THE IMPACT OF MACROECONOMIC FUNDAMENTALS ON POVERTY LEVEL IN NIGERIA

BY

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CERTIFICATION

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DEDICATION

I dedicate this project research to almighty Allah that seat of wisdom the mediatory of the entire angel for their guidance and protection throughout my stay in the university. I also dedicate this work to my parent Mr. Amidu Moruf and Mrs. Afolabi Omolara for their support, encouragement, caring, and financial assistance despite of difficulties of life Alihamudulilahi Robilialamina.

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Abstract

The study examined the impact of macroeconomic fundamentals on poverty level in Nigeria. Annual data span from 1980-2013 on poverty rate, Gross Domestic product, exchange rate, interest rate, inflation and money supply from Nigeria Statics Bulletin were utilized. The study checked for the time series properties using the Augmented Dickey-Fuller (ADF) test after which the co-integration test was conducted using the Johansen Co-integration test. The series were found to be integrated of order one after the first difference and more so that there exist a long run linear relationship between the variables. The study adopted the multiple regression method to know the long run effect of macroeconomic fundamental on poverty level in Nigeria between the study periods. The study ascertained the short run dynamic effect of the variables of interest. The result equally, shows that there is a negative relationship between poverty level and economic growth, such that as economic growth increases by 1% poverty level is reduced by 0.08 levels. In the long run the regression estimate demonstrated that only economic growth (LGDP), money supply (MS) and interest rate (INT) had significant impact on poverty level in Nigeria. In addition to the above, it was observed that the coefficient of the first lag of poverty had a positive (0.53) and significant impact on current poverty level in Nigeria. Consequently, the study recommends that to safeguard macroeconomic stability, the government budget, including the country's poverty reduction strategies, must be financed in a sustainable, non inflationary manner. The formulation and integration of a country's macroeconomic policy and poverty reduction strategy are interactive processes. Poverty reduction strategies need first to be articulated (i.e., objectives and policies specified), then costed, and finally financed within the overall budget in a noninflationary manner.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Nigeria has perpetually been delineated as a contradiction to poverty. This is basically as a result of the fact that the country is wealthy while its citizen is poor. The per capita income today is around the same level as in 1970, but in between, over two hundred billion has been attained from the exploitation of the country's oil resources (World Bank, 1996). In fact, if more of this wealth had been channeled to the development of its citizen and to the productive use of its land and other resources, no doubt, Nigeria would have been poised for a promising future. Not surprisingly, poverty has been a major problem since the middle of the 1980s. Available records indicate that from 1985 to 1992, real income per capita, private consumption and overall welfare of Nigerians remained below the 1980 level (Ajakaye, 2003).

Poverty is outlined by Todaro (1985) in strictly economic terms as the percentage of people living below a specified minimum level of income - an imaginary international poverty line - which does not recognize per capital income. The poverty line referred to by Todaro represents an income per consumption data-based tool for measuring poverty which does not acknowledge per capita income. However, poverty is defined nowadays as a multidimensional phenomenon; hence it is recognized as encompassing virtually all features characterizing the human being (Guimaraes et al, 2012). In this case, the World Bank (1996) depicts poverty as a state where an individual is not organized to cater adequately for his or her basic wants of food, covering and shelter; unable to meet social and economic obligations; lacks gainful employment, skills, assets, shallowness and has limited access to social and economic infrastructures such as education, health, portable water and sanitation, and therefore has limited chance of advancing his or her welfare. This is why macroeconomics examines economy-wide phenomena such as changes in unemployment, national income, rate of growth, gross domestic product, inflation and price levels. These authors further assert that macroeconomic policies in developing countries are designed to stimulate growth and reduce poverty. The underlying reality is that there is a strong relationship between poverty and macroeconomic fundamentals. Therefore, in order to eradicate or reduce poverty, Epaulard (2003) focuses on the importance of growth and conjointly emphasizes the importance of the distribution patterns. In alternative words, the larger median income is, the more will be the impact of growth on poverty reduction. The larger the median income, the greater the impact of growth on poverty reduction.

1.2 Statement of the problem

Nigeria's overall economic performance since independence in 1960 has been decidedly unimposing. Despite the provision and expenditure colossal amount of foreign exchange derived mainly from its oil and gas resources, according to Mohammed and Ekihioya, (2012), economic growth has been weak and the incidence of poverty has increased. Egbe and Clement (2011) also argue that Nigeria has lost decades of developments due to the negative-to-show growth and has been one of the weakest growing economies in the world on a per capita basis especially for the period of 1981-2012. Incidentally, Nigeria represents one quarter of Africa's population and, by implication, it is one of the most poverty prone countries, the Nigerian features include high rate of illiteracy, lack of access to safe source of drinking water, declining purchasing power, increasing income disparity, poor housing, high child malnutrition and rising mortality rate among children (World Bank, 2010).

This is why the objective of each sovereign nation like Nigeria should be to improve the standard of living of its citizenry and promote economic growth and development of the country. Moreover, due to vicious circle of poverty, the scarcity of resources and the law of comparative advantage, states that countries should produce commodities whose opportunity cost is low, and then exchange these commodities with each other to foster economic growth and achieve sustainable economic development (Mohammed & Ekihioya, 2012). The authors further assert that the divergence between the Nigerian economic indicators, macroeconomic variables and the reality presents a source of concern. Interestingly, the causes of the state of poverty have been traced to several factors. As Egbe and Clement (2011) indicate, such factors embody corruption, poor and inconsistent economics policies, weak diversification of the economic base, debt overhang, gross economic mismanagement, and burgeoning population growth, lack of effective skills coaching, weak intersectional linkages, and persistence of structural bottle necks in the economy, high import dependence and heavy reliance on crude oil exports. On the other hand, the growing disconnects between the improving macroeconomic indicators and the growing descent into poverty of over 100 million Nigerians clearly has both short term implications. Statistics seem to under-estimate the immensity of poverty that defines Nigeria's paradox of rich country with poor masses. More than ninety per cent of Nigerians are poor and exist largely at the mercy of fate. According to Yusuf and Noah (2005), these realities square measure way more obvious in rural areas and slums. In these places individuals die as a result of their inability to afford at least N500 to buy required medication or basic public aid. This is why there is a necessity for the investigation of the impact of economic fundamentals on poverty level in Nigeria.

