

## THE IMPACTS OF FOREIGN AID ON THE POLITICAL AND ECONOMIC DEVELOPMENT OF NIGERIA

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### Abstract

*The study 'The Impacts of Foreign Aid on the Political and Economic Development of Nigeria' examines the effects of foreign aid on Nigeria's political and economic development including the connections between employment, poverty reduction, and foreign aid in Nigeria. The main objective of this study is to determine how foreign aid affects Nigeria's development, determine the effect of foreign aid on Nigeria's political growth, ascertain the impact of foreign aid on Nigeria's economic progress and discover whether there is a connection between employment, poverty alleviation, and foreign aid in Nigeria. The study used a qualitative approach and applied structural functionalism as the theoretical framework. The study discovered that Foreign aid has expanded the scope of political development in Nigeria, notwithstanding the backwardness in the maintenance of democratic ethos. Foreign aid has boosted economic development in Nigeria despite the high level of corruption associated with the implementation of projects attached to foreign aid. Foreign aid has reduced the high rate of poverty and unemployment in Nigeria but has so far been abused by the leaders of the country. The study recommended the following: Closing any loopholes established by the ruling class in Nigeria, which have led to issues with political growth there, is the best way to maximise the influence of foreign aid on the political development of Nigeria. The Nigerian government should get into the habit of allocating foreign aid to initiatives that will promote economic growth, avoid corruption and moneylaundering, and keep track of the income and expenses associated with funds received from foreign aid to ensure that Nigeria experiences real economic growth. There should be no redirection of monies intended for poverty reduction to another sector; all foreign aid contributed to Nigeria for activities to alleviate or reduce poverty should be used for such programmes.*

**Keywords:** Foreign Aid, Economic Development, Political Development, Poverty, Unemployment

### Introduction

There has been much discussion over the role that foreign aid plays in the development of developing nations. Given its consequences for reducing poverty in developing nations, foreign aid is a crucial topic. Foreign aid and economic development have been the subject of previous empirical investigations, with inconsistent outcomes. For instance, Addison, Mavrotas, and McGillivray (2005) find evidence of a positive influence of foreign help on growth; Abegaz (2005) discover evidence of a negative impact of

foreign aid on growth; and AFDB (2005) and AFDB (2004) find evidence of a lack of evidence of a relationship between aid and growth.

The study's problem is that Nigeria's successive governments tend to rely heavily on foreign assistance. It is essential to note that any nation that depends on foreign help always has a significant position as a developing or third-world nation. This is because Nigeria still relies on industrialised countries for its economic, political, and other needs due to foreign aid. This study's overarching goal is to determine how foreign aid affects Nigeria's development.

The specific objectives of the study include: 1. Determine the impact of foreign aid on the political development of Nigeria. 2. Determine the sway of foreign aid on the economic development of Nigeria. Ascertain if there is any relationship between foreign aid, poverty reduction and employment in Nigeria. Given the importance of foreign aid to the economies of developing countries, it is important to understand its contribution to the economic growth of developing countries. As a result, this study explores the potential impact of foreign aid on Nigeria's economic growth. Although recipient countries employ foreign aid to finance projects, it frees up more government funds that could be used for less visible projects. The theoretical investigation in this study looks at how foreign aid and Nigeria's political and economic development are related. The study's findings and recommendations will elicit debates that broaden the field of inquiry and eventually lead to the creation of new theories. The fact that academics performing relevant research in the future may utilise this work as a resource gives it empirical validity.

The study made some recommendations on how Nigeria may escape its dependence and underdevelopment. The study focused on the political and economic ramifications of Nigeria's reliance on foreign aid from 2015 through 2022. The period was chosen because it is commonly known that Nigeria has not relied on foreign aid since its independence, as was evident in 2015 when President Buhari took office and much worse under President Muhammadu Buhari's administration.

### **The Implication of Foreign Aid on the Political and Economic Development of Nigeria**

Foreign aid is a crucial strategy for assisting African nations to avoid poverty and improve their economic and social development. Nigeria receives more ODA than any other nation in Africa while having generally subpar macroeconomic performance. The term "foreign aid" refers to a broad range of activities, including military assistance, the delivery of weapons, and humanitarian missions in the wake of natural disasters. It is a voluntary transfer of resources from one country to another, claim Uzonwanne and Uju (2015).

It may accomplish one or more goals, such as fortifying a military ally, rewarding a government for desired behaviour, increasing the donor's cultural influence, giving the donor the infrastructure they require to extract resources from the recipient country, or gaining access to other types of commercial opportunities (Uzonwanne and Uju, 2015).

Therefore, given its implications for employment creation and poverty reduction in developing nations, the role of foreign aid in the growth process of developing countries has been a subject of considerable dispute.

According to the OECD-DAC (1999), foreign aid is essential to the development of Sub-Saharan Africa since it improves the amount of money available for investment and the economic growth needed to fight poverty and improve living circumstances on the continent. It also promotes sustainable economic

growth as a result of the transfer of new technology, skills, and manufacturing methods. It provides resources for industrialization, boosts the efficiency of resource use, widens the selection of goods offered, and generates employment.

But even with assistance, developing countries still struggle with severe poverty, slow GDP growth, high mortality rates, and low levels of education.

