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Macroeconomic Variables and Standard of Living in Nigeria (1981-2023)

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ABSTRACT: This study investigated the macroeconomic variables and standard of living in Nigeria from 1981 - 2023. The specific objectives upon which this study was carried out was to ascertain the effect of {inflation, exchange rate, interest rate, unemployment and gross domestic product (GDP)} on the standard of living in Nigeria. The study was carried out using the following tools of analysis- descriptive statistics, unit root and Ordinary Least Square (OLS) method of analysis to examine the effect of inflation, exchange rates, interest rates, gross domestic product (GDP) and unemployment on the standard of living in Nigeria. The nature of data for this research was secondary data. The data were sourced from Central Bank of Nigeria (CBN) Statistical Bulletin, International Monetary Fund Statistical Bulletin, World Bank Statistical Bulletin and data from National Bureau of Statistics (NBS). The findings indicated that macroeconomic variables have an influence on the standard of living in Nigeria with GDP growth exerting positive impact at varying degrees. The study concluded that high gross domestic product (GDP) and low interest rates have a significant positive effect on economic growth in Nigeria within the period under study. This study recommended that the Central Bank of Nigeria should maintain an economic friendly interest rate regime to encourage investment and local production of goods. The Government should also invest in small businesses and encourage GDP growth in order to reduce poverty. These study contributed to existing literature on macroeconomic determinants of standard of living and provided valuable insights for policy makers seeking to pursue poverty reduction agenda in Nigeria.

Keywords: Macroeconomic indicators, Standard of Living, Interest rate, Inflation, Exchange rate, unemployment, Nigeria.

INTRODUCTION

Governments aim to achieve steady economic growth and sustainable development. Nigeria faces challenges like rising poverty, unemployment, inflation, and lack of basic infrastructure. These problems harm sustainable development (Saidi, Labidi & Ochi, 2023). Governments seek accelerated economic growth through changes to macroeconomic policies (Al-Sharif, 2023). Such changes adjust policies to meet key economic goals and support transformation for sustainability.

Poverty means conditions without basic needs like clean water, food, healthcare, education, clothing, and shelter (Zang, Zhang & Xiong, 2023). Sustained high economic growth reduces poverty over time. The spread of growth benefits affects poverty levels (Wang, Chen, Hue & Shahid, 2023). Macroeconomic policies set limits for social actions by defining fiscal space. Poverty appears in rural and urban areas across Nigeria (Arbatli-Saxegaard, Coppo, Khalil,

Kotera & Unsal, 2023). Rural poverty rates exceed urban rates, but urban slums show high deprivation. Affected groups lack steady income, jobs, property, health, and education. They face illiteracy, poor health, short lifespans, and no access to food, clothing, or shelter. Social and economic needs go unmet. Skills, employment, assets, and confidence remain limited (Drèze & Somanchi, 2023).

After World War II, industrialized countries used reflationary policies for reconstruction, full employment, and low inflation. Developing countries promoted growth and change after independence. Industry grew fastest, raising its GDP share in most economies (National Bureau of Statistics, 2023). Low-income African and Asian countries saw slower progress. About 40% of developing country populations, or 800 million people, stayed in absolute poverty. The 1970s brought challenges: the Bretton Woods system collapsed, and oil shocks hit. Industrialized nations faced stagflation. Borrowers of petrodollars encountered debt crises in the 1980s due to high U.S. and U.K. interest rates. Few economies grew steadily. These events shifted policies away from heavy government roles toward smaller governments focused on property rights, law, order, low inflation, and balanced budgets (OECD, 2023). Nigeria and others saw high inflation, slow growth, fiscal deficits, and failed import substitution policies. Poverty persisted (OECD, 2023).

Nigeria launched programs to cut poverty and raise living standards. Examples include People's Bank, Community Bank, Small-Scale Industries Credit Scheme, National Directorate of Employment, Family Support Programme, National Agricultural Development Agency, DFRRI, Family Advancement Economic Programme, Poverty Alleviation Programme, Structural Adjustment Programme, and NEEDS (OECD, 2023). Program impacts remain debated. This study examines effects of selected macroeconomic variables on living standards in Nigeria.

