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The Incidence of Mass Poverty amidst High Economic Growth in Nigeria: the Evidence of Gross Mismanagement of Resources in a Democracy 1999 – 2014

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Abstract

The incidence of mass poverty in Nigeria amidst high economic growth is evidence of gross mismanagement of resources by the leadership. The study spanned from 1999 to 2014. Available statistics had shown that the Nigerian economy on the average had grown at the rate of 7.4% which compared favourably with the global average of 3.5%. However, within the study period World Bank reported that 7% (84 million) of the world's poorest people lived in Nigeria. Our objective was to unravel this paradox and find out if there was any significant relationship between the mass poverty and mismanagement of resources. Secondary data were sourced from the National Bureau of statistics (NBS) and the Central Bank of Nigeria (CBN) Statistical Bulletin. The data were subjected to inferential statistical analyses and used to test the hypotheses formulated for the study. The finding was that mismanagement`` of resources had impacted significantly on the incidence of poverty in Nigeria. There had been many leakages from the circular flow of income through high cost of governance, unbridled importation of foreign goods and capital flight. The researchers recommended ways to block the leakages through public policy thrust in order to increase domestic investment, create jobs and reduce the level of poverty.

Keywords:
Mass Poverty, High Economic Growth, Mismanagement of Resources, Expensive Governance, Unbridled Importation, Capital Flight

Background to the Study

There are basically two branches of management actions namely: Public Sector Management and private sector management; Public sector management relates to the economic management of human and material resources in a particular economy for the sustainable and inclusive development of the place. Development is inclusive when all strata of the population are taken into reckoning so that poverty and inequality will be alleviated even if it can not be eradicated.

The growing incidence of mass poverty in the midst of high economic growth in Nigeria as proxied by the expanding Gross Domestic Product (GDP) should give cause for concern to any critical minded Nigerian and intellectuals, the world over. As at year end 2014 the Nigerian rebased GDP was put at N81 trillion (US $ 510 billion) making Nigeria's economy the largest in Africa and the 26^{th} in the whole world. The rebasing exercise also placed Nigeria's economy, growing at the rate of 7.4% in the group of countries with high growth rates like China and India. The Global average is 3.5% Also it placed Nigeria in the comity of nations with approximate GDP namely: Argentina ranked as 25^{th}, Austria, 27^{th}, and South Africa 28^{th} (Okeke, 2014 p.6). The happy thing about the structure of the Nigerian economy is the paradigm shift that is making the non oil sector of the economy drive increases in the GDP. Manufacturing has become Nigeria's biggest driver of growth with 22% growth rate in 2013 and contributing 6% of GDP according to statistics from the National Bureau of Statistics (NBS). Agriculture now contributes 45% of GDP. Services, wholesale/retail trade and telecommunication are also making strides as well as entertainment.

Inspite of the relatively beautiful outing of the Nigerian economy the World Bank report (2014) stated that 7% (84 million people) of the world's extremely poor people resided in Nigeria. Other countries grouped with Nigeria as together harbouring 1.2 billion poverty ravaged people included India 33%, China 13%. Bangladesh 6% and DR Congo, 5%. In all these countries the world's poorest earned less than $1.20 a day. Nigerians should not experience such incidence of mass poverty if the economy was managed effectively. Currently there is a marginal set back in the economy because of dwindling revenue from oil occasioned by fall in the price of oil from about US $107.89 in 2014 to less than US $50.00 (Yusuf, 2015 p.1) But, this has nothing significant to do with the mass poverty. The problem has to do with endemic mismanagement of human and natural/material resources particularly within the last 16years of the present third republic and out right theft/corruption by appointed public officers who abuse their positions.

Statement of the Research Problem

The problem that prompted this study related to the high incidence of poverty amidst high economic growth in Nigeria.

Statement of the Research Objective

Our objectives were to find out:

(1) If the level of GDP was significantly related to mismanagement of resources.

(2) If the high incidence of poverty in Nigeria was significantly related to mismanagement of resources.

