

Poverty Alleviation in Nigeria: A Decadal Examination of Political Economic Forces and Implications for Future Initiatives, Spotlighting Microfinance Banks

James E. Conable

Research & Academic Writing Mentoring Unit College of Postgraduate Studies,
University of Nigeria, Nigeria

Sampson C. Onwuka

Research & Academic Writing Mentoring Unit College of Postgraduate Studies,
University of Nigeria, Nigeria

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Abstract

This research investigates the impact of political-economic dynamics on the effectiveness of Poverty Reduction Strategy Papers (PRSPs) in Nigeria from 2004 to 2014, with a specific emphasis on the role played by Microfinance Banks (MFBs). Employing a phenomenological approach within the social constructionist tradition, the study utilizes both individual and focus group interviews, complemented by the analysis of official documents from Nigerian Federal Ministries and the Central Bank. The case selection centers on microcredit, an important component of the IMF country report for the specified period. The findings reveal that while the National Economic Empowerment and Development Strategy (NEEDS) exhibits positive macroeconomic indicators, its alignment with the empowerment framework is nuanced. The study highlights the challenges faced by microcredit users, emphasizing the high interest rates, lack of government support, and inadequacies in the regulatory framework. Microfinance policy, as outlined by the Central Bank of Nigeria, is critiqued for its failure to provide safety nets and welfare benefits for microcredit users, exacerbating their economic vulnerabilities. This research contributes a comprehensive understanding of the socio-economic impact of PRSPs in Nigeria, shedding light on the complex interplay between macroeconomic policies and micro-level dynamics. The policy recommendations provided aim to address these challenges, advocating for regulatory enhancements, targeted

interventions, and inclusive economic growth to foster a more effective and equitable poverty reduction strategy.

Keywords: Development Strategy, Economic Empowerment, Empowerment Framework, Microcredit, Microfinance, NEEDS, Nigeria, PRSPs, Poverty Reduction

1. Introduction

Since 2000, achieving the MDGs has been a priority, with developing countries urged to formulate strategies to meet these goals by 2015. To secure loans for associated programs, countries must have transparent policies and poverty reduction programs, as outlined in Poverty Reduction Strategy Papers (PRSPs) approved by the International Monetary Fund (IMF) and the World Bank. The PRSPs are regularly updated to report progress (IMF Country Report No. 07/270, 2007).

Nigeria's Poverty Reduction Strategy, known as the National Economic Empowerment and Development Strategy (NEEDS), has been assessed through PRSPs. The report acknowledged various PRSP-funded projects such as microcredit, healthcare support, and infrastructure development. Despite historical attempts at poverty eradication in Nigeria, the question arises: Is NEEDS fundamentally different from previous programs? While NEEDS operates in a democratic setting, distinct from past military regimes, its effectiveness in poverty reduction remains uncertain.

1.1 Background: Nigeria/NEEDS

Nigeria's transition from military to democratic rule in 1999 marked a significant moment, culminating in the fourth consecutive national elections in April 2011 (Othman & Okpe, 2021; Ifejika, 2021). This period witnessed the longest continuous democratic governance in the country since its independence in 1960 (Diamond, 1999; Grugel, 2002; Ake, 2003). The 2011 elections were hailed as a substantial step forward in Nigerian electoral democracy, deemed the freest and fairest in the nation's history by electoral observers (Ploch, 2012).

Despite positive indicators such as a 7.3% GDP growth and a 10.8% inflation rate, poverty remains a significant challenge in Nigeria. Nearly two-thirds of the population, exceeding 162 million people, live in absolute poverty, surviving on less than US \$1.25 per day. Gender inequality, reflected in Nigeria's low ranking on the Gender Inequality Index, remains a concern, with a substantial portion of the population under 15 years of age (UNDP-HDI, 2012). The unemployment rate is undisclosed, inequality is stark, and approximately 1.8% of the population lives with HIV/AIDS, disproportionately affecting those between 15 to 24 years old (Ugwoke, 2014).

NEEDS, initiated in 2004, aimed to enhance the economic environment, enabling individual choices and contributing to poverty reduction. The IMF country report for 2004-2007 highlights key achievements, indicating an annual average real GDP growth rate of 6.6%, surpassing the targeted 6.0%. Notable accomplishments include the reduction of fiscal deficits, stable exchange rates, and substantial growth in external reserves and foreign direct investments (FDI) (IMF Country Report, 2007).

However, while macroeconomic data demonstrate positive trends, there is a need to assess how this growth translates into poverty reduction and the achievement of Millennium Development Goals (MDGs). The Gender Inequality Index, for instance, indicates the necessity for a greater focus on human capital development for women and youths to foster economic growth. The IMF report serves as a basis for evaluation, but considering the elapsed seven years, an examination of NEEDS's reliability and performance from 2004 to 2014 becomes imperative.

The inspiration for this research stems from a firsthand encounter with poverty, frustration, and anger along the Badagry Express Way in Lagos, Nigeria. Many residents, displaced due to road construction, found themselves without shelter, money, food, or water. This incident prompted an inquiry into the effectiveness of global initiatives aimed at ending absolute poverty by 2015.

The central research questions guiding this investigation are:

1. What are the primary challenges and obstacles faced during the implementation of Poverty Reduction Strategy Papers in Nigeria, and how do these challenges influence their impact on poverty reduction and economic empowerment?
2. To what extent do Poverty Reduction Strategy Papers in Nigeria address issues of social inclusion and equity, and how does this impact the success in reducing poverty and promoting economic empowerment, particularly among marginalized groups?
3. What was the extent of the involvement of Microfinance Banks (MFBs) in the execution of Poverty Reduction Strategy Papers (PRSPs) during the specified decade, and how did their participation contribute to or hinder the success of poverty reduction initiatives?