In 1999, 1.2 billion people had a daily income of less than \$1, and 2.8 billion had a daily income of less than \$2, according to the World Bank (2003). 543 million women and over 854 million people worldwide are illiterate, with the majority of them living in the least developed countries, according to the Human Development Report from 2000. These statistics show the poor levels of human development in developing countries, indicating that the majority of people there live in misery and cruel situations.

It is impossible to overestimate the significance of foreign assistance for the development of developing countries, and given its consequences for lowering poverty in these countries, it has been a contentious issue.

However, there were differences of opinion regarding how economic policy affected how effective foreign aid was in assisting recipient countries. Pederson (1996) contends that the impact of foreign aid on growth may not always be favourable. Morrissey (2001) asserts that aid performs well when other growth regression factors are considered. Boone (1996), Jensen and Paldam (2003), Mosley (1980), Mosley et al. (1987), and Mosley et al. (1987) all found evidence that suggests that assistance has little impact on growth.

The impact of help on growth in underdeveloped countries has not been demonstrated by the authors. In general, additional research is needed to clarify the relationship between aid and economic expansion.

There is no doubt that the Nigerian economy is characterised by low income levels, high unemployment rates, very low industrial capacity utilisation, and high rates of poverty, to name a few of the numerous socioeconomic problems afflicting the nation. As a viable alternative to the insufficient domestic resources to address these concerns, foreign help has been suggested.

The majority of African countries, like Nigeria, have remained underdeveloped whereas many nations (South Korea, North Korea, China, etc.) who have at some point or another received international aid have evolved to the point where they are now aid givers. Even if socioeconomic development has remained stagnant, Nigeria has continued to receive all sorts of foreign aid and continues to collect at least as much as it did in the early 1980s. The persistent sociopolitical crisis, inconsistent policy, macroeconomic instability, and poor governance that is evident in Nigeria are indications of a weak policy framework and should cause one to pause (Salisu, 2007). There may be many qualitative and quantitative factors that contribute to these unfavourable trends.

**Statement of the Situation** An important strategy for decreasing poverty in emerging nations during the past 50 years has been international aid. It is no accident that during this time, significant global institutions like the United Nations, World Bank, and International Monetary Fund were more prominent in discussions on global economic policy (Hjertholm and White 2003). Even though there is a window of opportunity for the world's lesser developed countries (LDCs) to develop using foreign aid, the opposite is the case as they continue to go through economic hardship, raising the question of whether foreign aid is a valuable and successful strategy for promoting growth and development in recipient economies.

Nigeria's economy has experienced a large influx of foreign aid, making it entirely dependent on it. Foreign aid is thought to be a blessing for anybody who receives it, yet many people believe that its

negative effects exceed its benefits. The current state of affairs prevents Nigeria's economy from operating at its fullest potential and instead causes it to operate at a level below it. It is astounding that the majority of the problems that have plagued Nigeria for decades have not been appreciably improved by the foreign aid given to Nigerians.

The Nigerian government's incapacity to improve the internal utilisation of its human and non-human resources and the nation's dependence on foreign aid inflow have severely curtailed efforts to increase the economy's potential.

This has made Nigeria's high unemployment rate a persistent macroeconomic problem. Despite the benefits of the aid given by wealthy countries and international organisations to help in the reduction of poverty, the induction of economic growth, and the improvement of living standards in aid recipient countries. Help may be provided in a bilateral or multilateral manner, according to Berthélemy and Jean-Claude (2006), however, these two types of assistance are different from one another since bilateral aid is given in both directions, from one government to the other.

Bilateral aid is defined as financial assistance provided by a developed nation to a developing one. Political and geopolitical considerations frequently have an impact on bilateral assistance.

These are meant to aid in long-term projects that promote democratic ideals as well as economic growth, stability, and advancement. On the other hand, multilateral assistance is given to a specific country by many other countries or groups. Multilateral aid is the term for the financial assistance provided by many different states to international institutions like the World Bank, the United Nations, and the International Monetary Fund, which are then used to aid developing nations in their attempts to combat poverty. Although it only constitutes a minor percentage of US foreign aid, this sector is responsible for (Anwar, 2000) of the nation's contributions.

Barret (1998) also argued that foreign aid could take the form of food aid, which has to do with food aid schemes and humanitarian food aid. By delivering fiscal resources via counterpart funds generated by the local sale of programme food aid, a scheme like this is expected to offer some relief from the foreign exchange constraints on the procurement of the necessary intermediate inputs. These funds can be used by the recipient country to support agricultural extension and research as well as upgrades to rural infrastructure. However, programme food aid may have a Dutch disease-like effect on regional food producers, making it harder for them to compete in the global food market.

A different kind of aid that poor countries regularly utilise, according to Riddell (2007), is technical aid. Giving technical assistance (TA) includes imparting knowledge, skills, and recommendations. Elementary and secondary schools in poor countries have long received technical assistance in the form of qualified teachers. Additionally, more specialised trainers have continuously carried out skills training assignments to meet their expectations and achieve their short-term objectives. For instance, the Overseas Development Institute (ODI), situated in London, offers fellowships to new economics graduates and positions them in critical ministries in developing countries.

On the other hand, since the middle of the 1990s, project aid has been a declining form of ODA, albeit ODA for specific projects is still prevalent.