Statement of Hypotheses

To achieve the stated objectives we formulated the following two hypotheses to guide the study

(1) There is no significant relationship between high level of economic growth in Nigeria proxied by the level of G.D.P and mismanagement of resources proxied by the high level of importation of foreign goods. ($P \geqslant 0.05$).

(2) There is no significant relationship between mass poverty in Nigeria and mismanagement of resources proxied by high level of importation of foreign goods. ($p \leqslant 0.05$).

The Concept of Mass Poverty

By the incidence of mass poverty in this work, we mean the extent to which a large number of poor people is recorded periodically. Available statistics show that the incidence is high in Nigeria (NBS, 2011). In literature poverty is considered from two different perspectives: poverty of lack of money and poverty of lack of power. A man is poor if-he has insufficient cash and adequate resources to satisfy his basic needs as a human being. He is also poor because he lacks the power or opportunity to change his situation, in life. People in this station in life, according World Bank, live below poverty line of $1.00 a day. Consequently, these people have inadequate feeding, lack education and are not well informed.

Poor people cannot satisfy their basic health needs also and generally have short life span. They live in slums, and have no access to safe water. For example, In Makoko Lagos 250,000 people live on floating slum. And because they are uninformed they lack modern family planning techniques and have too many children. They exhibit extreme religiosity and attribute everything to God including preventable deaths.

Omorogbe and Mbaegbu, (2007 pp 87-97) have differentiated between urban poverty and rural poverty which are respectively associated with those who live in urban and rural areas. It is not clear which one is worse. Those in the rural areas of Nigeria tend to mitigate this scourge of poverty by feeding from rural subsistence farming at seasons but they generally lack urban amenities. Since majority of Nigerians live in the rural areas, according to Anam (2014), there are more poor people in rural areas, their roads are in more dilapidated conditions, they lack pipe borne water and electricity supply and generally live from hand to mouth. The urban poor, on the other hand, make do with odd jobs to earn their stipend. Some of them convert any available space in town into an illegal market place for street trading. Others resort to begging, yet others go to motor parks as touts (*Agbenro)* fighting for passengers to earn their own stipend from drivers. There are also itinerant shoe shiners and "pastors" carrying the bible up and down and asking people to support their "ministries" with money. They are the ones that "eat from the Lord's vine yard". Some "smart guys" among the poor folks in Nigeria have taken to the practice or herbal medicine to survive claiming to cure all manner of diseases and exploiting the ignorance of those who cannot afford medical bills from orthodox hospitals.

Table 1: Nigerian Population in Poverty 1980 – 2010 Selected Years

S/N	Year	Population in poverty
1.	1980	17.1 million
2.	1985	34.7 million
3.	1992	39.2 million
4.	1996	67.1 million
5.	2004	68.7 million
6.	2010	112.47 million

Source: Nigeria National Bureau of Statistics, 2011, www.nigeria.stat.gov.ng

The Concept of Mismanagement of Resources

Resources are mismanaged when they are expended without effective results. Mismanagement of resources has the same effect as theft and corruption of government officials. However, there are conceptual differences between mismanagement of resources and official corruption. While the former is due to inefficiency the later is due to graft and outright theft, *ab initio.*

All through the history of Nigeria as a nation state there have been evidences of mismanagement of resources particularly during the last administration of the People's Democratic Party. One case that is worthy of mention is the incapacitation of oil refineries. Throughout much of the military regimes and the P.D.P administrations these refineries were never refurbished and rehabilitated. The various governments preferred exporting cheap crude oil and importing refined products at exorbitant prices. To lessen the effect of imported inflation on the masses the governments resorted to subsidizing the cost of petroleum products imported by independent marketers. These marketers cashed into this mismanagement and often submitted fictitious bills on products not imported. The process of scrutinizing the bills often increased the waiting time for payment and attracted payment of interests on proven subsidy amounts as well as foreign exchange equalization fees and differentials. Subsidy scams as Ibrahim (2014 p.1) reported made Nigeria loose N2 trillion annually from late 1990 to 2014.

