



Nigeria's Standard of Living in the Face of Inflation

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

Inflation in Nigeria has been the major problem causing a lower standard of living for people as it erodes the purchasing power of people. As such, studies have been conducted but with different findings. Furthermore, theoretically and practically, Nigeria experiences economic and social instability owing to the fact that it consumes more than it produces, and imports most of the raw materials for the little production it makes. This has however made the cost of living high. Hence, this study examines the impact of the inflation rate on the standard of living of people in Nigeria, collecting data that span from 1999 to 2022. To estimate the parameters of the model, the Autoregressive Distributed Lag Model was employed. From the long-run result, Manufacturing Capacity Utilization (MCU) and exchange rate (EXCR) have a negative impact on the standard of living, while the Consumer Price Index (CPI) and unemployment rate (UNEM) have a positive impact. The short-run impact shows that CPI, MCU and UNEM have a positive impact, while EXCR has a negative impact. As a result of these findings, the study recommends that the government should put measures in place to reduce the rate of inflation, even though it has a positive impact on this study. This can be done by encouraging investments in the manufacturing sector. This will equally increase the manufacturing capacity utilization, and reduce the unemployment rate, thus, increasing the standard of living of people.

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1. INTRODUCTION

The fundamental dimensions of economic well-being wield substantial influence over the socioeconomic structure of nations. The inflationary pressures and their effect on the standard of living of people have seized global attention. Across the globe, countries grappled with multifaceted challenges, stemming from the relentless surge in prices and the collective aspiration for enhanced living conditions for their citizens [1]. The effect of inflation is felt in our daily lives as it directly impacts private consumption capacity [2]. Mukhtar et al. [3] asserted that Inflation is an inevitable property of any economy in the world. Inflation, characterized by the sustained increase in the general price level of goods and services within an economy, possesses the subtle yet far-reaching potential to erode a nation's currency's purchasing power. Inflation stands at the confluence of numerous economic factors, each laden with profound and extensive implications.

Conversely, Muhammad et al. [4] define the standard of living as the quality and quantities of goods and services available to the total number of people living in a geographical area at a particular time for some time. The standard of living comprises a multitude of socio-economic factors collectively shaping the quality of life and material well-being experienced by a given population. Shahzad et al. [5] pointed out that as the prices of commodities increase, consumers' marginal propensity to save declines, thereby adversely affecting the standard of living.

The United States, often regarded as an economic powerhouse has not been immune to the far-reaching effects of inflation. In 2011, the United States contended with an annual inflation rate of 3.8%. Over the past decade, inflation has gradually risen, reaching approximately 7% by 2021, but dropped to 3.7 in 2023 [6]. However, 11.6% of the total population of Americans lives in poverty as of January 2021 [7]. This adversely affects the standard of living of the Americans. In a similar vein, South Africa which is recognized as the continent's economic gateway has also grappled with inflationary pressures. She encountered an inflation rate of 5.7% in 2013. Fast forward to 2022, the inflation rate stands at approximately 6.9%, pushing the lower-middle-income poverty rate to 41.1% [8].

The dynamic relationship between inflation and the standard of living is marked by rising prices, exerting pressures on the resources available to individuals and families, subsequently affecting their capacity to access essential goods and services and, ultimately, their overall quality of life [9]. In an era where inflationary trends transcend national borders, it becomes indispensable to dissect the unique local intricacies and challenges faced by Nigeria's diverse population in their pursuit of maintaining and enhancing their standard of living amidst shifting economic conditions [10].

Nigeria, a nation brimming with economic potential, has faced its own share of inflation-related challenges. In 2018, Nigeria recorded an inflation rate of 11.37% [11]. This figure however surged to approximately 25.5% in the third quarter of 2023, leaving an indelible mark not only on the nation's economy but also on the standard of living of millions of Nigerians. This comparative examination underscores the global and regional variations in inflation rates and their profound impact on the standard of living [12]. It emphasizes the urgency of understanding the unique economic and socio-political factors at play in each region and underscores the necessity of tailored policy responses to address the multifaceted challenges posed by inflation. Ogbegbor et al. [13] emphasized that once inflation exceeds its required threshold, regulators deploy policy instruments to control and cushion its effects on the population as part of broad macroeconomic stabilization objectives.