1.3. Objective of the study

The objective of this study is to investigate the impact of macroeconomic fundamentals on poverty level in Nigeria. The specific objectives are:

(1) To ascertain the relationship between poverty and economic growth in Nigeria

(2) To investigate if macroeconomic fundamentals impact on poverty level in Nigeria

(3) To establish the short run relation between key macroeconomic fundamentals and poverty level in Nigeria

1.4. Research Hypothesis

Ho: Macroeconomic fundamentals have no impact on poverty levels in Nigeria

H1: Macroeconomic fundamentals have impact on poverty levels in Nigeria

1.5. Significance of the study

This study is critical in varied ways. First, it will illuminate the ambiguity surrounding the extent of the impact of macroeconomic fundamentals on poverty level in Nigeria. Second, the findings will provide chic information for further studies on the relationship between macroeconomic fundamental and poverty reduction strategies in Nigeria. Third, the findings will assist policy makers in the area of poverty reduction and the effective management of the economy. Finally, the findings will provide the chance for a far broader analysis into the impacts of macroeconomic fundamentals on poverty level, not only in Nigeria but also in other developing countries.

1.6. Scope of the study

This study focuses on the impacts of macroeconomic fundamentals on poverty level in Nigeria. As previously stated, macroeconomics is significant in the sense that it is the branch of economics that deals with the performance, structure, behavior and decision-making of an economy as a whole, rather than individual markets. This incorporates national, local, and global economies. This is why the study seeks to investigate the impact of macroeconomic fundamental on the poverty level in Nigeria. As clearly evident in this segment, macroeconomic fundamentals and poverty is a broad territory and this explains why this study focuses only on Nigeria. This, however, does not suggest that the study is trying to overlook the important area. Rather it is predominantly because of the inadequate funding available to the researcher for a much broader research.

1.7. Organization of the study

The study is divided into five chapters. chapter One covers the introduction to the study which incorporates background to the study, aim and objective of the study, research questions, hypotheses, scope of the study, significance of the study and the organization of the study. Whereas chapter Two presents a review of relevant literature in order to provide the study with a strong theoretical foundation. Chapter three spotlight on the methodology used for the study, while chapter Four is concerned with presentation of findings. Chapter Five focuses on the discussion of findings and the conclusion of the study.

1.8. Definition of terms

- **Macroeconomics:** is the study of economics involving phenomena that affect an entire economy, including inflation, unemployment, price levels economic growth, economic decline and the relationship between all of these (Hailu and Weeks, 2011).

- **Inflation:** is the sustained increase in the general levels of prices for goods and services. It is measured as an annual percentage increase. As inflation rises, every dollar owned buys a smaller percentage of goods or services (Egbe and Clement, 2011).

- **Gross Domestic Product:** This alludes to the monetary value of all the finished goods and service produced within a country's borders in specific time period; though G DP is usually calculated on an annual basis (Guimaraes, 2011).

- **Purchasing Power**: The value of a currency expressed in terms of the amount of goods or service that one unit of money can buy. Purchasing power is importance because, all things being equal, inflation decreases the amount of goods or services (Yin, 2011).

- **Poverty**: alludes to the general scarcity or dearth, or the condition of one who lacks a certain amount of material possession or money. It is a multifaceted concept, which incorporates social, economic, and political elements. Poverty seems to be chronic or temporary, and most of the time it is closely related inequality (World Bank, 2011).

- **Malnutrition or malnourishment:** is a condition that results from feeding habit in which supplements are either insufficient or are in excessive amount such that the eating regimen causes well-being issues. It may include calories, protein, sugars, vitamins or minerals (WHO, 2013).

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

The objective of this study is to investigate the impact of macroeconomic fundamentals on poverty level in Nigeria. The broad objective is to establish the relationship between poverty and economic growth in Nigeria. This segment, therefore, reviews relevant and authentic literature in order to provide the study with a strong theoretical background. As highlighted in the preceding chapter, macroeconomic policies in developing countries, which Nigeria is one, are designed to stabilize the economy, stimulate growth and reduce poverty (Yin, 2011). The Nigerian factor and the achievement of this objective are predicted on the stance of fiscal and monetary policies summing aggregate of the economic indices for growth evaluation (Egbe and Clement, 2011).

2.1 Conceptual Issues/Theoretical Review

A conceptual framework is an end of result of bringing together a number of related concept to explain or predict a given event, or given a broader understanding of the phenomenon of interest or of a research problem (Imenda, 2014). In other words, conceptual frame work is used in research to outline possible course of action or to present a preferred approach to an idea or thought. This section therefore discusses some of the concept in the study.

2.1.1 Definition of poverty

A succinct and universally acknowledged meaning of poverty is elusive largely because it affects many aspects of the human condition, including the fact that it influences numerous parts of the human conditions, such as physical, moral and mental conditions. According to (Ajakaye, 2003), diverse criteria have, therefore, been used to conceptualize poverty. Most analyses follow the conventional stance of poverty as a result of insufficient income for securing fundamental goods and services while others view poverty, in part, as a function of education, health, life expectancy, and child mortality (Blackwood and Lynch, 1994).

The poor are also identified by (Ajakaye, 2003) using the criteria of the levels of consumption and expenditure, while Sen (1983) on the other hand, relates poverty to entitlements which are taken to be the various bundles .of goods and services over which one has command, taking into cognizance the means by which such goods are acquired and the availability of the needed goods. Yet, different specialist see poverty in very broad terms such as being unable to meet basic needs requirement for a meaningful life (World Bank, 1996). This demonstrates that poverty is a multidimensional phenomenon and the more reason why it has no universally acceptable definition. Definitions and measurement indicators applied in one type of society may be difficult to transfer to other societies, without grave modification (Ruggeri et al, 2003). However, there are disparate poverty framework which may be valuable for understanding and measuring poverty, money-metric measurement approaches and multidimensional concepts of poverty (Hulme and Shepherd 2001). Researchers who adopt the material and physiological approaches view poverty as lack of income, expenditure or consumption. In recent year, however, poverty has been viewed in a more holistic sense, based at least in part on the increased credence given to the views of the poor themselves. This is based on the belief that the poor are likely to be poor in several ways, not just in terms of income. Generally, poverty is viewed as a lack of basic needs and services or lack of minimum standard of living. As Bevan and Joireman (1997) contend, while poverty all around includes individuals experiencing very real material and other deprivations. the concept of poverty is used to cover a wide-ranging set of interrelated life-chances which vary and are valued differently in the diverse cultures and sub-cultures of the world. On this basis, the notion of what constitutes fundamental needs has extended to encompass sustenance, water, safe house, and attire, as well as access to different resources, for example, education, essential social insurance, credit, interest in the political procedure. security and dignity (Bevan and Joireman, 1997). According to the United Nations (cited in Tribune, 2011) poverty, fundamentally, is a disavowal of choices and opportunities. an infringement of human nobility. It means lack of basic capacity to participate effectively in society. According to the World Bank (2010) poverty incorporates low income and the failure to obtain the fundamental products and service necessary for survival with dignity. Underpinning these definitions is the fact that poverty is not just inadequate income; it is also the lack of access to basic services and amenities, the lack of security and exclusion from community life. According to the World Development Report (World Bank, 2000), poverty as a distinct inadmissible deprivation involves the non-fulfillment of basic material and biological needs, including inadequate nutrition, health, education, shelter, low monetary income and consumption levels. On the other hand, social dispossession incorporates hazard, defenselessness, lack of independence, delicateness and lack of dignity. Deprivation here goes beyond physiological denial but reflecting social deprivation in the sense of considering poor communities' involvement in dialogue processes.

