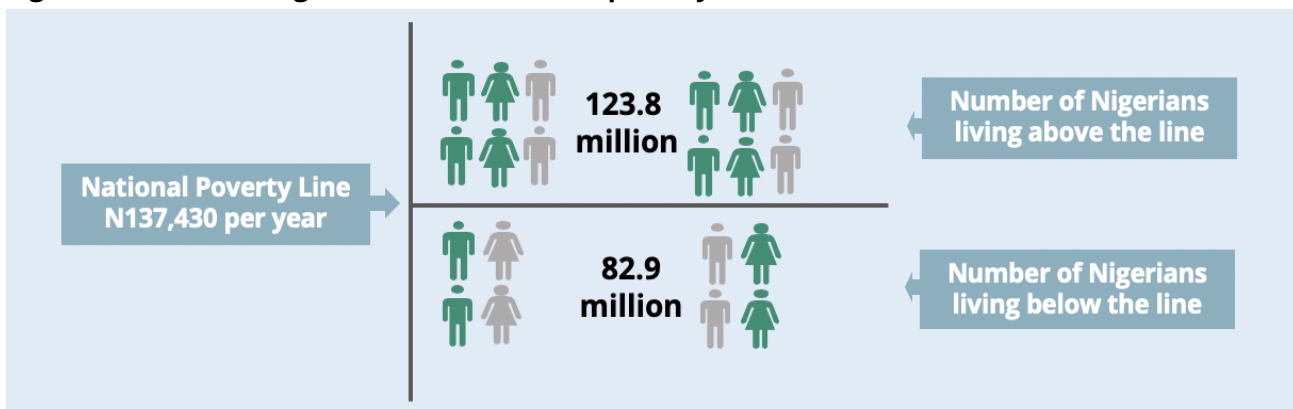## Nigeria's Poverty Headcount at 40.1%, with higher Incidence in Rural Settlements

According to the 2018-19 Nigeria Living Standards Survey (NLSS) conducted by the National Bureau of Statistics (NBS) in collaboration with the World Bank, absolute poverty headcount ratio stood at 40.1% in 2019. This implies that the incidence of poverty is such that 4 out of 10 individuals are said to be poor. The current poverty rate ultimately translates to 83 million individuals that live below the poverty line, thus, are considered poor. This segment of the country's total population failed to meet the minimum consumption expenditure threshold (or national poverty line) estimated at N137,430 ($449.3) per annum or N376.52 ($1.23) per day[1]. A further breakdown of the poverty statistics showed that poverty is prevalent in rural settlements (52.1%) than in urban centres (18%).

**Figure 1: 83 million Nigerians lived below the poverty line in 2019**



**Data**: NBS; **Chart**: NESG Research

## Poverty is high among the Illiterate segment of Nigeria's Population

According to the Report, Nigerians with no formal education are faced with the highest prevalence of poverty at a national average of 50.4%. Majority of the poor in this category dwell in rural areas. It was however observed that irrespective of settlements, the incidence of poverty reduces with the possession of higher educational qualification. For instance, the segment of Nigeria's population that held post-secondary qualification experienced the lowest incidence of poverty relative to others (See Table 1). This reflects the importance of human capital development in reducing the poverty prevalence in Nigeria.

**Table 1: Poverty Headcount Ratio by Educational Qualification of Household Head as of 2019 (%)**

|  | No formal education | Primary education | Secondary education | Post-secondary education |
|---|---|---|---|---|
| **National** | **50.4** | **34.1** | **19.6** | **11.9** |
| **Urban** | 33.9 | 19.3 | 12.1 | 6.2 |
| **Rural** | 55.0 | 41.5 | 27.5 | 20.7 |

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[1]The interbank exchange rate of N306/$ was deployed for currency conversion

## Rural dwellers who generate income from Agriculture only are more vulnerable to Poverty

A further breakdown of the Poverty Statistics showed that many Nigerians who generate income from agricultural activities only and are domiciled in the rural areas were more prone to a higher incidence of poverty. Furthermore, paid employee across the country - irrespective of settlements (urban & rural) - had a moderate incidence of poverty relative to other categories of Nigerians engaged in other income-generating activities (see Table 2). This segment of Nigeria's population recorded the lowest poverty headcount ratio with a national average of 15.7%, disaggregated into 11.7% and 24.9% for urban and rural settlements respectively.