To curtail the effect of high inflation on the standard of living, the Nigerian government put in place measures such as tightening monetary policy, manufacture-in-bond scheme, adjusting electricity tariffs, naira for dollar scheme, and interest drawback program fund, amongst others. However, the policy measures have not helped to reduce inflation in Nigeria. Hence, the standard of living of people remains low [14].

Furthermore, this research integrates a comprehensive review of empirical work in this field. Abdullahi and Ibrahim [1] stated that it is commonplace that the determinants of inflationary pressures in Nigeria are multi-dimensional. These economic factors, such as inflation, exchange rates, unemployment, and manufacturing capacity utilization, are intricately linked to per capita income, a key indicator of the

standard of living in Nigeria. According to Samuel et al. (2021), there is a need to maintain a balance in both domestic and foreign sectors and achieve sustained economic development and a competitive exchange rate across the globe.

Numerous studies and analyses have delved into the dynamics of inflation and its impact on the standard of living in Nigeria. Muhammad et al. [4] investigated the analysis of inflation on the standard of living in Nigeria from 1991 to 2021 and found that the Consumer Price Index [CPI] positively affects Gross Domestic Product Per Capita in the short term. Ogbebor et al. [13] however found a negative impact of inflation on the standard of living in Nigeria. High inflation will erode the purchasing power and this will drastically change the standard of living of people. The country like Nigeria has experienced continuous instability due to inflation since the consumers' costs of living are dependent on the prices of goods and services [15]. Lax monetary policy has been identified to be the typical cause of the high inflation rate. When the money supply increases in relation to the size of the economy, purchasing power will decrease. This will in turn affect the standard of living [15]. Due to this disparity in scholars' findings, this study primarily focused on examining the ramifications of inflation in Nigeria, with a particular emphasis on its impact on the standard of living.

A significant contribution of this paper lies in the inclusion of manufacturing capacity utilization, unemployment, consumer price index and exchange rate as key determinants of the standard of living. These investigations offer valuable insights into the relationships between these variables, forming a solid foundation for the authors' analysis. The remaining sections of this paper are structured into a literature review, methodology, data analyses and interpretation of results; and conclusion and policy recommendations. The hypotheses of this study are formulated and tested in null form as follows:

- i. H_0 : Inflation does not significantly affect the standard of living in Nigeria.
- ii. H_0 : The exchange rate is not significant to the standard of living in Nigeria.
- iii. H_0 : Manufacturing capacity utilization does not have any significant effect on the standard of living in Nigeria.
- iv. H_0 : The unemployment rate is not a significant determinant of the standard of living in Nigeria.

2. LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 The structural theory of poverty

According to David Elesh (1970), the structural theory of poverty explains poverty in terms of the conditions under which the poor live. These conditions are categorized as being unemployed, underemployed, poorly educated and having poor health. Given the unstable economic and social conditions in Nigeria, the rate of inflation is very high, causing a low standard of living for people. This high rate of inflation can be attributed to the inability of manufacturing sectors to fully utilize their capacities, coupled with a high exchange rate which is a result of the importation of raw materials for production. Consequently, this can lead to an increased cost of living, thus eroding individuals' purchasing power. Low-income households, which are already on the brink of poverty, might find it even more challenging to afford essential imported goods and services, exacerbating their economic hardship.

2.2 Empirical Literature

Empirical works on inflation vis-à-vis the standard of living are reviewed in this section. Reviews revealed that different measures are used to proxy the standard of living. The most recent and relevant works are thus revealed below.

Muhammad et al. [4] analyzed the relationship between the inflation rate and standard of living in Nigeria for the period 1991 to 2021, using the autoregressive distributed lag model (ARDL). From the result of the study, the consumer price index has a positive impact on GDP per capita, while interest rate and exchange rate have a negative impact.

Using life expectancy as an alternative for the dependent variable and the consumer price index (CPI), gross domestic product per capita (GDPPC), unemployment, and openness as independent variables, Olaniyi [16] investigated the empirical analysis of inflation and people's well-being in Nigeria from 1981 to 2019. The study which employed the autoregressive distributed lag (ARDL) model revealed that each percentage point rise in inflation decreases Nigerians' well-being by 0.24 per cent.