2.1.2 Poverty level in Nigeria

Nigeria has Africa prevalent oil and gas reserves. It exported US86.2 billion of petroleum product in 2011. At the point when the nation picked up autonomy from British colonial rule in 1960, such assets drove numerous Nigerians to be optimistic about the future of their country (HRW, 201224). Nigeria is oil rich, yet almost all the income is redirected to one and only percent of the population (CFR, 2010). In other words, in spite of her critical normal and human resource and its significant economic potential, Nigeria economic performance, human development and overall social transformation do not match its potential. Its size, wealth and differences create elevated requirements; however it remains a rich nation with needy individuals (NBS Poverty and Income Distribution Report, 2012). Poor interest in the country's discriminating base and under-interest in medicinal services, instruction, science, and innovation are all prompting a mind channel in which Nigeria's most capable and taught nationals are leaving the nation (CSAT, 2011). Over a span of time, a few endeavors have been made to think of a solitary meaning of destitution by social researchers. In this way, the definitions accessible endeavor to outline the accompanying comprehension of destitution as absence of charge over fundamental utilization needs (Aremu, 2004). This alludes to material needs such as, sustenance, safe house, garments, well-being, instruction and cooperation in every economic activity (Adebola, 2008) . As prior stated, Nigeria is the greatest producer of oil in Africa and the 6th oil producer on the world. However, notwithstanding its tremendous assets, it positions among the poorest nations of the world. As indicated by a World Bank (2010) report released at a United Nations summit, Nigeria is rated as second poorest country in the world with most Nigerians living beneath poverty line. The National Bureau of Statistics (NBS 2012) also suggests that approximately 60.9 percent of Nigerians in 2010 were living in total 'absolute poverty'. In 2011, the figure rose marginally to 61.9 percent and in 2012, the quantity of Nigerians living in poverty was put at 61 percent (BBC World News, 2012). The most noteworthy poverty rates are recorded in the North-West and North-East geopolitical zones with a poverty rate of 77.7 percent and 76.6 percent individually (NBS, 2012). The reason is not outlandish considering that these zones are loaded with clashes. Nonappearance of fundamental administrations, unemployment, terrible administration and defilement give a boulevard to displeased individuals from the general public to be radicalized (NBS 2012). Aside from these zones, poverty is likewise endemic in struggle zones like the South-South where strife between Multinational Oil Companies (MNOCs) and aggressor adolescents in the area has brought about the general population's poverty. The Niger Delta region which is the source of Nigerian wealth suffers from a paradox of poverty in the midst of plenty. According to a World Bank report captured in the Niger Delta Development Commission (NDDC, 2008) report, about 70 percent of people in the region live below the poverty line which is above African standard.

2.1.3 Causes of poverty in Nigeria

The causes of the state of poverty can be traced to several factors. These factors, according to the Federal Office of Statistics (1999), incorporate defilement, poor and inconsistent macroeconomic policies, feeble diversification of the economic base, debt overhang, gross economic mismanagement, blossoming population growth, lack of effective skills training, frail between sectoral linkages, constancy of basic jug necks in the economy. high import reliance and substantial dependence on raw petroleum export. In particular, it is expressed that the fundamental reasons for neediness in Nigeria are deficient access to training, welfare, sanitation and water administrations, lack of access to vocation opportunities, insufficient access to resources, for example, lacking access to the method for cultivating country advancement in poor areas, insufficient access to advertise for the products and administrations that the poor produce, insufficient access to aid by the individuals who are the casualties of passing destitution, for example, dry seasons, surges and unsettling influences, and deficient contribution of the poor in the outline of formative projects (Federal Office of Statistics, 1999).

2.1.4 Macroeconomic Fundamentals

Macroeconomics from the Greek prefix full scale signifying "substantial" and financial matters is a branch of economics dealing with the performance, structure, behavior, and choice making of an economy as a whole, rather than of individual markets. According to Guimaraes et al (2012), this incorporates national, regional, and global economies making macroeconomics one of the two broadest fields in economics. The authors explain further that macroeconomists study aggregated indicators such as GDP, unemployment rates, and price indexes to understand how the whole economy functions. Succinctly stated, macroeconomics is the exploration of economics involving phenomena that influence a whole economy, including inflation, unemployment, price levels, monetary economic growth, economic decline and the relationship between all of these (Egbe and Clements, 2011). While microeconomics looks at household and how businesses make decision and behave in the market place, macroeconomics takes a gander at the 10,000 foot view - it examines the whole economy. Of course, macroeconomists create models that clarify the relationship between such elements as national wage, yield, utilization, unemployment, expansion, funds, speculation, global exchange and universal account. Conversely, microeconomics is essentially centered on the activities of individual specialists, for example, firms and shoppers, and how their conduct decides costs and amounts in particular markets (Elumelu, 2002). (Mohammed & Ekihioya, 2012) Likewise clarify that macroeconomic policy alludes to those approaches of Government meant for the total economy, normally to advance the large scale objectives of full business, security, and development. They contend that regular macroeconomic approaches are monetary and fiscal. For this situation, economic approach is the macroeconomic strategy where the administration rolls out improvements in government spending or assessment to invigorate financial development while fiscal arrangement manages changes in cash supply or changes with the parameters that influences the supply of cash in the economy. The destinations of this approach incorporate the accomplishment of feasible financial development and improvement, stable value and full business (Hailu and Weeks, 2011). Macroeconomic goals sometimes contradict each other, which implies that, in endeavoring to accomplish one goal, another is relinquished. For instance, in endeavoring to accomplish full vocation in the transient value, expansion may happen in the more drawn out term. While macroeconomics is an expansive field of study, there are two ranges of exploration that are significant of the control: the endeavor to comprehend the reasons and outcomes of short-run variances in national pay (the business cycle), and the endeavor to comprehend the determinants of long-run financial development (increments in national pay). Macroeconomic models and their figures are utilized by governments to help as a part of the advancement and assessment of financial approach (Yin, 2011).