**Table 2**: Poverty Headcount Ratio by Income-generating Activity of Household Head as of 2019 (%)
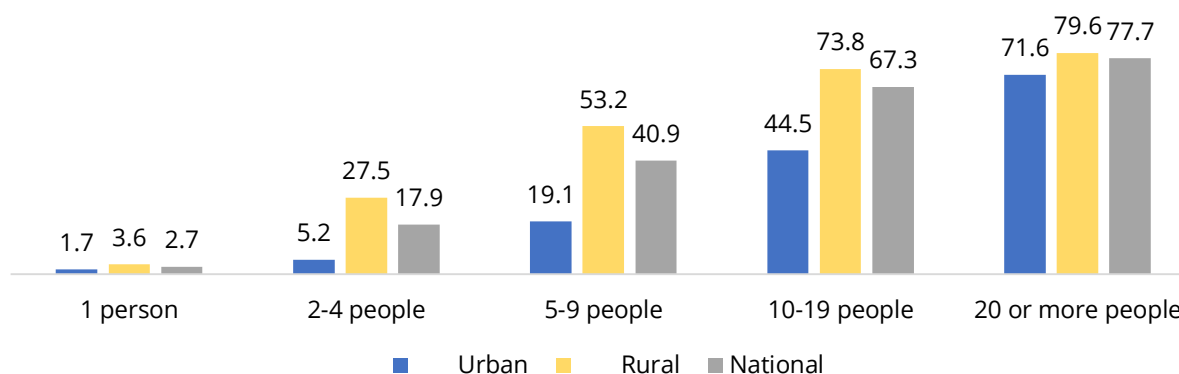
|  | Agriculture Only | | Nonfarm enterprise | | Paid Jobs | | Diversified | | Apprenticeship | |
|---|---|---|---|---|---|---|---|---|---|---|
|  | **Male** | **Female** | **Male** | **Female** | **Male** | **Female** | **Male** | **Female** | **Male** | **Female** |
| National | 58.8 | 37.8 | 25.5 | 19.5 | 17.5 | 14 | 46.9 | 31.5 | 34.2 | 24.1 |
| Urban | 30.1 | 28 | 15.2 | 18.1 | 11.9 | 11.4 | 23.9 | 25 | 18.6 | 11 |
| Rural | 63.2 | 39 | 41.7 | 22.5 | 28.7 | 21.1 | 53.3 | 33.8 | 47.1 | 34.8 |

**Source**: NBS

## Poverty Headcount Ratio fundamentally determined by Household Size

From the Report, the incidence of poverty was higher for large household size nationally and across settlements (see Figure 1). It is worthy of note that the national poverty headcount of households with 20 members and above stood at 77.7%, which is more than 7 folds relative to the average national poverty rate among households with 1-4 members (10.3%) (see Figure 1).

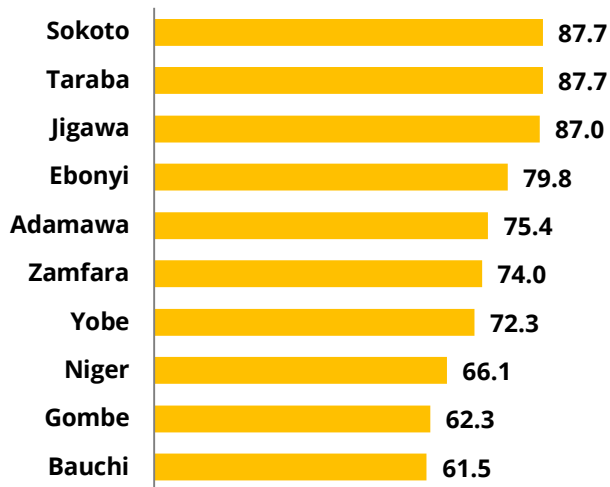**Figure 1**: Poverty Headcount Ratio by Household Size (%)



