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## The Effect of Inflation Rate and Poverty in Nigeria Economic Growth: A Case Study of Oji-River L.G.A Enugu State

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### ABSTRACT

*This study investigates the impact of infection rate and poverty in Nigeria economic growth. The research adopts questionnaire method with a sample of 150 respondents, judgment sampling and simple random sampling Techniques were applied .Using the percentage and Chi-Square analysis, the result shows that inflation affect standard of living very negatively and is the major concern in Nigeria economic growth. It also reveals that inflation rate and poverty have a significant effect on economic growth.*

**Keywords:** Inflation rate, poverty, economic growth, sampling Techniques, percentages, SPSS, judgment sampling, simple random sampling.

### INTRODUCTION

The word inflation refers to a broad rise in the prices of goods and services across the economy over time, eroding purchasing power for both consumers and businesses. Economic theory and practice, observed for many years and across many countries, shows that long –lasting periods of inflation are caused in large part by what’s known as an easy monetary policy. In other words, when a country’s central bank sets the interest rate too low or increases money growth too rapidly, inflation goes up. As a result, the naira will not go as far today as it did yesterday.

Nigeria, Africa’s largest economy, has struggled with inflationary pressures since the 1970’s. Some of the factors contributing to inflation are monetary policy, fiscal policy, exchange rate fluctuations, supply chain disruptions, population growth and infrastructure deficits. Inflation in Nigeria has far reaching consequences such as reduced purchasing power, uncertainty, inequality, economic instability and poverty. According to National Bureau of statistics (NBS), In January 2024, the headline inflation rate increased to 29.90% relative to the December 2023 headline inflation rate which was 28.92%. Looking at the movement, the January 2024 headline

inflation rate showed an increase of 0.98% points when compared to the December 2023 headline inflation rate. Similarly, on a year-on-year basis, the headline inflation rate was 8.08% points higher compared to the rate recorded in January 2023, which was 21.82%.

This shows that the headline inflation rate (year-on-year basis) increased in January 2024 when compared to the same month in the preceding year (i.e., January 2023). Furthermore, on a month-on-month basis, the headline inflation rate in January 2024 was 2.64%, which was 0.35% higher than the rate recorded in December 2023 (2.29%). This means that in January 2024, the rate of increase in the average price level is more than the rate of increase in the average price level in December 2023. Nuhu Musa (2021) examined the effect of exchange rate volatility on inflation in Nigeria using annual time series data covering the period 1986 to 2019. The study shows that money supply (MS) and nominal exchange rate had positive and significant effect on consumer price index, meaning that inflation in Nigeria is caused by exchange rate fluctuations as well as increase in money supply. The study also recommended that growth of money supply should be controlled by the central bank in order to reduce inflation to the barest minimum. IB Iya et al. (2014) ‘investigated the determinants of inflation in Nigeria between 1980 to 2012’ by using time series. The study shows that effort should be made by policy makers to stabilize prices by reducing money supply and interest rate as well as increasing government expenditure and exchange rate; most importantly increasing exchange rate and reducing interest rate.

## METHODOLOGY

This paper focuses on analyzing the inflation rate and poverty in Nigeria economic growth. The study adopts questionnaire method in collecting data on inflation rate and poverty in Nigeria economic growth, a case study of Oji River Enugu state. The sample technique apply focus judgment sampling and simple random sampling with a sample size of 150 respondents. The methods of data analysis will be on percentage and chi-square which is processed using the SPSS program.

### Chi- Square test for independence

In tests for independence or contingency tests, we try to see whether or not two criteria of classifications are independent of each other. Contingency tables are tables with cells corresponding to cross- classifications of attributes or events. We also follow the usual procedure for tests of hypothesis; thus:

The two criteria of classifications are independent

They are not independent

The test statistic is

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^c \frac{(o_{ij} - e_{ij})^2}{e_{ij}}$$

