
Influence of Poverty on Economic Growth Trajectory in Nigeria

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ABSTRACT: Nigeria has experienced several periods of economic growth; however, poverty is still widespread, and the growth-poverty dilemma is persistently featuring in the country's development experience. This paper examined the impact of poverty on economic growth in Nigeria from 1980 to 2024. Human capital theory and Capability Approach are pivotal to this study. Economic growth was represented by the annual growth rate of real GDP per capita, while poverty was represented by the national poverty headcount ratio, inflation, labour force participation and the youth population share are control variables. After confirming the mixed order of integration of the series using Augmented Dickey-Fuller unit root tests, the Autoregressive Distributed Lag (ARDL) bounds-testing procedure was used, and the Johansen cointegration test and Pearson correlation analysis were used as auxiliary tests. The ARDL bounds test validated the stable long-run cointegrating association between poverty and economic growth. The long-run estimates revealed that 1 percent rise in the poverty headcount ratio leads to 0.38 percent fall in the growth rate of GDP per capita. Furthermore, the error correction term showed that about 61 percent of the deviation from the long-run equilibrium is corrected within one year. Labour force participation and the youth population share were positively related to growth, while inflation had a further significant drag on growth. The paper concluded that poverty is a binding constraint on Nigeria's long-run growth trajectory and recommends the scaling-up of targeted social protection and macroeconomic stabilisation and labour-market development.

KEYWORDS: Capability approach, Human capital theory, Social protection, Structural Adjustment Programme

1. INTRODUCTION

Poverty reduction has been the goal of countries; especially developing ones. Poverty is perpetuated by low income and income inequality characteristic of many developing countries. Nigeria has abundant human and natural resources, yet the country is still plagued by systemic poverty that has hindered sustainable development in the country (Afolabi, 2025; Abraham & Jankowska, 2025). Nigeria's growth path has been closely linked to the international oil market since independence in 1960. The oil boom of the 1970s brought in large government revenues and fast; but narrow growth. The oil glut and debt crisis of the early-to-mid 1980s led to a sharp contraction and the implementation of a World Bank/IMF-supported Structural Adjustment Programme in 1986, which included currency devaluation, subsidy removal and trade liberalisation. The 2000s saw a sustained recovery, with high oil prices, telecoms-sector liberalisation, and debt relief; helping to drive the economy. The oil-price collapse of 2014-2016; and the Corona Virus Disease (COVID-19) pandemic of 2020 each caused a recession. The unfortunate experience exacerbated the incidence of poverty on the wellbeing of the Nigerian citizens.

Successive administrations have pursued various poverty-reduction strategies, from the National Economic Empowerment and Development Strategy of the early 2000s to the more recent National Social Investment Programme, yet poverty has not fallen commensurately with cumulative gross domestic product (GDP) expansion. Statistics show that GDP growth rose slightly to approximately 3.9 percent in 2025 from 3.38 percent in 2024, but, about 62 percent of Nigerians still live below the poverty line (WDI, 2025). This is the growth-poverty paradox, which is the motivation for this paper, where massive poverty is experienced in the face of positive growth.

There is a large portion of literature documenting negative relationship between poverty and growth in developing countries. Using Nigerian time-series data (1990-2023), Jerry, et al. (2025) found an inverse relationship between human capital development, poverty and growth. The study also concluded that structural obstacles like regional inequality, inefficient financing and weak implementation intensify the growth-dampening effect of poverty. Farayibi (2015) also observed that poverty is a drag on Nigerian growth; partly because of the lack of absorption of educated into productive employment. Even if higher education is expanded, the lack of absorption of the educated into productive employment can reduce the poverty reducing and growth

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enhancing potential of higher education. Despite this evidence, there is limited Nigeria-specific research that separates the direct long-run and short-run impact of poverty on growth.

