

LOCAL GOVERNMENT ADVANCES AND POVERTY ALLEVIATION IN KEBBI STATE

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ABSTRACT

Local government advances is about the revenue and expenditure decisions of local governments. This paper addresses issues around advances at the local level and the issue of poverty alleviation. These issues were examined within the context of the social norms which has already had a significant impact on local government finances. Against this background, the paper employs the cross sectional survey method to effectively analyse the issues around local government finance as well as a range of analytical approaches for the economic and financial analysis of investment projects implemented by local governments under conditions of uncertainty. Data were obtained directly from a local community in Birnin Kebbi and evaluated for relevance to the research questions, resulting in a final sample of n=170 responses. The study concluded that the key principals and elements of local government finance that aid in poverty alleviation includes fiscal decentralisation, revenue management, and capital investment planning. Base on the forgoing, the study recommended that local government in a bid to alleviate poverty must apply economic and financial analysis to investment projects relevant to local governments and incorporate uncertainty and probability in decision analysis

KEYWORDS: Advances, poverty alleviation, local government, local government authorities, social security and norms, Kebbi State.

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1. INTRODUCTION

The local government advance associated with poverty alleviation have received considerable attention in the literature. This research has established that target groups generally benefit from successful poverty alleviation programmes in Kebbi State. However, the viabilities of this programmes and advances are very difficult to ascertain.

Advances are easier to get sanctioned as the procedures involved are less than that of a loan. People hide under this to meet their daily demands. It is not known whether it will effectively address the challenge of mobilizing adequate financial resources or not. The second dilemma is whether a mix of capital grants and borrowing from different sources could help alleviate poverty.

The poverty problem was exacerbated by the inadequate provision and non-sustainability of socioeconomic and infrastructural facilities that could improve the condition of the poor. The rise in the rate of inflation worsened the incidence of poverty since the 2010, except in 2014 to 2015 when the rate was brought down considerably. Thus, there has been a steady decline in economic performance and a sharp deterioration in living standards. It is the realization of this fact that motivated the study to find techniques for poverty eradication policy framework as well as programmes for its implementation, monitoring and evaluation. This framework shall include all agencies and parastatals at all the three tiers of government, community-based organizations (CBOs), non- governmental organizations (NGOs) and international donor agencies (IDAs).

Highlights of the 2022 Multidimensional Poverty Index survey reveal that: **63%** of persons living within Nigeria (133 million people) are multidimensionally poor. The National MPI is 0.257, indicating that poor people in Nigeria experience just over one-quarter of all possible deprivations, NBS (2022). Furthermore, the Nigeria poverty rate for 2018 was 92.00%, a 1.2% increase from 2015. Nigeria poverty rate for 2015 was 90.80%, a 0.9% decline from 2012, CBN (2022).

From the foregoing, the objective of this study is firstly, to identify the most critical factors leading to poverty in Nigeria, and secondly, to investigate the impact of local government advances on poverty alleviation in Kebbi State.

2. LITERATURE REVIEW

2.1 Conceptual Issues

There are diverse definitions of the concept “Poverty” in the social and management sciences literature. One of such views conceives poverty as “a state of not having enough money to take care of the basic needs such as food, clothing, and housing”, or “the state of having little or no money and few or no material possessions Bello, (2006). The World Bank uses income level of a people to determine whether they are poor or not. It sets a bench mark of \$320 dollars per annum as the poverty line. Similarly, people living below \$100 dollars per day are regarded as poor Bello (2006). From the epistemology of poverty provided, two perspectives are designed: the actual and transient conception of poverty.

2.1. Local Government Defined

Local government is responsible for a range of vital services for people and businesses in defined areas. Among them are well known functions such as social care, schools, housing and planning and waste collection, but also lesser known ones such as licensing, business support, registrar services and pest control, Warner (2011).

2.2 What is an advance?

An advance is a sum of money or credit provided by a bank or a financial institute to any business establishment or individual for short-term requirements, Sandroni, P. (2010). Advances are given to the borrower as working capital. In easy terms, an advance is a form of credit that is given to cover daily funds such as salary, wages, and so on. It is provided for a short-term duration and is usually considered a short-term loan, cash credit, bill purchase, or an overdraft. Advances are approved only if the borrower satisfies the pre-defined requirements that can involve submitting collateral, enlisting primary security, and so on. The screening process is also less challenging than that of a loan. As a result, advances are easier to get sanctioned as the procedures involved are less than that of a loan.

2.3 TYPES OF ADVANCES AND LOANS

Garcia et.al. (2001) posits that advances are segregated into the following types:

Short-term loan: When an advance is considered a short-term loan, the borrower can collect the full amount at one time.

Overdraft: The bank allows the borrower to overdraw money up to a specified limit from his/her bank account.