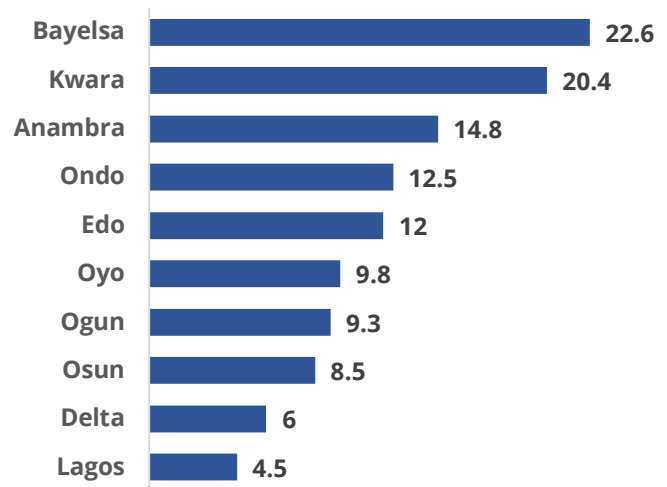**Data**: NBS; **Chart**: NESG Research

## Lagos has the lowest poverty rate, Sokoto has the highest

The state-by-state breakdown of the Poverty Statistics showed that 9 states from Northern Nigeria ranked among the top ten states with high incidence of poverty in 2019. Notably, both Sokoto and Taraba States had the highest poverty headcount ratio at 87.8%. Furthermore, 15 of the 19 states surveyed in Northern Nigeria were part of the 17 states that recorded poverty above the national average.

**Figure 2**: Top 10 States by Poverty Headcount (%)



| State | Poverty Headcount (%) |
|-------|----------------------|
| Sokoto | 87.7 |
| Taraba | 87.7 |
| Jigawa | 87.0 |
| Ebonyi | 79.8 |
| Adamawa | 75.4 |
| Zamfara | 74.0 |
| Yobe | 72.3 |
| Niger | 66.1 |
| Gombe | 62.3 |
| Bauchi | 61.5 |

**Figure 3**: Bottom 10 States by Poverty Headcount (%)

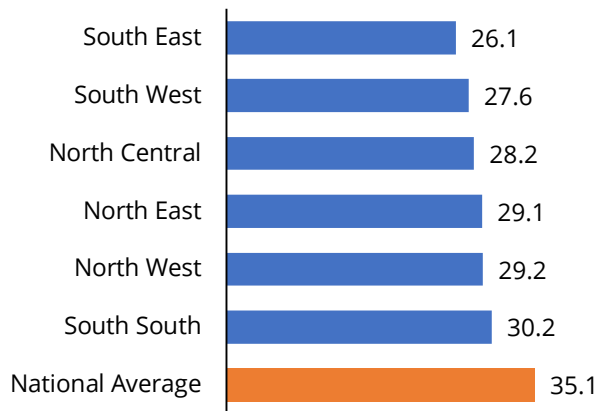| State | Poverty Headcount (%) |
|-------|----------------------|
| Bayelsa | 22.6 |
| Kwara | 20.4 |
| Anambra | 14.8 |
| Ondo | 12.5 |
| Edo | 12 |
| Oyo | 9.8 |
| Ogun | 9.3 |
| Osun | 8.5 |
| Delta | 6 |
| Lagos | 4.5 |

**Data:** NBS; **Chart**: NESG Research

On a geopolitical basis, the North East recorded the highest incidence of poverty at 71.9%, closely followed by the North West (64.8%). On the flip side, South-West had the lowest poverty rate in the country. Specifically, Lagos had the highest lowest poverty rate in the country at 4.5%. In the South South, Delta had the lowest poverty rate of 6%.

