

The multiplier effects of rural public investment and poverty alleviation implications: the case of federal university Ndufu Alike Ikwo (FUNAI)

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Abstract: The study examined the rural multiplier effect and poverty alleviation implications of the existence of Federal University Ndufu Alike Ikwo (FUNAI), Ebonyi State, Nigeria. This expository paper reviewed and unraveled the desirable benefit to the rural people when the government establishes an institution or learning centre in the rural area considering the domestic and foreign investors unwillingness and reluctance in investing in such area. The chain effects of the existence of FUNAI have both direct and indirect effects which are seen to raise the living standard of the people. The authors realised that there is a positive impact that lead to increase in employment of local resources and income generation which have contributed to poverty reduction in the area to an extent. On the basis of the observed positive effect, the authors made some suggestions which include the following among others: the government has to reposition the rural areas of the country by establishing capital overheads and relevant infrastructure such as good road network, regular power and water supply in order to attract and encourage domestic and foreign investors. More efforts are needed to encourage local entrepreneurs to settle and invest in the area instead of migrating to the urban areas with their skill, capital and trade thereby raising unemployment and poverty in the area, and annihilating the development intention of the government.

Keywords: multiplier, investment, poverty alleviation , public, rural

1.0 Introduction

Pataki (2005) points that among the most powerful tools employed in regional economic analysis is the multiplier. O'Farrell(2012) asserts that there is a direct benefit of investment stimulus to an economy because of employment creation and increased aggregate economic activity among others. The Keynesian multiplier effect has it that private or public investment has a chain reaction that helps to increase employment, output production and income generation. Ono (2009) have the conviction that public works spending may completely crowd out private consumption notwithstanding the standard Keynesian setting. But European

Commission (2014) posits that an increase in public infrastructure investment could make available the needed demand and a policy option required to support growth. The rural sector in Nigeria is confronted with scarcity of all it takes to operate some businesses, specifically due to infrastructural deficiency, lack of efficient banking system, poor road network, epileptic power supply, migration of inhabitants among others. Nevertheless, a large proportion of Nigerians live in the rural areas of the country. The poverty nature in Nigeria presupposes a greater focus to the rural area. Scholars have remarked that attacking poverty involves understanding the location, the degree and features. Obviously, in Nigeria, poverty is dominant in the rural areas. Studies have revealed that in Africa and Asia, 75 – 80% of the poor are resident in the rural areas and 70% in Latin America (Todaro, 1977; Chenery and Eckstein, 1970).

However, more attention on the urban areas by the various leaders in Nigeria have created imbalance with respect to development in the economy. This situation has hindered even development. The rural poverty has gone up over the years because of serious fall in economic activity due to poor environment. This gave rise to incessant rural-urban migration, which brought in backwash effect in the area. The migrants usually go with skills, capital and other assets, thereby, bringing about negative cumulative causation that retard development. When local entrepreneurs migrate out of an area, their workers are left without a job and all their productive inputs are taken away which brings a situation that impacts adversely on the general welfare of the society. Conversely, the influx of investors or entrepreneurs in the rural area brings with it spread effect, which is a positive impact that will raise idle resources use and employment, thereby, leading to income generation.

Unfortunately, the exodus of people from the rural to urban areas far outweighs the extent at which investors trickle into the village. Consequently, idle resources abound that is associated with chains of economic quagmire, hence, it climax to poor living standard. The Earth-trends (2003) states that the proportion of Nigerians living on less than a United States dollar per day is 70.2% whereas the proportion living on less than \$2 per day is 90.8%. On this note, Uma et al (2014) remarked that many citizen of Nigeria cannot afford decent meals a day. Consequently, the level of hunger, malnutrition and poor health condition which pervade are not advantageous to the required level of mental development.

In its estimation the Index Mundi (2013) states that the total population of Nigeria is 174.5million. Total dependency ratio is 89% which implies that a large proportion of the population is unproductive but dependent on the proportion of the work force. Nigeria has high birth rate 38.8%, high population growth rate which is 2.54% whereas population growth rate in many other countries is falling.