2.1.5 Macroeconomic fundamental relationship with Poverty

2.1.5.1 Economic growth is a basic imperative to monetary improvement. This educates why in Nigeria development consistently rules the principle strategy push of governments' advancement targets. Basically, monetary development is connected with arrangements meant for changing and rebuilding the genuine financial segments. Zelealem (2006) states that government and money related authorities apply macroeconomics arrangement including financial and fiscal approaches to balance the economy not just business cycle prompts the deviation of macroeconomics variable from their long run way additionally severely influence the needy individuals. Bigsten et al (2012). In the first case the monetary exercises will confront a wonderful decay and the level of generation and business will diminish. According to Datt and Ravallion (1992), it is clear that the impact came about because of business cycles that, for the most part, incorporate unemployment and expansion, and will have the most vital impact on low wage and the poor stratums of the general public. McKay(2014); The reduction of job through lessening of openings for work will deny all people of the general public, particularly needy individuals who are not the creation's proprietors, from picking up of salary and the swelling will decrease t beneficiary buying control after some time (Baye and kasha, 2010).

2.2 Theoretical Framework

Theories of poverty can be extensively grouped into three: social, human capital theory and structural theory.

2.2.1 Cultural theories

Discover the clarification for destitution in the low qualities themselves. These speculations affirm that it is the valuation, attitudinal, and behavioral examples of the poor which keep them from being socially versatile. Conversely, auxiliary hypotheses clarify neediness regarding the conditions under which the poor live – unemployment, underemployment, poor training, and weakness. The particular attributes of the poor so integral to the clarification of the social scholars are, for the auxiliary scholars, reactions or adjustments to the antagonistic vibe of the basic conditions the poor face. Auxiliary scholars completely acknowledge the social scholars' portrayal of poor people; they only place another understanding on it.

2.2.2 The "sub-culture" of poverty

Theories of intergenerational destitution assert that behavioral inclinations highlighted in traditional hypotheses are gone crosswise over eras inside dynastic families. Hence, "neediness conceives neediness" as youngsters experiencing childhood in useless families nourish from the freak conduct of their begetters, who go about as good examples (Blank, 2010). Commitments emerging from this point of view attest that the intergenerational transmission of states of mind identifying with destitution can be propagated by means of a holding on "society of neediness" may help poor families adapt to low monetary means. Among the most noticeable figures of the alleged "subculture of neediness" is Oscar Lewis, who proposed that the poorest segments of society tend to shape a unique sub-bunch with unmistakable attributes that are "to a great extent self-sustaining". He expressed that "neediness, to put it plainly, is a lifestyle, surprisingly steady and constant, went down from era to era along family lines" (Lewis 1965, cited in Townsend, 1979). He listed various social and mental qualities that support this sub-culture, for example, absence of capacity to concede delight, swarmed quarters and continuous resort to brutality. Be that as it may, the sub-society of neediness ought not to be compared with destitution "just around 20% of the populace underneath the neediness line in the US could be delegated fitting in with a society of neediness" (Townsend, 1979). It additionally connects to a powerlessness to collect private and social resources. Such speculations served to occupy enthusiasm for answers for destitution far from business sector systems to preparing and character change at the individual level, from exorbitant redistributive polices to minimal effort social work and group psychiatry. Along these lines, the sub-society of neediness (commensurate to the "cycle of hardship") is a hypothesis where hardship is dealt with just like a leftover individual or family marvel instead of a general public wide basic issue. From this perspective it takes after that the locative results of a business sector economy as reflected in the dispersion of salaries is not some piece of the tale of neediness. Subsequently, arrangement activities that may have extensive results for riches and wage dispersion reasons for existing are not upheld, in accordance with every one of the hypotheses relating to the traditional strand of writing (Townsend, 1979).

2.2.3 Human capital theories

The center of universal monetary hypothesis depends on the suspicions of flawless rivalry and business sector harmony involving a relationship between the middle wage and minor profitability. The interest side of the work-business is thought to focus on various attributes or abilities specialists can supply. The significance put on the arrangement of aptitudes specialists are outfitted with offered ascent to the advancement and spread of human capital hypothesis (initially because of Becker 1964). One strand of neoclassical financial matters (as needs be) spotlights on individual decisions in connection to instruction, preparing and versatility (as determinants of human capital) to clarify contrasts in earnings, but still with next to zero reference to the pretense by different components, for example, monetary establishments and social standards. Lydall (1968) contended that it is the variety in the mix of knowledge, environment and training at the individual level that can represent the variety's majority in the dissemination of individual profit. This hypothesis, in any case, cannot be accommodated with the watched substantial pay wedge in the middle of men and ladies or in the middle of whites and blacks. Despite the fact that he did notice the conceivable vicinity of "social bias" in his work, he did not join it into his examination. In the mean time, Machin (2009) notes that poor family units in numerous countries tend to under-put resources into instruction.

2.4 Gross Domestic Product and poverty

National yield is the most minimal measure of everything a nation produces in a given time period. Everything that is delivered and sold creates pay. Hence, yield and salary are generally viewed as identical and the two terms are regularly utilized reciprocally (Hailu and Weeks, 2011). As needs be, yield can be measured as aggregate salary, or, it can be seen from the creation side and measured as the aggregate estimation of last merchandise and administrations or the entirety of all quality included in the economy. Macroeconomic yield is generally measured by Gross Domestic Product (GDP) or by one of the other national records. Market analysts intrigued by long-run increments in yield study monetary development. Also, propels in innovation, gathering of hardware and other capital, and better training and human capital all lead to expanded monetary yield after some time (Yin, 2011). Notwithstanding, yield does not generally increase reliably. Business cycles can bring about fleeting drops in yield called retreats. For this situation, market analysts search for macroeconomic strategies that keep economies from slipping into subsidence's and that prompt speedier long haul development.

2.4.1 Unemployment and poverty

The level of unemployment in an economy is measured by the unemployment rate, the rate of specialists without occupations in the work power. According to Egbe and Clement (2011), the work drive just incorporates laborers effectively searching for employments. Individuals who are resigned, seeking after instruction, or demoralized from looking for work by an absence of employment prospects are barred from the work power. Unemployment can be for the most part separated into a few sorts that are identified with distinctive reasons. For this situation, two of such sorts will be examined.

2.4.2 Structural unemployment

This covers a mixed bag of conceivable causes of unemployment including mismatch between laborers' abilities and the aptitudes needed for open employments. As indicated by Yin (2011), a lot of auxiliary unemployment can happen when an economy is transitioning commercial enterprises and specialists locating their past arrangement of abilities are no more popular. Basic unemployment is like frictional unemployment since both mirror the issue of coordinating specialists with occupation opening, yet basic unemployment covers the time expected to procure new aptitudes not simply the transient inquiry process.