The majority of project aid comes from funding for interventions in fields including health, education, rural development, including agriculture, transportation and electricity, housing, and water supply and sanitation. However, only a small part of project money is allocated to industrial, mining, commercial, and cultural endeavours (Riddell, 2007).

Many ODA-funded development initiatives aim to achieve certain outcomes by providing the tools, skills, and procedures that the recipient country needs (Alesina & Dollar, 2000). When describing humanitarian aid or emergency aid during and after natural disasters and man-made crises, Kabete (2008:12) stated that its goals are "to save lives, alleviate suffering, and enable those suffering to maintain (or retain) their human dignity." Humanitarian aid has generally been successful in achieving its quantifiable objectives, such as saving lives, feeding the hungry, providing healthcare and medications to those at risk for acute disease in disasters, and providing water, sanitation, and shelter to those whose homes have been destroyed. But there are persistent internal conflicts in places where there is a lot of violence.

The earliest definition of development was the increase in output over time, and later it came to mean the increase in output per person. (Ahmad, Robert Ayres, Gary Fields, Helena Ribe, Lyn Squire, Mark Suridberg, and Michael Walle, 1990) Growth and development were commonly used in the same sentence. In the 1950s and 1960s, many developing countries achieved their economic growth objectives, but the general standard of living did not rise. In reality, persistent poverty, ignorance, and sickness still plagued emerging countries.

This implied that the criteria for measuring economic advancement were flawed.

Most economists opposed the GNP and defined progress as eliminating poverty, illiteracy, and disease, changing the composition of input and output, and increasing the output of material goods per person. An increase in the output of goods and services and income does not necessarily indicate an improvement in the standard of living of the population because GDP is a constrained measure of economic development that excludes noneconomic indicators like leisure time, access to health, education, the environment, freedom, and social justice.

According to Easterly (2005), economic development is the process through which developing nations' economies are transformed into modern industrial economies. It entails both qualitative and quantitative improvements to a country's economy. The concept of economic advancement includes political and social transformations in addition to economic developments. Economic development is typically defined as the following: increases in material welfare, especially for those with the lowest incomes; the eradication of mass poverty and its correlates of illiteracy, disease, and early death; changes in the composition of inputs and output, which typically include shifts in the underlying structure of production away from agricultural towards industrial activities; and the structuring of the economy so that productive employment opportunities are available.

Development aims to create an environment in which everyone can realise their potential and enhance opportunities for both the present and future generations, according to the United Nations Human Development Report from 1994. No one indicator of progress can accurately represent the process of economic growth because it is a complex concept with many different components. It should be clear that these development indicators or measurements are valid and comparable. Per capita, income is one of the earliest and most used measures of economic development. Some economists have emphasised a few social variables as a gauge of progress, including employment rates, health outcomes, and literacy rates, while others have emphasised the fall in poverty as an essential development indicator.



### **Relationship between Foreign Aid and Poverty Reduction in Nigeria**

It is critical to discuss poverty in Nigeria before delving into the relationship between foreign aid and poverty eradication in Nigeria. Poverty is characterised as a situation in which a person's basic needs, such as those for clothing, food, and shelter, are not met. There are two ways that poverty can show itself. Absolute poverty is when a person does not have access to enough resources (measured in terms of calories or nutrients) to sustain a minimal level of physical health. Absolute poverty is the same everywhere and can be eradicated, as certain nations have demonstrated. **Relative poverty** happens when people do not have the bare necessities of life that are established by a government and are normally enjoyed by the majority of the populace. These specifications vary from one nation to the next, and occasionally even within a single nation.

Poverty is a widespread problem in Nigeria, much like other problems that are plaguing the political system. The existence of widespread and extreme poverty has been acknowledged (CBN/World Bank, 1996). Despite Nigeria's wealth of resources, poverty is a multifaceted issue with many diverse facets (Khan, 2000). Thus, through investigating the subject, we may learn more about the various perspectives and issues surrounding rural poverty in Nigeria. The incidence of poverty in the nation reached alarming levels when the 2010 Millennium Development Goals (MDGs) report revealed that more than 50% of Nigerians were living in chronic poverty, with the majority of them in rural areas. According to statistics, Nigeria's degree of poverty is highly concerning, its child mortality rate is rising, its life expectancy is poor, and its children are dying from diseases that could be averted if the country's medical and healthcare facilities were better.

Nigeria has tried numerous times to combat poverty with aid from abroad, but none of those initiatives have been successful. Although Nigeria has employed a variety of tactics to fight poverty, the rate at which it is spreading is frightening (Appleton et al., 2008). Nigeria's relative measurement increased from 54.4% in 2009 to 69% in 2010 (CBN/World Bank, 2010). 2010 saw the highest rates of poverty in the country in the North-West and North-East geographic zones, with 77.7% and 76.3% of the population, respectively. The lowest percentage, 59.1%, was found in the South-West geopolitical zone. In 2010, Sokoto had the greatest poverty rate (86.4%), while Niger had the lowest (43.6%).

As a gauge of poverty, the population is referred to as the dollar-per-day population if they make less than \$1 per day. In 2004, 51.6% of Nigerians lived on less than \$1 per day; by 2010, however, this percentage had increased to \$2 per day (CBN/World Bank, 2010). Regarding this, 75.5% of Nigerians declared themselves to be poor in 2004, 2010, and 2013, with the situation deteriorating in 2015 and 2016 as more people declared themselves to be poor as a result of the start of the recession in the Nigerian economy. The phrase "poverty reduction" in this context alludes to a decrease, much as a decrease in unemployment.

