ROLE OF ECONOMIC GROWTH IN POVERTY REDUCTION IN NIGERIA

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ABSTRACT

This study examined the effect of economic growth on poverty in Nigeria. The study was informed by the rising poverty level in the country, despite concerted efforts made by government towards poverty reduction. It explored the relationship between economic growth and poverty reduction in Nigeria by identifying components that influence economic growth in various sectors of the economy. In order to address the problem, time series data covering the period 1990 to 2023 was used to estimate the variables in the model. Autoregressive Distributed Lag (ARDL) model was used to estimate the regression equation. It was found that gross capital formation has negative and insignificant impact on poverty reduction. This indicates the need for continuous investment in capital formation to boost industrialization, which enhance economic growth. The study found that economic growth has negative and significant impact on poverty reduction both in the short run and long run. Based on the findings, it was recommended that poverty reduction policies that enhance economic growth through expansion of employment opportunities, agricultural productivity, raising investment and improving the living standard of households should be encouraged in the country.

Keywords: Economic Growth, Poverty, ARDL model

JEL Classification Codes: C22, I32, O40, P36,

1 INTRODUCTION

The economic growth of any country is a clear indication of improvement in the well-being of its people. A deterioration in the growth rate in most developing countries like Nigeria is an indication of fall in the standard of living of the people, which may culminate to poverty. An increasing interest has been witnessed in recent times on the impact of economic growth on poverty reduction. According to World Bank (2013), both cross-country research and country case studies provide overwhelming evidence that rapid and sustained growth is critical to making faster progress towards the reduction of poverty in an economy. The rising poverty level in Nigeria has constituted a menace to the overall performance of the economy, and cannot be ignored if meaningful development is desired. The cyclical trend of poverty ultimately affects economic growth, which in turn leads to low productivity. According to Meier & Stiglitz (2001) over one billion people across the globe still live in poverty and it becomes clear that the trickle-down effect of growth must be supplemented by policies of inclusion that lessen sharp disparities in incomes and assets, enhance human capital accumulation and employment opportunities, which assist in providing safety nets for the more vulnerable people in the society. Poverty reduction has become a key goal for development and it can be achieved through economic growth.

Most recent statistics on global poverty by the World Bank show that about 734 million individuals live below the poverty line of $1.90 per day threshold (World Bank, 2020). The United Nations Development Programme (UNDP) also reports that nearly 1.3 billion individuals are multidimensionally poor with deprivations in health, education, standards of living, and economic opportunities (UNDP, 2018).

According to National Bureau of Statistics (NBS) multidimensional poverty index (MPI) 2022 report, 63% representing 133 million people in Nigeria are living below the poverty line. In

general, the incidence of income poverty is lower than the incidence of multidimensional poverty across most states. In Nigeria, 40.1% of people are poor according to the 2018/2019 national monetary poverty line, and 63% are multidimensionally poor according to the National multidimensional poverty index (MPI) 2022. Multidimensional poverty is higher in rural areas, where 72% of people are poor, compared to 42% of people in urban areas (NBS, 2022).

The poverty situation is pathetic for a country that is faced with high rate of poverty, which needs economic growth to reduce it. The irony of growth in the face of poverty has led to the assessment of other factors such as employment, agricultural output, investment, capital formation and social services that could mediate the role of economic growth in poverty reduction. Hence, the main objective of the study is to examine the impact of economic growth on poverty reduction in Nigeria.

2. LITERATURE REVIEW

Several studies have been conducted on the relationship between poverty and economic growth to verify the theoretical underpinnings relating to poverty and growth nexus in both developed and developing countries. A brief review of those studies that are most relevant for the analysis in this study was conducted.

