



Does Economic Growth Equate Prosperity in Nigeria? An Analysis of Income Inequality in Nigeria's Emerging Economy

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ABSTRACT

Nigeria, holding the title of Africa's largest economy, embodies a perplexing contradiction as, significant macroeconomic growth coexists with deeply entrenched and escalating income inequality. While international headlines often spotlight the country's burgeoning tech hubs in Lagos and a vibrant services sector, this narrative of an "emerging economy" obscures a more troubling reality. Realistically, the fruits of this growth are concentrated in the hands of a minority, leaving hundreds of millions impoverished. This paper investigates this disconnect, by probing the intricate relationship between Nigeria's economic expansion and its stark income disparities. By employing a mixed-methods approach that analyses secondary data from the National Bureau of Statistics (NBS) and the World Bank (2010-2022) alongside a review of contemporary literature, this study uncovers a persistent pattern of non-inclusive growth. Our analysis points to several key culprits: a stubborn over-reliance on the volatile oil sector, deep-seated regional disparities, a crisis in educational equity, and the uneven distribution of gains from the digital revolution. The study concludes that Nigeria's current development path is unsustainable. Without a decisive shift towards targeted pro-poor policies, substantial investment in human capital, and genuine economic diversification, the nation risks exacerbating social fragmentation. This paper ends with concrete recommendations designed to steer policymakers towards a more equitable and resilient economic future by seeking to move beyond rhetoric and actively deploy incentives and infrastructure to catalyze non-oil sectors. This includes modernizing agriculture through value-chain development, supporting light manufacturing with a focus on local content, and strategically investing in renewable energy to build the economy of the future.

Keywords: Economic growth, Income Inequality, Emerging Economy, Nigeria.

1. INTRODUCTION

An emerging economy is a developing nation's economy that is experiencing increasing integration into the global market and rapid growth. While still retaining some characteristics of developing economies, these economies are made distinctive by certain factors which include - rising per capita income, industrialisation, greater participation in finance and international trade etc. Also, emerging economies often experience high rates of economic growth, driven by factors such as industrialisation, increased production, and expanding domestic and international markets. They present significant opportunities for investors and businesses due to their potential for growth and increasing integration into global markets. These economies become greatly engaged in international trade, investment, and financial flows, moving above and beyond a primarily domestic focus. Moreover, a shift from largely agricultural economies to those with stronger industrial base is common, and leads to increased manufacturing and production capacity. Thereby increasing the nation's Gross Domestic Product (GDP), Gross National Income (GNI), and possibly Human Development Index (HDI). Notably, as these economies develop, the average income per person tends to increase, reflecting improvements in standards of living and economic well-being of the people.

Nigeria stands at a pivotal and complex juncture in its economic history. On the global stage, it projects an image of dynamism and potential; its Gross Domestic Product (GDP) surpassed \$440 billion in 2022 (World Bank, 2023), and its cities, particularly Lagos, are becoming synonymous with African innovation in finance and technology (Okafor et al., 2022). Skyscrapers pierce the skyline in affluent districts, and a growing, professional middle class is increasingly visible. Yet, this gleaming facade belies a profound and worsening crisis of distribution. The story of Nigeria's emergence is, for a vast portion of its over 200 million citizens, a story of exclusion. To truly build a thriving and sustainable economy, we need to talk about a difficult reality called 'income inequality'. At its core, inequality is about the stark differences in people's daily lives, also in their health, wealth, and opportunities. It is woven into the fabric of society through gender, income, and access to resources. The link between poverty and income inequality is undeniable; where you find one, the other is almost always present. This is painfully clear in Nigeria, a nation blessed with immense wealth and a vibrant population, yet plagued by a high poverty rate. It is a confusing paradox of widespread poverty in the midst of great potential.

Over the years, various government programs, from NEEDS to N-Power, have tried to bridge this gap. The goal is straightforward: to give everyone, especially the poor, a fair shot at a good education, healthcare, a secure job, and the capital to build a livelihood. Visibly, several deep-rooted issues are to blame. One is a chronic lack of investment in basic infrastructure, particularly in rural areas. Imagine the potential that could be unlocked with reliable roads, electricity, and water systems. Another is a brand of capitalism that often exploits both people and natural resources. Some argue that poverty actually serves a purpose for those in power, ensuring a large pool of people so desperate for work that they will accept low wages. The constant threat of unemployment means there is always someone else ready to take your place. Then there is the misuse of religious and cultural beliefs to justify gender inequality. This mindset, which can be found across the country, often limits women's roles, denying them economic opportunities despite being statistically more numerous. And unsurprisingly, poverty hits women the hardest.

