

Policy Briefing

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Growth from Below: Poverty Reduction beyond Social Protection in Nigeria

Agriculture and informal economies provide essential livelihoods in Nigeria, but they face challenges such as climate shocks, conflict, low investment, and financial exclusion. Resilience strategies include diversification, microfinance access and entrepreneurial ventures, but policy support is limited, particularly for informal activities. Government focus needs to shift from taxation to productive support, to enhance financial inclusion, strengthen social protection, and empower women through asset ownership and business development. Sustainable poverty reduction requires adaptive policies that integrate economic stability, peacebuilding, infrastructure, and social resilience.

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Key messages

- Agricultural growth is a basis for escaping poverty, but can be a source of vulnerability when climate-related disasters like flooding can wipe out livelihoods.
- Resilience typically derives from combining farm and non-farm economic activities, where market access is good.
- Entrepreneurship is important, supported by enabling factors such as peace and social networks.
- Informal activities dominate growth from below, but suffer from low investment, constraints in accessing finance, and a policy focus on taxation, not support.
- Government interventions and other assistance work well but are sporadic, inconsistent temporally and spatially, and with gendered implications.
- Some poverty-reduction programmes seek to empower women economically, but social norms and legal restrictions on their property rights limit how much.

Overview: growth and uncertainty in Nigeria

Economic growth is struggling to stay ahead of population growth in Nigeria. Gross domestic product (GDP) per capita grew between 2000 and 2014, but has since been negative, particularly between 2020 and 2023. The International Monetary Fund projects growth of 3 per cent in 2025 – below the African average of 4 per cent. State GDP per capita and GDP growth per capita are both highly variable, so Nigerian averages may not be very meaningful. Growth is led by the mostly urban services sector, leaving little real aggregate growth or job creation in rural areas.

Growth from below is largely informal, often household-level investment in economic activity, while growth from above is formal, with mid- to large-scale investment. A balance between the two is necessary if growth is to reduce poverty in the 2020s. Agriculture is the main sector experiencing growth from below. Retail markets can also be very vibrant. Across these sectors, activities are largely informal. Agricultural growth, frequently lower than the 2.5 per cent population growth rate, is constrained by conflict, extreme weather events (especially flooding), low productivity, high transportation costs, and low public expenditure. These factors – and pressure on imported grain and fertiliser prices due to the war in Ukraine – have meant that food price inflation is high, and food insecurity and attendant malnutrition are widespread.

Growth from below: the lessons of life histories

Despite this dismal picture for growth in Nigeria, our qualitative research remarkably finds many positive household-level growth stories, which supply valuable lessons.

Agriculture, assets, and diversification

Agriculture can provide pathways out of poverty. This is especially true in strongly agrarian states where commercial agriculture is the norm. In Benue, for example, farming remains not only a means of sustenance but also a pathway to economic mobility, despite being affected by conflict and climate-related disasters. One interviewee reported investing earnings from agricultural produce to acquire land and build

a five-room apartment, demonstrating the transformative power of agricultural investments in urban and rural settings.

Farmers show resilience to crises by focusing strongly on their farming and livestock-rearing activities, with some maximising the scale of farming and storing surplus for future sales. In Jigawa, rearing livestock such as cows, goats and sheep not only provides meat and milk but also offers an asset to be sold during times of financial need or festive seasons. For example, one urban male had three cows and three ploughs, used to cultivate his land. At the end of harvest, after selling his rice, hibiscus, and sesame, he used part of the money to purchase rams, sheep and goats to rear for sale during Sallah. He used the crop stalks as animal feed. Part of the money from selling the animals was saved for the next farming cycles. He had always paid the school fees of his nine children without problem.

Livestock returns can sustain households during lean periods. The integration of crop and animal farming maximises resource use, as byproducts from farming, like crop stalks, are used to feed animals, while animal manure is used in crop farming, creating a self-sufficient ecosystem. Combined, these activities contribute to a more resilient economic foundation. Ownership of farmland, livestock, or tools, such as ploughs or grinding machines, enhances long-term stability and reduces vulnerability to economic shocks.

Some farmers in Jigawa, Ekiti, and Borno made use of agricultural support. Subsidised fertilisers, herbicides, and improved seedlings help many to shift from subsistence farming to more productive commercial farming. One farmer boosted his farming operations through government agricultural interventions, enabling him to achieve a stable livelihood and support his children's education. He successfully transitioned his 5-hectare farm from subsistence to commercial farming by

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cultivating millet, maize, guinea corn, sesame, beans, hibiscus, and rice, using earnings to invest in livestock for additional income.

However, the financial returns from farming may be small – with luck, farmers have enough to see children through school, a major objective for most families.

