

**CAN INCOME INEQUALITY REDUCTION BE USED AS AN
INSTRUMENT FOR POVERTY REDUCTION? DYNAMIC
EVIDENCE FROM NIGERIA**

EVELYN OSARETIN OGBEIDE

Department of Economics, Samuel Adegboyege University, Ogwa Edo State, Nigeria
iyokoevelyn@gmail.com

RICHARDSON KOJO EDEME

Department of Economics, University of Nigeria, Nsukka, Nigeria
richard.edeme@unn.edu.ng, kojodynamics@yahoo.com

INNOCENT A. IFELUNINI

Department of Economics, University of Nigeria, Nsukka, Nigeria
innocent.ifelunini@unn.edu.ng

Abstract

The poverty level in the world is of serious concern but of a greater concern is the rising level of inequality along with poverty. This is major developmental subject of concern in developing countries. This study investigates the dynamic relationship between poverty and inequality in Nigeria to ascertain if inequality is a determinant of poverty in a semi-macro panel datasets employing the Generalized Method of Moments (GMM) method of estimation. The study used panel data for 1992-2010 in a four-year round panel framework using variables such as household size, unemployment, adult literacy rate and unimproved source of drinking water. The result of the study revealed that both present level and past levels of inequality has a significant impact on poverty at 5 per cent level of significance. It further showed that past levels of poverty positively impacted on the present level of poverty. In addition to unemployment and level of education captured by literacy rate are important factors to be considered in poverty reduction.

Keywords: Poverty, Inequality, Dynamic Panel

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