1.2 Aim

The aim of this research is to investigate the impact of political-economic dynamics on the effectiveness of Poverty Reduction Strategy Papers (PRSPs) in Nigeria during the decade 2004-2014, with a specific emphasis on the role played by Microfinance Banks (MFBs).

1.3 Objectives

1. To analyze the political-economic factors that shaped the design, implementation, and outcomes of Poverty Reduction Strategy Papers (PRSPs) in Nigeria from 2004 to 2014.
2. To assess the specific role and impact of Microfinance Banks (MFBs) in the execution of Poverty Reduction Strategy Papers (PRSPs) during the specified decade.
3. To evaluate the success and challenges of Poverty Reduction Strategy Papers (PRSPs) in achieving poverty reduction goals in Nigeria, considering both macroeconomic policies and the micro-level involvement of Microfinance Banks (MFBs).
4. To identify key lessons learned and provide recommendations for policymakers, Microfinance Banks, and other stakeholders to enhance the effectiveness of future poverty reduction strategies in Nigeria.

By pursuing these objectives, the research aims to contribute valuable insights into the effectiveness of NEEDS as a poverty reduction strategy in Nigeria, with a focus on its impact on various socio-economic aspects and the achievement of development goals.

The succeeding sections will progress in the following order: initially, a thorough review of pertinent literature will be offered, starting from an examination of the theoretical framework surrounding empowerment, and the synthesis of empirical evidence. This will pave the way for an in-depth discussion of the study's methodology. The subsequent segments will involve the presentation of results, followed by a comprehensive discussion and ultimately, the formulation of conclusions.

2. Literature Review

2.1 Conceptualizing Empowerment

In the 21st century, an empowerment framework rooted in liberal thought has emerged as a response to addressing various forms of deprivation and promoting inclusive economic growth (Sen, 2001; Narayan, 2002; Chambers, 2009). Empowerment, as defined by Narayan (2002), is "the process of expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives." (p. 14). Positioned as a normative concept, empowerment is considered essential for achieving development goals, reducing inequality, fostering economic growth, and realizing the Millennium Development Goals (MDGs) (ibid. xvii).

The empowerment framework comprises embedded and enhancing elements. The embedded elements include *substantive freedoms, legal empowerment, and human rights*, while the enhancing elements encompass *access to information, inclusion and participation, accountability and transparency, and local organizing capacity*. These elements are interconnected, emphasizing the interdependence of human well-being in the pursuit of happiness and fulfillment of basic needs.

2.1.2 Embedded Elements

1. Substantive Freedoms

Sen (2001) advocates for the removal of 'unfreedom' conditions preventing the poor from exercising individual agency. Substantive freedoms involve expanding elementary capabilities such as access to education, healthcare, clean drinking water, sanitation, and political participation. Developing and supporting institutions like democratic systems, legal mechanisms, and education is crucial for enhancing social interaction.

Nussbaum (2011) emphasizes capabilities as non-optional entitlements guaranteed in the Universal Declaration of Human Rights, encompassing both material and non-material resources. Empowerment necessitates the poor's influence on the direction of change and the freedom to choose alternatives.

2. Human Rights

The Universal Declaration of Human Rights (UDHR) establishes the right to a standard of

living adequate for health and well-being. Human rights, as outlined in the UDHR, serve as a foundational pillar for empowerment, emphasizing equal rights for everyone.

Mahbub UL Haq, a former UNDP employee, equates human development with creating conditions for everyone to enjoy long, healthy, and creative lives (UNDP, 2009a). Discrimination against the poor and unemployed in neoliberal welfare benefits is considered a denial of basic rights.

3. Legal Empowerment

Legal empowerment addresses constraints imposed by both formal and informal rules on the poor's ability to lead fulfilling lives. It calls for the removal of constraints within formal and informal institutions, enabling the poor to use the law and legal services to protect their rights. The Commission on Legal Empowerment of the Poor (CLEP) defines legal empowerment as a systemic change process where the poor can use the law and legal services to protect and advance their rights and interests (Banik, 2009).

2.1.3 Enhancing Elements of Empowerment

1. Access to Information

Access to information is recognized as a source of power, facilitating responsible citizenship and responsive governance. Two-way information flow, from the government to the people and vice versa, is critical for informed decision-making, preventing policy failures, and promoting security.

2. Inclusion/Participation

Inclusive participation is essential for balanced decision-making (Salman, Jaafar, & Mohamad, 2021). While skeptics argue that participation can be unhealthy, genuine inclusion ensures that all voices, especially those of the weak and poor, are heard. Participation in market-led development should entail balanced participation, preventing the domination of the rich and powerful. Inclusion/participation provides a space for the poor and weak to voice their concerns and needs.

3. Accountability and Transparency

Accountability and transparency are associated with good governance. Those providing public services must be accountable and transparent to check corruption and malpractices. These principles are fundamental for responsible governance. Good governance involves institutional reform, upholding human rights, and respecting the equality of all citizens. Accountability and transparency are crucial indices to measure good governance.

4. Local Organizational Capacity

Local organizational capacity involves creating an enabling environment for Civil Society Organizations (CSOs). CSOs, representing diverse groups in society, play a vital role in collective work, mobilizing resources, and advocating for the common needs of the population.

While the absence of CSOs could exacerbate exploitation, inequality, and poverty, clashes of interest and power relations complicate the realization of an ideal society where everyone protects their neighbor's interests.