This paper is guided by the research question: what is the effect of poverty on economic growth in Nigeria? The objective of the study is to investigate the effect of poverty on the economic growth of Nigeria between 1980 and 2024. The paper is justified because the direct welfare implications of knowing the exact magnitude and rate of change of the poverty-growth relationship are significant, especially in a country like Nigeria, which has a disproportionate share of the world's extreme poor; the paper also provides a basis for policymakers to consider social protection as a key policy goal in addition to the traditional macroeconomic policy goal of growth, as it isolates the direct effect of poverty on growth net of inflation, labour force participation and demographic structure. The paper is organized as follows: Section 2 summarizes the conceptual, theoretical and empirical literature relevant to the poverty-growth relationship; Section 3 presents the model and estimation approach; Section 4 presents the results; and Section 5 provides policy recommendations.

2. LITERATURE REVIEW

This paper is based primarily on the Human Capital Theory of Schultz (1961) and Becker (1964) which views schooling, health and skills as investments that increase productivity, and sees individuals and households making rational decisions about the costs of investing in these assets and their discounted future returns. The theory suggests that poor households, focused on survival, systematically under-invest in the human capital of their members, thereby limiting the productivity and per-capita income growth of their members across generations – the key mechanism by which poverty is hypothesized to slow growth in this paper's model. Critics of the theory point out that it can overrate the productive benefits of schooling when learning outcomes are low, and that the return-on-investment logic of the theory may not be realised in practice because of credit constraints and low school quality in high-poverty environments, but the theory is the main lens through which this paper interprets the poverty-growth relationship. The paper is also informed by the Capability Approach of Sen (1981, 1999), which views poverty not only as low income but as a lack of the substantive freedoms (health, agency, mobility) that allow people to participate in and enjoy economic life. This is in addition to the Human Capital Theory, which posits that the poverty growth-depressing effect is not only due to the foregone investment in education, but also due to the limited ability to react to economic opportunity or shocks, which is directly relevant to a model like this one, which does not include an explicit education variable. Endogenous Growth Theory (Romer, 1986; Lucas, 1988) and Social Capital Theory (Coleman, 1988) are drawn upon only briefly in this paper, as complementary macro- and community-level perspectives, respectively, since their central mechanisms - knowledge spillovers and schooling-linked social networks - are more directly tested in the companion papers in this research programme that explicitly incorporate an education variable.

Endogenous Growth Theory is still applicable at the margins, however: If widespread poverty reduces the aggregate stock of human capital available for productivity-enhancing innovation and technology adoption, poverty can be seen as limiting not only current output but also the economy's underlying capacity for sustained, self-reinforcing long-run growth. Social Capital Theory also argues that poverty can have a negative impact on the level of trust, cooperation and institutional capacity at the community level that enables collective economic action, alongside the more direct individual-level pathways highlighted by Human Capital Theory and the Capability Approach. Human Capital Theory and the Capability Approach provide the motivation for this paper's empirical approach of estimating the long-run and short-run effect of poverty on GDP per capita growth, after controlling for inflation, labour force participation and demographic structure.

Poverty is understood as an unacceptable lack of well-being, and is seen as having a physiological dimension (lack of food, health, shelter, etc.) and a social dimension (lack of opportunity and voice). There is a distinction between absolute poverty (a fixed level of subsistence below which people are unable to afford basic needs, whatever the state of the economy) and relative poverty (a level of poverty relative to the prevailing standard of living, and therefore changing as the economy expands), and between income-based and multidimensional measures of poverty, which also include access to health, education, water and sanitation.

The concept of a self-reinforcing 'poverty cycle' is central to this paper, where low incomes limit savings and investment, which in turn leads to low incomes, and so on, across generations, especially in rural areas where low incomes are exacerbated by limited access to productive assets, which in turn exacerbates low skills and low productivity livelihoods (Etuk & Ayuk, 2024). The outcome variable in the paper is economic growth, measured as the rate of change of real GDP per capita, which is the rate of improvement in average living standards, and as this paper demonstrates, this can be very different from the rate of improvement in living standards for the poorest members of society, as aggregate output growth need not be proportionate to the growth of living standards for the poorest.