As a result, both the quantity and size of the unemployed have dropped.

The term "poverty reduction" in this study is defined as "physical reduction in the incidence of poverty in number and size." reducing the number of those in poverty from a high to a low level. This is achieved through empowerment and capacity building in a welcoming environment. Empowerment and capacity growth are useless without an environment that supports them. According to Oyeranti and Olayiwola (2005), extreme deprivation of some basic human needs at the individual or family level constitutes poverty. In other words, poverty is a condition of material lack that has a monetary value. Lack of resources to fulfil human aspirations can be linked to deprivation, as can not having the money to acquire the things needed to do so. Low living conditions may result from this condition.

### **Causes of Poverty**

Academics and organisations who support identifying poverty's causes have taken a variety of positions to underline their points. The World Bank identified the causes of poverty and created an action plan in 2000–2001. The bank claims that examining the factors that poor individuals emphasise is one method to look at the causes of poverty. For illustration:

1. Inability to get essentials of life, such as food, shelter, clothes, and levels of health and education that are acceptable, due to a lack of money and assets.
2. A feeling of helplessness and impotence concerning governmental and social institutions.
3. vulnerability to negative shocks and incapacity to handle them

The bank did not cite a lack of opportunities as a cause of poverty. A lack of choices for generating income is the cause of the bank's criticism regarding a lack of income. Malnutrition, disease, and a lack of or limited access to basic services like education are just a few examples of how poverty can show itself, according to the United Nations (1995) and the World Bank (1990). Poverty also has many other forms, including a lack of the resources and revenue necessary to support sustainable development. Another aspect of poverty is the absence of participation in political, civil, social, and cultural life. Political economists who share the same beliefs as Walter Rodney, Karl Marx, Eskor Toyo, and others, however, have a more radical understanding of what leads to poverty in developing countries.

These academics attributed the underdevelopment of the developing world to interactions between the Global North (developed nations like Europe) and the Global South (less developed nations). The relationship between the core and the periphery prevented the development of indigenous capabilities and initiatives. They contend that the exploitative inequality between the Global North and the Global South is to blame for the terrible poverty in the developing countries.

### **Foreign Aid and Poverty Reduction in Nigeria**

The current influx of foreign aid was sparked by the economic collapse of the 1930s, which brought about the current global economic crisis, political radicalism, and the outbreak of World War II. Foreign assistance, according to Todaro and Smith (2011), is any grant or loan with advantageous terms that is meant to transfer money from developed to poor countries for development, alleviating poverty, or sharing income. The Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) defines foreign aid as official development assistance, which consists of grants or loans that one government (bilaterally) or multilateral organisation provides to a developing country to support social welfare and economic development.

According to them (OECD), Official Development Assistance (ODA) is determined as the amount of grants and loans to assistance recipients that:

- a. Are undertaken by the official sector of the donor country
- b. Have as the main objective the promotion of economic development and welfare in recipient countries and
- c. Be in good financial standing, which means that grants account for at least 25% of the total. The

conceptualizations of aid described above demonstrate that assistance is not the same as a loan. Even if help is more comprehensive and all-encompassing, loans are still included in it. It usually forms part of a complete aid package. Aid may be given for a variety of reasons, such as rewarding a government for behaving in a way that the donor prefers, expanding the donor's cultural influence, expressing diplomatic acceptance, fortifying a military ally, rewarding a government for desired behaviour, providing the infrastructure required for the donor to extract resources from the recipient country, or gaining other types of commercial access.

Foreign aid can come in a variety of shapes, according to Riddell's 2007 research, including gifts, loans, grants of money, talents, and technical experience. Additionally, donors may provide beneficiaries loans with low-interest rates or grants of money in the form of gifts. Abiola (2008) asserts that ODA is a crucial tool for advancing food security, agriculture, and rural development, as well as for enhancing public health, education, and infrastructure. Bakare (2011) contends similar reasons that:

*Foreign aid is a means of increasing the capital available for investment and the economic growth needed to reduce poverty and raise living standards in sub-Saharan Africa. He further stressed that it can provide resources for industrialization, enhance efficiency of resource use, increase product diversity and generate employment, (OECD-DAC, 1999). He however observed that in the absence of regulations governing natural resource extraction, or when they are weak or poorly enforced, increased openness to foreign aid can accelerate unsustainable resource use patterns*

Ekiring (2000) defined foreign aid as an exchange of resources between nations that benefits the recipients of such exchange (as cited by Inanga Eno L. and Mandah E. (2008)). She claims that such assistance is given in a variety of ways, such as capital transfers, which can be made in the form of cash grants, grants in kind, or loans, technical assistance and training grants, which are frequently made in the form of technical equipment and human resources, and military assistance, which can be provided in the form of either equipment or training consultants. Official development assistance (ODA), a type of foreign aid, supports local financing for economic growth in Nigeria by playing a crucial role, claims Abiola (2008).