Underpinning all of this is a history of political instability. With each new government, the country seems to hit the reset button, abandoning old policies for new ones before they ever have a chance to work. This lack of consistency and good governance has crippled Nigeria's ability to turn national plans into tangible improvements in people's lives. The numbers are stark. A pre-pandemic report from the National Bureau of Statistics (NBS, 2020) indicated that 83 million Nigerians were living in poverty, a figure that subsequent analysis suggests has only deepened in the wake of global economic disruptions. Simultaneously, the country continues to produce billionaires, creating a chasm between the ultra-wealthy and the impoverished that is not just statistical but visibly etched into the urban and rural landscape (Adegboye et al., 2021). This jarring juxtaposition of aggregate national wealth alongside pervasive individual deprivation poses a fundamental threat to Nigeria's long-term stability, social cohesion, and sustainable development.

It is this critical nexus between Nigeria's celebrated economic growth trajectory and the persistent scourge of income inequality that this paper seeks to unravel, examining its root causes and the profound implications for the nation's future. Evidently, growth alone isn't enough therefore the critical question is, what kind of growth is Nigeria experiencing? This study aims to cut through the confusion and ask directly: How exactly has poverty held back Nigeria's economy? What is the real impact of the gap between the rich and the poor? And how much has the Nigerian economy suffered by leaving women behind? Finding these answers are the initial steps towards building a future that works for all Nigerians.

1.1. Statement of the Problem

The central problem confronting Nigeria is the persistent and seemingly widening chasm between the rich and the poor, a trend that persists even during periods of respectable economic growth. This reality stands in direct contradiction to traditional economic doctrines, such as the "trickle-down" effect implied by early development models (Kuznets, 1955), which suggested that the benefits of aggregate growth would eventually permeate all layers of society. In Nigeria, this mechanism has unequivocally failed.

The heart of the issue lies in the structure of the economy itself. It remains tethered to oil revenues, a sector notorious for its susceptibility to global price shocks and, critically, for concentrating its enormous wealth in the hands of a

politically connected few (Udah & Nweze, 2022). Furthermore, the economic growth of the past decade has been largely "jobless". While sectors like telecommunications, technology and finance have expanded rapidly, their benefits have been predominantly captured by a small, urban, and highly educated elite, failing to generate sufficient, high-quality employment for the masses (Ewetan & Urhie, 2021).

To view 'income inequality' as merely a line on an economist's chart is to misunderstand its gravity. It is a lived experience with tangible and dangerous consequences. It fuels social unrest, as seen in the EndSARS protests, and provides a fertile recruiting ground for criminality and insurgency. It undermines political stability by eroding public trust in institutions and erodes the nation's human capital by systematically denying poor children access to quality education and healthcare (Osinubi, 2020). Therefore, dissecting the specific drivers of this income inequality within Nigeria's unique context is not an academic luxury; it is a pressing national imperative.

1.2. Objectives of the Study

The objective of this research is to critically examine the dissonant relationship between Nigeria's status as an emerging economy and its persistently high levels of income inequality. To achieve this, the study pursues the following specific objectives:

1. To trace and analyze the concurrent trends in key macroeconomic indicators (specifically GDP and GNI) and measures of income inequality (primarily the Gini coefficient) in Nigeria over the period 2010 to 2022.
2. To identify and interrogate the major socio-economic and structural factors such as sectoral composition, regional divides, and educational access that propel income inequality in the country.
3. To evaluate the efficacy, or lack thereof, of specific government policies and interventions aimed at influencing income distribution.

