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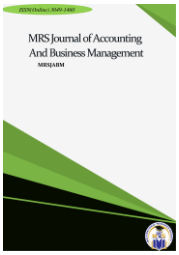

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IMPACT OF HUMAN CAPITAL DEVELOPMENT ON POVERTY LEVEL IN NIGERIA

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Abstract: This research investigates the influence of human capital development on poverty levels in Nigeria, employing multiple regression analysis as its methodological approach. The results of the study reveal that the regression analysis demonstrates a significant relationship between human capital development quantified by literacy rates and government spending on education and health and poverty levels. Furthermore, the unemployment rate exhibits a positive coefficient, suggesting that an increase in unemployment correlates with heightened poverty levels, which is consistent with anticipated outcomes. Consequently, the study advises that the government should enhance the quality of service delivery and infrastructure in public educational institutions and healthcare facilities, particularly in rural regions. It also recommends the expansion of adult literacy initiatives, the promotion of free and compulsory basic education, the strengthening of Technical and Vocational Education and Training (TVET) programs to provide citizens with marketable skills, and the support of micro, small, and medium enterprises (MSMEs) through improved access to financing and training. Additionally, the government is urged to allocate a minimum of 15–20% of the national budget to education and 10–15% to health, in accordance with international standards set by UNESCO and WHO.

Keywords: *Human Capital Development, Poverty level, Education, Healthcare Facilities & Vocational Training.*

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Introduction

Despite its vast natural and human resources, Nigeria is confronted with a persistent and deeply rooted poverty crisis, which remains one of the country's most critical developmental challenges (Magaji, 2002). The paradox of poverty amid abundance is stark, as economic indicators reveal national growth without equitable distribution or tangible improvements in the population's well-being (Shaba, Yelwa, Obansa & Magaji, 2018). Globally, over 2.8 billion people live on less than $2 a day, and in Nigeria, more than 112 million individuals—about 69% of the population in 2012 were reported to be living in relative poverty. Even more alarming, Nigeria's poverty rates worsen when assessed through absolute, dollar-per-day, and subjective measures (World Bank, 2021).

Central to addressing poverty crisis is the development of human capital, which refers to the health, education, and skills possessed by individuals that enable them to contribute productively to the economy. However, Nigeria consistently ranks among the lowest globally in human development. For example, in 2010, the country ranked 142 out of 169 countries on the Human Development Index (HDI), with a score of 0.423, a life expectancy of 48.4 years, and a GNI per capita of $2,156 (UNDP, 2010). These figures reflect widespread underinvestment in critical human capital sectors such as health and education, despite steady GDP growth and substantial oil revenues. This disconnect can largely be attributed to weak governance, policy inconsistency, and systemic corruption, which have hindered service delivery in key areas (Aluko & Magaji, 2020).

The World Bank (2021) estimates that about 40% of Nigerians still live below the national poverty line. Many of these individuals are located in rural and northern regions where access to quality education, healthcare, electricity, and clean water remains limited (Magaji, Musa, Salisu, 2022). Most Nigerians are employed in informal sectors, such as small-scale farming or household businesses, which offer limited opportunities for income growth or skill development. Only 17% of the workforce holds wage-paying jobs that can sustainably lift individuals out of poverty (Magaji & Musa, 2015). This situation underscores the urgent need to invest in human capital to break the cycle of poverty.

Previous poverty alleviation initiatives such as the Family Economic Advancement Programme and the National Economic Empowerment and Development Strategy (NEEDS)—have yielded minimal results due to flawed design, poor implementation, and lack of capacity (Enaberue, Musa & Magaji, 2024). These failures

are compounded by inadequate investment in human capital and weak institutional frameworks. For instance, although a national minimum wage of N30,000 (around $73/month) has been introduced, many state governments have failed to comply, and the wage itself falls below the international poverty line of $1.90 per day (World Bank, 2021).

Poverty in Nigeria is multidimensional and interlinked with deficits in education, health, and infrastructure (Magaji, Musa, Abdulmalik & Eke, 2022). Poor education restricts employment prospects and earnings potential, which in turn contributes to poor health outcomes and diminished productivity. These challenges are often reinforced by social issues such as crime, political instability, and environmental degradation. Over 40% of Nigerians live in extreme poverty, and future projections suggest this figure could worsen if significant action is not taken (World Bank, 2021).