2.1 Conceptual Literature

2.1.1 Concept of Poverty

The concept of poverty has been defined in various literatures particulary, Aigbokhan (2017) and each of the approaches emphasized different dimensions of well-being. Among the various dimensions considered in the literature, distinction could be made between those approaches which focus on living standards and those which focus on the rights and opportunities of individuals. The search for relevant literatures show that there is no general consensus on any meaningful definition of poverty. Omobowale (2014) described poverty as a state where the people are deprived of good things of life and the ability to achieve the desired state of wellbeing and socially acceptable standard of living. Abubakar, Lawal & Aliyu (2022) assert that poverty is a global phenomenon, which affects continents, nations and the people. It afflicts people in various depths and levels, at different time and phases of existence. Tollens (2002) observed that poverty is not an intrinsic attribute of people, but a product of livelihood systems and the socio-political forces that shape them. Thus, poverty reduction is highly desirable.

Ijaiya, Bello & Ajayi 2011) sees poverty as the state of being in lack. It is the inability to meet basic needs of life. It is also the inadequacy of resources which are essential to meet basic human and economic needs. Poverty is evident in various ways which include among others, lack of income, inadequate food supply, lack of access to education and other essential amenities, shortage or unavailability of productive resources for sustainable livelihood, malnutrition, ill-health, homelessness, etc.

Olowa (2012) assert that a concise and universally accepted definition of poverty is elusive largely because it affects many aspects of the human conditions, including physical, moral and psychological. Therefore different criteria have been used to conceptualize poverty. Most scholars follow the conventional view of poverty as a result of insufficient income for securing basic goods and services.

In Nigeria, widespread and severe poverty is a reality. It is a reality that depicts a lack of food, clothes, education and other basic amenities. Severely poor people lack the most basic necessities of life to a degree that it can be wondered how they manage to survive. There are several effects and deficiencies associated with poverty in Nigeria.

2.1.2 Economic Growth and Poverty Reduction

The success of economic growth in reducing poverty cannot be taken for granted as it depends on a number of factors in particular the sectoral composition of output, the relative prices, government spending and the policies financing development at the sectoral level making the mechanism a subject of debate. The evidence in the poverty literature remains dominated by a paradigm shift of growth thought to be necessary for poverty reduction, with claims that the economic growth path in developing countries has been pro-poor (Dollar & Kraay, 2002).

Aijaz & Tajamul (2018) assert that under different conditions, similar rates of growth can have different effects on poverty, the employment prospects of the poor and broader indicators of economic growth. The extent to which growth reduces poverty depends on the degree to which the poor participate in the growth process and share in its proceeds. They posit that the pace and pattern of growth thus, largely affects poverty. A successful strategy for poverty reduction must have at its core strategic objective the promotion of rapid and sustained economic growth. According to Ihenetu & Sotonye (2021) poverty itself is the state of being poor. They see poverty reduction as the act of reducing poverty in the country. Poverty reduction was also viewed as a strategy adopted by responsible and responsive government to reduce poverty in all its ramifications. Poverty reduction has been a major policy goal of government and diverse researches resulted in an affirmative correlation between economic growth and poverty reduction.

(Agrawal, 2008) posit that economic growth is a prerequisite for improved welfare. He sees economic growth as the most powerful instrument for reducing poverty and improving quality of life in developing countries. Aijaz and Tajamul (2018) assert that both cross-country research and country case studies provide overwhelming evidence that rapid and sustained growth is critical to making faster progress towards reducing the level of poverty. Growth can generate virtuous circles of prosperity and opportunity. Strong growth and employment opportunities improve incentives for parents to invest in their children's education by sending them to school. This may lead to the emergence of a strong and growing group of entrepreneurs, which should generate pressure for improved governance. Strong economic growth therefore advances human development, which in turn, promotes poverty reduction.

Garrett (2010) assert that positive link between economic growth and poverty reduction is clear. He further stated that the impact of the distribution of income on the relationship in particular, whether higher inequality lessens the reduction in poverty generated by growth is less clear. Initial levels of income inequality are important in determining how powerful an effective growth has in reducing poverty. According to Rodrik (2007) economic growth can generate virtuous circles of prosperity and opportunity. Strong economic growth help to improve incentives for human capital development and employment opportunities. But under different conditions, similar rates of growth can have different effects on poverty reduction, the employment prospects of the poor and broader indicators of human development. The extent to which economic growth reduces poverty depends on the degree to which the poor participate in the growth process and share in its proceeds. The pace and pattern of economic growth thus, largely affect the rate of poverty reduction in an economy.