Chukwu and Nduka [17] empirically analyzed the relationship between the manufacturing sector and economic development of Nigeria, using annual time series data that covered the period of 1999 to 2021. An autoregressive distributed lag approach was used and the result indicated that both in the long and short run, manufacturing capacity utilization has a negative and insignificant impact on human capital development in Nigeria.

Yusuf [18] analyzed the impact of the unemployment rate on the quality of life in Nigeria from 2010 to 2019. The vector autoregressive distributed lag model (VAR) was employed and the result found that unemployment reduced the quality of life between 2010 and 2019 in Nigeria.

Ogbebor et al. [13] used the human development index to proxied the standard of living and studied the impact of inflation on the standard of living. Annual time series data were collected from 1998 to 2017. The autoregressive distributed lag approach was employed and the result found that inflation has a negative impact on the standard of living in Nigeria.

Gagarawa and Mehrotra [19] investigated how inflation impacted the living standards of public primary school teachers in Jigawa State, Nigeria (2014–2016). Data was obtained using a structured questionnaire and a survey technique. Findings suggested that inflation has a significant and adverse effect on the standard of living of public primary school teachers in Jigawa State.

Poverty level, unemployment rate, and inflation rate were the variables utilized by Siyan, Adegioriola, and Adolphus [20] to analyze the effects of unemployment and inflation on poverty level in Nigeria between 1980 and 2014. Vector Autoregressive (VAR) technique was employed and the result indicates that inflation and unemployment are the major causes of poverty in Nigeria. According to the Granger causality's findings, a one-way causation was seen between the inflation rate and the unemployment rate, but there was a two-way causality between unemployment and poverty [21].

Shahzad et al. [5] employed the qualitative approach of analysis to study the effects of inflation on economic growth in Pakistan for the

period of 2010 and 2011. A sample of 200 male heads of families responded to the interview and the results found that inflation decreased the standard of living of people living in Multan, Pakistan in 2011 despite the increase in their income levels.

3. METHODOLOGY

This section discusses the methods used in estimating the parameters of the model. It follows the following subsections;

3.1 Model Specification

The model for this study is specified in line with the model of Muhammad et al. [4] to study the impact of inflation on the standard of living in Nigeria. The model is adopted for this study because the methods of analysis are the same. The variables in their model are also similar to the variables of this study. Thus, their model is specified as;

$$GDPPC = f(\text{INT}, \text{EXCH}, \text{CPI}) \quad (1)$$

Where GDPPC is Gross Domestic Product per capita (a proxy for standard of living); INT = Interest rate; EXCH = exchange rate; CPI = consumer price index (a proxy for inflation). However, this study modified Muhammad et al. (2023)'s model and it is specified as;

$$PCIG = f(\text{CPI}, \text{MCU}, \text{EXCH}, \text{UNEM}) \quad (2)$$

Where, PCIG = Growth rate of per capita income (a proxy for standard of living); CPI = Consumer Price Index (a proxy for inflation); MCU = Manufacturing Capacity Utilization; EXCR = Exchange rate; UNEM = Unemployment rate. Manufacturing capacity utilization is included because it determines the level of output a manufacturing sector would produce for consumption since the inflation we experience in Nigeria is a result of the manufacturing sector importing raw materials for production, which increases the costs of production.

The econometric form of equation 2 can be written as:

$$PCIG_t = \beta_0 + \beta_1 \text{CPI}_{t-1} + \beta_2 \text{MCU}_{t-1} + \beta_3 \text{EXCR}_{t-1} + \beta_4 \text{UNEM}_{t-1} + \mu_t \quad (3)$$

Where, $\beta_0 - \beta_4$ are the slopes of the coefficients, while μ_t is the error term.