The Brookings Institution's declaration of Nigeria as the "poverty capital of the world" in 2018 underscores the severity of the crisis. The country's per capita income plummeted from $1,600 in 1980 to $290 in 2002, a decline attributed to economic mismanagement, underdevelopment of the education and agricultural sectors, and growing urban-rural inequality (Magaji, Musa, Ahmad & Eke, 2024). These challenges highlight the structural and cyclical nature of poverty in Nigeria, which is perpetuated by inadequate investment in human capital (Magaji, Musa & Aluko, 2023).

Nigeria must adopt a holistic and inclusive development strategy that prioritizes human capital development (Eke, Magaji & Ezeigwe, 2020). Economic growth alone cannot reduce poverty unless it is accompanied by deliberate investments in education, healthcare, job creation, and infrastructure. Agriculture also remains a vital sector, especially because it employs a significant share of the rural poor (Magaji, Adamu & Eke, 2009). Equipping the population with the knowledge and skills needed to participate in and benefit from economic activities is essential for long-term development.

The Sustainable Development Goals (SDGs), particularly Goal 1 (No Poverty) and Goal 8 (Decent Work and Economic Growth), offer a guiding framework for integrating human capital development with poverty reduction strategies. Building a healthy, skilled, and empowered workforce will not only lift individuals out of poverty but also drive national economic growth, foster social stability, and enhance Nigeria's development trajectory (Magaji & Musa, 2024). Therefore, examining the impact of human capital development on poverty levels in Nigeria is fundamental to creating sustainable and inclusive policy solutions.

Literature Review

Conceptual Review

Human Capital Development

The development of human capital is essential for promoting economic growth and fulfilling sustainable development goals (Magaji, 2023). Various scholars have provided different definitions of human capital development. Mincer (1996) describes it as the percentage of a country's population that possesses adequate education, skills, and training, whereas Torruam et al. (2014) highlight its emphasis on improving productivity and creativity. Romer (1990a) points out the significance of acquiring skills through training and investments in healthcare, which aligns with Jhinger's (2005) claim that financing education, health, and social services is crucial for human capital development. Healthcare, as noted by Ismail, Musa & Magaji (2024), plays a vital role in this development. The United Nations Development Programme (UNDP, 2018) promotes investments in education, health, nutrition, and skills to encourage economic growth. Researchers such as Magaji & Adamu (2011), Schultz (1961), and Bloom et al. (2019) argue that ongoing investments in education and health contribute to enhanced productivity and economic growth. Historically, scholars like Petty (1769) and Smith (1904) have stressed the importance of improving worker skills and productivity as essential for national economic advancement, positioning human capital as a key factor in economic progress (Weisbrod, 1962)

Poverty Level

Poverty is defined as the condition in which individuals or communities lack the financial resources and essential needs required for a basic standard of living. Consequently, fundamental human requirements remain unfulfilled. Those experiencing poverty, including individuals and families, may lack sufficient shelter, clean drinking water, adequate nutrition, and necessary medical care. Each country may establish its own criteria for defining the poverty line and evaluating the number of people living in poverty. Poverty is a socioeconomic issue that arises from a variety of factors, not solely income. These factors encompass race, gender identity, sexual orientation, and limited access to education, among others. Poverty is both a personal issue and a wider societal challenge at the individual or family level (Musa et al., 2024). Failing to meet these standards can result in numerous medical and psychological problems. On a societal scale, high poverty rates can hinder economic progress and are linked to issues such as crime, unemployment, urban decline, inadequate education, and poor health outcomes. Governments often implement socio-economic welfare initiatives to help individuals, families, and communities escape poverty. Some countries have a more developed welfare system than others. For instance, the United States demonstrates a higher level of individualism and supports welfare initiatives. In contrast, European countries offer a significantly broader range of welfare programs and support for those in need. The Department of Health and Human Services (HHS) identifies individuals who fall below a certain income level as living in poverty. The U.S. Census Bureau calculates the poverty rate in the United States, which indicates the percentage of the population living in poverty. As of 2022, the poverty threshold is established at $27,750 annually for a family of four with two children under the age of 18. For a couple over 65 without children under 18, the poverty line is set at $18,310 per year (OECD, 2021).