Bill Purchase: The borrower has to pledge bills to get the advance.

Cash Credit: The bank allows the borrower to get advance money without keeping any credit balance.

2.4 ADVANCES AND LOCAL GOVERNMENT: IMPLICATION FOR POVERTY ALLEVIATION

The federal government has proposed fiscal and economic measures of up to 50 billion naira to curb poverty at the grass root level Osmond et.al (2022). Lain et.al (2022) came up with global evidence that poverty is becoming clustered in certain regions such as Nigeria's poor, largely rural north in large countries. What is more, poverty in Nigeria is also entrenched in the areas most affected by climate and conflict shocks. Therefore, there is a critical need for policies that can help poorer people in poorer areas. Nevertheless, the study throw up two specialized statistical techniques, summarized as First, we can "back-cast" Nigeria's poverty rate, using the 2018/19 NLSS as a springboard in combination with sectoral GDP estimates. Second, we can impute consumption and, in turn, poverty into a decade long survey containing many key non-monetary indicators. Whichever approach we use, evidences shows that poverty alleviation in Nigeria was at first slow and then stagnated in the decade before COVID-19, NBS (2022). While there was some progress in the first half of the 2010s, this was reversed after the 2016 recession (induced by falling oil prices) hit and population growth started outstripping real GDP growth. This stalling progress on poverty broadly matches the path of non-monetary indicators, including education and access to basic loans and advances.

Nigeria Poverty Rate - Historical Data 2022

Year%	Under US \$5.50	Per DayChange
2018	92.00%	1.20%
2015	90.80%	-0.90%
2012	91.70%	-0.20%

From the table, poverty headcount ratio at \$5.50 a day is the percentage of the population living on less than \$5.50 a day at 2020 international prices. As a result of revisions in PPP exchange rates, poverty rates for individual countries cannot be compared with poverty rates reported in here. Meanwhile, since Nigeria's return to democracy in 1999, each of the four successive civilian administrations had rolled out different poverty alleviation programmes. The irony, however, is that rather than decrease, the level of poverty in Nigeria seems to be worsening.

2.4.1 The Obasanjo era

In 1999, during the Olusegun Obasanjo presidency, the World Bank released a report, indicating that Nigeria's Human Development Index was only 0.416 and that 70 per cent of the population was living below the poverty line. Before the end of the administration in 2007, other initiatives came up but poverty remained. According to the World Data Atlas, the poverty rate in Nigeria was about 56.4 per cent.

2.4.2 The Yar'Adua era

When the late President Umaru Yar'Adua assumed office in 2007, some of his seven-point agenda were even geared towards addressing poverty, if well implemented. The Economic Commission for Africa, Progress Report had observed in 2005 that there was an urgent need to address poverty around the world. In October 2008, Yar'Adua said he remained committed to eradicating 'any form of poverty and other related effects in Nigeria.' Sadly, he died on May 6, 2010. Despite how laudable analysts found his programmes for the country, the harmonised Nigerian Living Standard Survey in 2010 indicated that 62.6 per cent of Nigerians lived in absolute poverty.

2.4.3 The Jonathan era

When his successor, former President Goodluck Jonathan, completed Yar'Adua's tenure and got re-elected in 2011, he had his transformation agenda, being a roadmap between 2011 and 2015, to address the challenges facing the country. Jonathan's administration came up with the Subsidy Reinvestment and Empowerment Programmes and other critical infrastructure projects and social safety net programmes with direct impact on the citizens of Nigeria, meanwhile, when Jonathan left office in 2015, the poverty rate was said to be about 39.1 per cent.

2.4.4 The Buhari era

Since it assumed power in 2015, the present administration led by Major General Muhammadu Buhari (retd.) has also come up with many social welfare intervention programmes, the National Social Investment Programme, conditional Cash Transfer programme which directly supports the 'most vulnerable' by providing 'no-strings-attached' cash to those in the lowest income group, helping to 'reduce poverty, improve nutrition and self-sustainability, and supporting development through increased consumption.

Isaac Obasi (2022) feared that poverty rate might continue to rise in Nigeria, while describing Nigeria's poverty as 'deep-rooted and multi-dimensional in nature, the paper opined that It is true that there are many poverty alleviation programmes and schemes, but the truth also is that they are not deep-rooted and life-changing in nature because it does not reach the people at the local government.

On the other hand, Nnadozie (2010) associates commitment with salience of identity formation and establishing base line as well as a parental or personal sacrifice. Using measures of dependency theory in this study, it was hypothesized that: "*There is a negative association between the effect of local government goal attainment and adoption of Advances perspective*", and that "*there is a negative association between the effect of local government goal attainment and the Poverty Alleviation framework*".