Rayhan et al. (2024) found that poverty alone had no effect on growth, but when combined with human development and labour indicators, poverty had a significant impact on growth outcomes using panel data for 34 provinces in Indonesia (2020-2022). Aqeel,

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Shafique, Raiz and Shah (2022) used GMM and time-series techniques for Pakistan (1980-2020) and found that poverty has a negative impact on growth, which is consistent with the findings of Hamid (2025) for Indonesia (2017-2022). Jerry et al. (2025) and Farayibi (2015) both conclude that high poverty negatively affects growth by limiting human capital investment and labour absorption in Nigeria, while Muhammad, et al. (2023) conclude that Islamic social finance instruments (Zakat, Waqf) in Northern Nigeria have a positive effect on poverty reduction, which in turn supports sustainable development.

Reniasi et al. (2023) found that using VAR/VECM techniques, growth is strongly determined by the Human Development Index, which in turn is related to poverty, and that the causality is unidirectional, from poverty and human development to growth, while Sekwaila and Garidzirai (2020) using trivariate Granger causality on South African data (1984-2015) found that growth is more effectively transmitted to the poor where educational investment is strong. Modest post-pandemic growth rebounds in Sub-Saharan Africa have not been enough to significantly reduce poverty at the regional level (World Bank, 2024), and this is not an exclusive feature of Nigeria. At the regional level, modest post-pandemic growth rebounds across Sub-Saharan Africa have been insufficient to meaningfully dent poverty (World Bank, 2024), reinforcing the persistence of a poverty-growth trap that is not unique to Nigeria.

Table 1: Summary of Selected Empirical Studies on Poverty and Economic Growth

Author(s) / Year	Country	Method	Key Finding
Jerry, Angahar & Terzungwe (2025)	Nigeria	ARDL (1990-2023)	Human capital and poverty inversely related to growth.
Farayibi (2015)	Nigeria	IV/2SLS (1980-2012)	Poverty undermines growth via graduate unemployment.
Rayhan et al. (2024)	Indonesia	Panel (2020-2022)	Poverty significant only jointly with HDI and labour.
Aqeel et al. (2022)	Pakistan	GMM (1980-2020)	Poverty negatively affects growth.
Reniasi et al. (2023)	Indonesia	VAR/VECM	HDI/poverty causally determines growth.
Sekwaila & Garidzirai (2020)	South Africa	Granger causality	Growth reaches the poor best with strong education.
Ahmad & Bhatti (2024)	Pakistan	Dynamic ARDL	Capital expenditure is growth-enhancing, while current expenditure is growth-reducing.
Huang (2024)	Urban China	Regional panel	Growth and income distribution jointly reduce subsistence-dependent population.

Source: Author's compilation (2026)

In addition to these basic studies, a broader literature places poverty as one of a number of interacting socioeconomic factors influencing growth. Rizky, et al. (2024) conducted a study on North Sumatra using panel fixed-effects regression (2019-2023) and found that poverty and unemployment are factors that increase income inequality, while the Human Development Index is a factor that decreases income inequality, so that it can be concluded that growth alone is not enough to reduce poverty. In the context of Pakistan's high ratio of recurrent expenditure to capital expenditure, Ahmad and Bhatti (2024) analyzed the composition of public expenditure using a dynamic ARDL model, which revealed that capital expenditure has a positive impact on growth, while current expenditure has a negative impact, indicating that the poverty-growth relationship is also influenced by the composition of public expenditure.

In Pakistan, poverty reduction is also a major factor of long-run growth, along with the industrial sector, as revealed by the study of Shaheen, et al. (2021) using ARDL techniques on Pakistan's data (1976-2020). Huang (2024) compared regional panels in urban China before and after 2012 and concluded that growth and income distribution both contributed to the decline in the subsistence-allowance dependent population, with the former having a stronger effect in more developed regions, which implies

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that the regional disparity is likely to exist across Nigeria's geopolitical zones. Abdulrahman et al. (2025) reviewed literature from multiple developing countries and found that agricultural development plays a key role in alleviating rural poverty, but that farmer support and productive assets are often lacking, which is especially relevant for Nigeria where a significant proportion of rural poor are involved in low productivity rain-fed farming.