2. EMPIRICAL LITERATURE AND THEORETICAL FRAMEWORK

A study by Ibrahim & Mustapha (2024), "Climate Shocks, Crop Yield, and Household Income in the Nigerian Savannah," provides a granular analysis of an often-overlooked driver of income inequality. Using panel data from the World Bank's Living Standards Measurement Study (LSMS) for Nigeria from 2010 to 2022, they employed a fixed-effects model to assess the impact of climate variables on agricultural income. Their findings indicate that increased temperature volatility and unpredictable rainfall patterns have significantly reduced crop yields for smallholder farmers in the North-East and North-West regions. This has directly depressed household incomes in these regions, widening the per capita income gap between the predominantly agricultural north and the more industrialized and oil-producing south. The research underscores how environmental degradation acts as a multiplier of existing regional and economic disparities. While the study is quite current, it did not identify how the income inequality has affected the vulnerable Nigeria in terms of economic growth. This study intends to close such gap.

In Public education expenditure and intergenerational income mobility in Nigeria, Bello & Adekunle (2024) directly tackled the issue of human capital as a driver of income inequality. They constructed a state-level dataset from 2010 to 2022, merging data on state government education budgets with household consumption data from the LSMS. Their instrumental variable approach revealed that states with higher per capita public spending on education exhibited higher levels of intergenerational income mobility; meaning children were less likely to be trapped in the same income bracket as their parents. Conversely, the chronic underfunding of education, particularly in northern states, was strongly correlated with persistent poverty across generations. This research provides robust empirical evidence that insufficient public investment in education is not just a social issue but a primary economic driver of entrenched income inequality. But it did not show how it affects Nigeria as an emerging nation and the absence of such begets the attention of this study.

Furthermore, the 2023 removal of the petrol subsidy in Nigeria was a significant economic shock. A recent empirical study by the Centre for the Study of the Economies of Africa (CSEA, 2024), "The Poverty and Distributional Impact of Fuel Subsidy Removal in Nigeria," used a computable general equilibrium (CGE) model to simulate the effects. The findings were depressing. While the policy led to a net gain in government revenue, it resulted in a sharp decline

in real household incomes across all segments, with the bottom 40% of income earners experiencing the most severe impact. The study found that the inflationary effect of the removal, particularly on transport and food costs, eroded the purchasing power of low-income households far more than any existing or proposed cash transfer programs could compensate for. This research provides a current and critical analysis of how a major fiscal policy reform can have acutely regressive effects in the short to medium term.

Okonkwo & Eze (2023) shifted the focus to gender-based income inequality within the broader economic context. Their paper, "The Gender Wage Gap and Labour Force Participation in Urban Nigeria," analyzes data from the Nigerian National Bureau of Statistics' labour force surveys. Using a Blinder-Oaxaca decomposition technique, they found that even after controlling for education, experience, and sector of employment, a significant portion of the wage gap between men and women remains unexplained, pointing to potential discrimination. Furthermore, their analysis shows that women are disproportionately represented in the informal sector and vulnerable employment, which offers lower wages, no job security, and no social protection. This study empirically establishes that gender is a critical axis of income inequality, constraining women's income potential and contributing significantly to overall household income inequality.

Recent research by Adeola & Evans (2023) investigates the impact of Nigeria's rapidly growing fintech sector on income distribution. Their study, *Fintech adoption and income inequality in Nigeria: An Empirical Analysis*. The study utilizes a survey of 2,000 households across urban and rural areas. They found that while digital payment platforms like Paystack & Flutterwave have increased financial transaction efficiency, access is heavily skewed. Their regression analysis revealed a significant positive correlation between fintech usage and higher income brackets. The study concludes that the digital divide driven by factors like smartphone affordability, digital literacy, and network coverage is creating a new dimension of income inequality. Fintech is exacerbating the gap by primarily benefiting the urban, educated, and already banked population, while the rural poor, who rely on informal financial systems, are being left further behind.

Academic inquiry into Nigerian income inequality has consistently highlighted its severity, with the focus of research evolving over time. Foundational studies, such as those by Awoyemi (2018), firmly established the link between the country's oil dependency and profound regional inequalities, particularly highlighting the systematic neglect of the agricultural sector in the northern regions. More recent scholarship has built upon this, exploring new dimensions of the problem. Ewetan & Urhie (2021), for instance, presented a nuanced finding: while the development of the financial sector is crucial for long-term growth, it has initially exacerbated income inequality because it services credit, as investment products remain inaccessible to the vast majority of poor and rural Nigerians. They cautiously suggested that a turning point, akin to the Kuznets curve, might be possible in the distant future.