This conceptualization of empowerment serves as the theoretical framework for evaluating the impact of Nigeria's National Economic Empowerment and Development Strategy (NEEDS) from 2004 to 2014. The analysis will explore how well NEEDS aligns with these embedded and enhancing elements, shedding light on its effectiveness in promoting substantive freedoms, human rights, legal empowerment, access to information, inclusion/participation, accountability and transparency, and local organizational capacity.

2.1.4 Discussion on NEEDS and the Empowerment Framework

Nigeria's National Economic Empowerment and Development Strategy (NEEDS) was introduced in 2004 as a comprehensive poverty reduction initiative. The Federal Government of Nigeria, as outlined in the Subsidy Reinvestment and Empowerment Program document, has allocated N9.86 billion from the Subsidy Reinvestment fund, which amounts to N1.134 trillion annually. This allocation is earmarked for poverty reduction projects and the development of critical infrastructure, aligning with the Vision 2020 objectives. The focus areas for critical infrastructure include power, roads, transportation, water, and the downstream petroleum sector (See Appendix A). It is emphasized that this strategic allocation aims to curtail borrowing and facilitate economic transformation.

The responsibility for managing the remaining funds is distributed among State Governments, Local Governments, and the Federal Capital Territory (FGN 2011, p. 4). Additionally, in accordance with the National Economic Empowerment and Development Strategy (NEEDS) policy, the International Monetary Fund (IMF) Country Report (2007) highlights the commitment to improving and rehabilitating the country's roads. Contracts for the construction of Federal roads were initiated and awarded between 2005 and 2006, with ongoing progress reported (IMF Country Report 2007, p. 16).

Examining this initiative alignment with the empowerment framework reveals both strengths and areas of concern.

Substantive Freedoms

NEEDS addresses substantive freedoms by emphasizing economic empowerment. The strategy aims to enhance individual choices and opportunities through economic development, reflecting the idea that economic well-being is a fundamental aspect of freedom. The focus on achieving a sustainable annual GDP growth rate, as indicated in the IMF Country Report, contributes to expanding basic capabilities.

Human Rights

The Universal Declaration of Human Rights (UDHR) emphasizes the right to a standard of living adequate for health and well-being. NEEDS, by promoting economic growth and poverty reduction, aligns with this human rights perspective. However, challenges may arise in cases where economic policies disproportionately affect vulnerable populations, potentially

conflicting with certain human rights principles.

Legal Empowerment

The legal empowerment dimension is addressed to some extent in NEEDS. The strategy recognizes the importance of transparent policies, which can contribute to legal empowerment. However, the effectiveness of legal empowerment may vary, and a more explicit focus on removing legal constraints faced by the poor could strengthen this aspect.

Access to Information

While NEEDS emphasizes the need for transparent policies, its effectiveness in ensuring access to information for all citizens is less clear. The extent to which information is disseminated, especially at the grassroots level, remains a critical factor in determining the success of poverty reduction efforts.

Inclusion/Participation

The democratic transition in Nigeria post-1999 is reflected in NEEDS, indicating progress in terms of inclusion and participation. However, challenges persist, particularly concerning the representation of marginalized groups. A more nuanced approach to ensuring the active participation of all segments of society is necessary.

Accountability and Transparency

NEEDS acknowledges the importance of transparent policies, contributing to accountability. However, translating this into effective governance and accountability mechanisms at all levels poses a challenge. The actual implementation of transparent practices is crucial for building trust and accountability.

Local Organizational Capacity

NEEDS recognizes the role of local organizations, but the extent of their capacity-building is not explicitly outlined. Strengthening local organizational capacity is vital for sustainable development, and clearer strategies in this regard would enhance the empowerment framework.

2.1.5 Gaps and Areas of Concern

Gender Inequality: Despite acknowledging the Gender Inequality Index, NEEDS could do more to explicitly address gender disparities. A focused approach to gender mainstreaming within poverty reduction strategies would align with global efforts towards gender equality.

Youth Involvement: Given the substantial youth population, incorporating targeted initiatives for youth empowerment would be beneficial. Addressing youth unemployment and fostering skills development can contribute to the overall success of NEEDS.

Environmental Sustainability: NEEDS primarily focuses on economic growth, but an explicit consideration of environmental sustainability is lacking. Integrating environmental concerns is crucial for the long-term viability of poverty reduction strategies.

Critiques and Global Context: The case of Nigeria, while aligning with global discourse on poverty reduction, exhibits unique challenges. The emphasis on economic growth in NEEDS parallels global trends, but the effectiveness of this approach is contingent on addressing contextual nuances. Nigeria faces issues of corruption, political instability, and governance challenges, impacting the translation of global ideals into tangible outcomes.

Conclusion: While NEEDS aligns with key aspects of the empowerment framework, addressing identified gaps is crucial for enhancing its effectiveness. The critique of Nigeria's Poverty Reduction Strategy emphasizes the need for nuanced, context-specific approaches within the broader global discourse on poverty alleviation and empowerment. Balancing economic objectives with social justice and environmental sustainability remains an ongoing challenge for NEEDS and similar strategies worldwide.

2.2 Overview of Empirical Evidence

In the literature, empirical studies found that the pursuit of elevating the global standard of living and eradicating absolute poverty has encountered varying degrees of success, particularly in parts of Asia and Latin America provision (King et al., 2007; Palmer, 2007; OECD/DAC, 2007; Renwick, 2011; Gounder & Xing, 2012; Tavanti, 2013). Despite intensified efforts leading up to 2015, a universally applicable solution remained elusive, leaving over 870 million people in destitution (FAO, 2012; UN, 2013). The World Bank, recognizing the challenges, set a more realistic target of ending absolute poverty by 2030 (World Bank, 2013), acknowledging the complexity of the issue, especially in countries like Nigeria, where poverty is pervasive.