With degree of freedom

r = number of rows

c = number of columns

$o_{ij}$  = The observed frequency of the  $ij^{\text{th}}$  cell

$e_{ij}$  = The expected frequency of the  $ij^{\text{th}}$  cell

And  $e_{ij} = \frac{R_i \times C_j}{N}$

Where  $R_i$  = row total of the  $i$ th row

And  $C_j$  = column total of the  $j$ th column

$N$  = Grand total

## RESULT AND DISCUSSION

**TABLE 4.1: Inflation Perception**

variables	frequency	percentage
How often do you experience price increases in essential goods?		
Daily	13	8.7
Weekly	51	34.0
Monthly/	63	42.0
Rarely	23	15.3
Which goods/services have you noticed significant price increases in?		
Food	60	39.7
Housing	31	20.5
Transportation	43	28.5
Education	11	7.3
Healthcare	5	3.3
Other	1	.7
How has inflation affected your standard of living?		
Very negatively	85	56.7
Negatively	62	41.3
No impact	0	0.0
Positively	2	1.3
Very positively	1	.7
Do you think inflation is a major concern in Nigeria?		
Yes	149	99.3
No	1	.7

Table 4.1: The table above examines inflation Perception, which shows that most of the respondents experience price increases in essential goods on Weekly and Monthly basis. The following goods and services experience significant price increases such as Food, transportation, housing and education. The result shows that 56.7% of the respondents agrees that inflation affected standard of living very negatively. Furthermore, 99.3% of the respondents thinks that inflation is a major concern in Nigeria.

**TABLE 4.2: Poverty Experience**

variables	frequency	percentage
What aspects of poverty have you experienced?		

Income inequality		
Limited access to education	79	52.7
Unemployment	21	14.0
Limited healthcare	34	22.7
Inadequate housing	11	7.3
Other	5	3.3
How has poverty affected your economic opportunities?		
Very negatively		
Negatively	56	37.3
No impact	41	27.3
Positively	49	32.7
Very positively	3	2.0
	1	.7
Do you believe poverty reduction strategies are effective in Nigeria?		
Yes	34	22.7
No	98	65.3
Undecided	18	12.0

Table 4.3: The table above examines poverty experience, which shows that 52.7% of the respondents have experienced Income inequality and unemployment (22.7%) due to inflation in Nigeria. The results also indicates poverty has negative impact on economic opportunities. Furthermore, it shows that 65.3% of the respondents do not you believe poverty reduction strategies are effective in Nigeria.

**TABLE 4.4: Economic Growth Perception**

variables	frequency	percentage
How would you rate Nigeria's economic growth over the last 5 years?		
Very slow	25	16.7
Slow	44	29.3
Stable	54	36.0
Fast	16	10.7
Very fast	11	7.3
What factors do you think contribute to Nigeria's economic growth?		
Government policies	9	6.0
Private sector investment	33	22.0
Foreign investment	58	38.7
Infrastructure development	13	8.7
Education	31	20.7

Other	6	4.0
Do you think inflation and poverty hinder Nigeria's economic growth?		
Yes	139	92.7
No	8	5.3
Undecided	3	2.0

Table 4.4: The table above examines economic growth perception, which shows that the rate economic growth over the last 5 years in Nigeria's was stable. The result shows that following factors contribute to Nigeria's economic growth, such as private sector investment (22.0%) Foreign investment (38.7%) and education (20.7%). The result also indicate that 92.7% of the respondents thinks that inflation and poverty hinder Nigeria's economic growth.

**TABLE 4.5: Coping Mechanisms**

variables	frequency	percentage
How do you cope with inflation?		
Reduce expenses	43	28.7
Seek alternative income	23	15.3
Borrow money	67	44.7
Save	1	.7
Cut back on necessities	16	10.7
Other	0	0.0
What support systems do you rely on during economic hardship?		
Family	43	28.7
Friends	52	34.7
Community organizations	41	27.3
Government programs	9	6.0
NGOs	4	2.7
Other	1	.7
Have you noticed any positive initiatives addressing inflation and poverty?		
Yes	43	28.7
No	89	59.3
Undecided	18	12.0

Table 4.4: The table above examines coping mechanisms, which shows that most of the respondents borrows money and reduce expenses to cope with inflation. The result also show that most of the respondents rely on their family, friend s and community organizations during economic hardship. Furthermore, it indicates that most of the respondents have not noticed any positive initiatives addressing inflation and poverty.