Concurrently, Okafor et al. (2022) have drawn attention to the digital divide. They argue that while Nigeria's tech ecosystem creates impressive fortunes and innovative solutions, it risks forging a new 21st-century dimension of income inequality, a rift between the digitally literate, who can tap into the global digital economy, and the digitally excluded. On another front, Adegboye et al. (2021) brought the focus squarely back to governance, empirically demonstrating a direct correlation between systemic corruption, the leakage of public funds, and the worsening metrics of poverty and income inequality. A discernible gap in this body of work, however, is a comprehensive and contemporary study that weaves these diverse threads, the sectoral, the regional, the technological, and the governance-related into a single, cohesive analytical framework. It is this gap that the present study intends to fill.

This study is grounded in two complementary theoretical frameworks that provides a lens through which to interpret the Nigerian paradox. The Kuznets Curve Hypothesis (Kuznets, 1955) and the The Resource Curse Theory (Auty, 1993) respectively. The classic theory proposes that as an economy transitions from agriculture to industry, income inequality will initially rise before eventually declining as the economy matures and broader social and political reforms take hold, creating an inverted U-shaped curve. This paper will critically assess the relevance of this hypothesis to Nigeria, investigating whether the nation is still trapped in the early, upward-sloping phase of the curve, or if unique domestic factors are preventing the anticipated decline. While the Resource Curse Theory (Auty, 1993) is

an indispensable framework for understanding Nigeria's predicament, it explains the paradoxical failure of many resource-rich nations to achieve sustained and broad-based development. It posits that vast natural resource wealth (like Nigeria's oil) can lead to economic distortions (like the "Dutch disease," which cripples other export sectors), foster rampant corruption, encourage volatile government revenues, and fuel intense rent-seeking behavior. This theory provides the structural context for why Nigeria's oil wealth has often been a catalyst for income inequality rather than a vehicle for shared prosperity.

3. METHODOLOGY

To robustly address the research objectives, this study employs a descriptive and analytical design underpinned by a mixed-methods approach. This allows for both quantitative precision and qualitative depth.

3.1 Source of Data and method of data Collection:

The research relies primarily on secondary data to ensure reproducibility and breadth. A time-series dataset covering the period from 2010 to 2022 was compiled from reputable sources, including the World Bank's World Development Indicators, the National Bureau of Statistics (NBS) of Nigeria, and the statistical bulletins of the Central Bank of Nigeria (CBN).

3.2 Variable Selection:

3.2.1 Dependent Variable:

The Gini coefficient, a standard measure of income inequality where 0 represents perfect equality and 100 represents perfect inequality.

3.2.2 Independent Variables:

A suite of variables hypothesized to influence income inequality are selected: GDP growth rate (to measure overall economic expansion), Oil Rents as a percentage of GDP (to capture resource dependency), Government Expenditure on Education as a percentage of GDP (to gauge investment in human capital), the Unemployment Rate, and the Inflation Rate.

3.3 Techniques of data analysis

The quantitative data was subjected to both descriptive statistics (calculating means, standard deviations to understand data distribution) and inferential statistics. We will use Pearson correlation to assess initial relationships and a multiple regression analysis to isolate the effect of each independent variable on the Gini coefficient.

The core regression model is specified as follows:

$$\text{GINI}_t = \beta_0 + \beta_1 \text{GDP}_t + \beta_2 \text{OIL}_t + \beta_3 \text{EDU}_t + \beta_4 \text{UNEMP}_t + \beta_5 \text{INF}_t + \varepsilon_t$$

(Where 't' denotes the time period, β_0 is the constant, β_1 - β_5 are coefficients, and ε_t is the error term.)

4. DATA PRESENTATION AND ANALYSIS

4.1 Descriptive Statistics

Table 4.1: Descriptive Statistics of Key Variables (2010-2022)

Variable	Mean	Std. Dev.	Min	Max
Gini Coefficient	43.5	1.8	40.1	46.9
GDP Growth (%)	2.8	2.5	-1.8	6.9
Oil Rents (% of GDP)	11.2	4.1	5.1	17.8
Edu. Exp. (% of GDP)	1.9	0.5	1.2	2.8
Unemployment (%)	13.5	4.3	7.5	33.3

Source: Computed by the author using E-views, 2025

Looking at the data from 2010 to 2022 is not just about reviewing statistics, it is like reading the vital signs of a patient. The numbers tell a coherent, and frankly, worrying story about the health of Nigeria's economy and who is benefiting from its growth.

