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CAN FISCAL DEFICIT PROMOTE INCLUSIVE AND SUSTAINABLE GROWTH IN NIGERIA: EVIDENCE FROM THE DATA

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ABSTRACT

Using a co integration analysis and a Pairwise granger causality test, this study finds that there has been no long run equilibrium relationship between government deficit spending and the rate of economic growth in Nigeria. The study also finds that growth has been fueled largely by rent seeking activities and this has heightened the rate of unemployment in Nigeria resulting into large scale incidence of poverty on the one hand and growing income inequality on the other. This is the result of the non-inclusive and unsustainable nature of the country's growth where a large proportion of the population has no access to the means of production. The result is further corroborated by the weak link in the log linear equation results as well as a unidirectional causality between fiscal deficits and growth, unemployment on the one hand and poverty on the other. The Nigerian economic growth profile has been reported to be on the upward swing in the last decade, however, the incidence of poverty, unemployment, income inequality have worsened while the rate of labour force participation in productivity have declined. The obvious conclusion that can be drawn from this is that such growth has not been inclusive and sustainable. Theoretically, Keynes had argued that economies experiencing sluggish economic growth should adopt expansionary fiscal policies that can increase the level of aggregate demand and stimulate aggregate consumption and investments leading to increased productivity. For the country to overcome the challenge of non-inclusive growth and ensure its sustainability, fiscal policy as encapsulated in deficit spending and borrowing must deliberately target the very poor and vulnerable members of society.

INTRODUCTION:

Around the world today there seem to be no bigger policy challenge that preoccupies leaders' attention than expanding the sphere of social participation in the process of production to create and distribute the benefits of economic growth to the largest number of the people through inclusiveness. This is premised on the fact that poverty has become widespread and endemic wrecking severe welfare havoc on the lives of the people. Expanding the process of greater participation will work towards reducing the incidence of poverty that has ravaged a large proportion of the world's population. Where markets have failed as is the case in most developing countries to generate the needed response in spreading the benefits of economic growth to the people, deliberate government actions must come to the rescue. This is where the fiscal actions through government spending is expected to provide the needed stimulus to propel inclusive growth where a large proportion of the populace can effectively participate in the process of

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productivity resulting from increased investments by investors. Over the last couple of years, Nigeria has maintained a persistent deficit profile fueling the believe that it wants to push its growth in productivity through increased employment, poverty reduction and reduce the extent of income inequality. This is premised on the fact that the country wants to push towards sustained growth and development which has become a global initiative for the elimination of extreme hunger and poverty which is to be attained by the year 2030. This seems to have worked as Aliyu (2014) opined that the country has recorded an unprecedented rise in its economic growth rates over the last decade. However, the rate of unemployment, poverty and income inequality have deteriorated rather than abate. He has thus concluded that Nigeria's growth has not been inclusive enough which is expected to remove a large proportion of the population out of the scourge of poverty.

The above position is strongly supported by statistical evidence from government agencies. For example, between 2004 and 2014, the economy recorded a growth rate that averaged 7.5 per cent yet its human development index remained at a dismal level of 0.504 by 2013.On the other hand the Gini coefficient (Which measures the proportion of the extreme poor in society) has risen from 0.429 in 2005 to 0.504 in 2013 indicating that the incidence of inequality has worsened. The gross National Income per capita as measured by the 2011 purchasing power party (PPP) increased by over 43 per cent or from $3606 in 2005 to $5165 in 2014 according to the World Bank (2014) while the unemployment rate rose to 24 per cent in 2004 from 11 per cent in 2005. Statistics from the household survey conducted in 2012/2014 shows that the poverty rate of the country has reached an alarming 46 per cent using the adult equivalent approach or a whopping 62 per cent in terms of per capita. All these indicators point to the fact that the country's growth has remained both stunted and non-inclusive leading to a large proportion of the country's population lacking access to the means of production that can lead them out of poverty.

These have occurred in spite of the huge public spending fuelled by an equally huge deficit profile of the country over a larger part of the last decade. In specific terms, of the period 1970 to 2018 the government has run annual deficits for 43 years according to the World Bank (2016). For example, according to the World Bank (2016), Nigeria's current budget is running on a deficit and will be funded by much borrowing with government debts also on the rise. The country's deficit grew from ₦3,902. 10 million in 1981 to ₦8, 54.30 million in 1986 and went up to ₦15,134.70 million by 1989. By the year 1998, it was a whooping ₦301, 401.60 million according to the Central Bank of Nigeria's annual reports of 2012. In spite of slight declines in some few years between 2003 to 2006, the overall directions of such deficits have been in the upward swing.