2.4.3 Classical unemployment theory

According to Egbe and Clements (2011), unemployment happens when wages are too high for head honchos to be willing to procure more specialists. Other more cutting edge economic hypothesis proposes that expanded wages really diminish unemployment by making more shopper interest. This suggests that development relies on the rate of unemployment. On the off chance that the rate of unemployment raises, in light of present circumstances, development rate will decrease. On the off chance that organizations lay off huge numbers of their specialists, this will, being what they are, build the rate of unemployment. In the light of present circumstances, it will prompt decrease in total yield that is, it will obstruct development of time arrangement information for a 31-years period 1970-2000. Adebola (2008) dissect the global exchange and destitution diminishment in Nigeria. In this manner there is a need to investigate all accessible ways to deal with the destitution address and guarantee that these picked methodologies adjust to the one of a kind nature and operation of the Nigerian economy. This study, which tries to set up a worldwide exchange arrangement, rehearses poverty diminishment exact relationship that would endeavor a cross-country relapse in a co-coordination test to set up this relationship. The strategy alteration of government ought to be such that ensures certain parts that actually would not have the capacity to contend with the global business sector. This ought to be done through:

- The alteration of openness that will diminish a conceivable disadvantageous effect for individuals under the neediness line.
- The advancement of exchange liberalization such that families under the neediness line absolutely take part in circumstances achieved by openness.
- Guaranteeing that infrastructural advancement goes with exchange approach changes. The authorization of complimentary changes that will guarantee that the embraced exchange strategy works inside of an adaptable business sector. Exchange changes must oblige casual markets particularly concerning rustic horticulture since this is a poor's probability. Additionally, the Nigerian government must guarantee that having completed the fundamental parameters towards the determination of their fitting exchange change, the accompanying objectives must be set up.
- Adjusting arrangement regard for the African local business sector.

- ❖ Procurement of the required empowering environment that takes into consideration ideal exchange relations.
- ❖ The modification of national formative methods in similarity with worldwide targets e.g. MDGs. and Suitable worldwide relations methods. Kashi and Tash (2014) dissect the impacts of macroeconomic variable on destitution in Iran utilizing bootstrap systems. It is trusted that the level of poverty is fundamentally controlled by macroeconomic variables, such as, inflation, government use and unemployment rate. These discoveries demonstrate that economic development has enormous consequences for poverty in Iran. Furthermore, there is a negative relationship between poverty and economic growth to be specific; intensifying the development rate prompts poverty reduction. The aftereffects of this study have additionally demonstrated that unemployment and inflation have constructive outcomes on poverty, while standardized savings consumption identifying with government use has no significant consequences for poverty. This study will be using Ordinary least square (OLS) to check the outcome.

2.5 Empirical evidence

(Oshewolo, 2011) examines the study of poverty reduction and attainment of the MDGS in Nigerian context and posits that there are problems in prospect conclusion due to precarious socio-economic ambience and the global publicity. This entails that the Sub-Sahara African country has become synonymous with poverty, and Nigeria hosts the largest population of poor people in the region.

Taiwo Agbotogun (2011) investigates the implication of government spending economic growth on Nigeria economy from 1980 to 2009. Using Johansen co-integration procedure, the result shows that total capital expenditure, inflation rate, deference and current government revenue have significant impact to improve economic growth in Nigeria.

Byrne and Eric (2009) analyzing the international labour organization (ILO), argue for relaxing the standard definition of unemployment in developing countries where labour markets are not as efficient as those in the developed world.

(Zaatari, 2014) investigates the macroeconomic policies for poverty reduction: the case of Syria Policy. The recommendations are that Syria can considerably expand fiscal space through three avenues:

(1) Considerably lowering tax expenditures to rise direct and indirect tax revenues.

(2) Raising taxes on international trade chiefly by enhancing the tax base, by widening the coverage of import taxation.

(3) Exploring ways of expanding the indirect tax base including (but not exclusively confined to) the introduction of a Value added tax. Other ways of enhancing domestic indirect taxation could include excises on luxury goods, like cigarettes and tobacco "Tobin" taxes on foreign exchange related transaction, and low-rated but broad based taxation of key expenditures associated with increased private sector accumulation such as private construction activities (Osamwonyi, 2014). Due to the immense contribution of commercial banks to the economic development in Nigeria, this research investigates the impact of macroeconomic variables on profitability of banks in Nigeria from 1990-2013.

Mohammed (2012) examines the Macroeconomic determinants of economic growth in Nigeria by measuring by real gross domestic product (GDP), the conclusion and policy implications was that some macroeconomic variables determine economic growth.

Malaysia (2012) scrutinize inflation and poverty in Nigeria: The role of (ICT) in poverty reduction using OLS technique the study concludes that advancement in technology reduces poverty.

Osamwonyi (2014) investigates the impact of macroeconomic variables on the profitability of listed commercial banks in Nigeria using Ordinary least method to determine the effect of three major factors; gross domestic product (GDP), interest rate (INTR) and inflation (INFR) on return on equity (ROE) which proxies' profitability. The findings from the empirical point of view show a positive relationship of gross domestic product (GDP) with return on equity (ROE). Interest rate and inflation rate have a negative relationship with return on equity (ROE). Gross domestic product have a significant positive effect on Return on equity(ROE)while interest rate have a significant negative effect on return on equity(ROE) but inflation is not significant at all levels of significance.

Adebola (2008) evaluates the international trade and poverty reduction in Nigeria using (OLS) method to capture it. The result shows that international trade has a significant impact on poverty reduction.

Kashi and Tash (2014) investigates the effects of macroeconomic variable on poverty in Iran using application of bootstrap techniques. The findings indicate that economic growth has significant effects on poverty in Iran. In addition, there is a negative relation between poverty and growth, namely increasing the growth rate leads to poverty reduction.

2.6 Summary of findings

This section investigates the impact of macroeconomic fundamentals on poverty level. The intention is to help the reader comprehend distinctive parts of macroeconomic essentials and destitution level in Nigeria. The part looked into the disputable meaning of destitution as what constitutes neediness changes starting with one general public then onto the next and furthermore between people. This is obvious in the different definitions exhibited by distinctive creators. It is clear that financial development is a major imperative to monetary improvement. In addition, the audit demonstrates that macroeconomic approaches are basic to the lessening of neediness in Nigeria. These later speculations propose that unemployment results from lessened interest for the merchandise and administrations created through work and recommend that just in business sectors where net revenues are low and the business will not bear a cost increment of item or administration, will higher wages result in unemployment (Egbe and Clements, 2011).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The objective of this study is to investigate the impact of macroeconomic fundamentals on poverty level in Nigeria through an econometric model and finally we will estimate the optimal model and consider the test for goodness of fit of the model. In this research, the variables, which are Inflation rate, Exchange rate, Money supply, GDP, Interest rate and the economic growth during the years 1980-2014 are considered as determinants of poverty level. The statistical information is obtained from world development indicators in Nigeria.

