

POVERTY, INEQUALITY, ECONOMIC WELLBEING AND THE AFRICAN ECONOMY: PANEL DATA ANALYSIS (2000 – 2020)

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Abstract

High GDP per capita and growth rate seems not to spur greater reduction in poverty and inequality in most African countries. Thus, this study examined the possible cause of this unparalleled situation and established the nature of the relationship between the much better measure of economic well-being (GDP or HDI) using panel data analysis on cross section data collected for 15 countries in Sub Saharan Africa (SSA). Conducting the Hausman test, it was discovered that the Fixed Effect Method rather than Random effect Method was more efficient in interpreting the behavior of GDP per capita and HDI. The results showed that HDI is a better measure and determinant of wellbeing than GDP per capital. Furthermore, the variables of the model were all statistically significant and correctly signed. The study recommended that governments should embark on programs that directly impact the quality of life of the people.

Keywords: *Poverty, inequality, economic growth, wellbeing, panel data analysis*

JEL Classification: I32; I14; O40; I31; C23

1.0. Introduction

The attainment of a higher level of development has been a major objective of many African countries and indeed a global concern. Policies in African countries has been directed towards programs sponsored by international organizations and the governments of the African continent. Examples are the Millennium Development Goals (MDG) and the Sustainable Development Goals (SDG) to mention a few. African governments have all embraced these programs in a bid to reduce poverty and inequality in their countries. They believe that growth in the economy had a significant impact in reducing poverty and so as a result a lot of attention is shifted direct and indirect policies that increase the national output.

Although, growth in the economies of Africa has been tremendous and significant over the last decades with a stable GDP growth between 2.3 percent and 3.3 percent from 2016 to 2019 (World Bank database, 2020). However, a greater number of the population of the world is still living in abject poverty and a considerable number of the poor (56%) is concentrated in Sub Saharan Africa (World Bank Report, 2015). it becomes notably obvious that the African populace are still highly impoverished because of the widening inequality gap.

As Kharas, et al., (2018) suggested lack of income is not the only parameter for describing the poor, it includes other parameters such as health care, education, security, access to basic facilities and employment which are obviously deficient in the region of Africa. According to UNESCO (2020), of all the regions, SSA has the highest rate of education exclusion. As of 2019, 234 million people living in SSA were extremely malnourished, more than in any other region in the world (FAO, 2020). The report further stated that about 20 percent of the people in Africa (250 million) were suffering from hunger. Also, the high poverty rate in Africa is reflected in the rate of unemployment (International Labor Organization (ILO), 2018 and Egunjobi, 2017). The inequality gap and impoverishment in Africa is also reflected in the low quality of health care and accessibility to social amenities, about 60 percent of the total population in SSA are rural dwellers (World Bank, 2020).

A lot of studies carried out focused on the effect of economic growth on poverty, (Upadhyay and Fanta, 2009 and Fosu, 2011), some on the effect of inequality on the level of poverty (Tripathi, 2013), some studies even went further to look at the relationship between inequality, absolute poverty and economic growth (Janvry and Sadoulet, 2000; Ayad, 2016; Fosu, 2018 and Theorbecke and

Ouyang, 2018) but there seems to be no study for the reason of the correlation between increased economic growth yet unparalleled increases in poverty and inequality.

This study is carried out to provide a justification for the insignificant reduction in inequality and absolute poverty despite significant growth in gross national incomes of SSA. This study proposed that growth of the GDP and the measure of per-capita incomes is not individual-specific and thus do not improve the well-being of the people and thereby suggests a more inclusive growth, people-specific measure that directly impact the people of a country, while also assessing the effect of poverty and inequality on this people-specific indicator that can reduce poverty and inequality significantly using a more recent data than other studies. Specifically, the objective of this paper is to examine the influence of poverty and inequality on two development welfare indicators (GDP per capita and HDI) separately to determine which is the better indicator or measure of economic wellbeing by employing panel data estimation on cross section secondary data from 15 selected SSA countries from 2000 to 2020.

The remaining section of this study is categorized into four sections. After this section one is a review of theoretical, conceptual, and empirical literature. Section three presented the research methodology while section four presented and analyzed data and section five concluded and provided policy recommendation for the study.

2.0. Review of Literature

World Bank describes poverty as “a pronounced deprivation in wellbeing” (Haughton & Khandker, 2009). Poverty is demonstrated by serious deficiency of basic needs which includes food, pure water, education, public health facilities, accommodation, and access to information (UNDP, 1995).