On Nigeria's independence in 1960, there was a shift from private to public sector as the main engine of economic growth due to the strong desire to rapidly grow and develop the country into a modern society. This desire led the government to embark on expansionary policies by heavily investing in import substitution industries amidst large infrastructure projects. Within two years after independence, the country recorded its first negative budget balance in 1962, and since then, fiscal deficits have become an Achilles' heel in Nigeria's economic management history. Umoero (2013) has pointed to the bloating of government bureaucracy, high cost of provision of infrastructure and dwindling revenues as the major cause of these huge deficits, not to mention the unprecedented level of corruption in both economic, social and political life of the nation.

One curious dimension of Nigeria's fiscal deficit experience has been the inability of the country to reap from the huge expenditures that have taken place over these years. It has resulted into more of borrowing than stimulating the economy as envisaged by proponents of fiscal reliance for development indicating that Nigeria's huge deficits may be ineffective in promoting growth. Different studies by scholars done on the impact of fiscal deficit on growth have produced divergent results in several countries and this has made a definite policy prescription for adoption of such economic management difficult and even more so in Nigeria. In addition, such macro level studies have remained rather sketchy and in-conclusive creating a further dent on the part of theory as it relates to the pursuit of inclusive growth. Scholars strongly believe that sustainable economic growth requires inclusive growth which ensures that a large proportion of the population have access to the means of production. Maintaining this may sometimes be difficult because economic growth could give rise to negative externalities, such as a rise in corruption which is a major problem in developing countries. Nonetheless, an emphasis on inclusiveness—especially on equality of opportunity in terms of access to markets, resources, and an unbiased regulatory environment—is an essential ingredient of successful growth. The inclusive growth approach takes a longer-term perspective, as the focus is on productive employment as a means of increasing the incomes of the poor and excluded groups and raising their standards of living. This study is focused on examining the extent to which fiscal deficit has impacted on the prospect of inclusive and sustainable growth in Nigeria which is a current focus of development across the globe. This against the background of the fact that poverty and inequality rates have worsened over the years.

Literature

By definition, fiscal policy is a manipulative instrument in the hands of government designed to achieve macroeconomic objectives. It is a deliberate exercise of the government power to tax and spend in order to achieve price

stability, help dampen the swings of success or business cycles and bring the natural output and employment to desired levels which are most often full employment levels. According to McGranahan and Berman (2014) Fiscal policy describes how the expenditure and revenue decisions of local, state, or federal governments influence economic growth. In modern times, fiscal policies are not formulated in isolation i.e. they are formulated and implemented simultaneously with monetary policies, foreign policies by government with the aim of having a synchronized approach in tackling economic problems. The generally accepted goal of fiscal policies is the attainment of greater economic stability i.e. the maintenance of a reasonable stable state of economic growth with relatively low level standard of living on the other hand. Perhaps the foundation for the adoption of fiscal policy as a tool for economic management and regulation draws from the works of Keynes in the early 1930's following the great depression. Keynes had argued that expansionary fiscal policy should be used in times of recession or low economic activity as an essential tool for building the framework for strong economic growth and working towards full employment. According to him, in theory, the resulting deficits would be paid for by an expanded economy during the boom that would follow; this was the reasoning behind the new deal which sort to allay the fears of some scholars about the tendency for un-regulated fiscal expansion to cause inflationary pressure in the economy. Keynes posited that Governments can use a budget surplus to do two things: (i) to slow the pace of strong economic growth and (ii) to stabilize prices when inflation is too high. Keynesian theory posits that removing spending from the economy through fiscal surplus will reduce levels of aggregate demand and contract the economy, thus stabilizing prices.