In 1999, former United Nations Secretary-General Kofi Annan proposed a plan to end absolute poverty, emphasizing a "Public Private Partnership (PPPs)" involving private investors, civil society, and states. This approach challenged conventional top-down economic models and advocated for self-reliance (Thérien & Pouliot, 2006; Sharma, 2007). The UN Millennium Summit in 2000 endorsed the Millennium Development Goals (MDGs), with one of the key objectives being the eradication of extreme poverty (Sachs, 2005).

Since 2000, the World Bank has been a prominent supporter of development programs associated with pro-poor growth, including microcredit, capacity-building, literacy, and healthcare support, as well as infrastructure provision (King et al., 2007; Palmer, 2007; OECD/DAC, 2007; Renwick, 2011; Gounder and Xing, 2012; Tavanti, 2013). This marked a significant shift from the World Bank's earlier advocacy of Structural Adjustment Programs (SAP) in the 1980s and 1990s. However, the transition to promoting pro-poor growth with the language of "empowerment" has faced criticism, particularly from feminist and postmodernist scholars (Brydon, 2008; Pender, 2002).

Tania Murray Li (2007) contends that the foundation of any development lies in "The Will to Improve." Her examination of development projects in Indonesia, particularly in the Central Sulawesi villages, reveals that this determination to improve has veered off course. Despite the implementation of projects such as the construction of a national park, poverty in these areas either persists or worsens. Similarly, Michael McMichael (2008) adds to the discourse

by asserting that since the 1950s, the primary focus of governments in developing countries has centered around realizing the aspirations of the modernization thesis. This involves the establishment of administrative offices, heavy industries, roads, airports, and hydroelectric dams. While these projects are viewed as means to an end rather than ends in themselves, the failure to prioritize the well-being of individuals often results in the displacement of local communities.

Likewise, Lera (2006) underscores the consequences, noting that such projects frequently push individuals who were not previously impoverished into absolute poverty, thereby heightening their vulnerability. Critics argue that the Poverty Reduction Strategy Papers (PRSPs), through which poor countries formulate their approach to development, are deceptive, as they compel governments to operate within the World Bank's parameters (Chandler, 2004; Pender, 2002). Feminist scholars assert that despite the language of empowerment, it has sustained the modernization project and marginalized indigenous knowledge and local expertise (Marchand & Parpart, 1995). Nevertheless, empowerment approaches have undeniably shifted the development discourse by placing human beings, particularly the poor, at its core.

3. Materials and Methods

Following the social constructionist tradition, the authors employed a phenomenological approach, conducting both individual and focus group interviews. Recognizing the value of both individual experiences and group dynamics, the author believes that a combination of these methods is essential for a comprehensive understanding of the case. Emphasizing the limitations of relying solely on statistics, the study also involved the collection of official documents from sources such as the Nigerian Federal Ministries of Finance and the Central Bank of Nigeria. This dual approach, involving interviews with the local population and the analysis of official documents, is intended to enhance the depth and accuracy of the study.

3.1 Case Selection/Motivation

The study focuses on one key target: microcredit. This target was identified based on their significance in the IMF country report 2004-2007, seen as crucial for poverty reduction and economic empowerment. The author's motivation to explore this case arose during a trip in 2012, witnessing the displacement of people due to ongoing road construction. This experience led to a critical reflection on the government's poverty reduction efforts and the subsequent decision to investigate the impact of projects associated with Nigeria's National Economic Empowerment and Development Strategy (NEEDS).

Step 1: Field trip and location selection

The authors conducted a field trip to two strategically important states in Nigeria—Lagos and Enugu—between February 7 and March 27, 2014. The selection of these locations was based on the concentration of poverty reduction programs in urban areas, despite the prevalence of high unemployment and absolute poverty in both urban and rural settings. Contact persons were established in both cities to facilitate access to key participants. The sampling approach employed was "purposive sampling," targeting individuals relevant to the research questions.

Step 2: Selection of the participants

Interviewees and focus group members were selected based on specific criteria. A person should be a self-employed Nigerian and above 20 years who have borrowed from a Microfinance bank for over two years. In total, 20 participants, all women participated in the study. Five people were interviewed while twelve people participated in focus groups.

3.2 Ethical Considerations

Prior to conducting interviews, meticulous attention was devoted to identifying potential risks and ethical considerations. Despite the researchers' Nigerian background, the diverse cultural landscape within the country prompted proactive measures to navigate the potential outsider/insider dynamic. This proactive stance aimed to uphold authenticity, cultural sensitivity, and a profound respect for local norms.

The researchers, in a transparent manner, clarified the essence of the research, emphasizing its focus on comprehending participants' experiences with microcredit. Emphasizing the voluntary nature of participation, the researcher assured that no participant's name would be disclosed in the final report. This commitment to confidentiality was conveyed to foster an environment of trust. Acknowledging the rich tapestry of ethnic groups, languages, and traditions in Nigeria, the researchers afforded participants the autonomy to choose between giving oral or written consent. This choice was an embodiment of the commitment to recognizing and respecting the diversity inherent in the cultural fabric of the nation.

Moreover, the researchers explicitly communicated that participation was contingent upon the explicit consent of everyone. This clarification sought to underscore the researchers' commitment to ethical research practices and to ensure that participants fully understood the implications of their involvement.