The poverty-growth nexus is studied empirically using mostly quantitative econometric techniques. Time-series methods such as ARDL bounds testing, VAR and VECM and Granger causality tests are widely used in national-level studies, especially for Nigeria, Pakistan and Indonesia, which examine cointegration and causality between poverty measures and GDP growth across multi-decade time series. Fixed effects, random effects and the Generalised Method of Moments are widely used panel-data methods in cross-country and sub-national studies, which can overcome unobserved heterogeneity and reverse causality. In the studies of Islamic social finance, Structural Equation Modelling (SEM) is used to explore indirect mechanisms, and Ordinary Least Squares (OLS) is a common baseline, usually accompanied by instrumental-variable techniques. This paper adopts the time-series, ARDL bounds-testing tradition which is most appropriate for Nigeria's macroeconomic data because of its long annual series and mixed order of integration.

The direction of the poverty-growth relationship is generally accepted, but few Nigerian studies formally estimate the rate of long-run adjustment through an error-correction mechanism, or perform a comprehensive set of diagnostics on the estimates, with data up to 2024 and a supporting Johansen cointegration test. This paper fills that gap. Also, stylised fact shows that the poverty headcount ratio in Nigeria has been broadly increasing since 1980, from a low base, following the dislocation of the 1986 Structural Adjustment Programme, steepening during the 1990s and 2000s and reaching around 40-45 percent by the early 2020s. By contrast, real GDP per capita growth shows no long-run trend, but rather strong cyclicity linked to oil-price and policy shocks: a sharp decline in the early 1980s after the oil-price collapse of the 1970s, a prolonged expansion during the 2000s supported by high oil prices and debt relief, a downturn around 2016 following the oil-price crash of 2014-2016, and a severe contraction in 2020 linked to the COVID-19 pandemic. This paper examines the growth-poverty paradox, which is reflected in the absence of any sustained reversal in the poverty trend even in the face of positive GDP growth (World Development Indicators, 2026).

Poverty Headcount

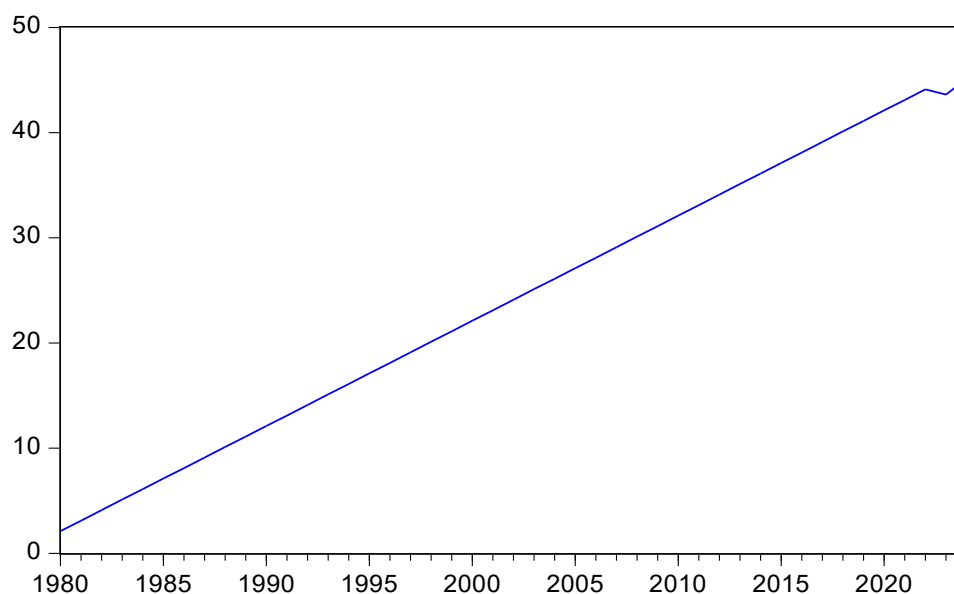


Figure 1: Poverty Headcount

Source: World Development Indicator (2026)

3. METHODOLOGY

The study used annual time-series data for Nigeria covering 1980-2024 (45 observations). GDP per capita growth (GDP; World Bank WDI) proxies economic growth. The national poverty headcount ratio (World Bank Poverty and Inequality Platform; NBS) is used as a proxy for poverty (POV). The youth population share (POP, WDI/UN Population Division), labour force participation (LFP, WDI/ILO) and inflation (INF, WDI/IMF) are the control variables. These control variables are added because inflation and labour supply and demographic structure are both theoretically and empirically related to growth, apart from poverty, and their exclusion would lead to the danger of assigning to poverty an effect that is more appropriately assigned to these macroeconomic and demographic factors.