Managing risk

Floods, droughts, and conflict are major risks in many Nigerian geographies. Without access to insurance or institutional support, most farmers manage risks chiefly through diversified economic activities and social support systems. Livestock rearing, backyard gardening, food vending, and petty trading are key opportunities for diversification, even in conflict-affected areas of Borno. One research participant, whose husband was killed during the Boko Haram insurgency, used her agricultural skills to support her household:

In 2011, my husband was shot dead on his way home by Boko Haram. After his death, we were displaced by the conflict and relocated to our village in Lassa. We continue to live with my parents, supporting them with farm work.

(INT88, Borno, female, rural)

Her resilience was evident in her use of backyard gardening to grow vegetables, providing a steady food supply, essential nutrients for her family and a source of income when sold locally. The household also generated income through livestock-rearing and selling poultry, goats, and firewood.

Livelihood diversification through entrepreneurial ventures, such as selling processed products, provided other opportunities to escape poverty. Sympathetic treatment by financial institutions is critical given the risks to livelihoods. For example, in 2016, a male research participant received assistance from the Bank of Agriculture, notably one 25kg bag of rice seeds, fertiliser, herbicides, and pesticides. Two weeks after planting, the local river flooded and destroyed everything on the farm. When he reported this to the Bank of Agriculture, they sent officials to survey the area. He remarked: ‘Thank God they did not ask me to pay back again’ (Benue, INT3, male, urban).

Empowering women

Increasingly, women are the major breadwinners in households. Diversification through petty trading and processing can be an important part of this. Regarding the latter, a woman from Akwa Ibom (INT2, female, urban) reflected that her mother introduced her to a new business – oil palm production – to help alleviate hardship. Her life improved from there. Before that, the woman could not even afford basic supplies and services for herself and her children.

Many programmes that seek to include poor people in economic growth centre on economically empowering women – typically by offering grants, loans, skills, and entrepreneurship development. While these approaches have reaped considerable success, support for women’s economic empowerment needs to be scaled up and coverage needs to include men. Cash transfer programmes have helped some women to meet immediate needs and invest in small-scale ventures. However, the inconsistent nature of cash transfers limits their effectiveness in sustaining long-term growth. When the transfers cease, many recipients regress financially.

Women’s ownership rights – where these are enforced – can support escapes from poverty. More typically, however, social norms and legal barriers restrict women’s rights. These barriers limit women’s ability to accumulate and leverage assets, preventing them from fully benefiting from economic opportunities. Women will often go to great lengths to improve their livelihoods despite the systemic limitations. One woman reported: ‘I struggled even though I did not have money; I borrowed from somebody and installed the [processing] machine in my compound’ (Akwa Ibom, long-term residents’ interview, female, rural). In such contexts, women are forced to ask family networks for support, or to seek microfinance, although the latter can come with high interest rates.

Action by the National Assembly could ease these barriers. It could expedite the passage of the Women’s Rights and Inheritance Bill, allowing women to inherit and control property. Land registries could be mandated to enforce non-discriminatory inheritance and joint titling.

Enablers and barriers to escaping poverty

Multi-sectoral support

Factors enabling people to escape poverty include: the acquisition of assets; financial support from family networks; skills and education; and entrepreneurship.

Entrepreneurship is especially important in urban settings, and by extension, migration

to or between towns is a frequent strategy for improvement, although it can be risky.

Supportive policies and interventions include: educational institutions providing vocational training for skills and learning which enable diversification and entrepreneurship; a stronger presence of government development initiatives and agencies in rural areas; and non-governmental organisation (NGO) initiatives, particularly for urban residents. NGOs fill crucial gaps in social services, providing targeted

Table 1: Key reforms in agriculture and the informal economy

Agriculture sector	Informal economy
<p>July 2023</p> <ul style="list-style-type: none"> Declared a state of emergency on food security. Launched dry season farming initiative on 500,000 hectares under National Agriculture Growth Scheme – Agro-Pocket (NAGS-AP) programme. Plan to invest more than N50bn to cultivate 150,000 hectares of rice and maize. Activated land banks with 500,000 hectares of land for farming. <p>November 2023</p> <ul style="list-style-type: none"> Developed Harmonized Extension Manual and National Extension Policy. <p>December 2023</p> <ul style="list-style-type: none"> Earmarked N100bn for agricultural financing via National Agricultural Development Fund. <p>January 2024</p> <ul style="list-style-type: none"> Partnered with John Deere to supply 2,000 tractors annually for five years. <p>February 2024</p> <ul style="list-style-type: none"> Released 42,000 metric tonnes of grains and 60,000 metric tonnes of rice to vulnerable Nigerians. <p>July 2024</p> <ul style="list-style-type: none"> Creation of Ministry of Livestock. Distribution of 44,400 bags of rice to 36 states and Federal Capital Territory. 	<p>May 2023</p> <ul style="list-style-type: none"> Signed four Executive Orders to address unfriendly fiscal policies and multiple taxes. <p>July 2023</p> <ul style="list-style-type: none"> Introduced a N125bn fund for micro, small, and, medium-sized enterprises (MSMEs). Launched Conditional Grant Programme of N50bn for 1m nano businesses. Allocated N75bn to fund 100,000 MSMEs and start-ups. <p>April 2024</p> <ul style="list-style-type: none"> Launched Skill-Up Artisans (SUPA) to train 100,000 artisans. <p>May 2024</p> <ul style="list-style-type: none"> Proposed exempting 95 per cent of the informal sector from all taxes. <p>2024</p> <ul style="list-style-type: none"> Implemented reforms to simplify business registration. Committed to establishing training programmes for informal sector workers. Focused on creating an enabling environment for entrepreneurship.