Another case of mismanagement relates to the issue of *Crude Swaps Deal.* In the swap deal crude oil is exchanged with finished products (petrol, Kerosene etc) in a form of barter. However the Nigerian Extractive Industries Transparency Initiative (N.E.I.T.T) has reported in its 2009 to 2001 and 2012 audit of the Nigerian National Petroleum Corporation (NNPC) a difference of $600 million between the value of crude oil exchanged in the deal and the value of product received. More crude had been exchanged with finished products.

We cannot talk of mismanagement without talking of the mess in the energy sector that necessitates the importation of 60 million electric generators annually by Nigerians (Chesa & Okafor, 2013 p1). As observed by the Vice President dubious contracts amounting to several billions of dollars had been awarded over the past 16 years yet Nigeria cannot generate and distribute anything more than 4000 mega watts of electricity. Power in required to industrialize the economy, create jobs and reduce poverty (Olayeni, 2015 p.4)

In summary a global crude oil security watch dog, *IRN security* based in UK has put the amount of oil revenue earned by Nigeria since independence in 1960 at over $600 billion out of which Nigeria has lost $400 billion to either mismanagement or theft/corruption (Yusuf, 2015 p.1) with over $150 billion stolen in the past decade according to the president (Tribune no 16, 287 Tuesday 21 July, 2015 p.1.)

Theoretical Framework

According to Keynes (1936) economic growth is a dependent function of aggregate demand made up of consumptions demand for food, clothing etc and investment demand for industrial capacity expansion. For this purpose the Gross Domestic Product (GDP) growth rate is proxied with economic growth rate and this quantity is also identical with National Income growth rate when earned by households. Expatiating on this theory Jhingan (2010 pp.72-78) in the theory of the circular flow of income posited that income and expenditure of households in the ensuing period is reduced if there are leakages from the economy such that complementing funds flow are not made available for investment and consumption within the economic system. This is basically the trouble with Nigeria. There are too many leakages from the circular flow of income in Nigeria. This is such that much of the economic growth is not reinvested in the economy to create employment for the poor masses, increase their income and reduce the poverty level. In other words, Nigerian leaders create jobs outside their own economic system. Through corruption they dump scarce resources into foreign banks which make loanable funds available to foreign business people for investment and job creation. Leakages also occur through unbridled importation, capital flight and other evidences of mismanagement.

Review of Literature

Much has been written on poverty in Nigeria. For instance Mbaegbu and Gbandi (2014) attributed poverty level in Nigeria due to lack of employment generation in real terms. Omorogbe and Mbaegbu (2006) examined the impact of lack of foreign investment on the poverty level in Nigeria. Anam (2014 p. 35) differentiated between urban and rural poverty in Nigeria. In a paper presented at the 9th annual conference of the Academy of Management, Nigeria, Mbaegbu, Okoronkwo and Agbajeogu (2015) studied official corruption from pre independence era to the present democratic dispensation and analyzed its effect on poverty level. The review of literature in this instant work positions poverty as a direct function of the following independent variables which are leakages from the circular flow of income.

Expensive Cost of Governance and Public Expenditure

The cost of governance in Nigeria is a potent source of leakage from the income stream. Writing under the heading "Greedy Law Makers" Ayorinde (2010 pp. 18-21) reported how the National Assembly arm-twisted the presidency to approve over bloated budgets for their selfish and corrupt uses. These amounts ran into trillions of naira from 2008 - 2010. Table 2 below shows budgetary allocations presented to the National Assembly from 2008 to 2010 and the amounts the presidency was forced to assent into law including the amounts padded by the law makers. Law makers in other climes checkmate and prune down excessive government expenditure but in Nigeria the law makers hike it up.

Table 2 Appropriation Bills 2008-2010

Year	Amt Presented	Amt Approved
2008	₦2.4 trillion	₦2.7 trillion
2009	₦2.87 trillion	₦3.1 trillion
2010	₦4.1 trillion	₦4.6 trillion

Source: The *News* June 28, 2010 pp 18-21

Presently, there is an imbroglio over the appropriation of N9billion wardrobe allowance for law makers in 2015. Law makers want to wear clothings worth N9billion yearly while their compatriot's wear rags and *Okirika* (second hand clothing imported from abroad).

