

Nexus between participation in nonfarm enterprises and poverty among rural farm households: evidence from Nigeria

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Abstract

Purpose – Despite a reduction in poverty the global population in 2015, the incidence of poverty remains very high in Sub-Saharan African countries. Most of the countries in the region are agrarian, with most of their population residing in rural areas, and a majority of the poor in the region are found in Nigeria. This study examined the nexus between participation in nonfarm enterprises (NFEs) and poverty among rural farm households in Nigeria and across the six geopolitical zones.

Design/methodology/approach – The Nigerian Living Standard Survey (NLSS) conducted in 2018–2019 by the National Bureau of Statistics was used. We made use of 13,440 farm households with useful information for the purpose of this study. The sample comprises 6,885 households that participated in NFEs and 6,555 nonparticipating households. The data were analyzed with Foster, Greer, and Thorbecke (FGT) (1984) metrics, probit, and fractional probit models at $p = 0.05$.

Findings – The incidence of poverty was lower among the participating households than in the nonparticipating households. Participation in NFEs had a mitigating effect on poverty. We also established that zonal differentials in poverty rates exist among households in all the analyses. Participation in NFEs was influenced by individual, household, and institutional factors and was also able to explain the depth of poverty among the respondents.

Practical implications – It is suggested that poverty alleviation policies should be targeted at improving access to nonfarm economic activities by rural farm households residing in vulnerable geopolitical zones.

Originality/value – This study is the first attempt to profile household poverty based on the type of NFEs they are involved in. The study also provides an insight into the effect of the state of residence on zonal poverty models, which is expedient if the country must achieve Sustainable Development Goal 1 on the eradication of poverty everywhere.