Source: Authors' own.

“ The inconsistent nature of cash transfers often limits their effectiveness in sustaining long-term economic growth.”

assistance that can significantly impact an individual's ability to overcome poverty. Women's empowerment initiatives that combine group formation and savings and loans; training and mentoring; and cash and asset transfers can be powerful development tools.

Finance is a big constraint on business development, but microfinance institutions are more accessible in towns. Market access and trader networks are important everywhere. Where people's livelihoods are affected by disasters, financing institutions need to show compassion and take a long-term view.

Informal economies

Nigeria's informal economies are important providers of employment, self-employment and, potentially, pathways out of poverty. Recent policymaking on agriculture and the informal economy suggests a growing understanding of this (see Table 1).

However, state-level policies on the informal economy remain heavily focused on taxation. There are relatively few examples of more positive policymaking or programme design which might widely assist informal firms to improve productivity or offer regulatory support and incentives for formalisation – for example, through skills development, inclusive financial services, or social protection. Government could do more by simplifying processes for business registration and providing benefits such as access to loans, training, and markets. Existing initiatives are limited by the need to integrate security, infrastructure development, and technological advancement.

Maladapted government policies contribute significantly to poverty. Economic reforms (like devaluation or ending of subsidies) may be necessary to support economic growth, but their likely consequences should be assessed ex-ante. Mitigating measures are needed to prevent impoverishment, if not downward mobility, more generally. For instance, the Federal Ministry of Finance/Budget and Planning and the National Assembly finance

and poverty alleviation committees could pre-approve shock-responsive cash transfers and publish compensation packages.

Safety nets and peace

Social protection and safety nets play a crucial role in stabilising livelihoods in contexts of polycrises. Effective targeting and the rapid expansion of conditional cash transfer programmes can provide much-needed support to vulnerable and poor households. Resilience programmes offering subsidies can help to rebuild businesses and livelihoods, but need to be flexible enough to respond to the dynamic challenges presented by conflicts, climate-related disasters and economic shocks.

Peace is a great enabler of development. Achieving it massively enhances the prospects for poverty reduction through economic growth. Young Nigerians appear to understand this and many efforts are being made from the national to local levels, but more needs to be done. Local mediation and early-warning/response systems could be re-established, conflict-resolution desks set up, and land-use and grazing protocols drawn up through community agreements.

Institutional development would also improve prospects for peace. Nigerian institutions used to be very good at preventing farmer-herder conflicts – a widespread (and relatively overlooked) threat to livelihoods. Revitalising these now-declining institutions would support conflict management and peacebuilding in ways that help protect livelihoods.

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Policy recommendations

- **To help informal businesses**, state governments, MSME agencies, tax boards, the Corporate Affairs Commission, and microfinance regulators should introduce light-touch registration, presumptive taxes with holidays for new micro-firms, and bundled packages of market-linked training, working-capital products, and micro-insurance.
- Tax incentives or reduced levies should be offered for formally registered small enterprises.
- Incentives should be rolled out in consultation with stakeholders, and timed to fit broader fiscal and policy cycles.
- **To empower women**, federal and state women's affairs ministries, MSME/cooperative agencies, leading banks, and programme implementers should reserve a share (e.g. ≥ 40 per cent) of MSME grants/equipment for women-led firms.
- Joint or sole titling of publicly funded assets in women's names should be required, and village savings and loan associations linked to formal credit at capped effective interest.
- The Women's Rights and Inheritance Bill should be fast-tracked through to domestication.
- **To embed adaptability**, lead social protection ministries and agencies should activate mechanisms with contingency lines, and update beneficiary registries regularly ahead of crises to spur community resilience and rebuilding.
- This includes designing programmes to address recovery of lost assets, providing asset-recovery grants for affected households, and setting clear shock-triggered top-ups.
- Relevant federal ministries and National Assembly committees should mandate ex-ante poverty/social impact assessments for major reforms.
- **To foster peace**, the government, state peacebuilding bodies, local governments, and traditional institutions should re-establish local mediation, early-warning/response systems, set up conflict-resolution desks, and update land-use and grazing protocols, with pilots in high-incidence local government authorities.
- State governments should formalise community peace committees, train neutral conveners, and institute routine dispute tracking.

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Further reading

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