Theoretical Framework

Human Capital Theory

The concept of human capital, developed by Schultz, Becker, and Mincer, highlights the economic advantages of investing in human skills and knowledge (Bakare & Salami, 2011). This concept asserts that such investments result in greater productivity and economic returns, with more affluent economies lowering the costs associated with skill acquisition through educational and training subsidies. These subsidies promote a value for education, motivating individuals to strive for academic excellence, which subsequently produces higher returns on knowledge and skills (NPC, 2008). The theory stresses that nations have a vital role in nurturing human capital by offering opportunities for skill development, which is essential for

enhancing labor market value. At the heart of this theory is the notion that improving human capital leads to increased productivity, resulting in critical physical outputs that propel economic growth.

Empirical Review

Kolawole and Samuel (2024) examine the sustainable development goals and rural development in Nigeria, 2000-2021, with the view to appraise the trends of poverty in Nigeria, investigate the effect of sustainable development goals on rural development, and determine the causal relationship between sustainable development goals and rural development in Nigeria. Annual data on manufacturing value added gross, gross primary education, annual current health expenditure, adjusted net national income, access to electricity, and rural development data were analysed using descriptive statistics and the ARDL estimation technique. The ARDL results revealed that not all determinants are statistically significant, but most variables are jointly significant. Manufacturing value-added gross, annual current health expenditure, adjusted net national income, and access to electricity hurt rural development. In contrast, gross primary education has a positive and significant impact on rural development in the long run.

Moneme, Okpara, Onuaja, and Mayowa (2024) examine infrastructure development's effect on Nigeria's poverty alleviation from 1999 to 2022 using statistical and econometric methods such as Pearson correlation and ordinary least squares (OLS) regression. In addition, the researchers carried out a robust check on the study's outcomes using the ARDL model. The results indicate that

Ullah, Khan, and Pinglu (2024) investigate the impact of income distribution as poverty reduction on sustainable development (SD) by taking the moderating role of multidimensional regional integration (MRII) in fostering integrated sustainability across 64 Belt and Road Initiative (BRI) countries from 2005 to 2020. Utilising the Sys-GMM methodology, the findings support that countries within the BRI are theoretically aligned with a sustainable development path, as economic theory suggests. Moreover, MRII significantly contributes to the integrated sustainability path. The direct channel analysis reveals a negative yet significant effect of income distribution on sustainable development, indicating an increase in disparity and capital management system. Conversely, the indirect channel suggests a reduction in disparity, and regionally integrated BRI boosts sustainable poverty reduction.

Zaria and Ismail (2024) examine the impact of ecological sustainability on poverty alleviation in Nigeria. Despite finding the limit to growth theoretical clarity, it is more justifiable to verify the connection that ecological sustainability does not relate to policy perspectives for improving the well-being of poor people, employing Autoregressive Distributed Lag Model (ARDLM) to analyse the impact of social and economic sustainability on poverty reduction based on ecological policies perspectives from 1981-2021. Use the limit-to-growth theory to examine the hypothesis of poverty alleviation and the ecological policy perspectives, such as social or urban growth and economic or empowerment sustainability. The results reveal that ecological policy perspectives correlated with social and economic sustainability in alleviating poverty. In addition, social sustainability is positive and significant, while economic sustainability is negative and insignificant in the short- and long-run on poverty alleviation.

infrastructure development did not help reduce poverty in Nigeria during the study period.

Hassan and Umar (2024) examined the Nigerian Youth and Women Farmers Association to examine the effect of social empowerment on alleviating poverty in Nigeria's agricultural sector. Of the 353 questionnaires issued, 335 were returned and used in this study's investigation. The structural equation model with partial least squares (SEM-PLS) was used to analyse the acquired data. The results showed an essential correlation between social empowerment and poverty reduction among women working in the agricultural sector. Encourage sustainable farming practices among female entrepreneurs.

Yakubu, Abe, and Nacho (2024) analyse the impact programs designed to achieve sustainable development objectives have had on efforts to eradicate poverty in the state of Taraba. The instruments used in this investigation consist of a questionnaire and a checklist. The questionnaire had a total of twenty-five (25) questions. The data were subjected to analysis using descriptive and inferential statistics. The multiple regression technique, namely the Ordinary Least Squares Method (OLS), was used for the study. The hypotheses were evaluated using a statistical significance threshold of 5%. This study examines the impact of farmers' empowerment initiatives related to the Sustainable Development Goals (SDGs) on reducing poverty in Taraba State. The research findings indicated that the coefficients for the impact of the Goal empowerment plan on decreasing poverty were favourable, although they did not reach statistically significant levels.