According to Ojo (2016) "Fiscal policy is the use of government revenue and expenditure policy to influence the level of economic activity" manipulating instruments in the hand of government to achieve desired macro-economic objectives. This definition has its foundation from those recorded in earlier literature. The Oxford dictionary of the English (2015) defines fiscal policy based on two common words- 'fiscal' and 'policies' Fiscal" refers to "Of or relating to public money especially taxes' while refers to the actions taken by those in authority to give direction. In a broad sense therefore fiscal policies is reference to the role they play in the development of the economy direction amongst different interest groups in different perspectives – politicians, academicians, financiers, businessmen etc. among all these groups appears a common string running through all of them that is it is a tool used in regulation of the economy within the network of other economic policies. Larch, M. and J. Nogueira Martins (2009), say **fiscal policy** is the use of government revenue collection (mainly taxes)) and expenditure (spending) to influence the economy. According to Keynesian economics, when the government changes the levels of taxation and

government spending, it influences aggregate demand and the level of economic activity. Fiscal policy is often used to stabilize the economy over the course of the business cycle. Several neoclassical economists however debate the effectiveness of fiscal stimulus which mostly centers on the tendency for crowding-out effect of government spending where government borrowing leads to higher interest rate that may offset the stimulative impact of spending. In their view, when the government runs a budget deficit, funds will need to come from public borrowing (the issuance of government bonds), overseas borrowing, or monetization of debt. When governments fund a deficit through issuance of government bonds, interest rates can increase across the market, because government borrowing creates higher demand for credit in the financial markets. This causes a lower aggregate demand for goods and services, contrary to the objective of a fiscal stimulus. Neoclassical economists therefore strongly hold the view that government fiscal spending will lead to crowding out of the private sector that is expected to be the engine of growth of the economy while Keynesians argue that fiscal policy can still be effective especially in a liquidity trap where, they argue, crowding out is minimal.

Empirical Literature

McGranahan (2014) believes that the simplest indicator of the stance of overall fiscal policy is the budget deficit. Such deficit indicates that government expenditures exceed revenues, a difference that must be financed by borrowing. Assuming that government borrowing does not crowd out private investment, a deficit is stimulative. It means the government is directly purchasing or transferring more than it is bringing in through taxes. Many research organizations, such as the International Monetary Fund (Bornhorst et al., 2011) and the CBO (2013a) have divided fiscal policy into structural and temporary/cyclical components. The temporary components aim to measure changes that are direct responses to the business cycle; they can also include the effects of changing asset prices or temporary budget items. According to these studies, any automatic stabilizers triggered by the tax code or benefit systems are counted as cyclical, while discretionary fiscal policy is counted as structural. Other authors have relied on large-scale econometric models to estimate the effects of policies. McGranahan and Berman (2014) have critiqued the use of aggregate data to measure the overall effect of fiscal policy on growth which is premised on the use of historical data to find statistical relationships between changes in fiscal variables and changes in output. They instead focus on developing a simple method to measure fiscal impetus that allows us to compare historical data from the National Income and Product Accounts. Their approach only requires data from the national accounts that include all sectors of government because national accounts data are also extremely detailed, making it easy to identify the sources of strength and weakness within subcategories in

addition to the fact that it does not require the study to disentangle structural policy changes. The study categories fiscal impetus into purchases, taxes, and transfer payments at both the federal and state and local levels where the component of purchases include all purchases of goods and services included in government consumption expenditures and gross investment. This approach works perfectly where data are near accurate because businesses keep good records which are hardly the case with a developing country such as Nigeria.

Other studies by scholars such as Adams and Bevan (2015) examined the relationship between fiscal deficit and growth for 45 countries between 1970 and 1999 and found that if the size of such deficit exceeds 1.5 per cent of the nation's gross domestic product, it often results in a deterioration of the economic fortunes of such nations while growth is promoted if the ratio is less. In their opinion, such bloated heats up the economy creating opportunities for rent seeking rather the stimulating growth by crowding-out the private sector. Audu (2012), Ojong and Owin (2013) on the one hand and Ezeabasili, Tsegba and Ezi-Herbert (2012) on the other found mixed results on account of the impact of government expenditure on economic growth using the education. Nurudeen and Usman (2009) and Dauda (2010) focused on the impact of government spending on the education sector in Nigeria and reached different conclusion on the impact of public sector spending on growth. On the one hand, Nurudeen and Usman concluded that total government capital and recurrent expenditure on education had negative effect on growth, while Dauda (2010) found that investment spending on education could stimulate economic growth. One obvious limitation of these studies is that neither was specific on whether it was fiscal deficit on not or just government spending.