Todaro & Smith (2015) posit that the linkage between economic growth and poverty reduction is complex with multifaceted relationship that has been a subject of study in economics and development literature for decades. While economic growth can contribute to poverty reduction, the extent and nature of this relationship depend on various factors, including the distribution of growth benefits, institutional factors, and policy interventions.

2.2 Theoretical Framework

The Keynesian theory and was adopted due to its relevance to this study. The Keynesian theory asserts that aggregate demand measures the sum of spending by households, businesses, and

the government, which is the most important driving force in an economy. The theory further assert that free markets have no self-balancing mechanisms that lead to full employment. Keynesian theory justifies government intervention through public policies that aim to achieve full employment and price stability, and tends toward economic growth (Keynes, 1973). The Keynesian theory is of great relevance in rectifying diverse omissions by integrating the real and financial sectors of the economy. It brings to focus macroeconomic forces and the role of government in ensuring economic stabilization and public goods. Keynes believes that people are poor because they are unemployed, hence poverty is involuntary. The Keynesian theory further states that economic growth is the most effective factor to reduce poverty. It proposes that public investment (on education, health, capital projects, etc.) leads to economic growth which in turn should have a downturn effect on poverty.

2.3 Empirical Review

Chinaza & Ikeafe (2022) examined economic growth and poverty in Nigeria for the period 1980 to 2019. Augmented Dickey-Fuller (ADF) test, Phillips-Quliaris cointegration test and Dynamic Ordinary Least Square (DOLS) were used in the study. The findings revealed that economic growth have an inverse long-run relationship with poverty reduction in Nigeria over the period under study. Accordingly, the result was statistically significant, which conforms to the *a priori* expectation. The study further revealed that unemployment and population growth rate have significant negative impact on poverty in Nigeria. It was found that, while secondary school enrolment and foreign direct investment were statistically significant, they have positive impact on poverty in Nigeria. This indicates that economic growth has not been influencing the level of poverty in Nigeria.

Ihenetu & Sotonye (2021) investigated the effect of economic growth on poverty reduction in Nigeria. Data were collected from CBN statistical bulletin and World Bank for twenty five (25) years covering the period 1995 to 2019. Ordinary least square regression was used to analyze the data after conducting stationarity test utilizing Augumented Dicky Fuller (ADF) unit root test. The findings showed that gross domestic product (GDP), gross national product (GNP) and per capita income (PCI) has no significant effect on poverty reduction in Nigeria.

Ngubane, Mndebele & Kaseeram (2023) examined economic growth, unemployment and poverty using linear and non-linear evidence from South Africa. The study identified economic growth as the main hurdles to reducing poverty, while unemployment is one of the mutual friends with poverty. To understand how unemployment and economic growth affect poverty, Autoregressive Distributed Lags (ARDL) and non-linear Autoregressive Distributed Lags (NARDL) models were used through the time series data from 2000Q1 to 2021Q4. Based on linear evidence, the findings of the study supported the idea that economic growth reduces poverty in the long-run, while unemployment increases poverty in the long-run. The asymmetric evidence confirmed that although negative shocks of economic growth reduce the poverty rate, the positive shocks of the former reduce the poverty rate. On the other hand, poverty rates rise concurrently as a result of both positive and negative shocks of unemployment rates.

Siwu, Azike & Ngwu (2021) examined the impact of rising GDP on poverty reduction in Nigeria for the period 1982 to 2019. The study aimed to identify whether the growth in Nigerian economy is pro-poor. Annual time series data on poverty rate, GDP growth rate and gross fixed capital formation are the variables used for the analysis. A dummy variable for democracy was also constructed to test for the impact of governance on poverty reduction in Nigeria. Autoregressive Distributed Lag (ARDL) model was adopted in the estimation procedure. The empirical results show that GDP growth rate, which measures economic growth, has negative and significant impact on poverty rate in the short run. However, its impact on poverty rate was positive and significant in the long run. Gross fixed capital formation has negative and

significant impact in poverty rate both in the short run and in the long run. Democracy has negative and significant impact on poverty rate in the short run, while in the long run, its impacts becomes positive and significant. The implication is that growth in Nigeria is not pro-poor.