The Nigerian government has received support from a variety of sources in its efforts to combat poverty and promote sustainable development. They include:

#### **(a) The Paris club of creditors**

This unofficial coalition of creditor countries was established to address the debtor countries' payment problems. Among the 19 permanent members of the Paris Club are most of the Western European and Scandinavian nations, as well as the United States, the United Kingdom, and Japan. The Paris Club highlights the informal character of its existence by referring to itself as a "non-institution" It is an informal body without any statutes or a commencement date, but having its first meeting with Argentina, a nation that owed money to another nation, in 1956. The Paris Club members get together once a month to talk about issues that might involve negotiations with one or more debtor countries that have complied with the Club's rules for debt negotiation.

The two main conditions that must be met by a debtor country are that it be committed to enacting economic reform and that it has a proven need for debt relief, which in practise means that it already has an active programme with the International Monetary Fund (IMF) that is supported by a conditional arrangement.



### **The London club of creditors**

Similar to the Paris Club of public lenders, this informal group of private creditors functions on a global basis. The club held its first meeting in 1976 in response to Zaire's troubles paying its debts. The club is also responsible for changing the due dates for payments made by countries to commercial banks. They primarily make uninsured, unsecured loans.

#### **(b) Multilateral Creditors**

Among these international agencies are the International Finance Corporation, the International Development Association, the European Economic Community, the African Development Bank, and the Global Bank for Reconstruction and Development.

#### **(c) Bilateral Creditors**

These lenders frequently provide loans for economic growth. The United States of America, Japan, the East European nations, and the European Union are all members.

#### **(d) Promissory Note Creditors**

Uninsured trade loans are something that these lenders do, and they typically happen as a result of trade arrears. Promissory notes were used by Nigeria to sustain it during its trade backlogs in 1982 and 1983. Numerous types of aid have been given to various countries since the beginning of the assistance system, including:

##### **(1) Official Development Assistance:**

Official development assistance (ODA) is the most significant form of foreign aid offered by donor governments to low- and middle-income countries, particularly those in Africa. This kind of aid has long been provided to Nigerians. ODA surged immediately during World War II and the Cold War; however, it declined following the conflict in 1990. The necessity to fight terrorism, advance development, and support other liberal ideas globally led to a surge in ODA again after the terrorist attack on the US in September 2001.

##### **(2) Official Assistance(OA):**

This is the kind of assistance that the governments of the donors provide to wealthy countries like Israel, Singapore, and other areas, as well as to former USSR member states.

**(3) Private Voluntary Assistance (PVA):** They take the form of donations from non-governmental groups, religious institutions, philanthropic foundations, and private corporations. Usually given to underdeveloped countries like Nigeria.

##### **(4) Bilateral and Multilateral aids:**

Bilateral aid is aid that is given on a one-to-one basis between two countries; multilateral aid, on the other hand, refers to funds that are pooled from numerous countries and donor organisations and are frequently managed by the World Bank and IMF. One of the foundations of the 1945 Breton Woods Agreement was the creation of an assistance system. The theory views the ideal situation as a free capital market that allows unfettered entry of foreign aid. This concept served as the basis for the Marshall Aid Assistance, which was provided to Western Europe to aid in the recovery of its post-World War II economic collapse.

After successfully rebuilding the post-World War II European economy, the IMF and World Bank turned their attention to emerging nations with a new goal in mind: one that is profit-oriented. Todaro (1977), who was cited by Funso & Dare (2010), claimed that the assistance system has remained a persistent phenomenon of the international economic system ever since. Given Nigeria's monocultural economy and the dominance of leadership with limited vision, which both make the country vulnerable to the negative effects of the expansion, contraction, and boom-bust cycles of the global economy, the debt crisis in Nigeria must be understood in the context of Nigeria's political economy.

Nigeria's monocultural economy—oil—saw an economic boom in the early 1970s, but due to bad economic planning on the part of the government, oil earnings started to decline in the late 1970s and early 1980s, which led to a problem of external debt for the country. Nigeria expressly borrowed \$13.1 million from the Italian government in 1964 to construct the Niger Dam, marking the country's first debt from an external source. By 1970, Nigeria's external debts had reached \$1 billion. By the 1980s, they had grown to \$19 billion, and by 2004 they had reached \$35 billion.

In 2004, it was accepted that Nigeria's government was borrowing money from its foreign debt and that debt relief was necessary for the country to attain the Millennium Development Goals (MDGs). After receiving an 18 billion dollar debt relief in 2005, Nigeria paid back 12 billion dollars to the Paris Club of Creditors (Ayodele et al., 2005). Following that, aid flows rose to US\$1.29 billion in 2008 and stayed above that amount until they reached US\$1.78 billion for Nigeria in 2011. Between 1960 and the present, Nigeria has received assistance from a wide range of groups and countries, leaving the country heavily indebted to them and increasing the rate of poverty in the process.

The definition of poverty is not universally accepted. It is rarely defined in isolation but rather concerns other concepts like equity, growth, and well-being. One of its key qualities is the complexity, multifacetedness, and wide range of definitions associated with the concept of poverty. According to the Oxford Dictionary (1988), "poverty" is the state of being exceedingly poor. Similar names (synonyms) for poverty include beggary, bankruptcy, debt, destitution, hardship, indigence, and insolvency. Others are shortage, dearth, famine, paucity, lack, and lack. These words seem to have adverse connotations, rendering poverty a completely unpleasant reality.