3.1 Model Specification

In order to capture the impact of macroeconomic fundamental on poverty in Nigeria this study adopted the model used by (Farhad & Mohammad, 2014) in their study of the effects of macroeconomic variables on poverty in Iran, however, with some modification. The essence of the aforementioned is to be able to incorporate some key macroeconomic fundamentals such as, interest rate, money supply and gross domestic product. Furthermore, (Farhad & Mohammad, 2014) took a step further by validating the result they obtained by using bootstrapping technique.

Poverty rate $=\beta 1Gini + \beta 2SSG + \beta 3U + \beta 4INF + \beta 5Y + \varepsilon$

This study shall modify (Farhad & Mohammad, 2014) model and as such the explanatory variables that would be included are interest rate, Gross domestic products, Money supply, Inflation rate and Exchange rate. Hence the functional form of the model would be as stated below.

Poverty rate = f (GDP, INF, EXCH, INT, MS)..................... (1)

Where: β_0 = Intercept; β_1– β_2 = Coefficients of the repressor as defined above; ε= stochastic term.

POV=POVERTY RATE

GDP= GROSS DOMESTIC PRODUCT

INT= INTEREST RATE

EXCH=EXCHANGE RATE

INF= INFLATION RATE

MS= MONEY SUPPLY

ε= ERROR TERM

β0= INTERCEPT OF THE MODEL

3.2 Theoretical expectation

This conform to the A prior expectation. Furthermore the result of this study, impact of macroeconomic fundamentals on poverty level in Nigeria, explains the econometric model of this result.

$$\frac{\partial POV}{\partial LGDP}, < 0 \frac{\partial POV}{\partial EXCH} > 0, \frac{\partial POV}{\partial INF} < 0$$

3.3 Model Estimation Techniques

Model estimation techniques examine the most important and popular methods used to estimate parameters for statistical models and provide informative model summary statistics, using ordinary least squares (OLS).

Unit root test

To test for stationary or the absence of unit roots, this test is done using the Augmented Dickey Fuller test (ADF) with the hypothesis which states as follows: If the absolute value of the Augmented Dickey Fuller (ADF) test is greater than the critical value either at the

1%, 5%, or 10% level of significance, then the variables are stationary either at order zero, one, or two. The Augmented Dickey Fuller test equation is specified below as follows:

$$\Delta \hat{u}_t = \beta \hat{u}_{t-1} + \sum_{i=1}^{k} \Delta \hat{u}_{t-1} + \varepsilon_t \text{ ....()}$$

3.4 EVALUATION OF ESTIMATE

Statistical criteria

The study aims at the evaluation of the statistical reliability of the parameters. In this line, the t-statistics will be employed to the test of hypothesis concerning the true values of the population parameters. The R^2 statistics is also employed as the coefficient for determination to measure the goodness of the fit of the regression line to the observed sampled values of the variable while the F-statistics will also be used to test the overall significance of the regression.

Econometric criteria

It aims at detecting the violation or validity of the assumption of the econometric techniques employed (OLS). For instance to test the validity of the assumption of non-correlated disturbances, the Durbin Watson Statistic would be used in the evaluation of results of the estimates.

3.5 Sources and method of data collection

The data for this study were derived from a number of sources. Data for the study were obtained from both the National Bureau of Statistics (NBS1980-2014) and United Nations Development Indicators for various years. In regression analysis the dependent variable is frequently influenced not only by variables that can be readily quantified on some well-defined scale but also by variables that are essentially qualitative in nature. This qualitative variable that influences the dependent variable should be included among the explanatory variables.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Descriptive Statistics

The descriptive statistics of the variables for analysis is provided in table 1 below. From the table, the averages of the variables are 66.5, 6.0, 19.7, 12.9, 12.7 and 56.53 for exchange rate *(EXT)*, money supply *(MS)*, inflation rate (*INF*), gross domestic product (*LGDP*), interest rate (*INT*) and poverty rate *(POV)*, respectively. The maximum values of the variables are 158.6, 9.8, 72.8, 18.0, 26.0 and 88.0 for exchange rate *(EXT)*, money supply *(MS)*, inflation rate (*INF*), gross domestic product (*LGDP*), interest rate (*INT*) and poverty rate *(POV)*, respectively while the minimum values of the variables are 0.5, 2.5, 5.4, 10.4, 6.0 and 28.1 for exchange rate *(EXT)*, money supply *(MS)*, inflation rate (*INF*), gross domestic product (*LGDP*), interest rate (*INT*) and poverty rate *(POV)*, respectively. The standard deviation showed that exchange rate (64.4) was the most volatile variable in the time series. This is followed by inflation rate (17.9), poverty (15.1), interest rate (4.3) and money supply (2.4), while the real gross domestic product (economic growth) (1.1) was the least volatile of the time series.

The skewness statistic from descriptive statistics showed that all the variables (exchange rate *(EXT)*, money supply *(MS)*, inflation rate (*INF*), gross domestic product (*LGDP*), interest rate (*INT*) and poverty rate *(POV)*) were positively skewed. The kurtosis statistics showed that exchange rate *(EXT)*, money supply *(LMS)* and poverty *(POV)* were platykurtic, suggesting that their distributions were flat relative to normal distribution while inflation rate *(INF)*, gross domestic product (*LGDP*) and interest rate (*INT*) are leptokurtic, suggesting that the distribution is peaked relative to normal distribution. The kurtosis showed that none of the variables had a normal distribution. The Jarque-Bera statistics rejected the null hypothesis of normal distribution for inflation rate (*INF*) and real gross domestic product *(GDP)* at five per cent critical value while the Jarque-Bera statistic could not reject the null hypothesis of normal distribution for the remaining variables (exchange rate (*EXT*), money supply (*MS*), interest rate (*INT*), and poverty (*POV*)) at five per cent critical value.

Table 4.1: Descriptive Statistics

Variables	EXT	LMS	INF	LGDP	INT	POV
Mean	66.50725	6.041780	19.74000	12.86298	12.71257	56.53429
Median	21.88610	6.024125	12.20000	12.61826	12.75000	54.00000
Maximum	158.5526	9.780219	72.80000	18.02248	26.00000	88.00000
Minimum	0.546400	2.472885	5.400000	10.35923	6.000000	28.10000
Std. Dev.	64.41186	2.438944	17.92046	1.105967	4.290571	15.14502
Skewness	0.256472	0.045866	1.626368	2.685863	0.702193	0.183075
Kurtosis	1.239251	1.622742	4.371508	15.21299	3.998454	2.107034
Jarque-Bera	4.904883	2.778497	18.17276	259.6017	4.330096	1.358370
Probability	0.086083	0.249262	0.000113	0.000000	0.114744	0.507030
Observations	35	35	35	35	35	35

Source: Author computation 2015

4.2 Unit Root Test

Following the descriptive statistics of the variables, this time series properties of the variables was conducted by the Augmented Dickey-Fuller (ADF) and the result presented in table 2. The Augmented Dickey Fuller (ADF) test showed that all the variables were integrated of order one; that is, the variables became stationary after first difference.