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Table 2: A priori Expectations

Variable	Description	Expected Sign	Justification
GDP	GDP per capita growth (%)	Dependent Variable	Proxy for economic growth in Nigeria.
POV	Poverty headcount ratio	Negative	High poverty reduces productivity, savings and consumption, and constrains growth.
EDU	Mean years of schooling	Positive	Education enhances human capital, skills and productivity, mitigating poverty's drag on growth.
POP	Population aged 0-14 (% of total)	Negative	A high youth dependency ratio strains public resources and diverts funds from productive investment.
INF	Inflation (consumer prices, annual %)	Negative	Rising inflation erodes real income and discourages long-term investment.
LBFP	Labour force participation rate	Positive	Higher participation raises productive capacity, output and income generation.

Source: Author's compilation (2026)

The model for the study was adapted from the Human capital theory and is presented in the functional form as:

$$GDP_t = f(POV_t, POP_t, INF_t, LBFP_t) \quad 1$$

Where GDP stands for economic growth, POV stands for poverty, POP stands for youth population share, INF represents inflation, LBFP represents labour force participation, and t represents time. The econometric form of the model is expressed as:

$$\ln GDP_t = \alpha_0 + \alpha_1 \ln POV_t + \alpha_2 \ln POP_t + \alpha_3 \ln INF_t + \alpha_4 \ln LBFP_t + \varepsilon_t \quad 2$$

The variables are log-linearized ($\ln$), α_0 represents the intercept, while α_1 to α_4 represent the elasticities growth with respect to each of the independent variables. The error term is represented by ε which captures all other factors influencing economic growth which are not captured in the model.

The ARDL representation of equation 2 is:

$$\Delta \ln GDP_t = \alpha_0 + \sum \alpha_{1j} \Delta \ln GDP_{t-j} + \sum \alpha_{2j} \Delta \ln POV_{t-j} + \sum \alpha_{3j} \Delta \ln POP_{t-j} + \sum \alpha_{4j} \Delta \ln INF_{t-j} + \sum \alpha_{5j} \Delta \ln LBFP_{t-j} + \delta_1 \ln GDP_{t-1} + \delta_2 \ln POV_{t-1} + \delta_3 \ln POP_{t-1} + \delta_4 \ln INF_{t-1} + \delta_5 \ln LBFP_{t-1} + \varepsilon_{1t} \quad 3$$

The first-difference operator is denoted by Δ , and the lag lengths are chosen by the AIC. The null of no long-run relationship, $H_0: \delta_1 = \delta_2 = \delta_3 = \delta_4 = \delta_5 = 0$, is tested using the F-bounds test of Pesaran, Shin and Smith (2001). Where cointegration is found, the short-run ECM replaces the level terms by a single lagged error-correction term, ECM_{t-1} , which is expected to be negative and significant. The coefficients (δ) are the long-run elasticities of the explanatory variables and the ECT coefficient is the estimate of any short-run deviation from this long-run equilibrium that is corrected in period.

The ARDL bounds-testing approach is used for its consistency in the presence of $I(0)$, $I(1)$ or mixed $I(0,1)$ variables, and because it nests the long-run and short-run dynamics in a single estimation step, producing an error-correction representation that is directly interpretable in terms of the speed of adjustment to long-run equilibrium. The unit root tests for ADF are performed before estimation to ensure that no variable is integrated of order two, which is required for valid application of the bounds test, with the Johansen (1988) system test and Pearson correlation matrix are calculated as additional robustness checks. The model is then tested for serial correlation, heteroskedasticity, misspecification and structural instability using the Breusch-Godfrey LM test, Breusch-Pagan-Godfrey test, Ramsey RESET test, Jarque-Bera test, and CUSUM/CUSUM-of-Squares tests, respectively, after the estimation to ensure that the estimated coefficients are free of these problems before they are used to draw policy inferences.