The concept of poverty is ill-defined. The word can be used to describe a wide range of challenges, including those that are social, political, spiritual, economic, and cultural. Other characteristics of poverty include vulnerability, a lack of fundamental needs and possessions, a low-income rate, a lack of access to helpful resources and necessary social services, and more.

Copenhagen (1995) wrote in his book *World Summit for Social Development* that poverty has many different manifestations or indicators, including a lack of income and productive resources necessary to ensure sustainable livelihoods, hunger and malnutrition, illness, limited or no access to education and other basic services, an increase in morbidity and mortality from illness, homelessness and inadequate housing, unsafe environments, and social discrimination.

Oyeranti and Olayiwola (2005) defined poverty as the extreme deprivation of some basic human needs at the individual or household level. In other words, poverty is a condition of material lack that has a monetary value. Deprivation can be linked to the absence of money needed to spend and purchase the items required to satisfy human aspirations. This disorder could lead to poor living conditions. Although "poverty" has many distinct definitions and manifestations, this study examines it from the standpoint of "absolute poverty." Low income, poor health, insufficient housing, insufficient clothing, and of course a lack of practical knowledge all contribute to absolute poverty.

Therefore, evidence of this situation may be found in the low standard of living of those in Nigeria whose lives are defined by all of the indicators of absolute poverty. They live in deplorable conditions and suffer from hunger, a lack of education, illness, inadequate nutrition, and unclean clothing. Nigeria's economy has recently grown significantly. Over the past ten years or so, the country has been able to sustain economic growth at a rate of about 6-7%. These data show that Nigeria's economy not only grew considerably faster than the sub-Saharan average of 5.6% but also increased at the third-fastest rate among the EM10, a group of 10 developing markets, after China and India.

The economy of the country expanded so swiftly that it was able to jump from a GDP of \$46 billion in 2000 to one of \$264 billion in 2013 (Enweremadu, 2013). The economy just underwent a rebasing, and by the end of 2013, it was the largest economy in Africa with a size of \$509 billion. Despite having a high GDP, abundant natural resources, and a sizable population, Nigeria is one of the poorest nations in the world. This follows the publication of every Human Development Report (HDR) the United Nations Development Programme (UNDP) has put out since 2003, as stated by (Njoku, 2011). This begs the question of why one of the recipients of aid from developed countries is Nigeria.

Despite the country's significant GDP growth, the vast majority of Nigerians have not seen their standard of living increase or their degree of poverty decline. According to Appleton et al. (2008), poverty persists in contemporary Nigeria despite several initiatives and policies aimed at combating it. In reality, the country's performance is at odds with the global trend of poverty reduction, particularly in other countries like Nigeria which are seeing rapid economic growth, according to a 2014 World Bank assessment (World Bank, 2014; 16).

For instance, the percentage of Nigerians living in extreme poverty—defined as earning less than \$1 per day based on an adjusted purchasing power parity—rose from 54.7% in 2004 to 61.2% in 2010 (National Bureau of Statistics, 2012), according to official data issued by Nigeria's National Bureau of Statistics. Actual poverty rates in Nigeria are likely much lower than those estimated using data from the 2009–2010 NBS survey, according to recent World Bank research. In 2009/2010 and 2012/2013, respectively, 35.2 and 33.1 percent of the population were deemed to be living in poverty, according to the Bank (World Bank, 2014: 17).

This remains a substantial number given the size of Nigeria. According to the World Bank, 7% of the world's population lives in poverty, placing Nigeria third globally in terms of the number of poor people (Ogunbiyi, 2014). Because of this, Nigeria continues to receive various forms of assistance from other countries in its efforts to eradicate poverty. It's crucial to consider how Nigeria has been impacted by the foreign aid it has received. The impact of foreign aid on the reduction of poverty in Nigeria is still a topic of much debate.

Given its significance to the economies of the Less Developing Countries (LDC), it is crucial to understand how foreign aid works to eradicate poverty in developing countries.

The majority of those who oppose aid argue that it has benefited the powerful and privileged while bolstering unjust governments in the countries it is given. On the other hand, several pro-aid organisations have defended aid and asserted that it might significantly contribute to eradicating poverty, fostering economic expansion, and addressing problems regarding income imbalance (Nakamura & McPherson, 2005; Ijaiya & Ijaiya, 2004). The amount of aid being provided to developing nations by multilateral and bilateral donors has increased, necessitating the inquiry "Is aid effective in reducing poverty in developing countries?"

Olofin (2013) contends that despite an increase in foreign aid and a rising working population, poverty and unemployment persist in developing countries like Nigeria. A country's economy may be impacted by aid and grants in many ways, such as by boosting investment, human and physical capital, and the nation's capacity to purchase capital goods and technologies. Morrissey (2001) asserts that aid is associated with technology transfers that promote endogenous technological advancements and increase capital productivity. Given how severe poverty is everywhere, one may contend that charity is but a drop in the ocean. However, by taking into account changes in purchasing power, aid that is used for simple consumption transfers will eventually alleviate extreme poverty (White, 1996). Resources are becoming increasingly scarce in emerging nations.