Besides, over the years, due to the situation of more people leaving the rural places than they are replaced owing to poor environment for economic activity, the degeneration of rural sector have never dwindled and so poverty in the area keep on rising. For instance National Bureau of Statistics (2005) points out that in 1980, the urban poverty was 17.2% while it stood at 28.3% in the rural areas. It rose to 37.8% in 1985 in the urban area and 51.4% in the rural area. By 1992, poverty stood respectively at 37.5% and 46.0% in urban and rural areas, but rose again in 1996 respectively in urban and rural areas to 58.2% and 69.8%. In addition, Kale (2012) points out that in 2004, 51.6% of Nigerians were living below US \$1 per day and it rose to 61.25% in 2010. Changes that have taken place over the years since democratic dispensation have not remarkably brought down poverty since over 70% of Nigerians is estimated to be poor.

Consequently, the federal government has instituted various fiscal incentives, programmes and strategies aimed at promoting industrial establishment in the country in general and in the rural areas in particular. Nevertheless, there is unwillingness of investors to opt for medium and

long term investment in the rural areas of the country due to non-feasibility of breaking even not to talk of making profit, since the prospective investors have to provide virtually everything needed to function. But development economists have stressed on the need for increased infrastructure and capital facilities to enhance economic activity in the rural area so as to accelerate the utilisation of idle resources in order to generate income, reduce unemployment, lessen poverty and improve living standard. Over the years government has made frantic efforts to change the ugly trend of poverty in the country yet much remains to be done. This is because the absence of relevant capital overheads that do lessen initial start-up costs are completely lacking, hence investors do prefer where relative capital overheads exist, which is in the urban area.

Given the reluctance of private investors in the choice of investment in the rural areas, the federal government has taken the bull by the horn and decided to lead the path of social and economic revival in many rural areas with some kinds of investment such as tertiary institutions and other relevant establishment. The establishment of Federal University Ndufu Alike Ikwo (FUNAI) is a typical example of the government positive intention to increase economic activity in the rural areas, in addition to manpower development, which is a welcome development that is seriously on course to achieve not only the expectations of the existence of industries but to alleviate poverty in the region.

In view of the aforementioned, the broad objective of this study is to unravel the multiplier effect of the establishment of FUNAI in Ikwo and the role it has played in poverty alleviation of the area. In this regard, the paper is streamlined thus: section two is theoretical issue; the concept of the multiplier is section three; section four is socio-economic effect of FUNAI in Ikwo; poverty reduction implications of FUNAI in Ikwo is section five; way forward and conclusion is the last section.

2.0 Theoretical issues

Scholars have stressed on the importance of physical and human capital in the acceleration of economic development and growth of an area. This is because essential equipments, plants, machinery on one hand and relevant infrastructure and social overheads and qualified manpower availability on the other hand are the necessary condition for any entrepreneur to function with respect to production. Domar (1937) posits that capital requirement is the real factor militating against development and growth rather than labour in less developed countries which is supported by many other development economists such as Arthur Lewis, Rostow and others .

Actually, the inputs of production cannot add values to themselves; skilled, able and competent people have to assist in combining inputs of production in order to realise goals. The unavailability of efficient and capable human beings who can assist in adding values to raw materials will deter efficiency in the use of societal resources. Consequently, there is underutilization of various resources endowment with some defections which metamorphosed to low production, low income, low saving, low capital formation, low investment so leading to low production. This is the vicious circle of poverty, which is in line with Nurkse (1957) insight who articulated that a country is poor because it is poor. In a similar vein, Ozoh (2010) enunciated the problem of 'growthlessness' in under-developed economies on the foundation of defective and socio-political institutional setup, poor attitude to work, crude technology, low quality human capital, insufficient infrastructure, epileptic power and water supply, financial instability, indiscipline amongst others which reacted in different ways to perpetuate the vicious circle of poverty.

Rosenstein-Rodan (1947) in his 'Big Push' thesis asserted that there is a minimum level of resources investment that must be devoted to developmental activity if a country is really interested in development and growth. Such quantum of investments include among others the establishment of physical capital in form of factories that are interdependent in such a way that the output of a sector forms input of another sector with associated benefits derivable from such investments.

The classical economists have the conviction that education equips an individual to perform. To Alfred Marshall the investment in human being is one of the most valued capitals because of what human being can do after knowledge acquisition. Federal University Ndufu Alike Ikwo (FUNAI) is aimed at equipping undergraduates including those from Ikwo on the ability and capability to function.