Inequalities are evidenced through arbitrary discrepancies in interpersonal relations, worth, position, self-esteem, and freedom. It occurs when there is denial of equity and fairness (UNICEF, 2015).

Though poverty is linked to inequality, they are distinguishable (Haughton and Khandker, 2009). While inequality focuses on the complete well-being of the people, poverty concentrates on the people who are below a specified poverty line, those at the lower echelon (McKay, 2013).

According to Osberg and Sharpe (1998) the economic wellbeing of a society is determined by four components, poverty and inequality, real per capita

consumption flows, indicators of insecurity particularly economic security from unemployment and ill health and net social accumulation of productive wealth.

2.1. Inclusive Growth in Africa: A New Paradigm of Wellbeing

The 20th century experienced an unprecedented economic development like never before, the total world output grew on average at annual growth rate of 3 percent with a nineteen-fold increase in world output between 1900 and 2000. Also, there was fast technical advancement in the production of food and in medical science leading to noticeable decreases in infant mortality and a noteworthy rise in life expectancy. To buttress this, world life expectancy was assessed to have increased from 46 years to 66 years in 1950 and 1998 respectively (McDevitt and Griggby, 1999).

According to World Bank (2001), the major determinants of sustainable economic growth are the quality of resources of a country, improvements in these resources, appropriate and effective economic policies replicated in reasonable budget deficits and inflation, comprehensive economic management, and a strong monetary system.

The 2015 World Bank report on SSA revealed a seemingly decrease in the growth rate of SSA because of increased domestic demand yet, growth rate ranged from 2.3 percent to 2.7 percent on the average. However, projections by IMF and World Bank depicted that despite the adverse impact of harsh world financial environment and declining commodity prices, SSA will still be regarded as a region experiencing fast growth rates.

Statistics revealed a considerable increase in world population from 1.6 to 6.3 billion people and about a fivefold increase in world output per capita in the 20th century (IMF, 2000). Notwithstanding this great transformation in economic growth and with the world output increasing, why then do countries with comparable rates of economic growth have dissimilar rates of poverty and why is the inequality gap still considerably wider?

It is possible that countries with equivalent progression in per capita income could display great disparity in poverty reduction because the more equity in income distribution achieved, the tendency for poverty to be drastically reduced and vice versa given the same rate of economic growth (World Development Report, 2000/2001). Thus, the influence of economic growth in reducing poverty in countries where wealth is generated and concentrated in the few rich is limited while the effect is enormous in countries where wealth is generated by the poor.

This is explained by the fact that vast growth experienced in the African continent has little or no impact in reducing poverty which leads to greater gap in inequality.

The GDP growth rates then become an adequate measure of economic growth but not of economic wellbeing. GDP is inadequate in measuring wellbeing because it does not take into consideration variations in the income distribution among households, nor non-financial dealings and non-market productive activities which not only contributes to well-being but overvalues it by assuming that every spending contributes to welfare. Again, while recording, GDP is not debited and depreciation of assets is not considered (Berik, 2018)

2.2. Human Development Index: A More Improved Indicator of Economic Wellbeing

Regardless of whether the judgment is made by politicians, public officers, macroeconomists or the media, the GDP is thus identified or considered synonymous with social welfare. Economists and others have repeatedly cautioned that GDP or its variant is not and was not proposed to be a measure of economic well-being. Even in the long run, it is doubtful that variations in the rate of growth of welfare can be determined even crudely from variations in the growth rate of output (Abramowitz, 1959). Although GDP plays an important role in the economy, it is not a correct way of measuring the well-being of the people in a country since absolute poverty and inequality cannot be properly measured by income (Sen, 1980). This explains the reasons growth in GDP does not translate to development and economic well-being in Africa.

The quest for an index that will “focus directly on the lives that people lead – what they succeed in being and doing” and provide answers to questions pertaining to the welfare and well-being of the people led to the conception of the Human Development Index (HDI) (Anand & Sen, 1994).

The HDI in 1990 was created thereby making it a better and more encompassing measure of well-being than GDP. The capabilities approach propounded by Amartya Sen (1992) and Martha Nussbaum (2003) laid the foundation for the creation of HDI. Osberg and Sharpe (1998) views the HDI as a more holistic measure of economic wellbeing- an indicator that explains the wellbeing of a country- one that will capture the consumption pattern of marketed and non-marketed goods, net accumulation of human resources, poverty and inequality gaps, net variations in the worth of natural assets, insecurity and the production and consumption of social goods.