The bulk of these countries have worrying debt profiles, and it is concerning that they continue to rely heavily on grants and international help. Unfortunately, even while assistance keeps trickling in, the debt load is completely unmanageable. As official development assistance flows to recipient poor countries have been declining over the past ten years, developing countries must seek out alternative solutions to the serious resource problems, articulate ways of effectively utilising aid through the right policies, and find innovative ways to attract additional aid. Over the past 50 years, foreign aid has evolved into a crucial strategy for eradicating poverty in developing countries.

It is no accident that during this time, significant international institutions like the United Nations, World Bank, and International Monetary Fund started to take centre stage in discussions on global economic policy (Hjertholm & White, 2003). Given that LDCs continue to encounter economic hardship around the world, it begs the question of whether foreign aid is a practical and effective method for fostering growth, development, and the eradication of poverty in Nigeria. Is it necessary to inquire whether foreign aid encourages economic progress in less developed countries? Then, how does foreign aid affect growth? Many academics have been interested in this topic for many years.

This led some academics to question if economic policy has an impact on how effective international aid is in the countries that receive it.

It is impossible to conclude that foreign aid has a positive impact on growth, claims Pedersen (1996). Morrissey (2001) asserts that aid performs well when other growth regression factors are considered. Boone (1996), Jensen and Paldam (2003), Mosley (1980), Mosley, et al. (1987), Mosley, et al. (1988), and others discovered evidence to support this claim. Many other researchers discover evidence that, while aid can have an impact on growth, it can also have a detrimental effect on the development of developing countries' economies.

Developing nations like Nigeria are in reality distinguished by low levels of income, high levels of unemployment, very low industrial capacity utilisation, and high levels of poverty, to name just a few of the numerous economic difficulties these countries usually deal with. Foreign assistance has been suggested as a viable option for augmenting the insufficient domestic resources to address these problems. While some countries that have previously received aid from abroad have advanced to the point where they are now aid donors (South Korea, North Korea, China, etc.), the majority of African countries, including Nigeria, have remained poor.

Nigeria continues to pay at least as much as it did in the early 1960s and the 1980s and receives various forms of foreign aid, but socioeconomic growth has remained dismal. The persistent sociopolitical unrest, inconsistent government policies, macroeconomic instability, and poor governance seen in many developing countries are blatant indications of insufficient policy frameworks, even though there may be a wide range of qualitative and quantitative factors contributing to these unfavourable trends (Salisu,

2007). Whitaker (2006) asserts that while foreign assistance contributions may occasionally have a positive impact on a nation's economic development, this is not always the case. Foreign aid typically has a detrimental effect on economic growth.

According to Sachs and George (2009), in response to the terrible poverty experienced worldwide, the United Nations developed a list of Millennium Development Goals (MDGs) in 2000. By being accomplished by the year 2015, these objectives are intended to support continued efforts to eliminate poverty. One of the main commitments required to accomplish the Millennium Development Goals (MDGs) was for wealthy, highly industrialised nations to increase their aid to poor nations to 0.7 percent of their gross national income, a goal that had been set since the middle of the 1960s.

Despite the increased inflow of foreign aid into the nation and the enormous potential of foreign aid to accelerate economic growth by bridging the savings and foreign exchange gaps, the Nigerian economy continues to be characterised by low levels of income, high levels of unemployment, very low industrial capacity utilisation, and high levels of poverty, as noted by (Fasanya & Onakoya, 2012). Nigeria's slow economic growth as a result was highlighted by Njoku (2011). He also argued that Nigeria's use of a monoculture economy, together with its rapid population expansion, reliance on imports, political upheaval, etc., are probably contributing factors to the nation's weak economic growth. Thus, it is discovered that there is a mismatch between the amount of savings, foreign currency, government revenue, and domestically accessible talents and the expected amount of resources needed to achieve development objectives that lead to poverty reduction in Nigeria. The major issue is whether Help has successfully achieved its goals by looking at how development and poverty levels in Nigeria have changed.

The goal of this study is to ascertain the nature of the connection between foreign aid and the decline in poverty in Nigeria as measured by the health of the national economy. To do this, it is necessary to critically analyse the politics of ODA and the conditions that are associated with it.

This would enable us to evaluate the causes of these circumstances and how they affect the effects of official development assistance on economic expansion and the eradication of poverty in Nigeria.

## **Theoretical Framework**

### **Theory of structural functionalism**

According to the structural functionalism school of thought, each of the institutions, relationships, roles, and social norms that collectively make up a society has a function and is essential to the survival of others as well as of society as a whole. This school of thought is common in political science, sociology, and other social sciences. In the context of structural functionalism, social change is seen as an adaptive response to an internal conflict inside a social system. When one of a system's components changes, the entire integrated social system may become stressed. The other elements will change appropriately, releasing this tension.

The interdependence of society's constituent parts, according to French social scientist Émile Durkheim, imposes structure on institutions' and their members' behaviour. The idea of social structure as we understand it today is based on this hypothesis. According to Durkheim, the interactions between the many components of society helped to form a cohesive whole with its own unique set of characteristics that existed independently of people but had an influence on how they behaved.



According to Durkheim, a group can be held together on one of two different bases: mechanical solidarity, which is the sentimental attraction of social units or groups that perform the same or similar functions, like preindustrial self-sufficient farmers; or organic solidarity, which is an interdependence based on various functions and specialisation, like that found in a factory, the military, the government, or other complex organisations. Other theorists like Henry Maine and Ferdinand Tönnies also made similar distinctions in Durkheim's era.