Poverty affects most Nigerians, with a small minority in affluence. This stems from uneven resource use, not endowments. Groups include rural landless, small farmers, urban under-employed, and unemployed. Rural and slum areas show high rates. Urban poverty deepened faster than rural due to population growth and migration. Services and infrastructure strained. Nigeria ranks 131st globally (World Bank) and 42nd poorest with 40.10% poverty (UNDP; OECD, 2023).

Studies debate macroeconomic variables and poverty. Some find positive links to growth (Nurjannah et al., 2021; Chaouachi & Chaouachi, 2021; Gnangnon, 2020). Others show negative or no links (Akomolafe et al., 2021; Mansi et al., 2020; Okoye et al., 2021; Amaliah et al., 2021). No consensus exists. This study fills gaps by focusing on living standards, not just growth, and extends data to 2023.

Objectives

The main objective is to examine effects of macroeconomic variables on living standards in Nigeria. Specific objectives are to:

1. ascertain the effect of inflation on the standards of living in Nigeria.
2. investigate the effect of exchange rate on the standards of living in Nigeria.
3. evaluate the effect of interest rate on the standards of living in Nigeria.
4. assess the effect of GDP on the standards of living in Nigeria.
5. examine the effect of unemployment on the standards of living in Nigeria.

LITERATURE REVIEW

Inflation exerts pressure on the standard of living by reducing the purchasing power of households. Nigeria faces persistent inflation, which limits real income growth and constrains consumption of basic goods such as food, housing, healthcare, and education (Saidi, Labidi & Ochi, 2023; Zang, Zhang & Xiong, 2023). Inflation also distorts relative

prices and investment signals, discouraging long-term savings and productive investment. High inflation in Nigeria has been linked to structural issues such as energy costs, insecurity in food production, and exchange-rate volatility, all of which weaken household welfare and firm-level expansion (OECD, 2023; Adeleye, Arogundade & Mduduzi, 2023). Empirical studies show that past inflation and the consumer-price index can significantly affect per capita income and influence the standard of living in Nigeria (International Policy Brief, 2024).

Exchange rates influence the standard of living by affecting the cost of imports, export competitiveness, and overall price stability. As an open, import-dependent economy, Nigeria is sensitive to exchange-rate movements, which alter the affordability of imported inputs, fuel, and consumer goods (Elijah & Oludayo, 2020; Limbore & Moore, 2019). A depreciated exchange rate can raise domestic prices and increase the cost of living, especially when many basic goods are imported. By contrast, an overvalued exchange rate can undermine export earnings and worsen external imbalances, constraining government ability to finance social and infrastructure spending (Ukangwa & Iheukwumere, 2023; Adeniyi, Omotosho & Akanbi, 2020). Studies indicate that unstable or depreciating exchange rates can reduce real GDP per capita and negatively affect household welfare in the short run (Bilewu, 2024; International Policy Brief, 2024).

Interest rates shape the standard of living by influencing borrowing costs, savings, investment, and consumption. Higher interest rates tend to reduce credit access for households and firms, constraining investment in housing, education, and small-scale enterprises (Mosley & Abdulai, 2020). In developing countries, high and rigid interest-rate spreads limit the effectiveness of financial intermediation and can hinder inclusive growth. Financial liberalization in Nigeria has not fully brought interest-rate structures in line with advanced economies due to bank-market power, high operating costs, and weak financial-institution discipline (Zhu, Bashir & Marie, 2022; Guo, Zhou & Liu, 2022). Research using time-series data for Nigeria finds that higher interest rates exert a negative impact on per capita income and living-standards indicators, suggesting that interest-rate policy can be a key channel through which macroeconomic conditions affect households (International Policy Brief, 2024; International Policy Brief, 2025).

Gross domestic product (GDP) is a central indicator of economic activity and, by extension, standard of living. Higher GDP growth tends to expand employment opportunities, raise real incomes, and improve access to social services such as education and healthcare (Ashiedu, Okafor, Amahalu & Obi, 2022). Growth-driven income expansion can reduce absolute poverty, especially when economic assets and opportunities are relatively broadly distributed. Empirical work on Nigeria shows that macroeconomic variables, including GDP per capita, exert significant long-run and short-run influences on household welfare and life-expectancy outcomes (International Policy Brief, 2024; International Policy Brief, 2025). However, the extent to which GDP growth improves living standards depends on how equitably the benefits of growth are shared and how effectively public resources are allocated to health, education, and social protection (Marrero & Serven, 2018; Topalli, Papavangjeli, Ivanaj & Ferra, 2021).