It has been observed that small fluctuations occur in HDI values of high-income countries, while large fluctuations occur in HDI values of low-income countries, this asserts HDI as a better and superior index in evaluating variations in well-being in low-income countries like Africa than the GDP per capita approach (Brown, 2017).

The HDI is a worthy tool in comparatively analyzing health and education outcomes in terms of inequality and impoverishment analysis, with the aim of achieving increased access to health and educational facilities and services (Berik, 2018).

2.3. Empirical Evidence

The works by Paukert (1973) and Ahluwalia (1976) perhaps verified the plausibility of inverted – U curves using cross section study. Their research showed large deviations of inequality amongst countries sampled.

An econometric study by Upadhyay and Fanta (2009) on data from 16 African countries, displayed the existence of an indirect relationship between economic growth and levels of poverty. Their study revealed that though poverty elasticity is different among countries, economic growth is required before poverty reduction can be achieved, and improved standard of living attained.

The study by Fosu (2018) discovered the reasons for high levels of inequality and poverty particularly in Africa, despite evidence of economic progress. The study concluded that this could be because growth recorded in Africa can be attributed majorly to a favorable foreign financial environment.

The study conducted by Brempong (2002) on African countries, used a dynamic panel estimator to examine the influence of corruption on economic growth and income distribution. The paper discovered that corruption is directly linked with income inequality and that via reduction in the level of investment in physical capital resources, corruption decreased economic growth positively and negatively. The result implied that the poor suffers the more from corruption in African countries.

Conducting a regional study amongst Latin American countries, to assess the consequences of economic growth on poverty in urban and local areas given variations in the distribution of income. Janvry and Sadoulet (2000) discovered that at lower levels of income inequality, growth is a significant powerful tool in reducing poverty than at higher levels of income inequality thus implying high cost of inequality in income.

For country specific studies, On India, Tripathi (2013) investigated the role of economic growth to achieve a decline in inequality and poverty. The study focused on 52 cities in the urban region of India using self-calculated inequality and poverty indices. The study showed that the major variables that reduced poverty in the region and increased inequality amongst the cities are huge city population and high economic growth.

In another related study by Ayad (2016) on Algeria using the Autoregressive Distributive Lag (ARDL) approach, the association amongst poverty, inequality and growth was explored. It could be inferred from the results that the three variables were co-integrated, and an inverse relationship existed between poverty and growth while a direct relationship existed between poverty and inequality either in the short-run or in the long-run.

Although comparative studies are sparse, some of these studies included the empirical work by Fosu (2011) which inspected the influence of growth on poverty amongst countries in Latin American, South Asia, Eastern Europe and Central Asia, Sub-Saharan Africa and Middle East and North Africa. He discovered that due to reforms executed in most developing countries, there had been progressive increases in economic growth, leading to reduction in poverty essentially in countries with a more equitable income distribution. The study recommended that policies should focus on the reduction of income inequality.

Similarly, Theorbecke and Ouyang (2018) conducted a comparative study between Africa and other developing countries on the influence of growth on poverty and inequality. In contrast to previous studies, the study examined the reverse causal link from poverty to inequality and growth and discovered in Africa, the responsiveness of poverty declines to increases in income and inequality reduction is lower, than in the developing world. In terms of the nexus between poverty inequality and growth, Africa again differs from the rest of the developing world, because African countries with greater initial poverty incidence seemed to grow successively quicker leading to poverty convergence.

Also, Agyemang et al., (2018) examined and compared amongst 48 African countries, the implications of economic inclusion on poverty and inequality. The results showed that more financial inclusion is accomplished by decreases in poverty and inequality. The study recommended the pursuance of policies and programs that will enhance the inclusion of the poor and the marginalized in the financial sector.

Li et al. (2000), investigated the impact of corruption on income and the Gini coefficient in Latin American, OECD, and Asian countries. The study established that economic growth has no effect on the Gini coefficient, however, countries with intermediate level of corruption exhibit higher Gini coefficient than countries with high or low levels of corruption.

2.4. Limitation of the Reviewed Studies

It has been observed from the various literatures reviewed that the focus of the studies to establish the relationship amongst economic growth, poverty and inequality was achieved. However, little or no consideration was geared to the fact that the relationship amongst growth, poverty and inequality does not explain the condition of deprivation and impoverishment in the region.