Given the focus of development experts today on the need to pursue the fight against poverty through inclusive growth as enshrined in the 2015 UN development report, public policies must target inclusive growth rather than just growth. According to the OECD (2014), the gap between the rich and poor peoples of the world has widened, with those at the top capturing the 'lion's share' of the benefits of growth and this because the growth of most nations has remained lopsided creating great inequalities. The organization also asserts that in many countries, people have not seen their incomes rise for years. Rising inequality in earnings and in wealth is a major concern for governments and individuals across the globe, although money is just one aspect of people's well-being. It believes that whether it is in education, life expectancy, or employment prospects, success is determined by the socio-economic status, wealth and assets, sex, age or the places where people live. To overcome this scenario, it holds that growth must target the greatest number of people rather than being concentrated in the hands of a few. The OECD approach to inclusive growth is

multidimensional, going beyond income, and that the proceeds of economic growth must be shared. Inclusive growth is defined as economic growth that creates opportunity for all segments of the population and distributes the dividends or the benefits of increased prosperity, both in monetary and non-monetary terms, fairly across society (2014). Although businesses have a central role in promoting inclusive growth as job creators, providers of training and skills, investors in physical and knowledge-based capital and through diffusion of their products and services to previously marginalized groups, their actions are most often driven by profit consideration. This limits their capacity to provide the openness that can promoted inclusive growth and this where government bears the responsibility of creating the platform to stimulate inclusive growth through spending pattern. In a real sense inclusive growth is a win –win scenario, as more equal societies benefit business too which can to achieved through higher financial returns, better governance and more engagements and productive employees as well as a larger middle class and a growing consumer purchasing power.

Inequality, exclusion and adverse incorporation have remained key drivers and maintainers of poverty that result from lack or poor access to the means of sustenance or production. Inequalities in income and other economic indicators, such as asset ownership, are often persistent, deeply rooted and typically a result of political forces that enable powerful groups to protect their wealth, and of market imperfections that make it difficult for those who have low incomes and low savings to accumulate capital. Anderson and Bird (2006) conclude that levels of income inequality could be partially responsible for poor economic growth, in other words, low incomes reduce access to services and goods that can be used to increase earning power and generate national wealth. Exclusion from political, social and economic institutions is part of a vicious cycle that leads to low capability levels, which in turn reduces the ability of the people to escape poverty and 'horizontal inequalities' (inequalities between groups defined according to ethnicity, gender, region, religion, and so on) make up a significant proportion of overall inequality. Inclusion can also be problematic at times, for it sometimes drives and maintains poverty. This 'adverse incorporation' reinforces inequalities by forcing people to take low wage work, in bad conditions and on uncertain terms. Inequality, exclusion and adverse incorporation have become almost a norm in a number of sub-Saharan African countries.

METHODOLOGY

Using an ex post factor approach, the study relies on secondary data drawn from official records. Such research design often produce results that can offer plausible insights into the dismal performance of public policies aimed at addressing development issues and this provides a justifiable basis for the

prescription of appropriate remedies. The data used spans the period 1990 to 2017; this period is adjudged critical as the nation's growth rate and public spending have gone up significantly which should impact positively on the human development index, against the background that the human development index and rate of poverty have equally worsened ironically. For the fact the fact that many economic time series data often exhibit trends that could lead to spurious results making policy prescriptions unreliable, the data used is transformed into a logarithm which has become very popular in econometric research. Taking the natural logarithms of these data values smoothen the rough edges in the data set and linearizes the exponential equation. This can produce results that are easily dependable.

The model to be estimated is cast as follows:

$$lnDEF = ln\beta_0 + \beta_1 lnLFP + \beta_2 lnPOVI + \beta_3 lnUEM + \beta_4 RGDP$$

Where: DEF-refers to the size of fiscal deficit

LFP-refers to labour force participation

POVI- Poverty index

UEM-rate of unemployment in Nigeria

RGDP- refers to the real gross domestic product

ln- refers to the natural log of the variables.