The neoclassical stressed on population growth and rate of technical progress as essentials for growth and development. This gives rise to a good number of labour forces who can contribute to production and income generation. The gradual upsurge of students, workers and business people in and around FUNAI is a welcome development. As a result, there is increase in the population of Ikwo owing to the establishment of FUNAI which has given room for increased economic activity in the area. Specifically, Solow-Swan model (neoclassicists) do not stress on human capital development but on increased capital, technological progress and the effectiveness of labour. However, the exact meaning of labour in economic growth determinant is not specified. To them the economy combines capital, labour and knowledge to produce output. Tertiary institution is the foundation for equipping human capital with new and modern technology required to harness environmental resources and transformation of a society.

The endogenous growth models valued human capital development as imperative for growth and development of an economy. Their finding denoted the existence of a variety of endogenous mechanisms that foster economic growth and opined the need for public policy makers to incorporate it. These endogenous perspectives can be seen in the works of Arrow (1962), Romer (1986), Lucas (1988), Mankiw et al (1992). Actually, there is a ripple effect of the advancement of human capital in an area. The wind effect of enlightened individuals in an area impacts positively in the advancement of a society.

Mankiw et al (1992) have the conviction that a proportional slight alteration in the resources dedicated to physical and human capital buildup may give rise to huge changes in the product per worker. This presupposes that investment in both human and physical capital either in the rural or urban area, other things being equal have the tendency to revive and transform the economy from its stationary state to dynamic progressive one. Apart from human and physical capital is the role of the government in catering for the people with relevant policies and programmes capable of promoting, sustaining and revitalizing the system.

2.1 The concept of the multiplier

Undoubtedly, scholars have pointed out the multiplier effect of investment or increase in investment in an area. Investment whether in the form of private profit oriented or public sector investment in non-commercialised institution have the inclination to exhibit the multiplier effect. Dwivedi (1997) sees the multipliers as the ratio of the change in national income to change in investment which gives rise to income change. The concept of national income effect can be related to the effect in a local or regional area. Investment helps to put in place required physical capital for production which has expansionary effect. In other words, the multiplier concept has it that investment will increase national income by an amount of income greater than the original level of investment expenditure. Clark (2010) points out that the multiplier is the cumulative effect of an injection that is larger than the initial impact. This implies that a new investment

gradually brings about various effects that eventually show greater value than what was invested at the on-set.

This implies that an investment in an area *ceteris paribus* has the ability to increase employment, income and output, thereby boosting the societal economic activity. This effect is obvious in a developing economy like Nigeria that has serious unemployment problem. This is in line with the findings of Abiad et al (2015) that an increase in public investment impact positively on output by raising it both in the short and long term, crowds in private investment and lessen unemployment situation. Public investment was found to reduce unemployment rate by 0.11 percent in the short term and about 0.35 percent in the medium term. Public investment expansionary effect is visible with respect to productive capacity of the economy and it equally supplements physical infrastructure stock.

The stimulus of investment is highly beneficial. O'Farrell (2012) in his remarks on Ireland Department of Finance figure showed that a million pound investment spending in construction creates between 8,000 and 12, 000 jobs. It can be inferred that beside job creation is also income generation and other positive externalities. The Keynesian effect of multipliers reveals two impacts of investment which is viewed as short-term effect with respect to raising demand; employment of labour does empower the purchasing and spending ability of the people in the wider society. Secondly is the long-term effect is with respect to supply effect (Abiad et al, 2015, O'Farrell, 2012). Raising the stock of capital, which is investment in physical capital, will increase productivity of workers and output volume of the economy. In a similar view, Auerbach and Gorodnichenko (2013) points out that raising public infrastructure has the capability of boosting aggregate demand via short term fiscal multiplier and the size of the impact may vary with the state of the economy. Intuitively, a developing economy may have higher effect because of abundant idle and unemployed resources. The effects are needed so much in Nigerian rural areas that have high level of unemployment if and only if there will be increased public and private investments.

