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POVERTY REDUCTION AND BALANCE OF PAYMENT DYNAMICS HYPOTHESIS IN NIGERIA: AN OVER-PARAMETERIZED AND PARSIMONIOUS ERROR CORRECTION MODELING (1986 -2022)

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ABSTRACT

This research investigated quantitatively, the impact of macro-economic condition of Balance of Payments on Poverty Reduction in Nigeria for the period (1986-2022); An over-Parameterized and Parsimonious modeling. The main objective was to evaluate the impact of balance of payment on poverty reduction in Nigeria, through balance of payment equilibrium. For the achievement of these aims, we put forward and specified models with variables such as Gross Domestic Product per capita, Foreign Direct investment (FDIs), Exchange Rate (EXRE) and External Reserve (EXR). These variables were extracted from CBN Statistical bulletin and from the NBS bulletin. The econometric method of cointegration and error correction model (ECM) with particular emphasis on over-parameterized and parsimonious error correction models was adopted. Given the empirical results, it was established that the a'priori expectation was consistent in the estimation. At the long run, the result shows that the impact of balance of payments on poverty reduction in Nigeria adjusts rapidly fairly well to changes in the explanatory variables, indicating the existence of long-run relationships between them. The over-parameterized and parsimonious error correction in model 2 result shows that, the error correction coefficient is low, rightly signed and significant at 1%. This shows that poverty reduction proxy by Gross Domestic product per Capita (GDPPC) in Nigeria for the period under review does adjust fairly to

Balance of Payments, this is referred to as Balance of Payments dynamics hypothesis. Conclusively, based on our results, appropriate policy recommendations were made which include, the desirability to adopt policies that would accelerate the inflows of foreign direct investments and reduce the external debt stock, which would in turn promote sustained growth and full employment. Also, the need for the government to have a paradigm shift from consumption to production.

Keywords: poverty reduction, BOP, Foreign Direct Investment, External Reserves, Exchange rate, Gross domestic product per capita.

OVERVIEW

Economically, Nigeria is very rich in resources; the Country produces more oil than any other African country [NBS 2018]. She produces cocoa, groundnuts, palm oil and palm kernel, rubber and timber and other agricultural products. Apart, from oil, Nigeria also produces other minerals like gas, tin, bauxite, columbite and many others. (Afonja, et al 2015)

But it was observed that the economy of Nigeria has had to contend since late 1970's with adverse global economic environment created by oil shocks, world recession, deteriorating terms of trade, excessive importation or import dependency and debt overhang (Anyanwu 1997). These difficulties were further compounded by inappropriate and inconsistent domestic policies which aggravated macroeconomic imbalances. Thus resulting in chronic poverty of the people, which is a measure of the Gross Domestic Product Per Capita [GDPPC]. Continuing, the National Bureau of Statistics [NBS 2019], core welfare indicator questionnaire (CWIQ) survey, has it that about 32.0% of the households in Nigeria have witnessed a worsened economic situation over a period of years. 50.9% are having access to safe water. 13.8% are maintaining safe sanitation; that only 15.8% use improved waste disposal system while 54.1% are having access to electricity. The survey further expatiated that only 1.2% of Nigerians are having access to personal computers while 27.4% are owing mobile phones.

Objectives of the Study

The main objective of this study is to evaluate the impact of Balance of Payment [BOP] on Poverty Reduction in Nigeria.

To this specially, the study seeks to achieve the following:

1.To determine the impact of balance of payments [BOP], on poverty reduction in Nigeria- Proxy by GDPPC

2.To examine the relationship between BOP &selected macroeconomics variables on poverty reduction- proxy by Gross Domestic Product Per Capita [GDPPC].

Statement of Hypotheses

For the purpose of ensuring a detailed treatment of all relevant issues involved in the study area, the research will be guided by the following two (2) hypotheses:

1. H_{o1}: Balance of payment (BOP) in Nigeria has not impacted significantly on Poverty Reduction- proxy by Gross Domestic Product per Capita (GDPPC)
2. H_{o2}: There is no significant relationship between Balance of Payment[BOP] &selected macroeconomic variables of External Reserve (EXR), Exchange Rate (EXRE) and Foreign Direct Investment on Gross Domestic product per Capita (GDDPC)

REVIEW OF RELATED LITERATURE/THEORETICAL FRAMEWORK

Poverty is seen as a situation, where one lives on less than a dollar per day as well as being illiterate, with short life span and cannot satisfy their basic needs. [WORLD BANK, 2015]. The NDE,2017 Report Paper, depicts poverty as a state where an individual is not able to carter adequately for his/her basic needs of food, clothing, and shelter, is unable to meet social and economic obligations, lacks gainful employment skills, assets and self-esteem: and has limited access to social and economic infrastructure such as education, healthcare, portable water and sanitation, consequently has limited chances of advancing his/her welfare to the limit of his/her capabilities.