In summary, the ethical considerations were ingrained in a comprehensive approach that prioritized participant autonomy, confidentiality, and a profound respect for the diverse cultural landscape of Nigeria.

Step 4: Reporting field observation

The interview and focus group were interactive, especially in family settings, where additional members contributed to the discussions. Recognizing the challenge of managing unexpected contributions, the author decided to prioritize responses from individuals deemed more knowledgeable about the case.

Step 5: Challenges/Preparing data for the final report.

The original plan to collect relevant documents from government sources proved unfeasible, leading to reliance on online resources and field notes for data triangulation.

3.2 Limitations of Qualitative Method

Acknowledging common criticisms of case study research, the authors recognized the inherent limitations, including the lack of generalizability and potential bias in participant

responses. However, the focus of the study is on the empowerment framework's application to the Nigerian case rather than broad generalizations. Triangulation, involving multiple data sources, was employed to mitigate potential biases and enhance the study's depth.

Having established a robust conceptual framework grounded in the principles of empowerment, human rights, and inclusive economic growth, we now turn our attention to the empirical evidence that sheds light on the practical application of these concepts in the context of Nigeria's National Economic Empowerment and Development Strategy (NEEDS).

In this section, we delve into the lived experiences of microcredit users, exploring the intricate interplay between political-economic factors, government policies, and the day-to-day realities faced by individuals engaged in poverty reduction initiatives. By bridging the theoretical underpinnings with on-the-ground realities, this transition marks a crucial juncture in our exploration, offering a holistic understanding of the challenges and opportunities within the Nigerian microfinance landscape.

4. Results and Analysis

From the Nigerian government policy document, we identify the political-economic factors that shaped the design, implementation, and outcomes of Poverty Reduction Strategy Papers (PRSPs) in Nigeria from 2004 to 2014.

According to a passage from the Central Bank of Nigeria's policy document issued in December 2005, microfinance aims to provide financial services to the traditionally underserved poor population, distinguished by small loan amounts, absence of asset-based collateral, and operational simplicity. In Nigeria, the formal financial system reaches only 35% of the economically active population, leaving the remaining 65% dependent on the informal financial sector. This includes services provided by Non-Governmental Organization (NGO)-microfinance institutions, moneylenders, friends, relatives, and credit unions. The lack of regulation in some of these institutions poses challenges for the Central Bank of Nigeria in fulfilling its mandate of promoting monetary stability and a sound financial system.

The essence of microfinance banks, as evident from the passage, is to offer microcredit without the need for asset-based collateral, making banking operations more straightforward. However, according to the focus group, becoming a microcredit user in Nigeria involves joining an existing group of users or forming a self-help group of at least five individuals. The group guarantees repayment within six months, along with an interest rate of 20% (some Microfinance banks charge 30%). To open a microcredit account, applicants must complete forms and make a ₦1000 (or \$6.16) deposit.

4.1 Participants' Experience with Microfinance Banks

Participants shared their experiences, highlighting that microcredit loans are unsecured in the traditional sense but require household assets like refrigerators, televisions, radios, and gas cookers as collateral. Joint liability and group cohesion serve as strong collateral for these loans, making them secure and profitable for Microfinance Banks compared to normal banks.

Despite offering opportunities for self-employment, participants expressed concerns about the challenges associated with microcredit, including difficulty in meeting basic needs such as food, clothing, house rent, and children's school fees. Participants' response in individual interview and focus group reflect the shared sentiment among all participants.

- *Participant A*: I have no peace since I took microcredit because the interest of 20% is too much for me. Country.
- *Participant B*: Last month I used the interest to pay my shop rent, but I know I will have a problem to make it up.
- *Participant C*: I have even spent my food money to support my business. I told my husband lies, that I need more money to buy food because everything has increased in the market, but I put the money in my business. If my husband discovers, I will be in big trouble. I am taking a big risk because I am not providing sufficient food for my family. (Informant 3).
- *Participant D*: I am in big trouble because my business has taken all the money.
- *Participant A*: Is it possible for the Nigerian government to help us after you write your report?
- *Focus Group*: We only hope upon God to help us not the government of this country.

The participant in the individual interview candidly expresses the emotional and financial struggles faced after taking microcredit. The burden of a 20% interest rate on the microcredit loan has led to significant challenges, including diverting funds meant for basic needs like food and lying to her husband about the financial situation. Despite the participant's determination to be self-employed and empowered through her business, the stress and anxiety associated with servicing the microcredit loan are palpable.

The participant's testimony reflects a common sentiment among the focus group, where individuals share their worries about the high interest rates and the impact on their daily lives. The focus group participants, all part of a group of thirty women, gather regularly to discuss their concerns about repaying microcredit loans with steep interest rates. They express fear of losing their household properties if they fail to meet repayment deadlines (Focus group, February 13, 2014).

A prevailing theme emerges in the focus group's discussions—the lack of assistance or support from the government. Participants express a reliance on divine help rather than expecting aid from the government. This sentiment aligns with Narayan's observation that the poor often place their hope in divine intervention when government support is lacking.

This issue touches on lack of a structured support system for microcredit users in Nigeria. Where microcredit makes an impact on poverty reduction like in Bangladesh, Haiti, India, Philippines and others, there is a step-by-step process to guide the users and help them to succeed. They give the people training to acquire micro-entrepreneurship skills (Yunus, 2007; Faundez, 2009; Fonkoze 2013; Tavanti 2013). But that seems not to be the norm in Nigeria, one participant said, “If we speak nobody will listen to us.” (Informant A, February 8, 2014). The pro-poor growth process would entail encouraging microcredit users to make their voices heard so that the Nigerian authority would know what the people want.

