to grant petty traders access to collateral free loans ranging between ten thousand and fifty thousand Nigerian naira to be repaid within six months. These policies have now been suspended by the current government of president Tinubu which has announced the establishment of a Humanitarian and Poverty Alleviation Trust Fund (HPATF) aimed at addressing humanitarian and poverty challenges in the country with 30% funding from the federal government and 70% from donor agencies. The government has also decided to introduce cash transfer policy as palliative to cushion the effects of petroleum subsidy removal.

Reasons Poverty Alleviation Programmes Fail in Nigeria

As indicated above, most of the poverty reduction initiatives in the country could not succeed in addressing high poverty situation in the country due to certain inherent factors. Some of such factors are infrastructure deficiency, poor funding, policy somersault, corruption, high rate of insecurity, inappropriateness of some of the programmes to the Nigerian society due to the peculiarities of the environment, poor leadership of managers of such programmes, tribalism, poor governance in the country, lack of proper monitoring and evaluation, among others. Until these issues are addressed poverty alleviation initiatives in the country may not achieve the desired results.

Policy Recommendations to Reduce Misery Index in Nigeria

The policy recommendation for reducing misery index in Nigeria stems from the components of the index. As discussed above, the performances of the four variables- unemployment, inflation,

bank lending and growth of real GDP- are not inspiring. It is important for the government to initiate and implement policies aimed at reducing the high rates of unemployment, inflation and bank lending as well as boosting the growth of the nation's GDP.

Specifically, government should provide enabling environments for private sectors to thrive while the business climate should be improved upon to attract foreign direct investment into the country. This will boost employment generation and reduce the high rate of unemployment in the country. Currently, business environment in Nigeria is very harsh given the unstable power supply, multiple tariffs, and unnecessary bureaucracies that encourage corrupt practices thereby, raising the cost of doing business. Furthermore, youth entrepreneurship should be encouraged, the problem of energy should be addressed, the fragile security situation should be given more attention while the financial sector needs to be strengthened to make credit available to investors at lower interest rate. It is also critical for Nigeria to encourage industrialisation activities and local production for consumption and exports.

These policies will not only reduce the high rate of unemployment and inflation that are responsible for the rising misery index, but they will as well help to reduce overdependence on imports, boost economic growth and drastically reduce poverty and economic misery in the country.

Other issues that require government's attention to alleviate poverty and reduce misery in the country include: provision of infrastructure like electricity, good road networks, proper funding of poverty eradication programmes, continuation of poverty reduction policies of past governments, eradication of corruption at all levels, ensuring adequate security of lives and property across the country, appointment of capable hands to manage poverty alleviation programmes, addressing tribalism, proper monitoring and evaluation of the effectiveness of such programmes, adequate investment in education and so on.

Bibliography

- Dauda, R.S. (2017). Poverty and economic growth in Nigeria: issues and policies. *Journal of Poverty*, 21(1), 61-79.
- Dauda, R.S. (2019). Poverty in Nigeria: challenges and policy dimension (La povertà in Nigeria: sfide e dimensione politica). Policy paper. Mondopoli project, Center of Studies on International Politics (CeSPI), Rome, Italy. <http://www.mondopoli.it/wp-content/uploads/2019/07/POVERTY-IN-NIGERIA-CHALLENGES-AND-POLICY-DIMENSION.pdf>
- Ikpotu, E. (2023). Nigeria's misery index rises by 12 points. Available at: <https://punchng.com/nigerias-misery-index-rises-by-12-points/>

National Bureau of Statistics-NBS. (2022). Nigeria multidimensional poverty index. Available at:
<https://www.nigerianstat.gov.ng/pdfuploads/NIGERIA%20MULTIDIMENSIONAL%20POVERTY%20INDEX%20SURVEY%20RESULTS%202022.pdf>

NBS. (2023). Unemployment and inflation statistics. Available at:
<https://www.nigerianstat.gov.ng/>