Fagbemi and Ajibike (2024) examine how process innovation can impact the poverty rate in Nigeria over the period 2000–2021, using the Autoregressive Distributed Lag (ARDL) and Pairwise Granger Causality Test. The findings indicate a reduced poverty rate is linked to process innovation propensity. Results support the hypothesis that process innovation can significantly reduce short- and long-term poverty. It has also been discovered that increased poverty could engender the drive towards innovation.

Despite the valuable contributions of the existing literature on the impact of Sustainable Development Goals (SDGs), infrastructure development, and social empowerment on rural development and poverty alleviation in Nigeria, several research gaps remain unaddressed. First, while Kolawole and Samuel (2024) provide insights into the relationship between SDGs and rural development using an ARDL model, their analysis focuses primarily on a limited set of indicators, such as manufacturing value-added gross and access to electricity, omitting crucial variables like financial inclusion, agricultural productivity, and gender-specific empowerment, which are critical in a rural context. Additionally, the study's temporal scope of 2000 to 2021 may not fully capture the evolving dynamics of rural development, particularly considering recent global challenges like the post-COVID economic recovery, which necessitates further exploration of how SDGs adapt to such shocks in rural areas. Furthermore, the analysis by Moneme et al. (2024) on infrastructure development and poverty alleviation reveals mixed results, particularly regarding the impact of infrastructure on poverty reduction. However, their research does not explore the potential moderating roles of institutional quality or governance structures, which have been identified in other studies as critical factors influencing the success of development programs in Nigeria. Additionally, the

study's focus on OLS and Pearson correlation techniques may not fully account for the non-linear relationships between poverty and infrastructure development, especially in rural areas, where access to infrastructure is often irregular and fragmented. Therefore, there is a need for more robust econometric techniques and the inclusion of institutional variables to provide a deeper understanding of how infrastructure development interacts with rural poverty in Nigeria.

Methodology

Data Collection

Data Collection for this study will involve gathering secondary data from various credible sources, including national statistics, World Bank reports, and other reputable databases. National statistics will provide insight into Nigeria's poverty rates, economic growth, social development indicators, and environmental sustainability metrics over time. These datasets will help track changes in key development indicators and assess the effectiveness of poverty reduction strategies. World Bank reports, which regularly publish comprehensive analyses of Nigeria's economic and social conditions, will be valuable in providing up-to-date, internationally benchmarked data on poverty, inequality, and sustainable development progress. Additionally, data from other credible sources, such as reports from the United Nations Development Programme (UNDP), the National Bureau of Statistics (NBS) of Nigeria, and academic publications will be reviewed to ensure a comprehensive analysis. Using secondary data will allow for a broader perspective on the relationship between poverty reduction and sustainable development, facilitating a thorough evaluation of trends and outcomes.

Indicators

A range of key indicators will be utilised to evaluate the impact of poverty reduction on sustainable development in Nigeria. These include Gross Domestic Product (GDP) growth, which measures the overall economic expansion of the country and reflects its ability to generate wealth and create employment opportunities. The poverty headcount ratio, another critical indicator, will provide insight into the proportion of the population living below the poverty line, offering a direct measure of poverty reduction efforts. Literacy rates will be employed as a proxy for human capital development, as improvements in education are essential for fostering long-term economic growth and social inclusion. Additionally, environmental quality metrics will be used to assess the sustainability of development practices, focusing on areas such as air and water quality, deforestation rates, and carbon emissions. These environmental indicators will highlight whether poverty reduction initiatives are aligned with environmental sustainability goals. By analysing these diverse indicators, this study will comprehensively assess the interconnections between economic growth, social well-being, and environmental sustainability in Nigeria.