Unemployment and underemployment directly constrain the standard of living by limiting household income, consumption, and social participation. Labour-market slack reduces the ability of individuals to meet basic needs and invest in human-capital accumulation such as schooling and health. In Nigeria, unemployment and underemployment are associated with lower productivity, weakened entrepreneurial activity, and slower growth in real incomes

(Ngubane, Mndebele & Kaseeram, 2023; Nyamweya & Obuya, 2020). Studies on Nigeria yield mixed results on the strength of the unemployment–poverty link, but most agree that persistent joblessness and inadequate employment opportunities worsen welfare outcomes and heighten poverty incidence (Okuneye, Olaniyi & Adekanbi, 2023; Bello, 2022; Martins & Abubakar, 2020). Evidence also suggests that unemployment can have an insignificant or weak short-run effect on some welfare indicators such as life expectancy, while long-run living-standards outcomes remain sensitive to broader labour-market conditions (International Policy Brief, 2025).

Overall, literature indicates that inflation, exchange-rate stability, interest-rate policy, GDP growth, and unemployment collectively influence the standard of living in Nigeria. Past work mostly focuses on per capita income or life-expectancy proxies, often using GDP, inflation, unemployment, interest rate, and exchange rate as explanatory variables (International Policy Brief, 2024; International Policy Brief, 2025; Bilewu, 2024). These studies support the view that macroeconomic variables matter for household welfare, but they also highlight that the direction and magnitude of effects can differ over time and depend on underlying structural and institutional conditions.

Theoretical Framework

This study is anchored on the Keynesian Theory of Poverty, which is grounded in John Maynard Keynes' broader macroeconomic theory of aggregate demand. The theory holds that total spending in the economy—consumption, investment, government purchases, and net exports—determines output, employment, and inflation. Keynes argued that inadequate aggregate demand can cause prolonged high unemployment and low output, especially during recessions. In such conditions, government intervention through higher spending and lower taxes is needed to stimulate demand, raise output, and reduce unemployment. According to this framework, poverty is not an innate feature of society but mainly a result of insufficient demand and joblessness.

Within this setup, inflation and unemployment are closely linked. When demand is weak, firms cut production and jobs, pushing more people into poverty. Because prices and wages are relatively rigid, markets do not automatically restore full employment, so government action is necessary to stabilize the business cycle. Keynesian policy tools such as infrastructure investment, unemployment benefits, and public education increase effective demand and raise employment, which in turn improves incomes and living standards. The theory also treats macroeconomic stability—controlled inflation, steady growth, and manageable deficits—as a precondition for sustained poverty reduction.

This study integrates three complementary theoretical perspectives. First, the Keynesian Theory of Poverty serves as the main anchor, emphasizing unemployment as the core driver of poverty and the need for government-led demand management to boost growth and living standards. Second, the New Growth Theory (Romer, 1986) highlights that long-term growth depends on technology, knowledge, and entrepreneurship. In this view, human capital and innovation push real GDP per capita upward, so policies that expand education, research, and business development support higher living standards over time. Third, the Life-Cycle Hypothesis (Modigliani & Brumberg, 1954) explains how individuals smooth consumption and savings over their lifetimes. This perspective shows that stable employment, income predictability, and access to credit and pensions are critical for households to avoid poverty spells in low-income periods.

The relevance of the Keynesian Theory of Poverty to this work lies in its direct link

between macroeconomic variables and living standards. The theory views fiscal and monetary policy as key instruments for managing aggregate demand, employment, and inflation. By raising government spending and sustaining growth, the state can reduce unemployment and expand access to basic services, infrastructure, and education.

In this framework, poor human-capital accumulation and weak infrastructure are not only outcomes of poverty but also structural barriers that government investment must address. Thus, the framework positions inflation, exchange rate, interest rate, GDP, and unemployment as demand-side channels through which macroeconomic policy affects the standard of living in Nigeria.