Development literature hinges the remote causes of poverty in developing countries on adverse international development, world recession, series of economic reform undertaken by these countries and the crushing burden of foreign debt. The fundamental cause of poverty however, are domestically based and include inadequate production and income: difficult access to employment to opportunities; poor quality of labour force, low level of technology; inefficient use of resources; and lack of access to credit facilities and other productive resources (Demery et al, 2018).

THEORIES OF POVERTY AND BALANCE OF PAYMENTS

Theories of Poverty

Trickling down Theory

This is used to explain poverty to be passively related to economic growth. Foster, (2019), citing the works of Lampman, Grallavey, Aiginer and heins in Robinson (2018) and Gallbraint (2017) is optimistic of the role of economic growth in poverty eradication.

Theories of Balance of Payment (BOP)

Balance of payments equilibrium exists when, in a year, the basic balance or other chosen balance approximates to zero. Disequilibrium exists if otherwise. Factors causing this equilibrium are divided into two categories;

A. **Exogenous factors -** Those beyond the control of the domestic policies, for example natural factors and those from other countries;
B. **Endogenous factors -** those within the influence of the Federal Government, for example, export supply bottleneck or excess domestic demand.

The BOP theories include: Inflation theory, structural theory and Absorption theory.

THE ABSORPTION THEORY

It was first presented by Dasgupta et tal (2016) quoted in Marayan et al (2019), sought to look at the balance of trade from the point of view of national income accounting. It is useful in pointing out that an improvement in the balance of trade calls for an increase in production relative to absorption. When unemployed resources exist, the following mechanism is visualized: the effect of devaluation is to increase exports and decrease imports. This in turn causes an increase in production (income)n through the multiplier mechanism. if the total expenditure rises by a smaller amount, there will be improvement in the balance of trade. Thus, the balance is said to be identical with the real hoarding of the economy, which is the difference between total production and total absorption of goods and services, and therefore equal to accumulation of securities and/or money balance.

In the presence of unemployment, therefore, devaluation not only aids the balance of payment, but also helps the economy move towards full employment and is, therefore, double attractive.

GROSS DOMESTIC PRODUCT PER CAPITA (GDPPC) LINKED WITH BALANCE OF PAYMENT (BOP)

The balance of payments is the set of statistic which include all economic transactions - both real and financial - which takes place during a given period, usually one year, between the residents of a particular country on the one hand, and the rest of the world, on the other hand, it is a known fact in Economics, that favourable BOP has the potency to raise gross domestic product per capita (GDPPC). The relationship between BOP and GDPPC is expected to be positive.

(i.e. > 0) meaning that as BOP increases, GDPPC also increases.
The balance of Payments can be split into three sections;

- **i.** The Current Account which deal with merchandise (exports, imports) investment income (rents, profits, interest).
- **ii.** The Capital and Financial Account measuring foreign investment in Nigeria and Nigeria's investment abroad and
- **iii.** The balancing account allowing for changes in official reserve assets.

In World Bank - IMF status report website, (www.imf.org), it was observed that two words were used to summarize the word "Poverty" as voicelessness and powerlessness". This twin words translates to mean that the poor has no person to speak on their behalf and where they have voice, they are handicapped, (powerless) as to get their needs. It could now be stressed without fear of contradiction that the literature is replete with varied conceptualizations of poverty. However, the most common practice is the use of two broad approaches to conceptualize poverty as envisaged by UNDP, (2018). These approaches are; Absolute and Relative Poverty. The first approach is to conceptualize poverty as being absolute poverty. This approach considers absolute poverty as lack of resources to consume certain bundles of goods and services. Such a bundle of goods and services may contain what could be considered an objective minimum, which includes the basic necessities such as food, shelter, clothing, freedom from servitude, security of lives and property as well as employment opportunities.