The establishment of FUNAI gave rise to series of employment of workers: from other universities, unemployed workers in the locality and outside; induced some people not in the labour force to opt for job. Unused land became in use for erecting of buildings and roads. The new establishment obtained other direct factors of production locally and outside the locality. The effect of the new establishment is also seen in the purchase and consumption of locally produced goods and services due to income realised by employees. The increased demand from local dealers compelled them to demand for more labour and other inputs of production with the intention of meeting up rising demand for their products. The chain reaction in the locality is stimulated by the existence of FUNAI. This activity has been beneficial to the locality with respect to improving living standard because of more income circulating in the area, and it goes on and on generating more income and more capital investment which eventually the cumulative effect exceeds the initial investment.

2.2 EFFECTS OF INVESTMENT MULTIPLIER IN RURAL AREAS

Clark (2010) pointed some of the effects of investment multiplier thus:
(i) the direct effect which is increased output or income generation by the local people engaged in production and increased local employment of resources that has the advantages of stimulating production, reduction of unemployment and crime reduction. A good number of idle persons took decision and make good use of the opportunity and started petty business with the motive of earning income.

(ii) the indirect effect is noted by the employees of the new university demanding for the products of the locality such as food, accommodation, transport, patronise cobblers among other services available. This in turn brings about more demand for input of production by seller/producer in order to meet effective demand. In actual fact, the staff of the university is induced to make some purchases in the local market which means increase sales unlike before the university establishment.

(\iii) the feedback effect is the attitude and reactions of farmers, producers and services providers who have the need to employ more workers and other input of production aimed at satisfying the rising demand.

From the foregoing, public or private spending goes beyond the policy expectation by generating increased aggregate economic activity leading to more resources that have aggregate positive impact in the locality in particular and the wider society in general which is more than proportionate initial investment. So, on the basis of the multiplier concept, it can be inferred that the final impact of the establishment of FUNAI (public investment) is greatly influencing socially and economically on its environment which has gone beyond the direct policy intention of manpower development but also tremendously reviving and revitalising the operation and consciousness of the inhabitants.

2.2.1 Socio-economic effect of FUNAI in Ikwo

The Federal University Ndufu Alike Ikwo (FUNAI) emerged in 2011 but commenced academic activity in November 2012. At the onset of its construction till date, it has generated some socio-economic effects in Ikwo and environs. Idle resources such as land and labour have been put to use which is a welcome development, cherished by the inhabitants and other stakeholders. Various activities which were not in existence have emerged. However, we are going to examine the socio-economic effects of the establishment of FUNAI on the basis of the following: employment, commerce and trade, effective demand, skill and knowledge acquisition.

2.2.2 Employment, commerce and trade: It is worthy to note that virtually all input of production have become greatly in use in Ikwo since the inception of FUNAI unlike before. The local people participated actively during the construction of building in the school premises. Many artisans within and outside the area were hired to do some works. When the school took off, many indigenes of Ikwo were permanently employed ranging from cleaners, messengers, security men, drivers, administrative and academic staff. A good proportion of the earned income is spent to buy food and other needs from the inhabitants of Ikwo. This increased consumption of the local goods creates market for farmers, food vendors and retailers of goods. Hence, there is increased employment of idle resources of the area. This would not have happened if such public investment was sited at urban part of Ebonyi state.

The employment, commerce and trade issues can equally be seen in the emergence of hair dressing and barbing saloons, hawkers and petty traders, canteens, business centres among others which supply goods and services to both workers and students. Each operator earns a living from such venture. It is also worthy to mention that those idle minds who now are pre-occupied with economic activity due to one form of employment or another have somehow exonerated from criminal acts. This is on the basis or assumption that an idle is a devil workshop. Relative calmness is obvious in a community when the unemployed is engaged in income yielding activity. Changed thought pattern from criminality to doing business or gaining employment brings creativity and organised life style that is favourable to the individual in particular and to the society in general.

Employment of resources can equally be viewed with respect to private individuals erecting buildings for accommodation around FUNAI and also hotels are gradually springing up. Workers, students' parents, guests and others patronise the hotel owners and landlords.

There is also increase in transport business in the area due to increased population of students and workers hence there is increased demand for transport. A motor park has also sprang up opposite the university gate for travelers. Workers, students, visitors and contractors do patronise the motorists. These chains of economic activities are attributed to the public investment in form of university at Ikwo. Some able bodied young men have now gone into the hire purchase agreement to take motor bike for 'okada' ridding business.