Dauda (2020) investigated the linkage between economic growth and poverty surge in Nigeria. The study used Pearson Correlation, Granger Causality test, and the impulse response function (IRF) for the period 1981 to 2019. The Granger causality test and impulse response function conducted supported the findings since it reveals that growth is pro-poor, while the latter reveals that unemployment and poverty do not respond to shocks in economic growth. In line with the findings, the study concluded that output growth is exclusive of the poor. Thus, there is a need for stable macroeconomic policies that would ensure equal distribution of income, which attracts the poor and unemployed into the mainstream and promotes inclusive economic growth and poverty reduction.

Dada & Fanowopo (2020) examined the role of institutions in the nexus between economic growth and poverty reduction in Nigeria over the period 1984 to 2018. The study employed two institutional quality variables, namely, corruption control and political stability. In the study, economic growth is proxied by per capita income, while poverty is measured using household consumption. Applying Autoregressive Distributed Lag (ARDL) approach to cointegration, the results show that economic growth and institutions have positive effects on per household consumption in both the short run and long run. This implies that as institutions and economic growth increase, per household consumption also increases, while poverty decreases. The conclusion drawn is that sound institutions and sound economic growth are important in reducing poverty.

Agbasi, Edoko & Ezeanolue (2018) examined the impact of economic growth on poverty reduction in Nigeria for period 1980 to 2017. The study used Vector Autoregressive (VAR) model by selecting macroeconomic variables such as poverty, unemployment, population, mortality rate, life expectancy rate, corruption, consumption, per capita income, illiteracy rate and Gross Domestic Product (GDP) in Nigeria to ascertain the effect and relationship in the country's poverty-growth nexus. Findings from the study revealed that there is significant effect and relationship between poverty, unemployment, mortality rate, consumption and Gross Domestic Product (GDP) in Nigeria.

Ebunoluwa & Yusuf (2018) explored the effect of economic growth on poverty reduction in Nigeria using time series data spanning from 1980 to 2016. The study used Augmented Dickey Fuller (ADF) unit root test and Johansen cointegration test to determine stationarity and long-run relationship among the variables respectively, while Vector Autoregressive (VAR) model was used to determine the effect of government expenditure, unemployment growth rate and real GDP on poverty reduction. The result of the study showed that government expenditure is positively related to poverty reduction. It revealed that the poor are not benefiting from the economy at large, especially from total government expenditure. The GDP coefficient, which is a proxy for economic growth conforms to the *a priori* expectation, which depicts a negative relationship between economic growth and poverty reduction, while unemployment growth rate relates positively to poverty reduction.

Ijaiya, Bello & Ajayi (2011) investigated the impact of economic growth on poverty reduction in Nigeria for the period 1980 to 2008. The study used Vector Autoregressive (VAR) model for multiple regression analysis, taking the time subscript into consideration coupled with a difference-in-difference estimator that describes poverty reduction as a function of changes in economic growth. It was found that although the initial level of economic growth was not enough to reduce poverty, a positive change in economic growth is prone to poverty reduction, while sustainability in economic growth was crucial in the long run toward poverty reduction.

The study, therefore, proposed stable macroeconomic policies, massive investment in agriculture, infrastructural development and good governance.