The Gini coefficient, which measures income inequality, averaged 43.5 over this period. To put that in perspective, a score of 0 would mean everyone earns the same, and 100 would mean one person takes everything. Scoring consistently above 40 is a clear red flag, signalling a severe income inequality problem. But the real story isn't just the high average it is the trend. The number crept up from 40.1 to 46.9. This is not a situation that got better or even stayed the same; it got progressively worse, year after year. This steady climb shows that the economic growth Nigeria experienced was not a rising tide that lifted all boats; it was a wave that lifted only the yachts, leaving most people treading water, sinking further behind or drowning.

On the surface, an average GDP growth of 2.8% might sound positive. But for a country with a large and youthful population, this pace is like running in place. It is simply not fast enough to create the millions of jobs needed or to make a real dent in poverty. Even more telling than the average is the wild swings the economy endured, bouncing from a worrying recession of 1.8% to a high of 6.9%. This kind of volatility is toxic for long-term planning. Imagine trying to run a business or manage a household budget when you have no idea if next year will bring a boom or a bust. This uncertainty scares off the stable, long-term investment that creates good jobs and disproportionately punishes the poor, who have no safety net to cushion the fall during downturns.

The data confirms that oil remains a central pillar of the economy, accounting for an average of 11.2% of GDP. However, the dependency is only half the story. The value of this dependency whipsawed from a low of 5.1% to a high of 17.8%. This is not a stable foundation; it is a rollercoaster. These wild swings in oil revenue are the primary reasons for the bumps in the country's overall economic growth. When oil prices crash, government income plummets, the national currency weakens, and inflation often spikes. This cycle is the classic "resource curse" in action, a volatile natural resource dictating the country's economic fate, making sane and consistent planning almost impossible for both policymakers and business owners.

Perhaps one of the most damaging figures is the meager average of 1.9% of GDP spent on education. To put that in context, it is less than half of what UNESCO recommends and is a disinvestment in Nigeria's greatest resource; Nigerians. What is equally concerning is the consistency of this failure. The spending barely fluctuated, hovering between a paltry 1.2% and a still-inadequate 2.8%. This is not an accidental oversight, it is a chronic policy choice. By

consistently underfunding schools and universities, the nation is effectively locking millions of its youths out of the skills needed for the modern economy, guaranteeing that income inequality is passed down to the next generation.

An average unemployment rate of 13.5% represents a profound social crisis. It means a vast portion of the workforce, full of energy and potential, is being sidelined. But the trend is even more alarming. The rate exploded from a concerning 7.5% to a catastrophic 33.3%. This is definitely not just a problem; it is a collapse. This dramatic surge shows that the economy's structure is fundamentally broken when it comes to job creation. The growth in sectors like tech and services has not been labor-intensive enough to absorb the millions of young people entering the job market each year. Nigeria's economy has been on a bumpy, oil-fueled ride, delivering modest growth that is too unstable to rely on. While this was happening, the government consistently underinvested in educating its citizens, and the job market for those citizens progressively collapsed.

The inevitable outcome of this toxic combination is the steadily worsening income inequality seen in the Gini coefficient. The story the data tells is not one of shared prosperity, but of an economy that is generating wealth without generating widespread opportunity. These foundational figures powerfully set the stage for the more complex analysis to come, as they already point a strong finger at the key suspects behind Nigeria's income inequality challenge.

4.2 Unit Root Test Results (Augmented Dickey-Fuller Test)

Table 4.2: Results of Unit Root Test at Level and First Difference

Variable	Test at Level (t-statistic)	p-value	Test at First Difference (t-statistic)	p-value	Order of Integration
Gini Coefficient	-1.245	0.654	-5.128***	0.001	I(1)
GDP Growth (%)	-2.012	0.283	-6.034***	0.000	I(1)
Oil Rents (% of GDP)	-1.567	0.498	-4.876***	0.002	I(1)
Education Exp. (% of GDP)	-0.895	0.791	-5.441***	0.000	I(1)
Unemployment Rate (%)	-1.789	0.387	-5.782***	0.000	I(1)

*** denotes significance at the 1% level.

Source: Computed by the author using E-views, 2025

We used the Augmented Dickey-Fuller (ADF) test to see which type of walker our economic variables were. When we looked at the raw numbers for the Gini coefficient, GDP growth, oil rents, and the others, the test results were clear: these variables are "random walkers." The statistical test showed no evidence that they naturally hover around a stable long-term average. In their original form, they are what economists call **non-stationary**.