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4. RESULTS AND DISCUSSION

The descriptive statistics of the six study variables are summarised in Table 3 for the period 1980-2024 (45 annual observations).

Table 3: Descriptive Statistics

Statistic	GDP (%)	POV (%)	INF (%)	LFP (%)	EDU (yrs)	POP (%)
Mean	0.3009	50.6889	19.1918	83.1802	4.7045	44.1985
Median	1.1812	56.3000	13.0070	83.4780	4.8660	44.3210
Maximum	12.2104	64.9000	72.8360	84.3010	7.8480	45.5690
Minimum	-15.7585	32.3000	5.3880	81.7420	0.9900	41.0140
Std. Dev.	5.1320	11.3698	16.1078	0.8635	2.0950	1.0268
Jarque-Bera (Prob.)	13.21 (0.0014)	6.53 (0.0382)	36.02 (0.0000)	4.62 (0.0992)	3.30 (0.1918)	17.75 (0.0001)
Observations	45	45	45	45	45	45

Source: WDI (2026)

GDP per capita growth averaged a meagre 0.30 percent over the sample period (std. dev. 5.13), reflecting Nigeria's high exposure to oil-price and macroeconomic shocks; the poverty headcount ratio averaged 50.69 percent, ranging from 32.30 to 64.90 percent; inflation averaged a volatile 19.19 percent; labour force participation was comparatively stable at 83.18 percent; mean years of schooling rose steadily to average 4.70 years; and the youth population share averaged 44.20 percent. Most series depart from normality (Jarque-Bera rejects the null for GDP, POV, INF and POP), consistent with the structural breaks and shocks that have characterised the Nigerian economy over the sample period, while LFP and EDU are closer to normally distributed, reflecting their comparatively smooth, trend-like evolution.

Prior to estimation, Augmented Dickey-Fuller (ADF) unit root tests (Dickey & Fuller, 1981) were conducted on all six variables, under a constant-only specification, both at level and at first difference, to establish the order of integration of each series and thereby justify the choice of cointegration technique.

Table 4: Augmented Dickey-Fuller Unit Root Test Results

Variable	At Level (Prob.)	At 1st Difference (Prob.)	Order of Integration
EDU	0.3059	0.0001***	I(1)
GDP	0.0393**	0.0002***	I(0)
INF	0.1001	0.0391**	I(1)
LFP	0.0142**	0.8176	I(0)
POP	1.0000	0.0475**	I(1)
POV	0.8655	0.0000***	I(1)

Note: (***), (**) denote significance at 1% and 5% respectively. Lag length selected by AIC

Source: WDI (2026)

GDP and LFP are stationary at level, I(0), while EDU, INF, POP and POV are non-stationary at level, I(0), but stationary after first differencing, I(1). All the series are not integrated of order two, which is the pre-condition for the ARDL bounds-testing procedure. This mixed order of integration formally excludes the use of standard cointegration methods that assume the same order of integration for all variables (e.g., Engle-Granger two-step method or the standard Johansen system approach applied without qualification) and supports the use of the Pesaran, Shin and Smith (2001) ARDL bounds-testing framework as the key estimation method in this paper.

The Johansen (1988) system cointegration test was used as a robustness check of the ARDL bounds test for the six variables. The Trace test suggests three cointegrating equations at 5 percent level, whereas the Maximum Eigenvalue test suggests one, either

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way at least one cointegrating relationship is confirmed, which supports the ARDL bounds-test result below. The normalised cointegrating vector indicates that the long-run coefficient on POV is positive and the long-run coefficient on EDU is negative, as per the ARDL results, and the adjustment coefficient is -0.157 (15.7 percent annual speed of adjustment).

