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IARIW-TNBS Conference on “Measuring Income, Wealth and Well-being in Africa”

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Measurement of Income, Wealth and Well-being: Nigerian Experience
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Abstract: Nigeria’s economic is predominately dependent on oil. Her economy is blessed with huge oil and non-oil resources. Yet, poverty, inequality and unemployment are still issues of great concern. The NBS and UNDP Human Development Index, 2016 data shows that life expectancy at birth was 49, life expectancy index was 0.459 and educational index rated was 0.797, 52% of the population have no access to clean drinking water and the Human Poverty Index was estimated at 53.7 points. Moreover, Per Capita Income was 1,356.56 (\$) with GNI index of 0.366. While there are evidences that economic growth has brought about development in other parts of the globe, the evidences for Nigeria are mixed. From 2013 to 2019, Nigeria’s HDI dropped from 0.511 to 0.506, (UNDP, 2016). For the same period, GDP growth rate moved from 5.49% in 2013, 6.22% in 2014, 2.79% in 2015, -1.58% in 2016, 0.82% in 2017, 1.91% in 2018 and 2.27% in 2019 (NBS, 2019). The realities show that, while the nation recorded growth in the economy, it did not lead to development.

To address this deficiency, this paper aims to analyze the incidence of the measurement of income, wealth and well-being in Nigeria with a view to distilling policy lessons to inform future growth policies. In particular, this paper will seek to advance understanding on issues related to measuring in the Nigerian context: (i) How service sectors output is measured? (ii) To what extent is inequality in the income and wealth distribution? (iii) Does gender inequality get accounted for in compilation of national accounts? (iv) To what extent are poverty, vulnerability and social exclusion accounted for? (v) What are the effects of economic insecurity and economic well-being? (vi) What are the effects of environmental impacts of economic activity? (vii) What are the effects of inter-generational distribution? and (viii) What can be done to improve national accounts, prices and productivity? This analysis attempts to measure income and analyze their impact on wealth and well-being of the citizenry of the country.

We found in the literature few papers have dealt with the case of Nigeria and responded to this question in a comprehensive manner. While these papers treated Inequality-Adjusted Human Development Index (UNDP, 2016) and relationship between economic growth and development

in the context of an error correction model (Ranis, 2004); inclusive growth and sustainable human development in Nigeria (Campbell, 2017), this paper focuses on both components of well-being- the income and wealth. Particularly, it gives us the whole picture about the nation's economic growth and economic development at the same time. For example, can we say that a nation's economic is growing but does that translate into economic development? In this regard this study will shed lights on whether the income distribution incurs inequality or not and where the government can intervene to reduce poverty gap by considering taxes and subsidies at the same time.

The study is organized into five sections. Section one presents the general introduction of the study, while section two reviews related theoretical and empirical literature. In section three, the research methodology is discussed, while section four analyses and interprets the data collected. Lastly, section five presents the conclusion of the study. For the methodology, compilation of output, intermediation consumption, value added, GDP and other national accounts indicators by national accountant are, by convention, collected by specialized agencies in the statistical system of a country or by specialized units in its national statistical office. Although the data collected may technically align to international recommendations, in many cases, national accountants adjust the data to make them fit the national account concepts. This study will discuss these necessary adjustments. In addition, it will suggest methods for estimating in a consistent way the activities that are not, or cannot be, fully covered by surveys.

The GNI per capital is the Gross National Income divided by the country's population in a year. It reflects the average income of a country's citizens. For States in Nigeria, the Approach adopted are: i) Calculate the national GDP, and GNI ii) To obtain each State GNI, we applied a common indicator such as State Public and Private Expenditures on Education, Health and Public Administration, Households' Enterprises Value added and individual private final consumption expenditure in the States to breakdown the national GNI iii) GNI Per Capita Income for States was derived by dividing GNI per State by her population.

Data is required in macro and micro forms. In the case of compilation done for Nigeria, surveys on establishments, households, Administrative data from the relevant Ministries, Agencies and MDAs- Federal Inland Revenue Tax Returns, Financial Intermediation Indirectly Measured and Balance of Payment data taken as reported by the Central Bank of Nigeria, Insurance data taken as reported by Nigerian Insurance Corporation and Accountant General's Report of Federal, States and Local Government Area.

In order to estimate taxes and transfers, we relied on macroeconomic data from the Federal Ministry of Finance, Budget and National Planning (FMBNP). Data on indirect taxes and subsidies for primary products and energy were taken from the relevant department of the Federal Ministry of Finance, Budget and National Planning. Data on direct taxes includes only

income tax and were estimated according to the tax rate of each level of income. Data on social security contributions picked as reported in the fiscal survey conducted by Central Bank of Nigeria. Data on direct transfers take up as reported by the Federal Ministry of Finance, Budget and National Planning. In-kind transfers were estimated from the budget of Ministry of Education for tertiary education, from Ministry of Education for primary and secondary education and from Ministry of Health for health expenditures. While official figures are being published daily to show that the Nigerian economy is growing, the average quality of life for Nigerians is still low as captured by the Human Development Index. It is recommended that adequate synergy with relevant stakeholders be encourage for improve estimates.