ARDL Equation:

$$\begin{aligned} \Delta PCIG_t = & \beta_0 + \beta_1 PCIG_{t-1} + \beta_2 CPI_{t-1} + \beta_3 MCU_{t-1} \\ & + \beta_4 EXCR_{t-1} + \beta_5 UNEM_{t-1} + \sum_{i=1}^p \alpha_1 i PCIG_{t-i} - 1 \\ & + \sum_{i=1}^p \alpha_2 i CPI_{t-i} - 1 + \sum_{i=1}^p \alpha_3 i MCU_{t-i} - 1 + \\ & \sum_{i=1}^p \alpha_4 i EXCR_{t-i} - 1 + \sum_{i=1}^p \alpha_5 i UNEM_{t-i} - 1 \\ & \emptyset ECM_{t-1} + \mu_t \end{aligned} \tag{4}$$

3.2 Estimation Techniques and Procedure

The study employs the ARDL model for the following reasons; it gives good estimates, it estimates both the long run and short run; and it can be applied if the order of integration is mixed. However, some pre-estimation tests are carried out before applying ARDL. First, the stationarity test is conducted, using the Augmented Dickey-Fuller test, in order to have a reliable result. The cointegration test is also done with the ARDL bounds test. After, conducting the ARDL test, some post-estimation tests are carried out.

3.3 Nature and Source of Data

Annual time series data were collected from the Central Bank of Nigeria Statistical Bulletin various years and the World Bank Database on the variables. The dependent variable is the growth rate of per capita income, which is the proxy for the standard of living, while the explanatory variables are the consumer price index (a proxy for inflation rate), manufacturing capacity utilization, exchange rate and unemployment rate.

4. RESULTS

This section discusses the result of the study and the results are presented thus.

4.1 Presentation and Interpretation of Results

4.1.1 Stationarity test

This test is conducted using the Augmented Dickey-Fuller unit root test. The test is applied for this study so as not to run into nonsense regression, as spurious regression can lead to misleading results.

The result in Table 1 presents the unit root test and from the result, there exists a mixed order of integration as the consumer price index is stationary at a level while other variables (per capita income growth rate, manufacturing capacity utilization, exchange rate, unemployment rate) are stationary at first difference. Based on this order of integration, the ARDL bounds test is conducted.

4.1.2 Lag selection criteria

To know the appropriate lag length to use for both the dependent and explanatory variables of this model, the study uses the VAR lag selection criteria. It is necessary in the application of ARDL because there is a need to include the lagged values of the dependent variable as part of the explanatory variables.

Table 1. Summary of the ADF Unit Root Test

Variables	ADF Statistics	Critical Value @ 5%	Order of Integration	P-Value @5%	Remarks
PCIG	-5.2354	-3.0124	I (1)	0.0004	Stationary
CPI	-3.0312	-2.9981	I (0)	0.0468	Stationary
MCU	-6.1637	-3.0049	I (1)	0.0000	Stationary
EXCR	-3.1083	-3.0124	I (1)	0.0413	Stationary
UNEM	-5.9897	-3.0049	I (1)	0.0001	Stationary

Source: Eviews 10.0 Output

Table 2. VAR Lag Selection Result

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-432.0639	NA	2.20e+10	38.00555	38.25240	38.06764
1	-363.3141	101.6301*	5.22e+08*	34.20123*	35.68231*	34.57371*

* indicates lag order selected by the criterion

Source: Eviews 10 Output

The lag length selection criteria result shows lag one as the appropriate lag length. As such, lag one is used in this study.

4.1.3 Autoregressive distributed Lag (ARDL) bounds test for cointegration

ARDL bounds test is a cointegration test that can be used to test for long-run relationships in the case of mixed order of integration. Thus, the result is presented in Table 3.

The ARDL bounds test result shows an F-statistic of 11.01659 and it suggests that long-run relationship exists amongst the variables of

interest in this study. This is concluded based on the decision rule that the F-statistic must be greater than the upper bound at a 5 per cent level before the long run can be said to exist. Hence, the long-run and short-run ARDL estimates are provided.

4.1.4 Autoregressive distributed lag model

The autoregressive lag model is employed in this study because it gives good estimates compared to other methods tested before concluding on using ARDL. ARDL helps to show both the long-run and short-run estimates. The results are presented in Tables 4 and 5.