The Central Bank of Nigeria regulatory framework for Microfinance banking did not provide a clear red line on how the microcredit users could be assisted to improve their skills and channel their complaints or communicate their grievances to Nigerian authority to ensure that microcredit users are not exposed to exploitation.

In Nigeria, microcredit is expected to provide finance to the poor in order to replace traditional dependency on friends and families for money lending (CBN 2005, p. 5). But without proper monitoring, that has created another problem. Nowadays, microcredit makes people elude traditional financial assistance. Before microcredit, Nigerians usually provide financial assistance to their sisters, brothers and friends to start trading without interest, but now, most people bear the label microcredit and ask for interest even on such loans, no matter the amount (Focus group, February 13, 2014). The participants are now faced with a nostalgia dilemma as it becomes difficult to find support in traditional kingship. And that is not good news, it increases poor peoples' anxiety.

From the focus group discussion, the author understands that the anxiety of those who use microcredit tends to increase due to anxious mind to succeed and avoid losing all that they have. These factors take their toll on the emotional well-being of these individuals. According to them, Nigerian men rarely take microcredit because the smallness of the loan makes it difficult to start any reasonable trade. The smallness of the loan coupled with high interest rate make microcredit exploitative. The concerns of the microcredit users point to Microfinance bank potentially disempowering women rather than providing the empowerment promised by NEEDS.

Nevertheless, the activities of the microcredit users no doubt generates revenue for the Microfinance banks and the Nigerian economy. Since 2004, the Nigerian real GDP annual growth rate has averaged 6.6% as against the annual target of 6.0% and non-oil sector average annual growth rate, 8.2% as against the NEEDS target of 8.0% (IMF Country Report, 2007). As usual, the priority of the Nigerian government is to see economic growth, but the reality of the poor is not in focus (Chambers, 1997). Meanwhile, the Nigerian government failure to encourage microcredit users to organize, engage in discussion with the government and the providers of microcredit exposed the users to all manners of exploitation and abuse. One participant said,

In other words, unlike successful cases in countries like Bangladesh, Haiti, India, and the Philippines, where training programs are provided to enhance micro-entrepreneurship skills, participants in Nigeria feel unheard and unassisted. The regulatory framework for microfinance banking in Nigeria lacks clear guidance on assisting microcredit users in improving their skills and addressing their grievances.

According To the focus group, microcredit's impact on poverty reduction in Nigeria is portrayed as a mixed bag. While it offers opportunities for self-employment and contributes to the growth of the Nigerian economy, the associated challenges, including high interest rates and the absence of proper support structures, create significant stress and anxiety for microcredit users.

As mentioned in the previous passage, the focus group participants express a growing nostalgia for the traditional system of financial assistance, as microcredit has led to a shift

where even small loans come with interest, diminishing the support they used to receive from friends and family without such financial burdens. The plea for government intervention and a more empathetic approach from microcredit providers underscores the need for a comprehensive and supportive microfinance ecosystem in Nigeria.

Another individual participant said,

I started using Microfinance six years ago, my business was progressing, but one day, after I bought goods with all the money I borrowed, thieves came at night and broke into my shop. They took everything and when I came to my shop in the morning, my shop was empty. I cried and cried, I reported the matter to the police and Microfinance, but they said that I must pay back the money. I pleaded and promised to pay back the money, but they should give me more money to start my business again, but they refused. When six months passed and I failed to refund their money with interest, they came to my house and took our television, a refrigerator, buckets, a cooking stove and a fan. I confronted them because I don't want them taken away, but they fought me, wounded me and collected everything by force (Participant C, February 11, 2014).

This participant shares a harrowing experience with microfinance, narrating how, after six years of successful business progress, thieves robbed her shop. Despite reporting the incident to both the police and the microfinance institution, the participant faced a harsh response. The microfinance insisted on repayment, leading to a plea from the participant for additional funds to restart her business. However, her request was denied. When she failed to refund the money with interest within six months, the microfinance institution forcibly seized her household items, including a television, refrigerator, buckets, cooking stove, and a fan. The confrontation resulted in physical harm to the participant, highlighting the vulnerability of microcredit users and their susceptibility to abuses.

The focus group participants emphasize that defaulting on microcredit repayment is not tolerated, except under exceptional circumstances like fire incidents or death. In cases of default, the microfinance group associated with the individual collaborates with the microfinance bank to seize assets from the defaulter's home. This practice raises concerns about the increased vulnerability and potential for abuse that accompany trading with microcredit. The victim in this case feels unable to fight for her rights due to resource limitations.

4.2 Impacts of Microcredit on Economic Empowerment in Nigeria

In the informal economy, individuals not engaged in formal employment traditionally avoid paying taxes. However, microcredit borrowers find themselves indirectly paying taxes through the interest rates on their loans, acting as both payroll taxes and loan interests. Unlike those in formal employment who receive neoliberal welfare benefits, microcredit users lack such privileges and rights. The comparison is drawn to the medieval European feudal system, where peasants lacked incentives and rights in their relationship with vassals.

Microcredit users, portrayed as economically disempowered, bear the brunt of inflation in Nigeria, estimated at an annual average of 10.03% according to the IMF Country report, 2007. Despite the pervasive poverty and elusive economic empowerment, the Nigerian government's focus appears directed at licensing new banks without adequate institutional

frameworks to ensure the success of microcredit users. The quoted passage from the Central Bank of Nigeria's Microfinance policy raises questions about the government's commitment to supporting and safeguarding the interests of microcredit users in the country.