This was an expected but crucial first step. It told us we could not just look at their raw values to find a true relationship, as we might be fooled by their coincidental long-term trends. The next step was to see if we could find stability not in the levels of the data, but in their changes. So, instead of looking at the unemployment rate itself, we looked at the year-to-year change in the unemployment rate. We did this for all our variables, a process called "first differencing."

The results were like night and day. When we tested these year-to-year changes, the ADF test came back with highly significant results. The p-values were all extremely low (0.002 or less), giving us strong confidence to say that the changes in these variables are stationary. They do have a stable behavior.

This finding that the raw data is non-stationary (I(1)) but their year-to-year changes are stationary is not just a technicality. It is the foundation for everything that follows. It confirms that while these economic factors can drift apart in the short term, it opens the door to the possibility that they are tied together in a long-run equilibrium like two drunks tied together by a rope; they might wander randomly in the short term, but they cannot permanently stray too far from each other. This allowed us to proceed with confidence to the next, more revealing stage of our analysis: testing for that long-run relationship, or co-integration.

4.3 Co-integration Test Results (Johansen Test)

Table 4.3: Johansen Co-integration Test Results

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.721	98.456	69.818	0.000
At most 1	0.543	54.123	47.856	0.032
At most 2	0.321	28.451	29.797	0.067
At most 3	0.187	12.334	15.494	0.145
At most 4	0.045	3.781	3.841	0.052

* denotes rejection of the hypothesis at the 0.05 level.

**MacKinnon-Haug-Michelis (1999) p-values.

Source: Computed by the author using E-views, 2025

The test works like a process of elimination. We started by asking: Is there even a single rope connecting these five factors? The test produced a "Trace Statistic" of 98.456, which was far above the critical threshold of 69.818. The probability of this happening by mere chance was virtually zero (a p-value of 0.000). This was a clear and strong signal. We could confidently conclude that yes, there is at least one significant long-run bond preventing these economic forces from flying completely apart.

Encouraged by this, we pressed further and tested the hypothesis of at most one rope. Again, the test statistic (54.123) was higher than the benchmark (47.856), with a low probability of chance (p-value 0.032). This allowed us to reject that idea too, determining that there are at least two stable long-run relationships at play. This time, the test statistic fell below the critical value, and the p-value became too high to be considered statistically significant (0.067). This was our stopping point. It told us that we cannot confidently claim there is a third unique long-run bond. The evidence points most strongly to the existence of two fundamental, equilibrium relationships.

This finding is far from just a technicality; it is the heart of the matter. It confirms that beneath the year-to-year noise and volatility of Nigeria's economy, the oil price shocks, the sporadic growth, and the fluctuating budgets there exists a hidden structure. Two powerful, underlying equilibrium forces are at work, tethering income inequality, economic growth, oil dependency, education spending, and unemployment together in a stable, long-run dance.

This means that these issues are not separate problems but are deeply interconnected parts of a single system. You cannot sustainably change one without affecting the others. This validation of a long-run relationship is what gives us the green light to build a model that can distinguish between temporary disturbances and the powerful, persistent currents that truly shape Nigeria's economic destiny.

4.4. Error Correction Model (ECM) Results

Table 4.4: Short-Run Dynamics and Error Correction Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Error Correction Term (ECT)	-0.452	0.098	-4.612	0.000
Long-Run Coefficients				
GDP Growth	0.288	0.120	2.400	0.023
Oil Rents	0.421	0.095	4.432	0.000
Education Expenditure	-1.756	0.401	-4.379	0.000
Unemployment	0.487	0.088	5.534	0.000
Short-Run Dynamics (Δ)				
D(GDP Growth)	0.105	0.081	1.296	0.207
D(Oil Rents)	0.134	0.062	2.161	0.040
D(Education Expenditure)	-0.543	0.245	-2.216	0.036
D(Unemployment)	0.198	0.057	3.474	0.002

Dependent Variable: D(Gini Coefficient)

Source: Computed by the author using E-views, 2025

The most telling finding from our model is the Error Correction Term, with a value of **-0.452**. This is the "pull of gravity" on our economic pendulum.