Two problems arise from the definition; First, what do we set as minimum standard for basic necessities like clothing, nutrition etc. which may depend on individual taste and the prevailing socio-economic conditions within a given society. Besides, absolute poverty has been defined by the approximate maximum proportion of income that a family spends on certain subsistence goods (Myrdal, Gounnar (2015). In line with Engle's law and further reiterated by Atkinson (2017), any household that spend less than the specified Minimum is considered poor. An alternative or second approach in the broad conceptualization of poverty is to define relative poverty, with respect to living standards that prevail in a particular society. `An advantage of relative poverty is that; it reflects changing perceptions of acceptable minimum living standards. Thus, while electricity, indoor sanitation and pipe-borne water are considered essential in very rich societies, they may not be so in the poorer ones.

For the developing countries, Dandekar and Rath (2019) in their study of "poverty in India" observed that the elimination of influences of population growth and price changes did not negate the common belief about expenditures that the government expenditure increases at a faster rate than the National Income.

Adeyeye (2016), in his study of " Designing and managing Poverty Alleviation Programme in Nigeria', 2001-2005, found that during the five-year period, the Federal Government expenditure towards reducing poverty were as follows;

Agriculture 1,443,573.8 billion naira representing (52.1%),
Infrastructural development took 103,406.9 billion naira or 3.7% of the total expenditure whereas education and other social services gulped 3,368.9 billion and 9,157.9 billion representing 4.61% and 5.76% respectively.

Chuma and Ifedi (2014), in their analysis of Federal Government expenditure 1970-90 towards poverty reduction programes, found that total expenditure as a ratio of GDP increased from an average of 12.2% between 1970-1974 to 15.5% 1975-1980 and declined to 10.4% between 1981-1985. On the absolute size and growth of Federal Government expenditures, they found, it grew from 452.1 million naira in 1970 to 90,621.5 million in 1991. Thus, showing a compound annual growth rate of 14.7%.

Yemi et al (2016), tried to show empirically, the impact of gross domestic product (GDP) on poverty (using gross domestic product per capita GDPPC) as a proxy. His works covers the period (1997-2017), he also introduced the error correction model (ECM), adopting the parsimonious error correction model technique.

His findings include that; GDP showed a negative effect on GDPPC, his apriori expectation was not met, though his study showed a significant relationship between the dependent and independent variables, he obtained a lower expected R^2 of 0.4278 (i.e 0.43 or 43%). His error correction model (ECM) showed a low, no appropriate sign, but a significant relationship.

SUMMARY OF LITERATURE REVIEW

The review has exposed the several opinions of researchers on the impact of balance of payment on poverty reduction in Nigeria. the relationship that exists between balance of payment and gross domestic product per capita (GDPPC) (i.e. per capita income) were exposed. It is no doubt that balance of payment affects GDPPC.

On the theoretical framework, various theories of poverty, and balance of payment were analyzed. It is understandable that Godfrey's trickling down theory of poverty applies in Nigeria. He is optimistic of the role of economic growth on poverty reduction.

This work relied on this theory for its analysis. This is because, it is expected that with increase in productivity (i.e. economic activity) – shifting from Consumption to Production, government should be able to achieve the desired levels of balance of payment and poverty reduction.

On the other hand, balance of payment, the absorption theory is relevant. This is because; an

increase in productivity by a small amount will lead to an improvement in the balance of payments. This has the capacity of increasing gross domestic product per capita and thus reduction in poverty.

METHODOLOGY

This Section is designed to explain the methods which the researchers, used in analyzing the various data collected for the work.

SOURCES AND METHODS OF DATA COLLECTION

The Data used in this article were basically secondary. The Secondary data were obtained from Central Bank of Nigeria [CBN]; Annual Report, Bulletin and Statement of Accounts. We also, used data from the National BUREAU of Statistics, such as, the Social and Economic Statistics Bulletin and Annual Abstract of Statements. Others, include; the United Nations Development Program Manual [UNDP], International Monetary Fund [IMF], the World Bank, American Economic Review [AER], Nigerian Economic & Statistical Review [NESR]. Included too, are, Some Published Journal Articles, Texts Books, Daily Newspapers, Internet and other Periodicals, ipso facto, it was only Secondary Data.