In the 2009 fiscal year, according to source, the presented budget of N2.87trillion included a deficit of N654 billion or 2.36% of the G.D.P. The National Assembly jacked up the budget to N3.108trillion with a deficit of N836.6 billion or 3.02% of G.D.P. Deficit financing is used to create jobs in saner countries but in Nigeria they are used to please the whims and caprices of law makers. According to the source under reference the deficit in the 2010 budget was used to increase the allocation to law makers by 50% and this included N57billion for refreshment etc, N1.6 billion *for miscellaneous expenses* for the senate and another N18.5billion *for their other miscellaneous expenses*. The lower chamber was to receive N1.5bilion *miscellaneous expenses* and N15.013 billion for *other miscellaneous expenses, what ever they were!*

This madness becomes clearer when we consider the personalized emoluments. In table 3 we present the take-home pay of law makers per annum in 2010.

Table 3 Emoluments of Law Makers in 2010

S/N	Office	Basic Salary P.a	Total Pay P.a
1	Senate President	₦2.484 million	N45.581 million
2	Deputy President	₦2.309 million	41.795 million
3	Senator	₦2.026 million	N35.158 million
4	Speaker	₦2.477 million	N41.739 million
5	Deputy Speaker	₦2.227 million	N38.536 million
6	House member	₦1.985 million	N32.805 million
7	State House Speaker	₦1.639 million	N26.811 million
8	Deputy State House Speaker	₦1.445 million	N22.665 million
9	Member State House	₦1.337 million	N21.863 million
10	Legislative leader	₦881,000	N12.95 million
11	Councilor	₦760.076	N12.15 million

Source: The News June 28, 2010 1.24

The *Niche* on Sunday July 05, 2015 p.3 quoted the World Bank in its 2014 development report as saying "Nigeria's parliamentarians are about the most paid in the world, with each MP earning (per annum) as much as twice or more the annual salary of United States President, aside sundry emoluments" which they collect.

Again, according to Nwokoro, (2014 p.3) emoluments of political office holders in Nigeria are the highest in Africa and rank third highest in the world. The annual basic salary of the Nigerian President is about N3.5million. His total annual emoluments with allowances added is N14 million and monthly emoluments is N1.16 million. The Revenue Mobilization and Fiscal Allocation Commission (RMFAC) has been described as cake sharer and not fiscal planner (Nwokoro, 2014 p.2). The cost of running the presidency compares with those of larger economies in the world. It includes the emoluments of the President, his Personal Assistants, Advisers, those of the Vice President and his retinue of Advisers, Personal Assistant, fleet of Presidential Jets and the cost of using them. Expensive cost of governance and public expenditure also includes rising debt profile. In 2014 the Nigerian Government had a hemorrhaging debt service to the tune of N712 billion which evidently constituted serious leakage from the income stream. It is sad that less than a decade that Nigeria exited from a US$36 billion foreign debt burden through debt forgiveness chiefly by the Paris Club and London Club of creditors, she is again back in the shackles of foreign debt. This year 2015 some N953 billion is allocated to foreign and local debts service with foreign debt servicing taking N59 billion. Total debt stock by 2013 was put at $9.96 billion or N1.55 trillion (see Ogbuokiri, 2015 p.32). With overall ratio of public debt to GDP of around 10% Nigeria is indeed neck deep into debt again using a good chunk of GDP to service debt instead of reinvesting it to create jobs and reduce poverty.

Unbridled Importation

Unregulated importation of goods from the world market is another source of leakage from the Nigerian circular flow of income. Exports are an injection or inflows while imports are leakages (Jhingan, 2010 p. 75) Nigerians importspractically any thing that captures their fancies including tooth picks and tomato paste from China (Anthony-Uko, 2015 p.15). Even foreign drinks (Champagne etc) the import of which are banned ostensibly are drank in government houses. Nigeria is the 6th largest producer of oil in the world yet her 4 refineries during the period practically stopped working and she imported the bulk of the fuel for domestic use. She exported cheap raw petroleum ore and imported expensive refined products with the attendant corrupt practices. Table 4 provides us with the profile of total imports from 1999 to 2011.