Table 3. ARDL Bounds Test Result

Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	K
F-statistic	11.01659	4
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.45	3.52
5%	2.86	4.01
2.5%	3.25	4.49
1%	3.74	5.06

Source: Eviews 10 Output

Table 4. Long Run Estimate of ARDL

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	17.08171	20.18683	0.846181	0.4092
PCIG (-1)	-0.261183	0.224080	-1.165576	0.2599
CPI (-1)	1.384966	0.799875	1.731478	0.1015
MCU (-1)	-0.142120	0.347824	-0.408597	0.6879
EXCR (-1)	-0.093343	0.044115	-2.115886	0.0494
UNEM (-1)	0.139007	0.511594	0.271713	0.7891

Source: Eviews 10 Output

Table 5. Short Run ARDL result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.594031	3.161595	-0.187890	0.8535
D (PCIG(-1))	-0.332224	0.156231	-2.126497	0.0505
D (CPI(-1))	0.487293	0.566194	0.860646	0.4030
D (MCU(-1))	0.500185	0.443772	1.127121	0.2774
D (EXCR(-1))	-0.082353	0.160303	-0.513734	0.6149
D (UNEM(-1))	0.148237	0.455970	0.325103	0.7496
ECM (-1)	-1.111761	0.310646	-3.578871	0.0027
R-squared	0.771206	Mean dependent var		-0.374091
Adjusted R-squared	0.679688	S.D. dependent var		19.45822
S.E. of regression	11.01260	Akaike info criterion		7.889328
Sum squared resid	1819.160	Schwarz criterion		8.236478
Log-likelihood	-79.78261	Hannan-Quinn criterion		7.971106
F-statistic	8.426845	Durbin-Watson stat		1.994297
Prob(F-statistic)	0.000404			

Dependent Variable: D(PCIG), Method: Least Squares, Date: 10/13/23 Time: 17:49, Sample (adjusted): 2001 2022, Included observations: 22 after adjustments.

Source: Eviews 10 Output

The long-run result presented in Table 4 shows that the lagged values of per capita income growth rate, manufacturing capacity utilization and exchange rate have a negative impact on standard of living. However, the exchange rate shows a significant relationship while other variables are statistically insignificant. The coefficients of the lagged values of the consumer price index and unemployment rate are statistically and positively related to the standard of living in Nigeria in the long run.

Table 5 presents the short-run result of the ARDL. From the result, the lagged values of the per capita income growth rate and exchange rate have a negative impact on the standard of living in Nigeria. This means that a 1 per cent increase in the lagged values of PCIG and EXCR will cause the standard of living to decline by 0.33 and 0.08 respectively. The coefficients of the lagged values of the consumer price index, manufacturing capacity utilization and unemployment rate have positive but insignificant impacts on the standard of living of people. This implies that if on average, CPI, MCU and UNEM are raised by 1 per cent, the standard of living will rise by 0.49, 0.50 and 0.15 per cent respectively. The error correcting term of -1.11 is rightly signed and statistically significant at the 5 per cent level. This simply means that about 1.11 per cent disequilibrium in the previous years will be corrected for in the current year. The R2 value of 0.77 implies that about 77 per cent of variations in the standard of living are explained by CPI, MCU, EXCR and UNEM. The probability value of F-statistic (0.000404) means that all the variables, put together, are jointly statistically significant at a 5 per cent level.

4.2 Post-Estimation Diagnostic Tests

These tests are necessary to show the reliability and validity of the estimates. The results of the

diagnostic tests conducted for this study are presented thus;

4.2.1 Serial correlation test

This test is the most appropriate test for the ARDL method to check serial correlation in a model. The result is presented in Table 6.

The result in Table 6 clearly shows that there is no serial correlation in the model. This is because the probability value of the F-statistic which is 0.9157 is greater than the 5 percent level of significance.

4.2.2 Heteroscedasticity test

This test is a test conducted to know if the mean and the variance are constant over time. The result is presented in Table 7.

The heteroscedasticity test presented in Table 7 reveals that the probability value of the F-statistic (0.8182) is greater than 0.05. This implies that there is no heteroscedasticity in the model and the study concludes that the model is homoscedastic.

4.2.3 Stability test

A stability test is conducted in this study to ascertain if the model is stable or not. For this study, the cumulative sum and cumulative sum of squares are used simultaneously.