The concept of social structure was given a major place in A.R. Radcliffe-Brown's approach and was connected to the concept of function.

He contends that every component of the social system has a vital function for others as well as for society as a whole, which is seen as an organically interconnected whole. The existence of the others is necessary for each element to survive. His comparative analysis of preliterate tribes demonstrated the extent to which institutions were interdependent in regulating various facets of social and personal life. Radcliffe-Brown's experimental descriptions of social structure might be regarded as structured, or "normal," social relationships, i.e., social activity that complies with pre-existing social norms or regulations. These regulations require society's participants to take part in constructive social activities.

The American sociologist Talcott Parsons defined the "functional prerequisites" that any social system had to fulfil to endure. These prerequisites included creating regular interpersonal arrangements (structures), defining relationships with the outside world, setting boundaries, and enlisting and managing members. This slightly altered structural functionalism. Parsons, Robert K. Merton, and others grouped these systems according to their goals. This tactic, sometimes known as systems theory or structural-functional analysis, was employed so frequently that some sociologists mistakenly believed it to be the same as the academic study of social organisation.

The dominance of structural functionalism was overthrown in the 1960s, however, when new arguments questioning the functionalist notion that institutional practices were required for a society to thrive appeared. Some saw this point of view as a component of a conservative worldview that justified the status quo and so prevented social progress, along with the notion that the stratification system selected the most qualified and deserving individuals to meet society's needs. Additionally, it ignored the potential contribution each person may bring to society. In response to these criticisms of structural functionalism, some sociologists proposed the concept of "conflict sociology," which held that conflict permeates every aspect of society, including the family, the economy, the government, and education, and that powerful institutions repress weaker groups.

This neo-Marxist perspective, which had an impact on many young sociologists, was born out of the social upheaval of the civil rights movement and the antiwar movement in the United States in the 1960s and 1970s. Numerous other theoretical perspectives have criticised structural functionalism as well. These include the assertions that it lacked an empirical validation methodology, that it was tautological, teleological, or overly abstract, that it failed to adequately understand social change as an adaptive response, and that it was based on flawed comparisons between societies and biological organisms. The concept is relevant to the study that contrasts each nation's structural functionality. The maintenance requirements of a structured social system were highlighted by structural-functionalism as being influenced by the formal arrangement of the components and their functional links. Any institution, which is defined as a "recurrent social activity" or institution, was meant to contribute to the maintenance of the larger structural whole. Because of this, it is customary in many highly developed countries to aid the political and economic development of less developed countries.

## METHODOLOGY

The scholars employed secondary data as part of their qualitative research methodology. A longitudinal design was also adopted by the researcher. When the same variables are frequently observed over a short or long period, the study is said to have a longitudinal design. An observational study is a typical type of it. Since the issue of foreign aid and its effects on Nigeria's economic development are analogous to recurrent decimals, the researcher employed a longitudinal approach.

## Findings

The study's findings revealed that:

1. Foreign aid has broadened Nigeria's political growth even if Nigeria is still behind in upholding a democratic spirit.
2. Despite the significant amount of corruption connected with the execution of the projects related to foreign aid, Nigeria's economic progress has increased.
3. Although Nigeria's authorities have thus far exploited foreign aid, it has helped to lessen the high rates of poverty and unemployment in the nation.

## Conclusion

Foreign aid seems to be a contentious topic in every aspect. According to the research on the subject, it is regrettable, though probably not unexpected, that the use of econometric methodologies should produce such radically different findings about the effectiveness of helping poor nations. The inclusion or exclusion of any of the many help components in econometric research and models is not yet a regular procedure and therefore does not yet exist in econometric models of aid effectiveness, claims Cassen (1986). Nations also have different laws, elements, and circumstances. As a result, the aid-growth relationship is not governed by any defined rules, and their relationship may be undermined by other factors.

In general, it appears unlikely that utilising econometric methods alone—no matter how complex they may be—would produce trustworthy results. Therefore, since it depends on the perspective, particular circumstances, and international markets of each assistance-favoured nation, there can never be a conclusively truthful answer to the question of whether foreign help encourages economic growth in developing countries.

A decrease in the total quantity of aid given by rich nations could be a positive step if it is more centred on the recipients' genuine needs for development and offers them greater freedom and autonomy to achieve their goals. Due to the expanding quantity of development aid that is increasingly being directed through multilateral aid agencies like the World Bank, political objectives may be less definite than those of individual donor states. The growing support and involvement of private NGOs from donor governments in both rich and developing countries is another encouraging development.

Future foreign aid will likely depend on effective governmental initiatives and market reforms. Giving the LDCs more access to the markets of the wealthier nations should be added to this to accomplish the WTO's objectives.

## Recommendations

The researchers made the following recommendations:

1. To maximise the influence of foreign aid on Nigeria's political development, any loopholes created by the ruling class in Nigeria should be closed. These loopholes are the root of the country's current political development issues.
2. The Nigerian government should get into the habit of allocating foreign aid to initiatives that will promote economic growth, avoid corruption and moneylaundering, and keep records of the income and expenses made with the aid money.
3. Foreign aid given to Nigeria for activities aimed at reducing or alleviating poverty must be used for such programmes; it must not be diverted to another industry.

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