Almost all the studies (Agyemang, 2010; Ayad 2010; Upadyay and Fanta 2009) carried out on SSA and other countries concluded that growth in the economy reduced poverty significantly while growth in the economy on inequality reduction is seen by few studies as inconclusive.

There is every indication that growth in GDP is not enough to capture the well-being and quality of life of the citizens of a country (Sen, 1980; Osberg and Sharpe, 1998). Therefore, a more inclusive growth is advocated that will affect the quality of life of the people rather than just pursuing policies that will improve the GDP, much attention should be given to areas that directly impact the people of a country. The UNDP's Human Development Index will create a more directed policy and programs that will impact the lives of the people with much attention paid to the indicators of the index.

The HDI captures the income, the educational status and health of the people and targeting to improve these indicators will advance quality of life. Thus, the study strives to prove that HDI is a better indicator for providing a more inclusive growth and better gauge of wellbeing of a people.

2.5. Review of Growth Theories

The earliest economists known as the classists proposed the free market as an important tool for achieving economic growth. Adam Smith advanced the concept of division of labor which through specialization would promote productivity, this will spur increased income, which will promote consumption and demand and market is expanded. Thus, economic progress is achieved through a vicious circle.

The Marxian theory advanced by Karl Marx was in support of the classists that a larger market is crucial for the attainment of economic development. Marx focus was on the mode of production which is the total of all material and productive forces of society reliant on the political, social - cultural and spiritual traits of life and are affected by the level of technology, climate, and geography of the economy. This, he alleged, is conditioned by the mode of production. Thus, as productive forces change, a set of multiplier effects occurs, and a new but more appropriate production relationship evolves in the economy.

During the great depression in the 1930s, John Maynard Keynes proposed the Keynesian growth model in contrast to the classical economists. According to him, full employment cannot be achieved automatically. However, with government intervention through the implementation of demand-oriented strategies geared towards stimulating demand, employment will be generated and will eventually yield growth in national income

Furthermore, Harrod and Domar formulated a well-known model branded as the “Harrod-Domar Growth Model” in the 1940s. The model established the nature of the relationship between the economic growth rate and capital growth, wherein the actual growth rate of output is equal to the gross increase in capital stock (savings ratio). Hence, the determinants of growth rate are the domestic savings ratio and the capital output ratio. Thus, the greater the savings and investment generated from the increases in national income, the more the growth of output.

In 1956, Robert Solow and Trevor Evans theory showed how labor, capital and technology when combined effectively will bring about a steady rate of economic growth. Such that positive changes in either or all these factors will stimulate growth and bring about a short-term equilibrium. This neo – classical theory however, emphasized the need and the role of technological advancement in promoting economic progress.

Mankiw, Romer and Weil in 1992, protracted the Solow neoclassical model by including human capital. Hence, growth becomes a function of the initial level of income and some other determinants to achieve a steady state. These determinants could be technological growth, investment in education, population growth, investment in physical capital and so on. In this study, other determinants included are poverty, inequality, unemployment, investment in education and health.

3.0. Methodology

3.1. Model Specification

This study is based on a modification of Mankiw, Romer and Weil (1992) and Forbes (2000) models. The variables used in the model are consequent on theoretical and empirical determinants of economic growth. By this, the model used in this study is specified as.

$$Growth_{it} = \beta_0 + \beta_1 GINI_{it} + \beta_2 GED_{it} + \beta_3 GEH_{it} + \beta_4 POV_{it} + \beta_5 UMP_{it} + e_{it} \dots (1)$$

From equation (1), Growth is measured by the Gross Domestic Product (GDP) per capita which is one of the indicators of economic well-being; GINI is the GINI coefficient measuring income inequality, GED is government expenditure on education, GEH is Government expenditure on health and POV is the rate of poverty (proxied by the headcount index) and UMP the unemployment rate.

According to Sen (1992), income (GDP per capita) cannot fully capture the extent of deprivation or prosperity of the individual. As a result of Sen's proposition, a more comprehensive indicator of economic well-being, HDI is introduced in place of GDP per capita in equation (1) to form another equation:

$$HDI_{it} = \beta_0 + \beta_1 GINI_{it} + \beta_2 GED_{it} + \beta_3 GEH_{it} + \beta_4 POV_{it} + \beta_5 UMP_{it} + e_{it} \dots (2),$$

where i indicates countries (1,N) and t represents time (1 ,T)

Apiori expectations: β_1, β_4 & $\beta_5 < 0$ and β_2 & $\beta_3 > 0$

3.2. Data

The World Bank classifies the African Continent based on their geographical location; the Northern part of Africa (Non-Sub-Saharan African) is classified most of the time with the Middle East because of their historical and religious backgrounds. The UNDP classified 46 out of the 54 African Countries as Sub-Saharan Africa. In the World Bank report of 2021, it was discovered that more than 50% of the world's extremely poor are living in SSA and as a result, the focus of this study is on the Sub-Saharan part of the African continent. 15 countries were then randomly selected without taking into consideration the heterogeneity of these countries.