Table 5: Johansen Cointegration Test - Trace and Maximum Eigenvalue Statistics

Hypothesis	Eigenvalue	Trace Stat.	Max-Eigen Stat.	5% Critical (Trace/Max-Eigen)	Value
None *	0.8505	161.0754	81.7256	95.7537 / 40.0776	
At most 1	0.4917	79.3498	29.0973	69.8189 / 33.8769	
At most 2	0.3981	50.2525	21.8294	47.8561 / 27.5843	
At most 3	0.3352	28.4231	17.5551	29.7971 / 21.1316	
At most 4	0.2231	10.8680	10.8529	15.4947 / 14.2646	

* denotes rejection of H_0 at the 5% level

Source: WDI (2026)

The Pearson correlation matrix confirms the strong negative correlation between education and poverty (-0.762), youth population share (-0.755) and labour force participation (-0.725), which is consistent with the Human Capital Theory, while the strongest pairwise correlation is between labour force participation and poverty (0.857), plausibly reflecting necessity-driven informal employment among the poor, and GDP growth is only weakly correlated with the other variables (all $|r| < 0.34$), suggesting that the growth relationship is better captured by the dynamic ARDL framework than by static correlation. The AIC-selected model is ARDL(1,0,1,0,0). The computed F-statistic is 6.3142 which is greater than the upper $I(1)$ bound at the 1 percent level (4.68), thus confirming cointegration.

Table 6: ARDL Bounds Test (Dependent Variable: GDP)

Test Statistic	Value	Significance	Lower Bound $I(0)$	Upper Bound $I(1)$
F-statistic	6.3142	1%	3.41	4.68
		5%	2.62	3.79
k (regressors)	4			

Source: WDI (2026)

The long-run coefficient on poverty is -0.3842 and significant at the 1 percent level: a 1 percent increase in poverty is associated with a 0.38 percentage point decrease in GDP per capita growth, as predicted by the Human Capital Theory, which suggests that poverty reduces savings, investment and human capital formation, and as the Capability Approach suggests, poverty is a constraint on productive agency (Jerry et al., 2025; Farayibi, 2015). The inflation rate is negative and significant, while the labour force participation rate and the youth population share are positive and significant, which consistent with the structural growth and demographic-dividend logic.

Table 7: ARDL Long-Run Estimates (Dependent Variable: GDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
POV	-0.3842	0.1203	-3.1935	0.0030
INF	-0.0874	0.0312	-2.8013	0.0083
LFP	2.1456	0.9134	2.3490	0.0247
POP	1.6723	0.7512	2.2262	0.0326
C	-185.03	75.21	-2.4600	0.0188

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

Source: WDI (2026)

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The short-run results corroborate the long-run results, and the error correction term (-0.6134) suggests that 61.3 percent of any disequilibrium is corrected in one year, which is a fast adjustment mechanism, broadly in line with the Johansen-system estimate of 15.7 percent per period when differences in model dynamics are taken into account.

Table 8: ARDL Error Correction Model (Short-Run) Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(POV)	-0.2519	0.1021	-2.4671	0.0184
D(INF)	-0.0421	0.0193	-2.1813	0.0358
D(LFP)	1.3824	0.6012	2.2993	0.0281
D(POP)	0.9647	0.4521	2.1339	0.0402
ECT(-1)	-0.6134	0.1378	-4.4514	0.0001

Source: WDI (2026)

The baseline poverty-growth model is robust to the full battery of post-estimation diagnostics. The Breusch-Godfrey LM test shows no serial correlation ($\chi^2 = 2.1432$, $p = 0.3423$); the Breusch-Pagan-Godfrey test confirms homoskedastic residuals ($p = 0.3214$); the Ramsey RESET test confirms correct functional form ($p = 0.2543$); the Jarque-Bera test confirms normally distributed residuals ($JB = 2.3124$, $p = 0.3142$); and the CUSUM and CUSUM-of-Squares tests confirm parameter and variance stability across the sample, despite major shocks including the 1985-1986 and 2015-2016 oil-price collapses, the 1986 Structural Adjustment Programme, and the 2020 COVID-19 recession. The results confirm the reliability of the long-run and short-run estimates above.