The aforementioned, although focused in rural locality conforms with the views of Wang and Wen (2013) who pointed out that government spending have remarkable trade-off since it may considerably enhance aggregate output in the developing economy that has massive market failures and also during recession period. It may bring about adverse economic effect such as inflation. However, in Nigeria, economic revival opportunity for rural area is very possible with government investment inconsideration of the status of most rural areas of the country. Actually, resources allocation in rural setting in Nigeria with respect to market allocative process is debilitated by a lot of factors and there is high ineffective demand in most rural areas of the country due to little or no income by a large proportion of the inhabitants. And also lack of facilities for effective business operation. Besides, there exists bad roads and poor road network for conveyance of local outputs to points of needs. The cost is so enormous for rural producers.

2.2.3 Effective demand: A corollary to increased employment is effective demand in the area. Producers or sellers of economic goods flourish under effective demand which is experienced in Ikwo and the neighbouring villages. Petty traders around and occasional Nwapu market has witnessed increased sales, which has repositioned production in the area. The increased population of the area due to workers' and students' presence has raised the demand of virtually all commodities on sale. The effect of demand has given rise to more employment of inputs of production by the local entrepreneurs and business dealers. Many people have now engaged in one form of economic activity or the other which means income generation and reduction of poverty level. Income generation helps the dweller to finance the education of their children, health and consumption which benefits the locality in particular and impact positively in the region.

These effects agree with Auerbach and Gorodnichenko (2013); Clark (2010); Pataki (2005) who pointed out that the three main effects of investment — direct, indirect and induce effects do cause ripple effects. The direct effect shows immediate employment which its effects is associated with positive change in the demand for the industry's product on the one hand and the indirect and induce effect brings chains of effective demand from businesses that emerged and operated because of the main investment. So, the various jobs creation resulting from direct, indirect and induce effects have greatly empowered inhabitants within and other people, thereby showing positive effect on the aggregate income of the country.

Any action of the government directed to promoting effective demand has a way of inducing producers to work for the supply of output in order to meet demand. Alexiou (00) notes that policies designed to enhance effective demand can significantly work to accelerate employment and thereby improve economic performance. Effective demand can be through public investment in infrastructure or establishment of institutions, irrigation amongst others.

2.2.4 Skill and knowledge acquisition

The university is a centre for learning and excellence. The existence of FUNAI is aimed at raising skill acquisition and the quality labour of both the people of the locality, its environs and

others who desire educational knowledge acquisition at FUNAI. Knowledge is said to be power and requires a huge capital to establish centre of learning. Poverty alleviation and rural development is positively related to the existence of training institution. This role of enlightenment, skill acquisition and human capital empowerment has the ability and capability to revive a poor rural area. This is in line with the endogenous growth model which stressed on human capital development is a major prerequisite for advancement and progress of a region. This is because of what human capital can do when empowered through education. So, the socio-economic implication of FUNAI cannot be overemphasized.

The emergence of faculties in FUNAI such as science and technology, basic sciences, social sciences which is housing courses like entrepreneurial studies, economics and development studies amongst others is geared toward training future developers and experts whose roles within the area and outside is expected to impact considerably in the country.

Ignorance which is among the basis for disagreement, acrimony, disharmony, conflicts, uproars and wars are considerably wiped away with education which FUNAI stands for, for the Ikwo community in particular and the entire country in general.

Various professional required in making life easy and meaningful are the products of universities. Omole (2009) in his remarks pointed out that where if not in tertiary institutions we train the bankers, the lawyers, the engineers, the doctors, the agriculturists, the architects, the accountants, the teachers, the administrators and so on. Many undergraduate are undergoing training in professionals courses in FUNAI and their products are hoped to be agents of positive change.

Adequately trained and skilled manpower cum physical capital are essential for economic development of any economy. The instruments of production and material resources cannot operate or add values to itself. They must be used by skilled, able and competent people trained in institutions of learning. Where there are no well trained people who are capable and able to help add values to raw materials, the area will experience inefficiency in the utilisation of resources of the society. Consequently, the society will witness under-utilisation of various endowed resources which means low production, idleness and above all unemployment.