The CUSUM and CUSUM of Squares results presented in Figs. 1 and 2 show that the baselines fall within the boundary at the critical level of 5 percent. The study therefore concludes that the model is stable.

Table 6. Breusch-Godfrey Serial Correlation LM Test

F-statistic	0.011614	Prob. F (1,14)	0.9157
Obs*R-squared	0.018236	Prob. Chi-Square (1)	0.8926

Source: Eviews 10 Output

Table 7. Heteroskedasticity test: Breusch-pagan-godfrey

F-statistic	0.472588	Prob. F(6,15)	0.8182
Obs*R-squared	3.497605	Prob. Chi-Square(6)	0.7443
Scaled explained SS	1.535209	Prob. Chi-Square(6)	0.9571

Source: Eviews 10 Output

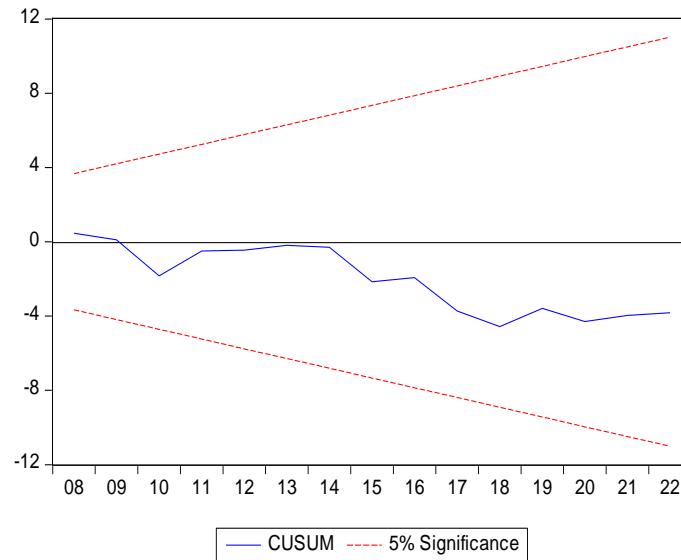


Fig. 1. Cumulative sum test
Source: Eviews 10. Output

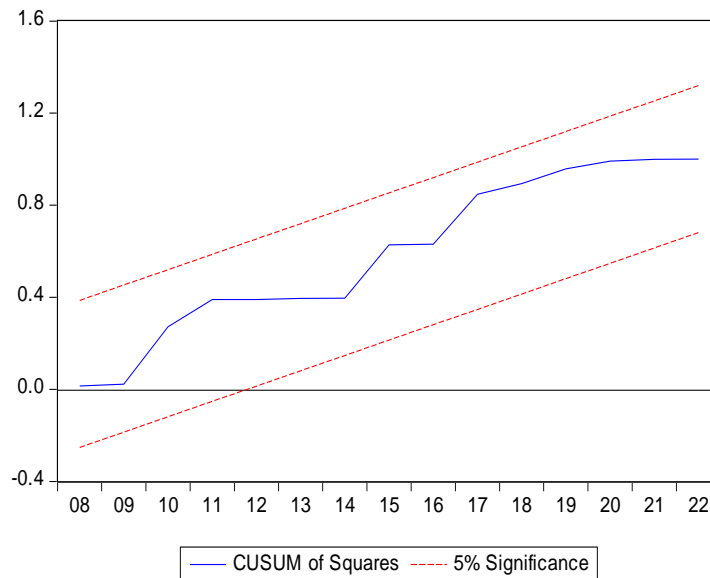


Fig. 2. Cumulative sum of squares test
Source: Eviews 10 Output

4.3 Testing of Hypotheses

The decision rule for rejection of the null hypothesis is that the p-value must be less than 0.05. It can also be judged from the t-statistic if the calculated t-stat is greater than the tabulated t-stat. In this study, the p-value will be used as a measure for accepting or rejecting the null hypothesis.

Hypothesis One: Inflation does not significantly affect the standard of living in Nigeria.

Based on the p-value of 0.4030 which is greater than 0.05, the null hypothesis is accepted.