4.3 Microfinance Policy and Its Impact

A passage in the Central Bank of Nigeria *Microfinance policy, Regulatory and Supervisory Framework* reads,

A microfinance policy [...] recognizes the existing informal institutions and brings them within the supervisory purview of the CBN would not only enhance monetary stability, but also expand the financial infrastructure of the country to meet the financial requirements of the Micro, Small and Medium Enterprises (MSMEs)... It would also harmonize operating standards and provide a strategic platform for the evolution of microfinance institutions, promote appropriate regulation, supervision and adoption of best practices (CBN 2005, p. 5).

The microfinance policy, as outlined by the Central Bank of Nigeria (CBN) in 2005, aims to integrate informal institutions into the formal economy, providing stability and expanding the financial infrastructure. The policy emphasizes harmonized standards, appropriate regulation, and the adoption of best practices to support Micro, Small, and Medium Enterprises (MSMEs) (CBN 2005, p. 5). However, the transformation of microcredit, once aligned with the ideals of Muhammad Yunus (Chomen & Dejene, 2021), has led to a scenario where microcredit users lack safety nets and neoliberal welfare benefits.

In the context of Nigeria, formal employment offers benefits such as free health care, housing allowances, and transport allowances, privileges unavailable to those in informal employment using microcredit. Despite facing exploitation, microcredit users view Microfinance Banks (MFBs) as helpers while considering the government an adversary. This sentiment reflects a lack of confidence in the government's support and a reliance on microfinance institutions for assistance.

4.4 Challenges Faced by Microcredit Users

Microcredit users in Nigeria, despite engaging in trading activities, live a challenging life resembling that of paupers, devoid of human dignity. The absence of choices and voices among microcredit users is emphasized, portraying a lack of freedom to speak out against their predicament in a despotic state like Nigeria (Ifejika, 2021). Fear and acceptance of poverty as a natural state further contribute to the silence among the impoverished.

The experiences of microcredit users highlight their vulnerability to various abuses, with limited recourse due to their economic status. The lack of legal resources, knowledge, and financial means further restricts their ability to seek justice or pursue legal action against exploitative practices.

4.5 Impact on Economic Empowerment

From the evidence adduced here, microcredit has exacerbated the difficulties faced by participants, similar to Structural Adjustment Programs (SAPs). Participants struggle to provide for their families, educate their children, secure decent housing, and access medical

care. The neoliberal economic policy, based on economic calculations rather than well-being and capabilities, is criticized for sustaining inequality, neglecting human rights and substantive freedoms, and encouraging business monopoly.

The licensing framework for Microfinance Banks, with varying capital requirements, raises questions about access and inclusivity for medium-sized entrepreneurs with microcredit ideologies. While the CBN encourages favorable tax treatment for MFBs, there is a notable absence of incentives for microcredit users, suggesting an unequal distribution of recognition and benefits.

In conclusion, the study argues that the existing economic system, with its focus on macroeconomic indicators and business profitability, perpetuates poverty rather than alleviating it. The call for a more inclusive and incentivized approach, aligned with the principles of substantive freedoms, highlights the need for systemic changes to address the challenges faced by microcredit users in Nigeria.

5. Discussions

The examination of the political-economic factors shaping the implementation of Poverty Reduction Strategy Papers (PRSPs) in Nigeria, particularly within the framework of the National Economic Empowerment and Development Strategy (NEEDS) from 2004 to 2014, reveals a complex interplay of policies, microfinance dynamics, and the lived experiences of individuals engaged in poverty reduction initiatives.

5.1 Microfinance Dynamics and Economic Realities

The portrayal of microfinance in Nigeria, as highlighted by the experiences of participants, exposes a multifaceted landscape. While microcredit offers opportunities for self-employment, the high interest rates and lack of structured support systems raise significant concerns. The individual narratives underscore the challenges faced by microcredit users, reflecting a poignant reality where economic empowerment comes with a considerable emotional and financial burden. The reliance on divine intervention over government support echoes broader sentiments of mistrust in institutional assistance among the impoverished.

5.2 Government Policies and Empowerment Framework

NEEDS, as a poverty reduction strategy, aligns with key components of the empowerment framework. The emphasis on economic growth, transparent policies, and poverty reduction reflects a commitment to substantive freedoms and human rights. The strategy recognizes the role of microfinance banks in fostering economic development, yet the implementation reveals gaps. While macroeconomic indicators demonstrate positive trends, the micro-level impact on poverty reduction remains a challenge. The high interest rates associated with microcredit and the absence of a comprehensive support system for microcredit users highlight areas where NEEDS may fall short in translating policy intentions into tangible benefits at the grassroots level.

5.3 Empowerment Framework Critique

A critical lens on NEEDS reveals both strengths and weaknesses. The strategy acknowledges the importance of inclusion and participation in the democratic setting post-1999. However, the gender-specific and youth-oriented dimensions are underemphasized. Gender disparities persist, and the youth population's unique challenges demand targeted interventions. The lack of explicit consideration for environmental sustainability raises questions about the long-term viability of poverty reduction efforts.

5.4 Global Discourse vs. Nigerian Context

The Nigerian case, while aligning with global discourse on poverty reduction, unveils distinctive challenges. Governance issues, corruption, and political instability add layers of complexity. The macroeconomic focus may overlook these intricacies, impacting the translation of global ideals into tangible outcomes. The need for a context-specific approach becomes apparent, emphasizing the importance of addressing local nuances in poverty reduction strategies.