The size of the poverty effect suggests that the high poverty rate in Nigeria (on average more than 50 percent in the sample) has likely reduced the growth of cumulative GDP per capita over the past 40 years, and that this high poverty rate has also reduced the growth of subsequent periods, a mutually reinforcing process that is consistent with the poverty-trap theory. The strong positive correlation (0.857) between labour force participation and poverty also implies that a significant proportion of the labour force participation in Nigeria is informal and driven by necessity rather than productive employment. These findings also contribute to an ongoing policy debate in Nigeria about the relative priority of growth-oriented macroeconomic policy versus direct, poverty-focused social policy: poverty itself measurably constrains future growth, and policies that reduce poverty directly should be understood as growth-enhancing investments in their own right, not merely redistributive expenditure that comes at growth's expense, as is explicitly stated in the Sustainable Development Goals' linkage of poverty eradication (SDG 1) with growth (SDG 8).

This result is consistent with the Nigerian evidence of Jerry et al. (2025) and Farayibi (2015) who both find that poverty is a growth-constraining factor, but neither of them formally estimates the long-run elasticity nor the speed of short-run adjustment as reported in this paper. The result is also consistent with the international evidence reviewed above (Aqeel et al., 2022; Hamid, 2025), which suggests that the poverty-growth relationship documented here is not an anomaly in Nigeria but is part of a broader pattern that is found in other developing economies that have similarly weak social-protection systems and high levels of informality. Meanwhile, the strong and independent negative relationship between inflation and growth highlights that macroeconomic instability is a complement to, not a substitute for, the growth-depressing impact of poverty - and that fiscal and monetary policy credibility is a poverty-relevant policy lever, not just a technical one for macroeconomic managers.

5. CONCLUSION

The effect of poverty on economic growth in Nigeria (1980-2024) was examined in this paper, using ARDL bounds test, Johansen cointegration and ARDL regression. The augmented Dickey-Fuller tests produced a mixed order of integration, the bounds test confirmed cointegration, the long-run and short-run estimates revealed a significant negative effect of poverty, a significant negative effect of inflation, and significant positive effects of labour force participation and youth population share, and the model passed a full diagnostic battery. The findings are consistent with the poverty being a statistically and economically significant factor that hinders Nigeria's long-run growth, even after controlling for relevant factors and supported by the supplementary Johansen test. The persistence of high poverty rates seems to have been a binding constraint on per capita income growth for over four decades, as predicted by the poverty-trap theory, the Human Capital Theory and the Capability Approach discussed in Section 2, and as suggested by the broader development-economics literature on the growth-poverty paradox. The paper suggests, first,

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that the federal and state governments increase the scale of targeted social protection programmes, including conditional cash transfers under the National Social Investment Programme (NSIP), to break the poverty trap and boost aggregate demand.

Second, the Central Bank of Nigeria should adopt a more aggressive and credible inflation targeting policy coupled with supply side reforms, given the negative impact of inflation. Third, labour-market development, in the form of technical and vocational education and training (TVET) and support for small and medium enterprises (SMEs), should be prioritised by policy makers to move participation from necessity-driven informal to productive, formal employment, given the positive but poverty-correlated contribution of labour force participation. Fourth, Nigeria's youthful population should be seen as a resource that can be transformed into a real demographic dividend if adequate investments are made in health, education and employment. Fifth, poverty-reduction policy should be considered as a growth strategy in itself, not as a side-effect of growth. Sixth, the evidence that labour force participation is tightly linked to subsistence and informal-sector activity among the poor suggests that complementary reforms to increase access to formal credit, land titling and market infrastructure would help ensure that increased labour force participation leads to real productivity gains. Seventh, continued investment in data infrastructure, such as regular household survey data on poverty, would enhance future monitoring of the poverty-growth relationship and facilitate timely policy course-correction.

More broadly, the findings of this paper support a theme that has increasingly emphasized in the growth-poverty literature: macroeconomic aggregates like GDP growth, while important, are not a sufficient measure of national economic progress if a significant portion of the population trapped in poverty. A growth strategy for Nigeria that fails to explicitly and directly address poverty will likely result in the same growth-poverty paradox that this paper sought to examine: continued growth of aggregate output and stagnant or declining welfare for tens of millions of citizens.

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