3. METHODOLOGY

The study used ex post facto research design and adopted Autoregressive Distributed Lag (ARDL) model to measure the stated objectives of the study. This method was used by Pesaran, Shin & Smith (2001). Once a long-run association is established between the variables in the equations, the study then proceeds to examine the short-run dynamics and the long-run effect using Autoregressive Distributed Lag (ARDL) bound test. The ARDL technique which accommodates both I(0) and I(1) variables as long as none of the variables is above I(1). This method requires a cointegration approach based on bounds test, which utilizes *F*-statistics to validate the existence of long-run equilibrium. This study used the Autoregressive Distributed Lag (ARDL) bounds testing approach for cointegration to check for the long-run movement of the variables as well as to consider the robustness of the results (Pesaran, Shin & Smith, 2001).

3.2 Model Specification

To conduct an empirical assessment of the relationship between poverty and economic growth, the econometric forms of the equation are expressed below:

$POV_t = f(EMP, AGR, INV, GCF, SCS)$ - - - - - - (3.1)

The function captures the relationship between the dependent variable and the independent variables. This study incorporate poverty rate for poverty reduction.

$POV_t = \alpha + \beta_1 EMP_t + \beta_2 AGR_t + \beta_3 INV_t + \beta_4 GCF_t + \beta_5 SCS_t + U_t$ - - - - (3.2)

Where:

POV = Poverty Rate
EMP = Employment
AGR = Agricultural Output
INV = Investment
GCF = Gross Capital Formation
SCS = Social Services
u_t = Error term
α = Intercept

β_1 , β_2 , β_3 , β_4 , β_5 = The slopes of the parameters to be estimated in the model

The short-run and long-run impact of economic growth on poverty reduction can be specified in Autoregressive Distributed Lag (ARDL) model as follows:

$$\Delta POV_t = \alpha_0 + \sum_{i=1}^{k} \rho_i \Delta lnPOVR_{t-1} + \sum_{i=1}^{s} \sigma_i \Delta lnEMP_{t-i} + \sum_{i=1}^{m} \beta_i \Delta lnAGR_{t-i} + \sum_{i=1}^{q} \varphi_i \Delta lnINV_{t-i} + \sum_{i=1}^{d} \lambda_i \Delta lnGCF_{t-i} + \sum_{i=1}^{r} \delta_i \Delta lnSCS_{t-i} + \pi_1 lnPOV_{t-1} + \pi_2 lnUEMP_{t-1} + \pi_3 lnAGR_{t-1} + \pi_4 lnINV_{t-1} + \pi_5 lnGCF_{t-1} + \pi_6 lnSCS_{t-1} + \varepsilon_t \quad (3.3)$$

Where Δ represents change and it is the short-run movement, π_n (i = 1, 2, 3, … , n) represents the long-run movement, while k, s, m, q, d, and r, are the maximum lags selected using the Akaike Information Criterion.

As stated above, the study used the Autoregressive Distributed Lag (ARDL) technique which accommodates both I(0) and I(1) variables as long as none of the variables is above I(1). This method requires a cointegration approach based on bound test, which utilizes *F*-statistics to validate the existence of long-run equilibrium. Since the sampled period is relatively small

(1990 - 2023), the study used the critical values as reported by Narayan (2004) and Dada & Fanowopo (2020).

The *a priori* expectation criteria which is based on the signs and magnitudes of the coefficients of the variables under investigation are as follows:

$\alpha>0$; $\beta_1>0$; $\beta_2>0$; $\beta_3>0$; $\beta_4>0$; $\beta_5>0$

From theoretical estimate, the intercept is expected to be a positive integer.

The data for the study were sourced from the National Bureau of Statistic (NBS), Central Bank of Nigeria (CBN) Statistical Bulletin, World Bank (World Development Indicators) and Penn World Table (PWT) Database. The data were time series in nature covering the period 1990 to 2023.

4 RESULTS AND DISCUSSION OF FINDINGS

4.1 Stationarity (Unit Root) Test Results

Table 1: Augmented Dickey-Fuller (ADF) Test Results

Variables	Level	Critical Value	1st Difference	Critical Value	Remarks
POV	-1.912265	-3.552973	-4.270107	-3.574244	I(1)
EMP	-1.816588	-3.557759	-3.871553	-3.557759	I(1)
AGR	1.945235	-3.562882	-4.383249	-3.557759	I(1)
INV	0.075211	-3.552973	-4.788665	-3.580623	I(1)
GCF	0.382506	-3.574244	-4.496546	-3.574244	I(1)
SCS	-2.124634	-3.557759	-4.248672	-3.580623	I(1)

Source: Computed by the Researcher (2024)

Notes: (a) Critical values are at 5% significance level.