6. Conclusion and Future Directions

In conclusion, the discussion highlights the need for a nuanced and adaptive approach within poverty reduction strategies. The experiences of microcredit users underscore the importance of not only macroeconomic success but also the micro-level impact on individuals' lives. A recalibration of microfinance dynamics, targeted interventions for vulnerable groups, and a more comprehensive support system are essential for the success of poverty reduction initiatives. As global discussions on poverty evolve, the Nigerian context serves as a reminder of the imperative to tailor strategies to the unique socio-economic landscape, ensuring inclusivity, sustainability, and genuine empowerment for all.

6. Policy Recommendations

6.1 Microfinance Regulatory Framework Enhancement

Policy Review: Conduct a comprehensive review of the regulatory framework for microfinance banks (MFBs) to ensure alignment with the empowerment framework. This should include clear guidelines on interest rate regulations, consumer protection, and the establishment of support mechanisms for microcredit users.

Capacity Building: Introduce training programs for MFBs to enhance their understanding of the socio-economic challenges faced by microcredit users. Training should focus on ethical lending practices, borrower education, and the establishment of grievance redressal mechanisms.

6.2 Inclusive Economic Growth

Targeted Interventions: Develop targeted interventions within NEEDS to address gender-specific and youth-oriented dimensions of poverty. Implement policies that promote gender equality, youth empowerment, and inclusivity in economic opportunities.

Environmental Sustainability: Integrate environmental sustainability considerations into poverty reduction strategies. Explore avenues for green microfinance initiatives that support

both economic development and environmental conservation.

6.3 Government Support Systems

Structured Support Programs: Establish structured support programs for microcredit users, including training, mentorship, and access to resources. Collaborate with non-governmental organizations (NGOs) and civil society to create a robust support ecosystem for micro-entrepreneurs.

Social Safety Nets: Develop social safety nets to assist microcredit users facing exceptional circumstances such as theft, natural disasters, or health crises. Ensure that these safety nets are easily accessible and provide a buffer against unforeseen challenges.

6.4 Data Collection and Impact Assessment

Comprehensive Impact Assessment: Implement a comprehensive impact assessment framework to regularly evaluate the effectiveness of poverty reduction strategies, with a particular focus on microfinance initiatives. This should involve both quantitative and qualitative data collection methods to capture the nuanced realities of microcredit users.

6.5 Youth and Gender-Centric Approaches

Youth Empowerment Programs: Design and implement youth-centric programs that address the unique challenges faced by young entrepreneurs. Foster an environment that encourages innovation, skills development, and entrepreneurial initiatives among the youth.

Gender-Inclusive Policies: Introduce gender-inclusive policies within NEEDS, ensuring that women have equal access to economic opportunities and are not disproportionately burdened by microcredit challenges.

6.6 Strengthening Governance and Anti-Corruption Measures

Anti-Corruption Initiatives: Strengthen anti-corruption measures within the governance framework. Enhance transparency and accountability to build public trust in government initiatives, ensuring that resources allocated for poverty reduction are utilized efficiently and ethically.

6.7 Community Engagement and Empowerment

Community Participation: Facilitate community engagement in the design and implementation of poverty reduction programs. Foster a sense of ownership and empowerment at the grassroots level by involving communities in decision-making processes.

6.8 Adaptive Policy Design

Context-Specific Policies: Recognize the diverse socio-economic landscapes within Nigeria and adopt an adaptive policy design approach. Tailor poverty reduction strategies to address the unique challenges faced by different regions, taking into account local nuances.

6.9 Long-Term Vision and Planning

Strategic Planning: Develop a long-term vision for poverty reduction that extends beyond electoral cycles. Implement strategic planning that focuses on sustainable development, poverty alleviation, and the realization of empowerment goals over an extended period.

6.10 International Collaboration

Knowledge Sharing: Foster collaboration with international organizations and countries that have successfully implemented poverty reduction strategies. Facilitate knowledge sharing to integrate best practices and innovative approaches into Nigeria's poverty reduction initiatives.

These policy recommendations aim to address the identified gaps in the implementation of poverty reduction strategies, with a specific focus on microfinance dynamics. By enhancing regulatory frameworks, promoting inclusive economic growth, and strengthening support systems, Nigeria can strive towards more effective and equitable poverty reduction.

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Appendices**Appendix A****Economic problems facing Nigeria before NEEDS came into existence**

- Near collapse of social and economic infrastructure
- Per capita GDP remained stagnant prior 1990; Grew at 2.2% 1999 – 2003
- Total GDP 2001 \$45 billion
- Per capital income was \$300 a year
- External and domestic debt – 70% of GDP (difficult to service Debt, domestic debt rose by 200% between 1999 and 2002 – about \$9.0billion)
- Real sector dominated by primary production sectors: agriculture 41%, crude oil 13%, manufacturing 5 – 7 % of GDP
- High macroeconomic volatility (exchange rate, inflation rate, budget deficit, GDP growth rate, GDP per capita - among the worst in the world
- Finances at all levels of government in poor shape (pension crisis, arrears of salaries, huge debt misallocation and mismanagement)
- High level of poverty (about 70%)
- Dysfunctional education system (low standard, institutions decay, youth militancy etc.).
- Unfriendly business environment (public sector dominance, rent seeking, weak institutions, corruption, high cost of doing business
- High unemployment rate (urban 12.4%, rural 23.2%). (IMF Country Report No. 07/270 , 2007, p.1).

Broad targets

- Increase average per capita consumption by at least 2.0% a year
- Creation of about 7 million jobs by 2007
- Increase immunization coverage to 60 percent by 2007;
- Increasing the percentage of the population with access to safe drinking water to at least 70 percent by 2007
- Significantly increasing school enrolment rates particularly girls
- Increasing the adult literacy rate to at least 65 percent by 2007. (p.10)

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