Table 4 Total imports (CIF) from 1999 – 2011 in millions, GDP in billions and percent of GDP

S/N 1	Year 2	Oil (Petroleum Products) 3	Non oil 4	Total Imports in Millions of Naira 5	GDP at Current Basic prices in Billions 6	Import as % of GDP 7
1	1999	211,661.8	650.853.9	862,515.7	4, 679.21	17.9
2	2000	220,817.7	764204.7	985,022.4	6,713.21	12.8
3	2001	237,106.8	1,121,073.5	1,358,180.3	6,895.20	1.4
4	2002	361,710.0	1,150,985.3	1,512,695.3	7,795.76	19.4
5	2003	398,922.3	1,681,313.0	2,080,235.3	9,912.52	21.0
6	2004	318,114.7	1,668,930.6	1,987,045.3	11,411.07	17.4
7	2005	797,295.9	2,003,557.4	2,800,856.3	14,610.88	19.2
8	2006	710,683.0	2,397,836.3	3,108,519.3	18,564.32	16.7
9	2007	768,226.8	3,143,725.8	3,911,952.6	20,657.32	18.9
10	2008	1,386,729.9	3,803,072.7	5,189,802.6	24,296.33	21.4
11	2009	1,063,544.2	4,038,990.2	5,102,534.4	24794.24	20.6
12	2010	1,756,724.6	5,857,715.8	7,614,440.5	54.204.80	14.0
13	2011	3,042,785.4	7,194,990.2	10,23,.775.6	63,258.58	16.2

Sources: National Bureau of statistics & Central Bank of Nigeria Statistical Bulletin 2011 p.211

A comparison with the GDP will make the reader appreciate the percentage of GDP spent on imports for comparable years. For example in 2008, we read that 21.4% of GDP was spent on imports and not reinvested into the system to create jobs The most regrettable aspects of this leakage in that the goods imported into Nigeria are most of the time of low quality. There are moulds for making goods for Nigerian markets which are different from those used in the markets of the manufacturers. This is why we have the concept of "original" and "Tiwan" goods. Many of the so-called *"Tokumbo"* cars (second hand cars) that smoke and pollute the highways are in facts scraps thrown away in Europe and America but imported by Nigerian importers. They also specifically request for low quality goods to maximize their profits.

Capital Flight through the Banks

In a good relationship the profitability of the banking sector is a function of the performance of the real sector. The real productive sector uses bank loans and other facilities to produce goods and services which are monetized (sold) to pay back the facilities and asset based loans plus interests to the banks. This way the banks make their profits. If the real sector is in recess or depressed the banks make no profit. But, in Nigeria while the real sector was in comatose banks were still declaring huge profits. How? They were speculating on foreign exchange and unethically encouraging capital flight from the Nigerian economic system (Mbaegbu & Ogbeifun, 2008 d). Capital is a very sensitive asset. Once an economy becomes depressed the owners of scarce capital pull away their assets through the capital market, use the banks to buy foreign exchange and move their assets to safer economies for foreign investment. By 2006 to 2007 when supply of electricity was as low as 2,800 mega watts on the average the productive sector in Nigeria was almost flattened and many vibrant industries divested and relocated to Ghana and South Africa with their capital.

Materials and Methods

This study basically is an *expost facto* research making use of secondary data from the Central Bank of Nigeria Statistical Bulletin and the National Bureau of statistics (Table 4). In data analysis we juxtaposed the value of imports as proxy for mismanagement of resources against level of G.D.P. We also correlated imports with statistics of population in poverty and did trend analysis for comparison.

Data Analysis and Test of Hypotheses

Hypothesis 1

A comparative analysis between the levels of G.D.P used as proxy for economic growth and the levels of importation (table 4 columns 5 & 6) shows that there is a positive correlation between the two variables. As G.D.P increased so also the level of importation increased. The regression analysis (Appendix) shows that the relationship is significant. We therefore, reject the null hypothesis. Economic growth is significantly related to level of importation of foreign goods.

Hypothesis 2

We used the level of imports as proxy for mismanagement of resources. Nigeria imports practically everything including tooth picks, rice, tomato paste, fuel, palm oil and others which could be produced at home if resources were well managed.