Analytical Techniques

The study will employ various statistical techniques to analyse the relationships between poverty reduction efforts and Human Capital Development. Regression analysis will be a critical method used to determine how independent variables, such as government spending on poverty reduction programs or changes in GDP, influence dependent variables like poverty headcount, literacy rates, and environmental sustainability indicators. This technique will help quantify the strength and direction of these relationships, providing insight into how different factors contribute to sustainable development. Correlation studies will further explore the association between variables, identifying whether poverty reduction efforts positively or negatively correlate with economic stability, social inclusion, or environmental quality. Additionally, econometric modelling will be applied to develop more complex, predictive models that account for multiple variables simultaneously. These models will allow the study to control external factors and provide a more nuanced understanding of how poverty reduction initiatives interact with broader economic, social, and environmental conditions. Collectively, these statistical techniques will enable a rigorous assessment of the impact of poverty reduction strategies on sustainable development in Nigeria.

Interviews and Focus Groups

In addition to quantitative analysis, qualitative data will be gathered through interviews and focus groups with key stakeholders, including policymakers, development experts, and beneficiaries of poverty reduction programs. Interviews with policymakers and government officials will provide valuable insights into the design, implementation, and challenges of poverty reduction initiatives, helping to contextualise the quantitative findings. These discussions will explore the strategic goals behind various programs and how they align with the broader objectives of sustainable development. Interviews with development experts, such as economists, social workers, and environmental specialists, will offer a deeper understanding of the complexities and interdependencies between poverty reduction and sustainability outcomes. Focus groups with beneficiaries of these programs, such as low-income families or small-scale farmers, will offer firsthand perspectives on how these initiatives have impacted their lives, including any improvements in economic opportunities, education, health, and environmental conditions.

Qualitative Analysis

These qualitative methods will enrich the analysis by highlighting the human experiences behind the data, revealing the practical successes and limitations of poverty reduction efforts as those directly affected perceive. By incorporating diverse viewpoints, the research will produce a more holistic understanding of the impact of these programs on sustainable development in Nigeria.

Data Presentation and Results

This chapter presents the data analysis and empirical findings related to human capital development's impact on Nigeria's poverty levels from 1986 to 2023. The analysis is structured to address the specific objectives of the study, which include examining the impact of human capital development on poverty, analysing the relationship between educational attainment and poverty reduction, assessing the effectiveness of government policies on health and skills acquisition, and investigating regional disparities in human capital development and their influence on poverty levels. The data were analysed using regression analysis through E-Views, with results presented in tables and discussed in the context of the research objectives.

Descriptive Analysis

Before delving into the regression analysis, this section provides a descriptive overview of the key variables used in the study. These variables include poverty rates, human capital development indicators (such as education and health), and government expenditure on education and healthcare.

Table 4.1: Descriptive Statistics of Key Variables (1986-2023)

Variable	Mean	Median	Std. Dev.	Min	Max
Poverty Rate (%)	45.67	44.30	12.45	28.00	71.00
Literacy Rate (%)	60.25	62.00	15.38	32.00	81.00
Government Expenditure on Education (% of GDP)	3.12	3.00	0.85	1.85	5.50
Government Expenditure on Health (% of GDP)	2.10	2.05	0.65	1.10	4.20
Unemployment Rate (%)	18.34	16.00	8.75	7.50	33.00
GDP Growth Rate (%)	3.45	3.20	2.68	-1.50	8.00

Source: Compiled from CBN, NBS, World Bank data.

Table 4.1 summarises Nigeria's key economic and social indicators between 1986 and 2023. During this period, 45.67% of the population lived below the poverty line, with a standard deviation of 12.45%, indicating significant variation across years. The literacy rate averaged 60.25%, ranging from 32% to 81%, suggesting disparities in educational attainment.

Government expenditure on education and health averaged 3.12% and 2.10% of GDP, respectively. The unemployment rate was substantial, averaging 18.34%, ranging from 7.5% to 33%. The GDP growth rate averaged 3.45%, with fluctuations ranging from -1.5% to 8%. These statistics highlight the economic and social challenges faced by Nigeria during this period, including poverty, low literacy rates, and unemployment.

The descriptive statistics indicate a high variability in poverty and literacy rates over the study period, reflecting Nigeria's economic and social challenges. The data also show government expenditures on education and health fluctuations, critical for human capital development.

Objective 1: Impact of Human Capital Development on Poverty Levels

A regression analysis was conducted to examine the impact of human capital development on poverty levels. The poverty rate was the dependent variable, and human capital indicators (such as literacy rate, government expenditure on education, and health) were the independent variables.