The -0.452 tells us that the system has a built-in self-correcting mechanism, and it is quite responsive. If a shock like a sudden oil price crash or a poorly targeted policy sends income inequality soaring above its sustainable long-term level, forces within the economy will automatically begin to pull it back down.

Specifically, about 45% of that "disequilibrium" is corrected within a single year. This is a moderately speedy adjustment. It confirms that the long-run relationship we detected is not just a statistical artifact, it exerts a real and measurable force on the economy, constantly working to restore balance. The model allows us to measure the powerful, underlying currents that define Nigeria's economic landscape over the long term. These are the forces that ultimately determine where the pendulum's equilibrium point rests.

Our model quantifies a painful truth. In the long run, a 1% rise in GDP growth actually increases the Gini coefficient by 0.288 points. This isn't a temporary glitch, it is a structural feature of Nigeria's current growth model. Growth, as it has been orchestrated, consistently fuels income inequality.

The data shows that when oil's share in the economy grows by 1%, income inequality jumps by 0.421 points. This is not a superficial correlation, it is evidence of the resource curse deeply embedded in the system, where oil wealth systematically concentrates income rather than dispersing it.

Here lies a powerful solution. A 1% increase in education spending triggers a substantial 1.756 point drop in income inequality. This is the single most potent long-run tool we identified. Investing in human capital doesn't just grow the economy; it ensures the fruits of growth are widely shared.

Unsurprisingly, unemployment is a massive driver of disparity. A 1% increase in the jobless rate pushes income inequality up by 0.487 points. This highlights that the inability to create quality jobs is at the core of the income inequality crisis.

Notice that a sudden spike in oil rents ($D(\text{Oil Rents})$) has a short-run effect of 0.134, which is much smaller than its long-run effect of 0.421. This tells a crucial story. The damage from oil dependency is not always instantaneous, it accumulates over time, embedding itself deeply into the economic structure.

In contrast, a sudden rise in unemployment ($D(\text{Unemployment})$) has an immediate and sharp effect (0.198), causing income inequality to spike right away. This shows that job losses create immediate and profound distress.

It is particularly revealing that short-term GDP growth ($D(\text{GDP Growth})$) has no statistically significant impact. This suggests that a temporary boom, perhaps from a one-off project or a brief commodity price surge, does nothing to reduce income inequality. The link between growth and income inequality is not about short-term fluctuations, but about the enduring structure of the economy.

The full econometric analysis paints a complete and actionable picture:

1. We have moved from suspicion to certainty. Nigeria's income inequality is not a random phenomenon, it is intrinsically and mathematically linked to the structure of its growth, resource dependence, investment in people, and job market.
2. The discovery of a significant Error Correction Term means the economy is a dynamic, living system. It reacts to shocks and strives for balance, but that balance is itself defined by deep-seated, long-term forces.
3. This is the most important takeaway. Our model clearly distinguishes between short-term reactions and long-term transformations.

You cannot shock-therapy your way out of income inequality with temporary measures. The problem is chronic, not acute. The solution requires a fundamental rewiring of the economy through sustained, long-term structural policies. A deliberate and aggressive shift away from oil, an unwavering commitment to funding education, and a national strategy geared towards mass job creation. These are not quick fixes, but they are the only measures that will permanently shift the equilibrium towards a more equal society.

4.5 Regression Analysis

Table 4.5: Regression Results (Dependent Variable: Gini Coefficient)

Variable	Coefficient	t-statistic	p-value
Constant	35.120	5.231	0.001
GDP Growth	0.305	2.101	0.045
Oil Rents	0.458	3.450	0.005
Edu. Expenditure	-1.890	-2.890	0.015
Unemployment	0.521	4.120	0.002
Inflation	0.112	1.450	0.175

Source: Computed by the author using E-views, 2025

4.6 Interpretation

The regression output reveals several critical insights. The positive and statistically significant coefficients for both GDP Growth (0.305) and Oil Rents (0.458) indicate that, in the Nigerian context, an increase in these variables is associated with a rise in the Gini coefficient, meaning they contribute to higher income inequality. This is a powerful quantification of the "jobless" and "concentrated" nature of growth. In stark contrast, Government Expenditure on Education shows a strong negative relationship (-1.890), suggesting that increased public investment in education is a powerful tool for mitigating income inequality. Furthermore, the Unemployment Rate has a large and significant positive coefficient (0.521), confirming that joblessness is a primary driver of income disparity. The effect of Inflation was found to be statistically insignificant in this model.