DATA REQUIRED

The data required for the study includes:

1. Poverty Reduction proxy by GDPPC 1986-2022
2. Balance of Payment (BOP) 1986-2022
3. Exchange Rate (EXRE) 1986-2022
4. Foreign Direct Investment (FDI) 1986-2022
5. External Reserve [EXR] 1986-2022

Model Specification

In order to gauge the relationship that exists between poverty rate and balance of payment (BOP), coupled with our stated objectives and hypotheses in this article, the model shall be established as follows:

GDPPC = f(BOP) ----- (Model 1)

GDPPC = f (BOP, FDI, EXRE,EXR) ----- (Model 2)

$\text{Log GDPPC} = g + h \log BOP + \lambda_1$ ------ 3. 1

$\text{Log GDPPC} = \Psi 0 + \Psi 1\, BOP + \Psi 2 \log FDI + \Psi 3 \log EXRE + \Psi 4 \log EXR + \lambda 2$--- 3. 2

The Mathematical form of the model is as follows:

$\text{In } \varphi_1 = g + h \text{ In } X1 + \lambda 3$ ------- 3. 3

$\text{In } \varphi 2 = \Psi 0 + \Psi 1 \text{ In } X1 + \Psi 2 \text{ In } X2 + \Psi 3 \text{ In } X3 + \Psi 4 \text{ In } X4 + \lambda 4$ ------- 3.4

Where $\varphi 1$ = GDPPC

$X1$ = BOP

$X2$ = FDI

X_3 = EXRE

$X4$ = EXR

$\lambda 1 - \lambda_5$ = Stochastic Disturbance term

$\varphi 1 - \varphi 2$ and $X1 - X4$ as stated above

$g - h$ = parameters for simple regression

$\psi_0 - \Psi 4$ = Parameters for multiple regression

It is believed that, the Stochastic regression term, will capture the impact of other variables that were not included in the models. Hence, the mathematical form of the model becomes;

$\text{In } \varphi_3 = \Psi 0 + \Psi 1 \text{ In } X1 + \Psi 2 \text{ In } X2 + \Psi 3 \text{ In } X3 + \Psi 4 \text{ In } X4 + \lambda_5$ ------3.5

3.5 Methods of Data Analysis

This research shall employ:

a) Unit Root Test /Cointegration techniques.
b) Over-Parameterized and Parsimonious Error Correction Modelling.

3.6 Cointegration and Over Parameterized and Parsimonious Error Correction Model (ECM) Techniques

The study employed Unit Root Test / Cointegration and Over Parameterized and Parsimonious error correction techniques to estimate the model. According to Johansen and Juselius (1985), most economic time series (variables) that exhibit strong trends are non stationary, yet they are being treated as though they were stationary by most economists. Correct and appropriate specification and estimation of time series models require that we determine whether the time series are stationary or non-stationary. Since most time series encountered in application are non-stationary, there is the need to analyse non-stationary time series, since this might lead to spurious relationship (Granger et al, 1987).

Economic variables are said to be integrated of order-zero i.e, it is I(o), if the original time series is stationary. Those that are differenced, once to obtain stationarity are said to be integrated of one i.e I(1). There are variables that have to be differenced more than once to obtain stationarity, Greger & Newbold [2007], quoted, in Agugua, 2021.

The theory of cointegration, according to Granger (1985) and Engle and Granger (1987), address the issue of short-run dynamics with long-run equilibrium. Basically, the theory demonstrates that if two variables are cointegrated, it implies that there is a meaningful long-run relationship between them, the short run dynamics can be describe by Error Correction Model (ECM). As in this study, the first step to the ECM analysis is the estimation of the following models: 3.2 – 3.5

The Microfit 4.1 for windows PC software, Persaran and Persaran (2021) provide facilities for performing DF and ADF test. Also economic software called e-Views, which provides a sophisticated data analysis, was used to analyse the data.

3.7 VARIABLES IN THE MODEL

3.7.1, BALANCE OF PAYMENTS (BOP)

These are records of economic transactions between the resident of a country and the rest of the world during a given period of time. The balance of payments position is the difference between the receipts by the residents of one economy from the rest of the world and the payments by the residents to the rest of the world.

An excess of receipts over payments shows a balance of payments surplus, while the reverse represents a deficit. The major components of the BOP are the current account, the capital account, and the official settlement balance.

BOP is presented as another independent variable in the research as depicted in equations; 3.1, 3.2, 3.3, 3.4 and 3.5, in the model. In economics, it is argued that surplus BOP will raise the level of the External Reserve [EXR]. This will positively reflect in the GDP and invariably raise the gross domestic product per capita (GDPPC).

Also, increase in FDI, and EXR will lead to further increase in BOP and raise the GDPPC. However, increase in Exchange Rate (EXRE) will reduce BOP. Therefore, the coefficients of BOP, FID and EXR are expected to be positive while that of EXRE is expected to be negative. Hence; h, $\psi 1$, $\psi 2$, $\psi_4 > 0$ and $\psi 3 < 0$.