(b) The lags were selected automatically based on the optimal lag length selection of the Akaike Information Criterion (AIC).

The result presented in Table 1 indicate that all the variables in the model are stationary at first difference i.e. I(1), while none of the variables were stationary at level i.e. I(0), which implies that all the variables in the model are stationary. This indicates that the series variables in the model are stationary at 1%, 5% and 10% asymptotic critical values of significance.

4.2 Cointegration Test

The Autoregressive Distributed Lag (ARDL) bounds test approach was adopted to test for cointegration long-run relationship among the variables in the model.

Table 2: ARDL Bounds Cointegration Test

F-Bounds Test	Null Hypothesis (H_0): No long-run relationship			
Test Statistic	**Critical Value**	**Significance Level**	**I(0)**	**I(1)**
F-Statistics	5.030378	1%	3.93	5.23
k = 5		5%	3.12	4.25
		10%	2.75	3.79

Source: Computed by the Researcher (2024)

Notes: (a) Critical values are at 5% significance level

(b) The lags were selected automatically based on the optimal lag length selection of the Akaike Information Criterion (AIC)

In the ARDL bounds cointegration test result presented in Table 2, the critical value of the *F*-statistics for all the variables in the model, that is 3.841170 is greater than the upper and lower

bounds critical values at 1%, 5% and 10% significance level, which suggest the existence of cointegration among the variables in the model. This clearly shows that there is a long-run equilibrium relationship between the dependent variable and the independent variables.

4.3 Regression Result

Table 3: Autoregressive Distributed Lag (ARDL) Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	20.94070	62.62023	3.208878	0.0051
EMP	10.54743	2.573360	4.098701	0.0007
AGR	-0.008446	0.003693	-2.287140	0.0353
INV	0.008197	0.003379	2.426091	0.0267
GCF	-0.001577	0.001843	-0.855816	0.4040
SCS	-0.130047	0.058918	-2.207266	0.0413
R-squared = 0.967401				
Adjusted R-squared = 0.931338				
Durbin Watson (DW) Stat. = 2.130779				
F-Statistic = 14.90509		Prob.(F-statistic) = 0.001119		

Source: Computed by the Researcher (2024)

The coefficient of employment (EMP) is positive, which implies that there is positive relationship between employment and poverty reduction. This is in line with the economic *a priori* expectation. This indicates that a unit change in employment (a one percent increase in employment) will lead to 10.55% increase in poverty reduction. It was found to be statistically significant with the probability value of 0.0007 which is less than 0.05 level of significance. The coefficient of investment (INV) is positive, which implies that there is positive relationship between investment and poverty reduction. This is in line with the economic *a priori* expectation. This indicates that a one percent increase in investment will a lead to 0.0082% increase in poverty reduction. The coefficient of agricultural output (AGR) is negative, and it is not in line with the *a priori* expectation. This implies that there is negative relationship between agricultural output and poverty reduction. Also, a unit change (a percentage increase) in agricultural growth will lead to 0.0084% decrease in poverty reduction. The coefficient is statistically significant with the probability value of 0.0353 which is less than 0.05 level of significance. The coefficient is statistically significant with the probability value of 0.0267 which is less than 0.05 level of significance. The coefficient of gross capital formation (GCF) is negative, and it is not in line with the *a priori* expectation. It also shows that a percentage increase in gross capital formation will lead to 0.0016% decrease in poverty reduction. The coefficient is not statistically significant with the probability value of 0.4040 which is greater than 0.05 level of significance. The coefficient of social services (SCS) is negative, and it is not in line with the *a priori* expectation. The result also shows that a one percent increase in social services will lead to 0.13% decrease in poverty reduction. The coefficient is statistically significant with the probability value of 0.0413 which is less than 0.05 level of significance.