The model is cast so as to evaluate the impact of fiscal deficits on inclusive and sustained growth measured by variables such as real gross domestic product, labour force participation, poverty index and the rate of unemployment. It is to analyze if there is any relationship between the variables. The underlying philosophy of the model is that for growth to be inclusive and capable of reducing poverty, it must be sustained over a long period to enable it have a trickle-down effect on the people. Government spending fueled by huge deficits can create increased aggregate demand which is seen as a signal for producers to increase investments for productivity increases. This will raise the level of employment and increase the extent of participation of the labour force. It is hypothesized that where growth resulting from huge aggregate demand fueled by large government spending occurs; it can generate the needed stimulus that can increase productivity through investments and savings. Such huge investment provides the incentive for producers to raise their level of productivity, widen employment opportunities and generate multiple impacts on the economy.

RESULTS AND DISCUSSION

One key determinant of economic growth is the capacity of a domestic economy to be self- generating through creative engagement of the means of production. With the preponderance of raw materials, the abundance of labour force and a large market that Nigeria has, these resources can generate substantial multiple effects over time to promote economic growth. As Keynes said, economic

recessions are results of business circles which can be overcome through government fiscal actions. Such fiscal actions come through the stimulus impact that results from increased aggregate demand. Increased aggregate demand drives the process of economic growth when producers respond to such heightened demand by engaging idle resources and labour to enlarge the productive of the economy. Where market impulses are needed to provide the desired signals for investors, it must be sustained over a long period especially for skeptical investors. On the other hand, government fiscal stance that can stimulate the economy must be pursued and sustained over a long period. This pre-supposes that there must be a long term pursuit of such actions that are needed to generate the right reactions from producers. The log-linear estimates of the study results are presented below:

$$lnDEF = 1.312 + 0.213LFP - 3.251POV - 2.098UEM + 4.215RGDP$$

se	(0.2425)	(0.3215)	(0.054)	(0.0212)	(0.372)
t	-5.654	14.765	12.780	7.834	4.543

$r^2 = 0.15$ DW = 2.07

The log linear results presented above show some mixed implication for the study. Poverty reduction requires that growth should be inclusive and sustainable enough where individuals can have access to the resources they need to effectively engage in productive activities. As revealed by the results from the study, the incidence of poverty is negatively correlated with deficit financing and this variable is significant at the 5 per cent level, the same goes for the unemployment variable. The implication is that government deficit spending over the years has not acted to reduce the prevalence of poverty in the population. Overall, the model has been able to explain only 15 per cent of the variations in deficit spending. To underscore the findings from this study, it was necessary to conduct a short run dynamic relationship of the model to establish if there is any permanent or temporary impact of changes in the explanatory variables on the dependent variables. Where such responses are significant in only the short run, one can infer that the changes in the regressors are of a temporary nature indicating that the impact are only likely to be once and un-impactful which cannot generate any sustained multiple effects. On the other hand if such responses are significant in both the short and long run, the changes are of a permanent nature. The implication will be that they are capable of generating long lasting impacts on the economic system leading to multiple impulses that can produce further reactions. If the responses are absent, it will be necessary to evaluate the speed of adjustment this will be required for the variables to normalize and produce the desired impacts necessitating an error correction. The result of this are presented below.

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Result of the short run Dynamic Relationship for the model.

Regressors	Coefficient	Std error	T-Value	p-value
C	0.037558	0.01016	3.6956	0.0011
ΔLDEF(-1)	0.360835	0.18536	1.9567	0.0654
ΔL(LFP(-1)	-0.02653	0.00968	0.1032	0.9123
ΔLPOV(-1)		0.03241	-0.4876	0.6540
ΔLUEM(-1)	-0.000991	0.02510	-1.0573	0.3002
ΔLRGDP(-1)	-0.01644	0.02845	-1.1921	0.2341
ecm (-1)	0.033979	0.05652	-2.6453	0.0132
	-0.149941			

$r^2 = 0.15$

Source: Authors' computations

The above result from the short run dynamic coefficients associated with the long run relationship all show that the impact of deficit financing on labour participation, poverty, and unemployment are all negative and consistent with the error correction value and are equally significant. The estimated error coefficient at the 5 per cent level is correctly signed and indicates that the speed of adjustment is slow to any shock that may occur. This means that government's desire to stimulate the economy through fiscal actions is often slow to produce the right outcome and this is not unconnected with the fact that large fiscal deficits are directed into wrong ventures or those that cannot generate the right multiple impacts in addition to the large scale corruption that has become a norm in public life. If recourse is made to the r^2 value of 0.15 implying that 15 per cent dis-equilbra from a previous shock in the variables are normalized over the circle which is quite dismal.