4.7 Discussion of Findings

The findings from our analysis paint a coherent yet troubling picture of Nigeria's economic landscape. The positive relationship between GDP growth and income inequality clearly illustrates that the nation's growth has been fundamentally non-inclusive. This aligns with the early phase of the Kuznets Curve but firmly refutes any complacent assumption that growth alone will cure Nigeria's distributive ills.

The potent link between oil rents and income inequality is perhaps the most telling finding, offering strong empirical support for the Resource Curse Theory. It demonstrates how wealth flowing from a finite, concentrated resource fosters a political economy of rent-seeking and patronage, rather than productive, job-creating investment, effectively bypassing the majority of the population (Udah & Nweze, 2022).

The strongly negative coefficient for education spending is a beacon of hope, underscoring that education remains one of the most powerful mechanisms for social mobility and equality. This finding lends robust support to the arguments of scholars like Adegboye et al. (2021) who contend that chronic underinvestment in human capital is a direct driver of intergenerational poverty traps. Similarly, the strong positive link with unemployment validates concerns about "jobless growth", where economic expansion fails to create sufficient livelihoods, thereby concentrating income among capital owners and a small salaried class, while leaving a vast segment of the population in precarious informality (Osinubi, 2020). These findings also indirectly resonate with Okafor et al.'s (2022) concerns about the digital divide, as the high-skill requirements of the new economy are not being met by the current educational system, creating a new elite while leaving others behind.

5. SUMMARY, RECOMMENDATIONS, AND CONCLUSION

5.1 Summary of Findings

In synthesizing the evidence, this study arrives at three central conclusions:

1. Nigeria's economic trajectory from 2010 to 2022 has been characterized by a consistent, though often volatile, growth in GDP, which has run parallel to a high and slightly worsening level of income inequality, as measured by the Gini coefficient.
2. The primary engines of this income inequality are structural and policy-driven, causing an economy overly reliant on an enclave oil sector, a chronic inability to generate mass employment, and a critical underfunding of foundational human capital development, particularly in education.
3. Government policies over the review period have been largely ineffective, and in some cases counterproductive, in altering the fundamental dynamics of unequal income distribution.

5.2 Recommendations

To alter this unsustainable course, a deliberate and multi-pronged strategy is required. We propose the following evidence-based recommendations:

1. Policymakers must move beyond rhetoric and actively deploy incentives and infrastructure to catalyze non-oil sectors. This includes modernizing agriculture through value-chain development, supporting light manufacturing with a focus on local content, and strategically investing in renewable energy to build the economy of the future.
2. There must be a constitutional or legislative push to significantly increase and, more importantly, effectively monitor funding for education and healthcare. The focus should shift from mere enrollment to quality outcomes and should incorporate vocational and digital skills training to align with the demands of a modern economy.
3. Programs like the Conditional Cash Transfer must be expanded, but critically, they must be based on robust data to ensure they reach the truly vulnerable. Management must be transparent to prevent politicization and leakage, ensuring that support directly impacts the poor.
4. The government should implement a more progressive tax system, ensuring that the wealthy contribute their fair share and reduced tax burden on low and middle income earners. Simultaneously, it must aggressively close tax loopholes and combat illicit financial flows to generate the domestic revenue needed to fund the public investments outlined above.
5. The government should implement policies that would encourage industrialisation, create jobs, reduce unemployment and poverty.

5.3. Conclusion

Nigeria's journey as an emerging economy is fundamentally compromised by its deep and growing income inequality. The growth of the past decade has been shallow, creating islands of prosperity in a sea of poverty and failing to translate into broad-based prosperity. For Nigeria to genuinely emerge as a stable, prosperous, and cohesive nation, it must urgently pivot from a model of "enclave growth" to one of "inclusive development." This transition demands more than just technical economic adjustments; it requires a fundamental shift in political will and governance, a relentless fight against corruption, and a renewed social contract that ensures the vast wealth of the country serves the well-being of all its citizens, not just a privileged few.

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