This study will cover periods ranging from 2000 to 2020 to incorporate more recent data into the analysis.

The data on GDP per capita, government expenditure on education, government expenditure on health, poverty indicator and GINI values was sourced from the World Bank Development Indicator. The data on HDI was sourced from the UNDP data source.

3.3. Technique of Estimation

Based on the nature of data, panel data estimation is considered because it is efficient in handling data involving N cross sections and T time periods. It is a suitable estimator because it allows the sample size to be increased considerably and as such panel data estimation gives better estimates. Another advantage of panel data estimation is eliminating the problem of omitted variables which might lead to biased estimates in a single individual regression.

4.0. Analysis and Discussion of Result

4.1. Presentation of Analysis

4.1.1. The Huasman Test (HT)

HT was conducted on random effect and fixed effect method of the panel estimation to ascertain which of the two techniques is more efficient in explaining the behaviours of the regressands. The result of the Huasman test is presented in table 4.2.

TABLE 4.1: Huasman Test Result

Test Summary	Chi Square Stat	Chi square df	Probability
Cross-section random	11.124589	5	0.0490

From Table 4.1, it can be observed that the chi-square value and the probability value of 0.0490 showed that the null hypothesis can be rejected with the alternative accepted. The null hypothesis of the Hausman test is that the random effect method is the more efficient method. At 5% level of significant the fixed effect best explains the output of the regression.

4.2. Presentation and Interpretation of Results

**TABLE 4.2: The Panel Regression Results using Fixed Effect Method
Dependent Variable: GDP per capita**

VARIABLE	COEFF.	T-STAT	P-VALUE
CONSTANT	6918.467	7.422202	0.0000
GINI	-12.76466	-0.617630	0.5373
GED	-1.020353	-0.013997	0.9888
GEH	16.12250	0.282230	0.7780
POV	-99.80518	-7.870229	0.0000
UMP	-36.37892	-1.650025	0.1001
R-SQUARED	0.889232		
ADJ. R ²	0.881736		
S E of Regression.	878.1173		
Sum sq. Res.	2.08 x 10 ⁻⁸		
F-stat	118.6339	Prob. 0.0000	

The regression results presented in table 4.2 above are the output of the fixed effect specification of the Generalized Least Square (GLS) method with GDP as the dependent variable. Only government expenditure on health is positively related to GDP per capita. The other coefficients (GINI, GED, poverty, and unemployment) are all negatively related to GDP per capita. Also, only poverty is significant in its relationship with GDP per capita.

**TABLE 4.3: Showing the Panel Regression Results using Fixed Effect Method
Dependent Variable: Human Development Index (HDI)**

VARIABLE	COEFF.	T-STAT	P-VALUE
CONSTANT	0.544055	11.82478	0.0000
GINI	-0.002362	2.315505	0.0213
GED	0.018019	5.007967	0.0000
GEH	0.012063	4.278290	0.0000
POV	-0.006848	-10.93948	0.0000
UMP	-0.005457	-5.014728	0.0000
R-SQUARED	0.879383		
ADJ. R ²	0.871221		
S E of Regres.	0.043344		
Sum sq. Resi.	0.499727		
F-stat	107.7407		
Prob	0.0000		

However, using HDI as the dependent variable, it is discovered from table 4.4 that all the variables are statistically significant and GINI, poverty and unemployment are negatively related with HDI while a positive relationship exists between HDI and GED & GEH

4.2.1. Discussion of the Results

One of the objectives of this study is to ascertain the better model of economic wellbeing between GDPs per capita and Human Capita Development Index (HDI). From the results presented in tables 4.2 and 4.3, it can be observed that the two models have good R-squared which means that the independent variables are good explanatory variables for the GDP per capita (89 percent) and HDI (88 percent). However, the first regression model has only one significant variable while in the second model where HDI is the dependent variable, all the coefficients are significant and correctly signed. It can be deduced that HDI model is a better model than that of GDP per capita. Also, the Sum Error of regression in the first regression model output (table 3) showed a value of 878.1173 while the other one is 0.043344. This buttresses that the second regression model where HDI is the dependent variable is a better model than that of GDP per capita. This conforms to the assumption of the Least Square estimation technique that describes the best fit as the one which minimizes error or residuals the least.