3.7.3, EXCHANCHE RATE (EXRE)

This is one of the regressors in the balance of payment [BOP] model. It is the rate at which the price of one money exchanges for another. Changes in the exchange rate affect the external balance (CBN 2020).

3.7.4, FOREIGN DIRECT INVESTMENT (FDI)

This is an investment in a foreign country where the investors retain control over the investment. It typically takes the form of a foreign firm starting a subsidiary or taking over control of an existing firm in the country in question. It is one of the regressors in BOP. Increase in FDI guarantees increase in productivity, hence in BOP, thus ensuring reduction in poverty.

3.7.5, EXTERNAL RESERVE (EXR)

This is one of the regressors in the BOP model. These are portions of foreign exchange receipts saved by the monetary authorities for the purpose of enhancing the credit worthiness of the economy, protecting the international value of domestic currency, and financing temporary shocks in the balance of payments. External Reserves are held in form of monetary gold, reserve position at the International Monetary Fund (IMF), special Drawing Rights (SDRs), and foreign bank balances, UNFAO, 2019.

DATA PRESENTATION / EXPECTED RESULTS

APPENDIX A- MODEL 1; SUMMARY OF UNIT ROOT TEST RESULT

STATIONARITY TEST AT 1st DIFFERENCE (1986-2022)

VARIABLE	ADF	ORDER OF INTEGRATION
Δ BOP	-5.197648	I (1)
Δ GDPPC	-5.810827	I (1)
Δ EXRE	-3.510540	I (1)
Δ FDI	-4.601903	I (1)
Δ EXR	-7.844105	I (1)
1% Critical value for the test is - 3.6289 5% Critical value for the test is - 2.9472 10% Critical value for the test is - 2.6118		

Source: Author's Computation

The result from the Stationarity test above therefore calls for long-run relationship.

4.3.2 Unit Root Test Results

As stated in the methodology, Granger (1985), argued that, most time series variables are non-stationary and using non-stationary variables in a model might lead to spurious regressions. The first or second differenced terms of most of the variables, will usually be stationary. The summarized result presented in each of the models (1-2) under the headline (unit Root), shows that at various levels of significance (1%, 5% and 10%) all the variables were found to be integrated of order 1, and that is, they are I(1).

The result from the stationarity test above therefore calls for long-run relationship. The analysis of and testing for Unit Roots naturally lead to the theory of integration (Harris, 2015).

4.3.3 Cointegration Test Results

We now turn to determine the existence of long-run equilibrium relationship between our variables. Separate cointegration test were carried out on each of the variables to cover the Two (2) models of the work.

As indicated earlier, non-stationary time-series can be cointegrated, if there is a linear combination of them that is stationary, that is, the combination does not have a stochastic trend. The linear combination is the cointegration equation.

From the results in appendix A above, it shows that the variables in model (1-2) are cointegrated, that is there exist a long-run relationship among the variables.

The cointegration test is based on the Johansen and Juselius et al (1990) test.

4.3.4 The Overparameterized Error Correction Model

In order to develop the error correction model (i.e the over parameterized error correction model), the lagged residuals from the cointegrating regression are incorporated in an OLS estimation, incorporating the first differences of all the variables and the differences of all the variables from the cointegrating vector as independent variable.

The methodology employed in deriving the preferred short-run dynamic model is the general-specific approach. Initially, a highly general error correction model was specified, which included lags up to the tenth order.

The general model was then tested in order to arrive at a Parsimonious preferred short-run dynamic specification, from the Over Parameterized error correction model, See below, for model 2 – The Parsimonious Error Correction Model.