The long-run result of Autoregressive Distributed Lag (ARDL) model in Table 3 showed that the R-squared value is 0.9674 which indicates that there is goodness-of-fit in the model. The R-squared shows that 96.74% of the variations in the dependent variable is explained by the explanatory variables, which is a good-fit in the model. The Durbin-Watson (DW) statistics value is 2.13, which indicates the absence of the problem of autocorrelation or serial correlation in the model. The *F*-statistic value of 14.90509 and its probability value of 0.001119 is less than 0.05 shows the overall significance of the model, which indicates that the result can be relied upon in forecasting the trend of poverty reduction and economic growth in Nigeria.

4.4 Discussion of Findings

This study examined the effect of economic growth on poverty reduction in Nigeria. The Autoregressive Distributed Lag (ARDL) test was used to establish both short-run and long-run equilibrium relationship among the variables in the model. As indicated employment and investment have positive effect on poverty reduction, while agricultural growth, investment and gross capital formation have negative effect on poverty reduction in the model. This indicated that a stable increase in employment and investment leads to significant reduction in poverty. This indicates that economic growth does not contribute to poverty reduction in the short-run and long run. It was found that gross capital formation has not moved with the growth rate of domestic investment in Nigeria. The findings of this study also revealed that there is significant economic growth over the period under consideration and economic growth does not contribute to poverty reduction in the long-run. This finding is in line with the study of Dauda (2017) where economic growth did not lead to poverty reduction, among others, because it was not possible to achieve necessary structural transformations for sustainable growth, employment creation, and enhancing productivity in the economy. The findings is in contrast with the work of Dada and Fanowopo (2020) which revealed that in the long-run, investment and capital formation have positive effect on poverty reduction, while the interactive effect of the variables on economic growth is negative. This could be further explained on the ground that increase in economic growth is an indication of improvement in productivity of labour force and this translates to the real sector of the economy, which would lead to poverty reduction. The results of the study revealed the employment and investment contribute significantly to economic growth and subsequently poverty reduction in the economy.

Ebunoluwa & Yusuf (2018) also found a negative relationship between economic growth and poverty reduction. Findings from the study of Chinaza & Ikeafe (2022) showed the economic growth has not translated into significant poverty reduction in Nigeria, which is line with the findings of this study. Nwosa (2019) found a positive but insignificant impact between economic growth and poverty reduction in Nigeria, which is in contrast with the findings of this study. But despite the inconsistency in the level of economic growth in Nigeria with the induced sector given the various components of economic growth in this study, the level of poverty in the country continues to rise. This indicates that economic growth over the period of this study has not been responsive to poverty reduction.

5 CONCLUSION AND RECOMMENDATIONS

The research explored the effect of economic growth on poverty reduction in Nigeria empirically, which the result showed that economic growth is not a vital tool for poverty reduction in Nigeria by maintaining both significant and insignificant negative relationship among most of the variables in the estimated model. This indicates that economic growth over the period of this study has not been responsive to poverty reduction. This disparity raises a lot of concerns for policy makers about the poor in the country. The findings indicate that the initial level of economic growth is not prone to poverty reduction, which is a situation that can only be sustained and improved upon if certain policy measures are put in place. Based on the findings from this study, it can therefore be concluded that economic growth does not contribute significantly to poverty reduction in Nigeria.

Based on the findings from this study, it was recommended that pro-poor policies and programmes that enhance increase in employment should be designed for reducing poverty and this should be centred on diversifying the Nigerian economy so that the benefits of economic growth will trickle down to the poor masses who constitute a larger proportion of population in the country. The government should focus more on the agricultural sector of the economy in order to drastically reduce poverty. The government should create enabling environment for gross capital formation to thrive through adoption of macroeconomic policies which will create

investment opportunities in the economy and contribute to the economic growth. The policies and programmes for economic growth should be directed at the poor by providing social and community services.

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