The summary is presented in Figure 1. Macro Model on ELGA & PA

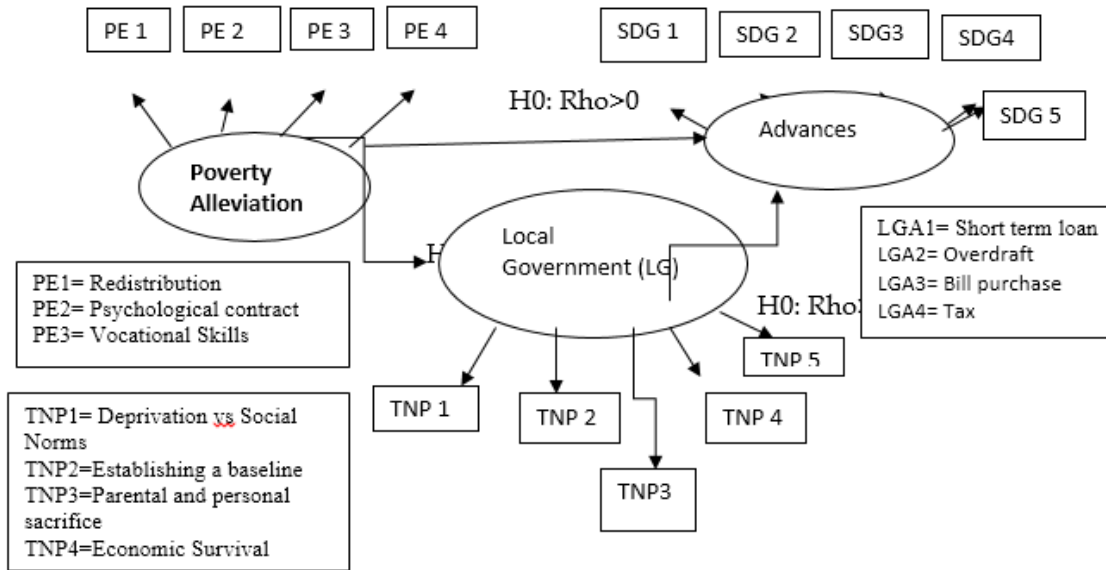


Figure 1: An Equation Model for Linking Poverty Alleviation, Advances and the Effect of Local Government (Source: Authored Proposed Macro Model)

The variables are here built into a structural equation model representing the complex nexus of linkages from the adoption poverty alleviation in the local government to the onset of the advances and ultimately linking it to the Kebbi State perspective. However, the variables highlighted are not exhaustive.

As shown, the table is a macro- model suggesting a direct linkage between poverty alleviation and local government advances and an indirect link between advances variables. The oval shape contains the latent constructs “poverty alleviation,” “Advances” and the effect of local government. Each of these constructs contains a micro- model along with the indicators in the rectangular boxes. These constructs are measured by the communality and the Crombach Alpha coefficient. The arrows between the ovals represent the null hypotheses indicating the theoretical expectations or predicted relationships. However, compared to more traditional model of economics, includes a laggy advances startup known as cold start for small business owners.174

3. METHODOLOGICAL FRAMEWORK

To identify the most critical factors leading to poverty in Nigeria, the researcher adopts the reasons for poverty survey for male and female head made by the National Bureau of Statistics CWIQ 2020. The population of the study was 170 workers of selected local government in Birnin Kebbi and the sample size, determined from the Krejcie and Morgan (1970) table (Sarantakos, 2005) was 118. In selecting the respondents, the simple random sampling technique was adopted.

However, quadratic equation if found exhibiting the best fit and leaving the rest of the deviation to stochastic disturbance will be used. The poverty index - microfinance credit (MFBC) model is therefore stated as follows.

$$PI = b_0 + b_1 PA = b_2 A_2 + b_3 LGR_3$$

If the b3 is insignificant, the step wise regression equation in favor of the quadratic equation will be used. That

Is

$$PI = b_0 + b_1 PA + b_2 A^2 + LGR$$

The b's are the parameters to be estimated. The macro model of the relationship between poverty index and advances is shown in figure 1 as follows.

4. FINDINGS

Frequencies and descriptive statistics were used in the primary analysis which focused on the study advances and univariate analysis respectively as shown in Table 1. About 68% of the respondents were males while 32% females. On job position, 57% of respondents were at the senior organizational level, while 43% were at the middle level. Similarly, 70% of respondents had spent between 1-10 years on their trade while those who have spent between 11-19 years were 23%. Only 6% of the respondents had spent at least 20 years in their present trade. On the level of education, 20% had WAEC, 68% with Bachelor degrees, and 12% with Master's degrees.

The result of the univariate analysis is shown in Table 1. The mean scores obtained for the impact of poverty alleviation on local government advances was moderately weighty (Mean= 2.88). This is same to Andy et.al (2022) where they adopted Autoregressive Distributed Lag Model (ARDL) for similar model and came up with the result of the estimated model which showed that recurrent expenditure on local community and capital expenditure on education had negative insignificant effects on causes of poverty, thus different models can be use to arrive at same conclusion.