Hypothesis Two: The exchange rate is not significant to the standard of living in Nigeria.

The null hypothesis can be accepted as the p-value (0.6149) is greater than 0.05.

Hypothesis Three: Manufacturing capacity utilization does not have any significant effect on the standard of living in Nigeria.

The third hypothesis is also accepted owing to the fact that the p-value of 0.2774 is greater than 0.05.

Hypothesis Four: The unemployment rate is not a significant determinant of the standard of living in Nigeria.

The study accepts the fourth hypothesis that unemployment does not have a significant impact on the standard of living in Nigeria as the p-value of 0.7496 is greater than 0.05.

5. DISCUSSION

The long-run estimate shows that manufacturing capacity and exchange rate have a negative impact while the consumer price index and unemployment rate have a positive impact. The short-run estimate further shows that the consumer price index has a positive relationship with the standard of living. This does not conform to the a priori expectation because it is expected that an increase in inflation will result in a low standard of living, as inflation tends to erode the purchasing power of consumers. The finding is in tandem with the findings of Muhammad et al. [4].

In a similar vein, manufacturing capacity utilization has a positive impact on the standard of living in Nigeria. This does not support the reality in Nigeria because based on the data gathered from the CBN Statistical Bulletin, Nigeria's manufacturing sector has not fully utilized its potential due to some socio-economic obstacles. Thus, the manufacturing sector cannot generate more employment opportunities and this has, however, caused the rate of unemployment in Nigeria to remain high, which tends to lower the standard of living of people. Chukwu and Nduka [17]'s finding is in contrast to this finding.

The rate of unemployment indicates that 1 per cent increase in the unemployment rate will increase the standard of living of people. This is far from reality and does not conform to the a priori expectation. When a quite number of people are jobless, they tend to depend on one income earner or the other, thereby, reducing the standard of living of both the income earner and the unemployed. Thus, in reality, a high unemployment rate will lower the standard of living of people. The finding of Yusuf [18] is contrary to this finding.

Furthermore, the exchange rate has a negative relationship with the standard of living. With the

high exchange rate in Nigeria, the rate of inflation has increased, owing to the fact that major manufacturing sector inputs are imported from other countries of the world. Thus, the high prices of goods and services have eroded the purchasing power of consumers, thereby reducing their standard of living. The finding of Muhammad et al. [4] also found a negative relationship between the exchange rate and the standard of living of Nigerians.

The ECM value shows that the economy will quickly adjust from any disequilibrium with about 1.11 per cent speed of adjustment. The R^2 shows that the variables combined in this model moderately explain the relationship between the inflation rate and the standard of living in Nigeria. Therefore, this model can be used for economic predictions.

The post-estimation tests conducted in this study further reveal that the model is free from serial correlation and heteroscedasticity. The model is also stable.

6. CONCLUSION AND POLICY RECOMMENDATIONS

This study examines Nigeria's standard of living in the face of inflation. The period from 1999 to 2022 was covered in the analysis and the ARDL method was used. The results of this study clearly show that inflation and unemployment rates have a positive impact both in the long run and short run, while the exchange rate has a negative impact both in the long and short run. However, manufacturing capacity utilization has a negative impact in the long run, while the short-run impact was positive. In line with these findings, the study recommends that;

- i. The government should put measures in place to reduce the rate of inflation, even though it has a positive impact on this study. This can be done by encouraging investments in the manufacturing sector. This will equally increase the manufacturing capacity utilization, and reduce the unemployment rate, thus, increasing the standard of living of people.
- ii. The government should discourage importation of manufacturing raw materials, but adopt the policies used in the olden days to grow raw materials locally. This will go a long way in stabilizing the exchange rate.

6.1 Theoretical and Practical Implication of the Study

Theoretically, David Elesh (1970) affirmed that the standard of living of people deteriorates due to economic and social instability. In the practical sense, when an economy consumes more than it produces, or resources and income are not equally distributed, such an economy is liable to experience both economic and social instability. This is the case in Nigeria.

6.2 Limitation of the Study

The limitation of this study lies in getting data for the fiscal year 2023 on the variables. This thus limits the study in explaining the situation in Nigeria after fuel subsidy removal.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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