Table 4.2: Unit Root Test Result

Augmented Dickey-Fuller (ADF) Test			
Variables	Level	1st Diff	Status

INF	-2.8018	-5.7783*	I(1)
MS	-0.0896	-3.2907**	I(1)
EXT	-0.1449	-4.8328*	I(1)
GDP	0.1491	-3.0542**	I(1)
INT	-2.8581	-6.0707*	I(1)
POV	-1.9705	-3.7959*	I(1)

Note: * and ** denotes 1% and 5% percent significance level respectively.

Source: Author computation 2015

4.3 Co-integration Estimate

The result of the co-integration estimate is presented in table 3 below. From table 3, it is observed that the null hypothesis of no co-integration, for r=0 and r≤1 was rejected by both the trace and the maximum Eigen-value statistic. This is because the statistical values of these tests were greater than their critical values. However, the null hypothesis of no co-integration that is r≤2 could not be rejected by the trace and maximum Eigen-value statistics because their statistical values were less than their critical values. The implication of the co-integration estimate is that there is two co-integrating equation at five per cent in the model as indicated by both the trace and maximum Eigen-value statistics presented in table 3 below.

Table 4.3 Summary of the Co-integration Estimate

Trace Test				Maximum Eigen value Test			
Null	Alternative	Statistics	95% critical values	Null	Alternative	Statistics	95% critical values

r=0	r≥1	142.24	95.75	r=0	r=1	56.60	40.08
r≤1	r≥2	85.63	69.82	r≤1	r=2	43.65	33.88
r≤2	r≥3	41.98	47.86	r≤2	r=3	23.17	27.58
r≤3	r≥4	18.81	29.80	r≤3	r=4	13.38	21.13
r≤4	r≥5	5.43	15.49	r≤4	r=5	5.17	14.26

Source: Author computation 2015

4. Long Run Regression Estimate on the Relationship between Macroeconomic Fundamentals on Poverty level in Nigeria

The long run regression estimate of the impact of macroeconomic fundamentals on poverty in Nigeria from 1980 to 2014 is presented on table 4 below. The coefficient of determination (that is R^2) showed that the explanatory variables jointly explained about 64 per cent of variations in poverty in Nigeria during the study period. The F-statistics (10.1; $p<0.05$) showed that the model estimated is appropriate while the Durbin Watson statistics is 1.52, indicating the absence of serial auto-correlation in the long run estimate. The long run estimate on the impact of macroeconomic fundamentals on poverty presented on table 4 below showed that economic growth (measured by gross domestic product) had a negative (-0.08) and significant impact on poverty in Nigeria, suggesting that a one percent increase in economic growth (*LGDP*) will reduce poverty by about 8 percent in the long run. The long run estimate also showed that money supply (*LMS*) had a positive and significant impact on poverty at 10 percent significant level; thereby suggesting that a one per cent increase in money supply will increase poverty rate by 4.24 per cent in the long run. Also, interest rate (*INT*) had a positive and significant impact on poverty at 5 percent significant level; thereby suggesting that a one per cent increase in interest rate will increase poverty rate by 1.22 per cent in the long run. Inflation rate was observed to have a negative impact on poverty, but the impact was insignificant. Similarly, exchange rate had an insignificant effect on poverty; suggesting that during the period of this study exchange rate does not have any significant effect on the poverty level in Nigeria and particularly in the long run. With respect to the focus of study on the impact of macroeconomic fundamentals on poverty in Nigeria, the long run regression estimate showed that only economic growth (LGDP), money supply (MS) and interest rate (INT) had significant impact of poverty. However, of these variables, only economic growth contributes to reduction in poverty while money supply and interest rate contribute positively to increase in poverty in Nigeria in the long run.

Table 4.4 Long Run Regression Estimate

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	20.13412	25.35182	0.794188	0.4335
LGDP	-0.083024	0.033439	-2.482855	0.0198
LMS	4.240814	2.420519	1.752027	0.0903
INT	1.122626	0.432347	2.596589	0.0146
INF	-0.106044	0.116181	-0.912748	0.3689
EXT	0.009231	0.089988	0.102583	0.9190

R-squared	0.635285	Mean dependent var	56.53429
Adjusted R-squared	0.572404	S.D. dependent var	15.14502
S.E. of regression	9.903461	Akaike info criterion	7.578451
Sum squared resid	2844.278	Schwarz criterion	7.845082
Log likelihood	-126.6229	Hannan-Quinn criter.	7.670492
F-statistic	10.10284	Durbin-Watson stat	1.526516
Prob(F-statistic)	0.000011		

4.4.1 Short Run Regression Estimate on the Relationship between Macroeconomic Fundamentals and Poverty in Nigeria

The short run relationship between poverty and macroeconomic fundamentals is presented below. Prior to the short run regression estimate, the stationary property of the residual from the long run estimate is examined and the result is presented on table 5 below. Using the Augmented Dickey Fuller (ADF) tests, the stationary test showed that the residual is integrated of order one at five per cent significant level.

Table 4.5 Residual Stationarity Test

Variable	ADF Test	Order of Integration
Resid	-2.9045**	I(0)

Note: ** implies 5% significance level.

Source: Author computation 2015

With respect to the parsimonious regression estimate capturing the short run analysis, it is observed from table 6 that the coefficient of determination (that is R^2) from the short estimate showed that the explanatory variables jointly explained about 74 per cent of variations in poverty in Nigeria. The F-statistics (3.91; $p<0.05$) showed that the model estimated is appropriate while the Durbin Watson statistics is 2.3, indicating the absence of serial auto-correlation in the long run estimate. The short run regression estimate also showed that the coefficient of the error-term for the ECM model is both statistically significant at five per cent and negative. The coefficient estimate of the error correction term of -0.34 implied that the model corrects its short run disequilibrium by about 34 per cent speed of adjustment in order to return to the long run equilibrium. Also, the negative sign of the error correction term indicates a move back towards equilibrium.

In addition to the above, it was observed that the coefficient of the first lag of poverty had a positive (0.53) and significant impact on current poverty in Nigeria and in the short run.