These results are indicative of the fact that shocks associated with large scale spending often generate only slow impacts on the economy. One would expect that shocks resulting from fiscal impulses of government should create wide and sustained impacts on the level of output growth capable of generating employment and reducing the extent of poverty. Changes in the level and composition of taxation and government spending should affect the. Following Inequality, exclusion, and poverty, Inequalities in income and other economic indicators, such as asset ownership, are often persistent, deeply rooted and typically a result of political forces that enable powerful groups to protect their wealth, and of market imperfections that make it difficult for those who have low incomes and low savings to accumulate capital. Effective and efficient fiscal actions should be capable of forestalling such wide scale disparities in incomes, produce significant stimulus on the aggregate demand that can push and economy unto sustained growth in the long run especially if they are targeted at the right economic activities.

SUMMARY OF COINTEGRATING RESULTS

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. CE	Eigenvalue	Trace statistic	Critical Value (5%)	Probability**
None *	0.611626	95.8639	69.81889	0.0140
At most 1*	0.519088	46.77612	47.85613	0.1259
At most 2	0.377133	26.61781	29.79707	0.1113
At most 3	0.279841	10.99490	15.49471	0.2118
At most 4	0.004883	0.161546	3.841466	0.6877

Trace Test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
** MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Max Eigenvalue)

Hypothesized No. CE	Eigenvalue	Max Eigenvalue	Critical Value (5%)	Probability**
None *	0.611626	95.8639	69.81889	0.0140
At most 1*	0.519088	46.77612	47.85613	0.1259
At most 2	0.377133	26.61781	29.79707	0.1113
At most 3	0.279841	10.99490	15.49471	0.2118
At most 4	0.004883	0.161546	3.841466	0.6877

Trace Test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.0 level
** MacKinnon-Haug-Michelis (1999) p-values

The result of the estimated co integrating coefficients of the long run relationship between the variables on the assumption of no deterministic trend in the data used indicate that there is only (1) co-integrating equations while the max Eigen values also indicate only (1) co-integrating equation and the par values show them to be significant. These test statistics are quite significant though considering the values of the probability. Growth that can reduce wide scale poverty must be inclusive abs equally sustained over a long period to allow for investments that require long gestation periods to create the necessary impacts. Where such long run relationship which should be stimulative enough between fiscal deficit, inclusive growth, poverty reduction and labour force participation is absent or at best weak, growth can be stunted generating little impacts. The trace test value for a co-integration between the variables show only one (1) co-integrating equations with rather weak significance suggesting that in spite of the persistent fiscal experience of Nigeria which should produce significant growth impact through increased aggregate demand has been ineffective in stimulating the economy. This position is further supported by the value of the rank test max eigen statistics which indicate only one co integrating equation. Such weak and insignificant relationship reveals that the stimulative growth impact of government spending has not been strong enough to propel the economy towards sustainable growth and development.

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The granger causality (available in the appendix) shows only a unidirectional causality between fiscal deficits and inclusive growth, unemployment and inclusive poverty. Growth that can lead to poverty reduction must be inclusive and capable of reducing the rate of unemployment as well as being sustained over a long period. Given the experience of Nigeria where fiscal deficits has become a norm over a long period, one would expect the rate of unemployment and poverty to be on the decline. The key driver to inclusive and sustainable growth is for individuals to be able to have access to the means of production through improved incomes and other economic opportunities. Where this is lacking, stimulative packages created by government spending and especially deficits can provide the push through increased aggregate demand which serves as an incentive for further investments for the private sector-the prime driver for growth. For this to be meaningful, it must be sustained over a long period creating wide spread employment and income generating opportunities for a wide segment of the population.

The result from the study however does not support this proposition as there has been no long run relationship between government deficits, labour force participation, employment and the poverty index to provide for inclusiveness. The recently released report of the World Bank in which Nigeria has become the global headquarters of poverty is no surprise where over 82 million Nigeria are said to be extremely poor. Specifically, the report says Nigeria will by February 2018 overtake India as the country with the most people in extreme poverty. Currently, 82 million Nigerians live in extreme poverty, which is 42.4 percent of Nigeria's population. According to the OECD (2014), in any given country and over a given period the 'multidimensional living standards" of the people measured by their income which translates into improvements in the general welfare across the range of outcomes that matter most for people's lives must be sustained over a long period. This can be attained through widening the process of participation of the people in economic activities which is the focus of inclusive growth.