APPENDIX B; Model 2- The Parsimonious Error Correction Model

Dependent Variable: D (GDPPC)				
Method: Least Squares				
Date: 06/16/23 Time: 22:37				
Sample(adjusted): 1986 2022				
Included observations: 32 after adjusting endpoints				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.050425	-0.027880	-1.808652	0.0920
D(GDPPC(-2))	0.439646	0.150679	2.917755	0.0112
D(BOP)	4.60E-06	1.11E-06	4.140807	0.0010
D(BOP(-2))	9.17E-06	2.52E-06	3.637764	0.0027
D(BOP(-4))	7.74E-06	4.50E-06	1.720163	0.1074
D(FDI)	1.65E-06	4.07E-07	4.048427	0.0012
D(FDI(-2))	4.32E-06	1.33E-06	3.239731	0.0059
D(FDI(-4))	4.66E-06	1.37E-06	3.403202	0.0043
D(EXRE)	-1.12E-06	2.77E-07	-4.039297	0.0012
D(EXRE(-1))	7.47E-06	3.13E-06	2.385225	0.0318
D(EXRE(-2))	-8.78E-06	2.69E-06	-3.261350	0.0057
D(EXRE(-3))	2.13E-05	6.50E-06	3.282869	0.0054
D(EXRE(-4))	-2.89E-05	6.77E-06	-4.265829	0.0008
D(EXR)	0.019540	0.011762	1.661323	0.1189
D(EXR(-2))	0.052108	0.033576	1.551943	0.1430
D(EXR(-3))	-0.055714	0.018684	-2.981829	0.0099
D(EXR(-4))	-0.039366	0.027274	-1.443367	0.1709
ECM(-1)	-0.697446	0.161475	-4.319222	0.0007
R-squared	0.879055	Mean dependent var		-0.009377
Adjusted R-squared	0.732194	S.D. dependent var		0.202196
S.E. of regression	0.104636	Akaike info criterion		-1.378327
Sum of squared resid	0.153283	Schwarz criterion		-0.553851
Log likelihood	40.05324	F-statistic		5.985620
Durbin-Watson stat	1.937745	Prob(F-statistic)		0.000770

A critical look at the result for Appendix B, Model 2; Parsimonious Error Correction Model, above shows that the short-run dynamic adjustment model of Foreign Direct Investment (FDI), Exchange rate (EXRE) and External Reserves (EXR) explained 88.0%, change in gross domestic product per capita. Hence the coefficient of determination was significantly high and the overall regression was significant at 1%. This calls for enhanced, Capacity Utilization in the Productive sector, so as to move the Economy from Production to Consumption.

From the result, it shows that all the past values of (lag 2,4) of FDI [that is; 4.32, 4.66] respectively, were positively related to its current values [1.65] and significant. Also, the a'priori expectation about the signs of the parameter was met. This explains why an enhanced FDIs in Nigeria will raise the overall GDP and to a large extent the GDPPC. This calls for policies to accelerate the, FDI, to reduce External debt shock.

The current value of Exchange Rate (EXRE) and some past values (lag 1,3) have the expected signs. This implies that a stable exchange rate of the naira against other currencies will increase the total GDP, hence BOP and GDP per capita. Also some past values of EXRE (lag 2,4) though, significant do not meet the apriori expectation- this could be attributed to the persistent fall of the naira in the foreign exchange market, CBN 2021. A situation, where the Naira exchanges at; £1= #1,042.64 and €1 = #902.84 [https;//www.binnance.com], should be discouraged.

The sign of external reserves (EXR), [though positive, but not significant], at its current level and lag 2 conforms with the apriori expectation. This implies that increased external reserve, through an enhanced Agricultural Policies to raise Export, will raise the BOP and enhance gross domestic product per capita.

The error correction coefficient is low, rightly signed and significant at 1%. This, reveals that GDPPC in Nigeria for the period under review does adjust fairly to changes in BOP, FDI, EXRE and EXR.

Summary of Major Findings

The result from this article, it shows that, there is a significant, positive relationship between balance of payment (BOP) and gross domestic product per capita. Thus, it was revealed that BOP explained 88.0% change in gross domestic product per capita.

The result showed that, the a'priori expectation about the signs of the parameter was met. This implies that, there exist a positive relationship between balance of payment and GDPPC.

Recommendations/policy Implication

Based on the findings of the study, some policies that would be of help to government and policy makers in improvement of poverty reductions in Nigeria are made;

For Policy

1. There is the need to stabilize the naira and make it more competitive in the global market. This is because with a high valued currency, it increases the productive capacity which leads to increase in GDP, FDI, EXR, BOP hence the GDPPC (all things being equal).
2. In order to achieve poverty reduction faster, there should be an urgent need for Nigerians to refocus on agricultural production. Agricultural inputs such as; land, fertilizers, capitals and agro-chemicals required to enhanced productivity should be adequately provided. There is also, the need for the Federal Government to establish agro-based industries across the nation.
3. Government needs to focus efforts on policy aspects of improving the capacity utilization (CAU) and rely more on the informal and formal private sectors to increase capital investment, GDPPC.
4. The Government of Nigeria, should begin to emphasize more on Production, rather than on Consumption. This is in order, to increase the Productive/ Industrial base of the country.

5. It is also desirable to adopt policies that would accelerate the inflows of Foreign Direct Investment and reduce the external debt stock, which would in turn promote sustained growth and full employment.

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