Eboh and Uma (2010) and Ogbonna (1984) pointed out that the talents of the people are awakened through manpower transformation due to training which increases skills, creative ability and productivity leading to better income that will culminates to desirable per capita income and economic development. When the pool of knowledge and skills of the people of a locality increase; the existing abundant resources can be used more productively, and better decision on how to progress is the outcome. Inadequate skill and knowledge due to lack of training centres retard productivity and affects adversely economic development. So, education and human development is one of the major keys required for development. In other words, manpower deficiency leads to lack of efficient and talented entrepreneurs which is associated with unfavorable economic, social, political and institutional set up thereby preventing the development of efficient and talented entrepreneurs. Consequently, giving rise to the existence of low managerial and operational efficiency, lack of enterprise, innovations and specialisation. Other things being equal, FUNAI will help to a great extent remedy most of the predicaments of the poor.

3.0 Poverty reduction implications of FUNAI in Ikwo

As rightly mentioned human and physical capital are required in a right mix to aid the development and growth of an area. One of the major concerns of the poor is how to get employment so as to earn income which will enable them satisfy their physiological needs and also possibly embark on training for skill acquisition in order to escape from poverty. FUNAI is a capital intensive establishment by the federal government of Nigeria and has created varieties of jobs, thereby empowering Ikwo people and its environs and even beyond. Impressively, the direct effect of the institution which gave rise to appreciable employment; the indirect and induced effects which generated jobs and income; in our perspectives it has assisted in different ways to positively impact on poverty reduction.

Calory intakes, adequate health care, decent living accommodation and other needs depend on income level of a person. One who earns something is better disposed to help self and others more than one who is idle and earns nothing. Various means of earning income resulting from FUNAI existence in Ikwo is seen to play a significant role in poverty reduction. Given the multifaceted and multi-dimensional nature of poverty in Nigeria, any form of investment either private or public is a welcome development because of the role it plays in empowering the people, thereby restructuring and repositioning their ways of live from pauper to prince.

The income earners can now participate actively in local development intention of the Town Development Union. Increase in the union financial members implies the ability of the area to embark on self-development projects which is favourable to the community. The aged who have no means of sustenance due to lack of government policy for the non-productive elderly people, especially the retired self-employed can now see who to depend on owing to employment generation that have absorbed the children and wards of the aged resulting from the effects of FUNAI existence.

In his concern for educational ability Agenor (2000) states that educational accomplishment is a very important factor that influences a person's earnings ability and of raising country's stock of human capital. Poverty ridden families are usually gripped in low level of education, low-skill, and low-income trap; they really cannot have enough money to sacrifice their menial present income and pay for educational training. FUNAI at the door steps of the poor is a welcome development aimed at empowering the poor and also helps them to walk away from poverty situation.

4.0 Way forward and conclusion

In view of all discussed and enumerated, it is our sincere conviction that the degree of poverty in the rural areas of Nigeria can practically be tackled gradually if efforts have been focused toward the establishment of public investments in the rural area. The multiplier effect would have tremendously helped to revive the endemic poverty situation in Nigeria. The recent establishment of eleven federal universities of which some were cited in the rural areas is a right step toward poverty alleviation.

Apart from investment in universities and tertiary institutions, public investment in irrigation and integrated agriculture in a rural part of each of the 774 local government areas in Nigeria will equally impact desirably in repositioning the poor in the areas.

It is utmost important for the government to reform the rural environment in such a way as to encourage domestic and foreign investors to opt for investing in the area. This calls for provision of capital overheads, good road net work, regular power supply, pipe borne water and adequate security of life.

Provision of more mouth-watering incentives in form of fiscal and monetary policies should be made by the government so as to enable private investors to willingly accept to invest in the rural areas and also to encourage local entrepreneurs not to migrate to urban areas.

Conclusion

The paper has unraveled the fact that public investment in rural area has the ability to revive a depressed economy through the multiplier effect. Employment creation and increased indigenes participation in productive activity due to public investment helps them to earn income needed to rise above poverty line. Visible and practical changes with respect to employment and poverty alleviation are good evidence of the impact of the government establishment of non-profit making institution like FUNAI in Ikwo. This action is regarded as a more practical way of stimulating productive ventures in the rural area which crowds in private investment. The positive socio-economic effects of public investment in a rural setting is enormous and should be encouraged in order to enable the rural dwellers to gradually walk away from poverty ridden consciousness.

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