The result provided by the data used for Nigeria however fail to support this proposition. Other non-income dimensions of health and unemployment and housing chosen are also significant determinants of subjective well-being that come from individual access to absolute income. Where such individuals lack employment opportunities and are further excluded from access to the means of production, their conditions are worsened and poverty becomes the logical consequence. As OECD (2014) concluded, in many countries inequality is growing as the benefits of economic growth go to the richest members of society and this is also true for Nigeria. The global objective of the United Nations is to "eradicate extreme poverty for all people everywhere by 2030". To achieve this

goal globally, nations must be able remove at least 90 people from the poverty chain every minute. Unfortunately, Nigeria's rising extreme poverty is a direct result of years of negligent and ineffective government policies. It's dependence on oil for years and an inability to generate non-oil revenue has led it to this. Even now, Nigeria's 2018 record budget is running on a deficit and will be funded by a huge borrowing which will raise government debts. It would be extremely difficult for the country to meet the 1st goal of the SDGs which is eliminating the incidence of extreme poverty and this will the affect the attainment of the other goals. The solution to this problem would be the effective pursuit and management of the fiscal deficits aimed at eradicating poverty which must be the pursuit of inclusive growth policies that can involve a larger proportion of the people by guaranteeing them access to the means of production. Nigeria's poverty situation is a direct result of years of negligent and ineffective government policies especially its un-sustainable fiscal deficits that have become an albatross of its development. The solution lies in the formation and effective implementation of credible fiscal policies aimed at eradicating poverty that will result from larger participation of the mass of the people in the process of productivity. Anderson and Bird (2006) conclude that levels of income inequality could be partially responsible for poor economic growth. In other words, low incomes reduce access to services and goods that can be used to increase earning power and generate national wealth. Exclusion from political, social and economic institutions is part of a vicious cycle that leads to low capability levels, which in turn reduces the ability of the people to escape poverty and 'horizontal inequalities

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APPENDIX

Pairwise Granger CausalityTests
Date: 04/09/18 Time: 07:59
Sample: 1 20
Lags: 2

NullHypothesis:	Obs	F-Statistic	Prob.
POV does not Granger Cause G_DEF	18	1.48478	0.2626
G_DEF does not Granger Cause POV		6.83594	0.0094
RGDP does not Granger Cause G_DEF	18	0.42946	0.6598
G_DEF does not Granger Cause RGDP		3.88419	0.0476
POV does not Granger Cause UEM	18	0.13467	0.8752
UEM does not Granger Cause POV		1.18953	0.3354
POV does not Granger Cause G_DEF	18	0.16536	0.8493
G_DEF does not Granger Cause POV		2.69126	0.1052
LFP does not Granger Cause G_DEF	18	4.32844	0.0362
G_DEF does not Granger Cause LFP		3.87499	0.0479
RGDP does not Granger Cause UEM	18	6.48117	0.0112
UEM does not Granger Cause RGDP		1.38443	0.2851
LFP does not Granger Cause UEM	18	2.27232	0.1425
UEM does not Granger Cause LFP		2.81816	0.0962
POV does not Granger Cause DEF	18	6.02137	0.0141
DEF does not Granger Cause POV		0.49963	0.6179
RGDP does not Granger Cause POV	18	0.79559	0.4721
POV does not Granger Cause RGDP		1.26320	0.3153
UEM does not Granger Cause RGDP	18	0.30131	0.7449
RGDP does not Granger Cause UEM		4.24166	0.0382
DEF does not Granger Cause RGDP	18	2.89229	0.0914
RGDP does not Granger Cause DEF		5.71780	0.0165
LFP does not Granger Cause RGDP	18	1.62681	0.2341
RGDP does not Granger Cause LFP		0.72321	0.5037
UEM does not Granger Cause LFP	18	3.12548	0.0779
LFP does not Granger Cause UEM		0.71758	0.5063

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UEM does not Granger Cause DEF	18	0.06491	0.9375
DEF does not Granger Cause UEM		1.04786	0.3785
LFP does not Granger Cause POV	18	1.53179	0.2527
POV does not Granger Cause LFP		0.47272	0.6336