The two most pronounced challenges were overdraft and bill purchase factor. Other areas such as level of instability, governance, skill acquisition, economic survival, had not been very heavily affected. People's expectations from the government were high, with this, the mean score of poverty alleviation at 3.26.

Table 1: impact of poverty alleviation on the local government advances

Item	N	Mean	Std. Dev.	Std. Error	
				Max.	Min.
Poverty Alleviation (PE)	8	2.88	1.10393	-250	0.752
Deprivation vs social norms	60	3.26	0.92744	-0.0372	0.309
Establish a baseline (EB)	60	2.61	0.81156	0.093	0.309
Parental and personal sacrifice (PPS)	60	-0.65	1.02646	1.076	0.309
Economic survival (ES)	60	3.33	0.92362	-0.585	0.309
Local Government Commitment (LGC)	60	3.16	0.83642	0.035	0.309

Poverty Alleviation (PE) was calculated by subtracting Local Government Advances (LGAd) (Source. Research Data)

The mean score of LGAd (Mean = 2.61) indicates that people were of the opinion that the local government is responsible for their present state of poverty. The local government only faired averagely on the economic survival ES. Nevertheless, commitments Factor (CF) was high among local government, nationals and multi-nationals (Mean = 3.33). Similarly Local Government Commitment (GC) was high (Mean= 3.16). The Nigerian perspective (TNP) was is - 0.65.

Linear regression was used to assess the relationship between sustained efforts at alleviating poverty through local government advances. Pearson's product moment correlation coefficient

was used to analyze the association between sustained effort at alleviating poverty through establishing baselines in terms of revenue. According to Bayarri (2003), if the observed p-value is below p-level (here $p=0.05$), one rejects H_0 . In Neyman-Pearson’s procedure, the null and alternative hypotheses are specified along with an a priori level of acceptance. If the observed statistical value is outside the critical region (here $-\infty +1.69$), one rejects H_0 .

The R value of 0.265 and R^2 of 0.07 obtained shows the presence of a low correlation indicating a definite but small relationship between sustained efforts at alleviating poverty through local government advances. Relying on Bayarri (2003) the hypothesis is accepted that there is a positive association between sustained efforts at alleviating poverty through local government advances. Table 2 is the result on the association between sustained efforts at alleviating poverty through social security and norms. In Oduntan (2022), Participants (grassroots) needed 10% of the poverty line to get out of poverty while the non-participants (urban dwellers) needed 15% of the poverty line.

Table 3: Pearson Correlation between sustained effort at eradicating poverty through social security and norms.

		PA	DSN	EB
PAa	Pearson Correlation	1	-0.214	-0.203
	Sig. (2-tailed)		0.100	0.119
	N	60	60	60
DSN	Pearson Correlation	-0.214	1	0.631**
	Sig. (2-tailed)	0.100	.	0.000
	N	60	60	60
EB	Pearson Correlation	-0.203	0.631**	1
	Sig. (2-tailed)	0.119	0.000	.
	N	60	60	60

** Correlation is significant at 0.01 level (2- tailed) (Source: Research data).

However, sustained effort at alleviating poverty through local government advances was negatively associated with deprivation and social norms ($r = -0.214$; $p < 0.01$) associated with establishing baseline, and deprivation and social norms ($r = -0.203$; $p < 0.01$). Both the Pearson correlation coefficients (r) were less than 0.2, hence the hypotheses that there is a negative association between sustained effort at alleviating poverty through local government advances scenario framework and social programmes were accepted.

5. CONCLUSION

The results shows a negative impact on effort at eradicating poverty and that local government concern about alleviating poverty does not commensurate with the dependency theory as critical infrastructure and a viable market space is still lacking. The people’s expectation on sustained effort at alleviating poverty through local government advances is negatively impacted by the local authorities. This is partly because they are either not educated on what to do with the land, or because some people are just stuck in their rudimentary ways of doing things or are not financially buoyant to cultivate such lands, local government could mobilized such rural communities and provide them with economic advance i.e. Mixed Farming Advance to improve their economic capabilities thus increasing their income and agricultural productivity which will go a long way in

creating economic activities in agriculture and other economic sector through agricultural value chain.

6. RECOMMENDATIONS

Base on the literature and findings of this paper, the following recommendations are made

1. Local Government decision makers should determine appropriate level of services and provide a financing source for service delivery.
2. Local Government decision makers should introduce user fees in the area of water, sewerage, intracity transit and electricity so as gainer more funds that can sustain social security and welfarism.
3. Local Government decision makers should mobilized adequate financial resources from local sources with a view to providing efficient and effective public services in rural-urban areas.

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