A look at table 1 shows that the population in poverty has been increasing over the years. In 1980 it was 17.1 million people. This increased steadily until it hit 112.47 million people in 2010 (NBS, 2011). In the same way the value of imports from 1999 had increased steadily from N837.4 billion until it hit N10.237.7 billion in 2011 (Table 4). There is therefore an association between poverty trend and importation trend. Both are upward slopping from the left. In 2004 population in poverty was 68.7 million people and that year total imports value was N1.987.04 billion. In 2010 population in poverty increased to 112.47 million people and imports also increased to N7.614.44 billion. As importation increased, poverty also increased. We, therefore, reject the null hypothesis and uphold the alternative hypothesis.

Findings and Discussion of Findings

From the trend analysis and the test of hypothesis we infer that massive imports as proxy for mismanagement are leakages from the circular flow of income. The finding is consistent with lipsey (1976) Samuelson (1980) and Jhingin (2010). Nigeria with Massive human and natural resources has no business importing the bulk of its needs. It is mismanagement of resources. If resources were well managed the huge population should be developed to exploit the abundant natural resources, create markets for finished manufactured goods and services and reduce poverty level. The countries of South East Asis or the so called Asian Tigers do not leave their boarders open for imports to flow in. No developed country swallows the theories of trade liberalization hook nail and sinker.

Conclusion

The high level of importation of foreign goods is an intervening variable between high economic growth and mass poverty in Nigeria. As G.D.P used as proxy for economic growth increases the level of importation also increases and impacts on the level of poverty in Nigeria to make it rise.

Policy Recommendations

From the data analysis and conclusion the following recommendations were made.

1. The new government had already started reducing the cost of governance. This is a step in the right direction and we recommend it.
2. There should be import and foreign exchange control to reduce unbridled importation and pressure on the naira.
3. The four oil refineries should be refurbished and made to operate while more are built to meet local needs of fuel and stop fuel subsidy.
4. The economy should be diversified. Currently Nigeria is in a shrinking oil market because of the discovery of substitute brands in China, India, Ghana, USA, Tunisia and so on. Reliance of oil as revenue earner up to 80% is now vulnerable Nigeria should embrace manufacturing industries for the substitution of those things imported with dwindling foreign exchange thereby concurrently creating jobs at home. Economic liberalism theories of Milton Friedman and others in the 1950s should not be swallowed hook line and sinker in 2015 (Asmah, 2010 pp 15-16).

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Appendix

Table 4.2 Result of correlation analysis between Economic Growth (EG) and Mismanagement (MM)

PEARSON	% EG INCREASE	%MM INCREASE	HIGH EG LEVEL	HIGH LEVEL MM
CORRELATION	[sign.(1-tailed)]	[sign.(1-tailed)]	[sign.(1-tailed)]	[sign.(1-tailed)]
%EGINCREASE	1.000	0.984(0.000)	%MMINCREASE	0.984 (0.000)
%MMINCREASE	0.984(0.000)	1.000	1.000	0.980(0.000)
HIGHLEVELMM			0.980 (0.000)	1.000
n	12	12	12	12

Source: Researchers (2015) Correlation result from E-view

We conducted a correlation analysis to check for association and the result showed that there is strong direct association between both variables (e.g. r = 0.984 for % increase and 0.980 for level of change). These results are both significant at 5% level of significance as shown in table 4.2 above. Thus, we conducted a linear relationship test using the OLS regression analysis and the result is shown in table 4.3 below.

Table 4.3: OLS result of EG (Explanatory) and MM (Predictive)

Variable	N	Coeff	t	Sig.	R 2	ADJ. R 2	F	Sig.	DW
Coefficient	12	-34.782	-1.092	0.300	0.968	0.965	304.656	0.000	1.818
%MMincrease	12	1.200	17.454	0.000					

Source: Researchers (2015) Regression result using E-views

From the above table 4.3, the result showed that there is a significant linear relationship between economic growth and mismanagement of resources in Nigeria (e.g. F = 304.66; Prob = 0.000). This relationship shows that Economic growth can explain 96% (adj. r^2 = 0.965) of Mismanagement of resources while other extraneous variables explain only 4% of mismanagement.