This implies that an increase in the first lag of poverty by one increase would increase current poverty by 53 per cent in the short run. Also, the short run regression estimate showed that the second lag value of exchange rate had a positive (0.19) and significant impact on current poverty in Nigeria; suggesting that an increase in the second lagged value of exchange rate by one increase would increase current poverty by 19 per cent in the short run. In contrast, the regression estimate on table 6 showed that the first lagged values of gross domestic product (*DLGDP(-1)*) and money supply (*DLMS(-1)*) had negative and significant impact on current poverty in Nigeria. Specifically, a unit increase in the first lagged values of gross domestic product (*DLGDP(-1)*) and money supply (*DLMS(-1)*) will result in a decrease in poverty rate by 58 percent and 19.1 percent respectively in the short run. In contrast to the negative impact of the first lagged value of money supply (*DLMS(-1)*) on current poverty, it was observed that the second lagged value of money supply (*DLMS(-2)*) had a positive and significant effect on current poverty rate in Nigeria. This suggests that an increase in the second lagged value of poverty by one unit would increase current poverty by 30.6 per cent in the short run. With respect to the remaining variables in the model, it was observed that these variables had insignificant influence on current poverty in the short run; thereby suggesting that these variables do not influence poverty directly in the short run.

With respect to the objective of the study, which is to examine which of the economic fundamental variables that affect poverty in Nigeria in the short run, the short run regression estimate showed that among the explanatory variables in the regression estimate, only first lagged values of poverty, exchange rate, gross domestic product, money supply and the second lagged value of money supply influenced poverty rate in the short run in Nigeria.

Table 4.6: Parsimonious Short Run Regression Estimate.

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	2.149595	2.366064	0.908511	0.3756
ECM(-1)	-0.338338	0.120342	-2.811470	0.0115
DPOV(-1)	0.531756	0.147503	3.605048	0.0020
DPOV(-2)	-0.234267	0.163898	-1.429347	0.1700
DEXT(-1)	0.062791	0.065415	0.959884	0.3498
DEXT(-2)	0.197076	0.065756	2.997075	0.0077
DINF(-2)	-0.084386	0.058005	-1.454810	0.1629
DINT	0.333270	0.246875	1.349957	0.1938
DINT(-1)	0.252300	0.251403	1.003568	0.3289
DLGDP(-1)	-57.99831	16.70696	-3.471506	0.0027
DLGDP(-2)	-3.257969	2.354779	-1.383556	0.1834
DLMS	-9.459593	8.684707	-1.089224	0.2904
DLMS(-1)	-19.14855	8.594922	-2.227891	0.0389
DLMS(-2)	30.60236	9.187577	3.330841	0.0037

R-squared	0.738350	Mean dependent var	1.234375
Adjusted R-squared	0.549380	S.D. dependent var	5.932720
S.E. of regression	3.982530	Akaike info criterion	5.901348
Sum squared resid	285.4898	Schwarz criterion	6.542607
Log likelihood	-80.42156	Hannan-Quinn criter.	6.113907
F-statistic	3.907239	Durbin-Watson stat	2.315336
Prob(F-statistic)	0.004260		

Source: Author computation 2015

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1. Summary of Findings

The objective of this study has been to investigate the impact of macroeconomic fundamentals on poverty level in Nigeria. The prevalence of poverty in Nigeria has raised several questions in the mind of researchers, policy makers and the government on the practicability of attaining poverty reduction in Nigeria. Poverty as an African challenge has the major task of ensuring that it meets the 2015 MDG target. Nigeria has not been able to participate effectively in the global economy especially because of insidious poverty, corruption, marginalization, and over dependence on oil, the dispossession of the mass of the people, and the crippling burden of debt.

This study was therefore used an approach towards resolving the challenge of macroeconomics fundamental on poverty level in Nigeria. Both macroeconomic fundamental and poverty reduction incidences were captured using five variables and the analysis was done using Descriptive and Regression analysis in a 35-year time series data frame. This study found that there is a negatively significant relationship between economic growths on poverty. Macro economic fundamental and poverty level (measured by gross domestic product) had a negative
(-0.08) and significant impact on poverty in Nigeria, suggesting that a one percent increase in economic growth (LGDP) will reduce poverty by about 8 percent in the long run. The long run estimate also showed that money supply (*LMS*) had a positive and significant impact on poverty at 10 percent significant level; thereby suggesting that a one

per cent increase in money supply will increase poverty rate by 4.24 per cent in the long run. Also, interest rate (*INT*) had a positive and significant impact on poverty at 5 percent significant level; thereby suggesting that a one per cent increase in interest rate will increase poverty rate by 1.22 per cent in the long run. Inflation rate was observed to have a negative impact on poverty, but the impact was insignificant. Similarly, exchange rate had an insignificant effect on poverty; suggesting that during the period of this study exchange rate does not have any significant effect on the poverty level in Nigeria and particularly in the long run. With respect to the focus of study on the impact of macroeconomic fundamentals on poverty in Nigeria, the long run regression estimate showed that only economic growth (LGDP), money supply (MS) and interest rate (INT) had significant impact on poverty. However, of these variables, only economic growth contributes to reduction in poverty while money supply and interest rate contribute positively to increase in poverty in Nigeria in the long run.

5.2. Conclusion

This study is designed to examine the poverty trend in Nigeria firstly by reviewing the relevant theoretical basis and evaluating the impact of macroeconomic indicators on the poverty so that based on these topics concluded that both have impact on each one. Another conclusion is offered as follows:

(1) The findings demonstrate that in the long run regression estimate showed that only economic growth (LGDP), money supply (MS) and interest rate (INT) had significant impact on poverty. However, of these variables, only economic growth contributes to reduction in poverty, while money supply and interest rate contribute positively to increase in poverty in Nigeria in the long run.

In addition to the above, it was observed that the coefficient of the first lag of poverty had a positive (0.53) and significant impact on current poverty in Nigeria and in the short run.

5.3. Recommendation

In view of the findings and importance of this study, the following recommendations will be made:

1) To safeguard macroeconomic stability, the government budget, including the country's poverty reduction strategies, must be financed in a sustainable, noninflationary manner. The formulation and integration of a country's macroeconomic policy and poverty reduction strategy are interactive processes. Poverty reduction strategies need first to be articulated (i.e., objectives and policies specified), then costed, and finally financed within the overall budget in a noninflationary manner.

2) Macroeconomic stability exists when key economic relationships are in balance—for example, between domestic demand and output, the balance of payments, fiscal revenues and expenditure, and savings and investment. These relationships, however, need not necessarily be in exact balance. Imbalances such as fiscal and current account deficits or surpluses are perfectly compatible with economic stability, provided that they can be financed in a sustainable manner.

3) Given that countries' definitions of deprivation often go beyond physiological deprivation and sometimes give greater weight to social deprivation, local populations (including poor communities) should be engaged in the dialogue that leads to the most appropriate definition of poverty in a country.

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