Table 4.2: Regression Results for the Impact of Human Capital Development on Poverty Levels

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Literacy Rate (%)	-0.45	0.12	-3.75	0.001
Govt. Expenditure on Education (% of GDP)	-1.23	0.35	-3.51	0.002
Govt. Expenditure on Health (% of GDP)	-0.98	0.28	-3.50	0.002
Unemployment Rate (%)	0.85	0.30	2.83	0.008
GDP Growth Rate (%)	-0.67	0.20	-3.35	0.003
Constant	52.34	8.45	6.19	0.000

R-squared = 0.68; Adjusted R-squared = 0.65; F-statistic = 22.34 (Prob. 0.000)

The regression analysis reveals a strong correlation between human capital development and poverty reduction. A 1% increase in the literacy rate is associated with a 0.45% decrease in poverty. Additionally, a 1% increase in government expenditure on education and health is linked to a 1.23% and 0.98% decrease in poverty, respectively. These findings highlight the importance of investing in education and healthcare to alleviate poverty.

Furthermore, the analysis indicates that unemployment has a significant positive impact on poverty. A 1% increase in the unemployment rate is associated with a 0.85% increase in poverty. Conversely, GDP growth negatively correlates with poverty, as measured by GDP growth rate. A 1% increase in GDP growth rate is associated with a 0.67% decrease in poverty.

These results emphasise the interconnectedness between human capital development, economic growth, and poverty reduction. Policies aimed at improving access to education and healthcare, creating job opportunities, and stimulating economic growth are crucial for addressing poverty challenges in Nigeria.

The regression results indicate that human capital development, measured by literacy rates and government expenditure on education and health, significantly impacts poverty levels. The unemployment rate has a positive coefficient, indicating that higher unemployment is associated with increased poverty, which aligns with expectations.

Discussion of Findings

A 1% increase in literacy rate reducing poverty by 0.45% highlights the transformative role of basic education in enhancing employability, productivity, and awareness. Literacy equips

individuals with the tools to access better jobs, participate in the formal economy, and make informed decisions about health, finance, and civic duties. Invest in universal basic education, especially in rural and disadvantaged regions, and address issues of school dropout and quality of teaching. The results show that a 1% increase in education expenditure reduces poverty by 1.23%, while health expenditure reduces it by 0.98%. These are substantial effects and align with global research that links human capital investment to long-term socioeconomic benefits, increase public investment in both sectors and ensure efficient use of funds, reducing corruption and leakages, the analysis shows that a 1% rise in unemployment leads to a 0.85% increase in poverty. This confirms that unemployment, especially youth unemployment, is a critical driver of poverty in Nigeria. A 1% increase in GDP growth resulting in a 0.67% reduction in poverty indicates that economic growth matters but may not be sufficient on its own. Growth must be inclusive to translate into poverty reduction, stimulate sectors with high employment elasticity such as agriculture, manufacturing, and digital economy. Also, ensure that growth benefits the bottom 40% of the population through equitable wealth distribution.

CONCLUSION AND RECOMMENDATIONS

The regression analysis underscores the critical role of human capital development in reducing poverty in Nigeria. Specifically, improvements in literacy rates and increased government expenditure on education and health significantly lower poverty levels. A 1% rise in the literacy rate leads to a 0.45% reduction in poverty, while similar increases in education and health spending yield 1.23% and 0.98% reductions, respectively. Moreover, the findings highlight the negative impact of unemployment on poverty, where a 1% increase in the unemployment rate contributes to a 0.85% rise in poverty. Conversely, economic growth, measured by GDP growth, correlates negatively with poverty; a 1% increase in GDP growth results in a 0.67% decrease in poverty. These results emphasize the interconnectedness between human capital, economic opportunities, and poverty levels. Thus, poverty alleviation strategies must go beyond economic expansion and directly address education, healthcare, and employment generation to be effective and sustainable. Based on the findings, the following recommendations are made; **a**llocate at least 15–20% of the national budget to education and 10–15% to health, in line with international benchmarks (UNESCO and WHO), improve the quality of service delivery and infrastructure in public schools and hospitals, especially in rural areas, expand adult literacy programs and promote free, compulsory basic education, strengthen Technical and Vocational Education and Training (TVET) programs to equip citizens with employable skills and support micro, small, and medium enterprises (MSMEs) through access to finance and training.

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