### Research Hypotheses test

H<sub>0</sub>: inflation has no significant effect on Nigeria economic growth

H<sub>1</sub>: inflation has a significant effect on Nigeria economic growth

**Test statistic: (SPSS Software version 23)**

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.360E3 <sup>a</sup>	7	.000
Likelihood Ratio	1.098E3	7	.000
Linear-by-Linear Association	131.628	1	.000
N of Valid Cases	150		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 60.63.

Using chi-square test statistic, it shows that the p-value = 0.00 < 0.05. Therefore, we reject the null hypothesis and conclude inflation has a significant effect on Nigeria economic growth.

### 3.2: Research Hypothesis test

H<sub>0</sub>: poverty has no significant effect on Nigeria economic growth

H<sub>1</sub>: poverty has a significant effect on Nigeria economic growth.

**Test statistic: (SPSS Software version 23)**

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.684E3 <sup>a</sup>	6	.000
Likelihood Ratio	2.205E3	6	.000
Linear-by-Linear Association	1.531E3	1	.000
N of Valid Cases	150		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 168.14.

Using chi-square test statistic, it shows that the p-value = 0.00 < 0.05. Therefore, we reject the null hypothesis and conclude poverty has a significant effect on Nigeria economic growth.

## 1.0 CONCLUSION

This study focuses on the effect of inflation rate and poverty in Nigeria economic growth. Using the percentage and Chi-Square analysis, the result shows that 56.7% of the respondents agrees that inflation affect standard of living very negatively. Furthermore, 99.3% of the respondents thinks that inflation rate is a major concern in Nigeria. The result also shows that poverty has negative impact on economic opportunities. Furthermore, 65.3% of the respondents do not you believe poverty reduction strategies are effective in Nigeria. Using Chi-square test, it shows that the p-value = 0.00 < 0.05, which indicates that poverty and inflation rate have a significant effect on Nigeria economic growth.

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## APPENDIX

### Questionnaire

#### Section A: Demographics

1. What is your age?  
\_\_\_\_\_
2. What is your gender?  
Male/Female/Other
3. What is your highest level of education?  
\_\_\_\_\_
4. What is your occupation?  
\_\_\_\_\_
5. What is your monthly income (NGN)?  
\_\_\_\_\_

#### Section B: Inflation Perception

1. How often do you experience price increases in essential goods?  
Daily/Weekly/Monthly/Rarely
2. Which goods/services have you noticed significant price increases in? (Select all that apply)  
Food/Housing/Transportation/Education/Healthcare/Other

3. How has inflation affected your standard of living?  
Very negatively/Negatively/No impact/Positively/Very positively
4. Do you think inflation is a major concern in Nigeria?  
Yes/No/Undecided

### **Section C: Poverty Experience**

1. Have you or your family experienced poverty in the last 5 years?  
Yes/No
2. What aspects of poverty have you experienced? (Select all that apply)  
Income inequality/Limited access to education/Unemployment/Limited healthcare/Inadequate housing/Other
3. How has poverty affected your economic opportunities?  
Very negatively/Negatively/No impact/Positively/Very positively
4. Do you believe poverty reduction strategies are effective in Nigeria?  
Yes/No/Undecided

### **Section D: Economic Growth Perception**

1. How would you rate Nigeria's economic growth over the last 5 years?  
Very slow/Slow/Stable/Fast/Very fast
2. What factors do you think contribute to Nigeria's economic growth? (Select all that apply)  
Government policies/Private sector investment/Foreign investment/Infrastructure development/Education/Other
3. Do you think inflation and poverty hinder Nigeria's economic growth?  
Yes/No/Undecided
4. What strategies would you recommend to address inflation and poverty? (Open-ended)

### **Section E: Coping Mechanisms**

1. How do you cope with inflation?  
(Select all that apply)  
Reduce expenses/Seek alternative income/Borrow money/Save/Cut back on necessities/Other
2. What support systems do you rely on during economic hardship? (Select all that apply)  
Family/Friends/Community organizations/Government programs/NGOs/Other
3. Have you noticed any positive initiatives addressing inflation and poverty?  
Yes/No/Undecided

**Thanks**