Table 4.2 showed that for the GINI index, there is a negative relation between the inequality indicator and HDI. This implies that a decrease in the GINI coefficient of a country by one percent will bring about an increase of 0.002 percent in economic wellbeing. Thus, efforts geared towards reducing inequality will improve the economic wellbeing of the people. This conforms to the study conducted by Beck and Katz (1995) which discovered a negative connection between inequality and development indicators.

The relationship between Government expenditures on education and HDI index is significant and positive. This means that the increase in government spending on education in these countries by one percent will increase the economic wellbeing of the people by increasing the HDI index by 0.01percent.

The relationship between Government expenditures on health is significant and positive. Thus, increases in government spending on health by 1 percent in these countries will increase the economic wellbeing of the people by 0.01percent.

The coefficients of poverty and unemployment are negative and are statistically significant on HDI index in all the countries. Thus, any effort to reduce poverty and /or unemployment will have significant effects on the economic wellbeing of the people. This conformed to Keynes view that unemployment reduction is statistically significant in improving quality of life.

5.0. Summary, Recommendations and Conclusion

5.1. Summary

This study employed Huasman Test to determine that the Fixed Effect Method is more efficient in explaining the behaviors of the dependent variables than the Random Effect Method.

Also, in comparing the regression results it is clearly shown that the HDI regression model is better than the GDP per capita model.

When GINI index, GED, GEH, poverty rate and unemployment rate were regressed on GDP per capita, the result shows that only poverty rate is statistically significant. However, all these variables are statistically significant and as apriority expected when they are regressed on HDI.

5.2. Recommendations

This study showed that poverty reduction had a significant effect on economic wellbeing (HDI). Therefore, the governments of SSA countries should embark on programs that directly impact the quality of life of the people and are people oriented. Programs and policies that are individual specific and not group oriented. The program should set the goal of moving a certain number of people out of the poverty trap within a specific time frame and not trying to address the issue of poverty on a wider scale.

The study also revealed that Government expenditures on education and health in SSA countries have positive and significant effects on HDI. It is recommended that spending on current health and educational goods and services should be focused on making these facilities and care available to majority such as cheap primary quality education and health for the rural population and encouraging education and health personnel will assist in advancing quality of life. Therefore, institutions, governments and multi-national organizations should collaborate to provide qualitative and affordable educational goods and services as well as such health goods for the remote and rural population. The type of government spending

proposed is one that affects the life of the people directly via household consumption and not spending on building or ICTs in health.

GINI, a measure of inequality showed a negative statistically significant relationship. It is recommended that the provision of infrastructures, lower taxes, subsidized housing and feeding amongst the poor, and other measures to reduce the inequality gap by government and the private sector should be pursued earnestly. Accessibility to these comforts should not be political.

Evidently a reduction in unemployment would always generate income which will spur production, increase the wellbeing of the people in SSA and encourage economic growth and development.

5.3. Conclusion

This study had revealed HDI as a better measure of economic wellbeing than GDP per capita and regression results showed that an indirect and significant relationship exist amongst poverty and inequality indicators and HDI. This is in consonance with the UNDP idea of launching the Human Development Index to capture not only poverty and inequality related to income groups but also other areas wellbeing. (UNDP, 1990).

The study also showed that unemployment reduction is statistically significant in improving quality of life as advocated by Keynes in his theory. The study also conformed to the study conducted by Brown (2017) specifying that HDI is a better gauge for measuring variations in wellbeing than GDP per capita especially as high-income countries exhibit lower HDI values than low-income countries. Thus, poverty and inequality are manifested in various magnitudes, and any form of impoverishment and deprivation will have a significant effect on the economic wellbeing of the people. This implies that HDI, with a wider coverage, rather than growth in income is a better measure of improvements in life and living conditions which is evident in reduction in poverty and inequality. Thus governments, especially those of SSA should pursue the components and indicators of HDI like education, health, employment and so on to enhance quality of life.

This research is limited to Sub – Saharan African, further research could extend to other regions or continents either independently or comparative studies among continents/ regions could be undertaken.

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