## Geo-Political Zones outperformed National Average along Inequality lines

The Report also covered the measurement of National inequality which was disaggregated for the 35 States & the FCT-Abuja (Borno exclusive). Two States of the Federation – Plateau and Kaduna – recorded higher inequality coefficients above the national average at 40.2% and 35.2%, respectively. On the flip side, Zamfara led the Nigerian States with the lowest Gini coefficient at 23.5%, followed by Kogi (24.4%). It was observed that all the six geo-political zones had their Gini coefficients far below the national average of 35.1% as at 2019[2]. In terms of regional ranking, South-South (or the Niger-Delta region) recorded the highest degree of inequality at 30.2%. This not unprecedented as the region is perhaps, Nigeria's richest due to its resource endowment but only a few individuals benefit from the oil sector. On the other hand, the South Eastern zone had the lowest Gini coefficient which is the lowest degree of inequality at 26.1% followed by South Western Zone (27.6%).
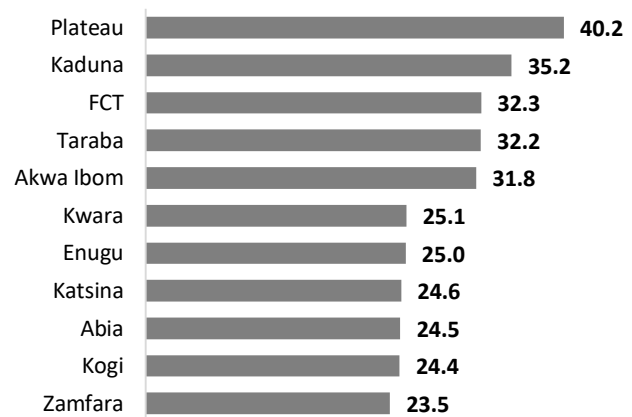
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[2]Gini coefficient measures the degree of inequality. The NBS released was in percentage and ranges between 0 and 100. A Gini coefficient of zero implies perfect equality, while a coefficient of 100 is an indication of perfect inequality.

**Figure 4: Gini Coefficient as at 2019 (%)**

| Region | Value |
|---|---|
| South East | 26.1 |
| South West | 27.6 |
| North Central | 28.2 |
| North East | 29.1 |
| North West | 29.2 |
| South South | 30.2 |
| National Average | 35.1 |

**Figure 5: Top & Bottom 5 States by Gini Coefficient (%)**

| State | Value |
|---|---|
| Plateau | 40.2 |
| Kaduna | 35.2 |
| FCT | 32.3 |
| Taraba | 32.2 |
| Akwa Ibom | 31.8 |
| Kwara | 25.1 |
| Enugu | 25.0 |
| Katsina | 24.6 |
| Abia | 24.5 |
| Kogi | 24.4 |
| Zamfara | 23.5 |

**Data:** NBS, Chart: NESG Research

## Conclusion

Some action points are required to achieve drastic poverty reduction and further reduce the degrees of inequality in Nigeria. Here are a few highlights.

➢ Agricultural sector could be made more relevant in the pursuit of poverty reduction only by developing home-grown industrial policies that would help strengthen value chain along production lines. In other words, there is a need to strengthen backwards and forward inter-sectoral linkages between the agricultural sector and the industrial sector, majorly agro-processing industries. Furthermore, Nigeria needs to migrate from subsistence agriculture to mechanized farming in rural areas in order to improve yields and productivity.

➢ In terms of employment generation, emphasis must be placed on both the quality (income, condition of work etc.) and numbers of jobs created. Ultimately, this could be achieved through massive investment in human capital development across the six regions of the country. This would go a long way in closing the gap between the upper income and low-income classes.

➢ The implementation of sector-specific reforms that stimulate quality job is another key to poverty reduction. The NESG Macroeconomic Outlook for 2020, estimated that the poverty reduction elasticity of job creation could rise to 4.3 from the current weak elasticity of 0.6. The report identified six priority sectors which have high potentials to engender inclusive growth in Nigeria going forward. The sectors include Manufacturing, Construction, Profession, Scientific & Technical Services, Education, Health, as well as Trade[3].

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[3]For more details, refer to NESG Macroeconomic Outlook for 2020, retrievable via: https://www.nesgroup.org/research

## About NESG

The NESG is an independent, non-partisan, non-sectarian organization, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions, and management.

www.nesgroup.org| Info@nesgroup.org

**THE SUMMIT HOUSE**
6, Oba Elegushi Street, Ikoyi, Lagos. P.M.B 71347, Victoria Island, Lagos.
ABUJA LIAISON OFFICE: 3rd Floor, Right Wing, Unity Bank Tower, Plot 785, Herbert Macaulay Way, Abuja
officialNESG

## Contact

For more information about the content of this report and other research services, please contact:

NESG Research Team

Email: research@nesgroup.org
Tel:
+234-01-295 2849
+234-01-295 2003