METHODOLOGY

In line the objectives, the ex-post facto research design was adopted. This design is appropriate because the study relied on already existing data. It also allows the examination of relationships among variables without manipulating them. The study used secondary data sourced from Central Bank of Nigeria Statistical Bulletin, the International Monetary Fund Statistical Bulletin, the World Bank Statistical Bulletin, and publications of the National Bureau of Statistics. The data covered the period from 1981 to 2023.

The study consisted of independent and dependent variables. The independent variables were inflation, exchange rate, interest rate, gross domestic product, and unemployment. The dependent variable was standard of living. Standard of living was proxied by per capita income. This study modified the model used by Akomolafe, *et al* (2021). The original model is stated as:

$$POR = \beta + \beta 1UNM + \beta 2EXR + \beta 3INR + \beta 4MS$$

Where POR represents poverty rate and MS represents money supply.

Based on the modification, the model for this study was specified as:

$$PCI_t = \beta_0 + \beta_1 INF_t + \beta_2 EXR_t + \beta_3 INTR_t + \beta_4 GDP_t + \beta_5 UNEMP_t + \mu_t$$

Where:

β_0 = intercept term

μ_t = error term

$\beta_1 - \beta_5$ = coefficients of the explanatory variables

PCI_t = per capita income at time t

INF_t = inflation at time t

EXR_t = exchange rate at time t

$INTR_t$ = interest rate at time t

GDP_t = gross domestic product at time t

$UNEMP_t$ = unemployment at time t

Both descriptive and inferential statistical techniques were used for the analysis. Descriptive statistics were used to present the basic features of the data. These included mean, standard deviation, skewness, minimum value, and maximum value. Inferential analysis was conducted with the aid of E-Views 10.0 statistical software.

The first test carried out was the stationarity test. This test was necessary because time series analysis requires the determination of whether the variables are stationary. The Augmented Dickey-Fuller unit root test was used for this purpose. The test helped to determine the order of integration of each variable.

\Pearson correlation analysis was also employed. This was used to measure the degree and direction of relationship among the variables. It showed whether the variables moved positively or negatively and indicated the strength of such relationships.

Ordinary Least Squares regression analysis was further used in the study. This technique was adopted to estimate the effect of the independent variables on the dependent variable. It also helped to explain how changes in macroeconomic variables influenced standard of living in Nigeria.

To ensure the reliability of the estimates, diagnostic tests were also conducted. The Granger causality test was used to determine the direction of influence among the variables. The Johansen cointegration test was used to examine whether a long-run relationship existed between the dependent variable and the explanatory variables. The Error Correction Model was then estimated to show the speed at which short-run disequilibrium adjusted towards long-run equilibrium.

The study adopted a 5 per cent level of significance. The decision rule was based on the probability value. The null hypothesis was accepted when the p-value was greater than 0.05. The null hypothesis was rejected when the p-value was less than 0.05

RESULTS AND DISCUSSION OF FINDINGS

Table 1: Descriptive Statistics

	SDL	INF	EXR	INTR	RGDP	UNEMP
Mean	10.29643	18.03667	113.3102	7.038571	37470.13	23.47619
Median	9.970000	11.06500	115.2550	4.495000	27112.63	23.90000
Maximum	17.89000	72.84000	363.6700	18.80000	74675.67	39.00000
Minimum	3.690000	5.380000	0.610000	1.410000	13779.26	4.800000
Std. Dev.	3.973501	16.76997	113.2546	4.895155	21966.77	11.41366
Skewness	0.166284	1.913405	0.863472	0.961899	0.513906	-0.160296
Kurtosis	2.087341	5.458295	2.733842	2.561458	1.632037	1.584888
Jarque-Bera	1.651209	36.20345	5.343053	6.813313	5.123511	3.684311
Probability	0.437970	0.000000	0.069147	0.033152	0.077169	0.158475
Sum	432.4500	757.5400	4759.030	295.6200	1573745.	986.0000
Sum Sq. Dev.	647.3372	11530.50	525890.9	982.4641	1.98E+10	5341.136
Observations	42	42	42	42	42	42

The descriptive statistics show that standard of living had a mean value of 10.29, a standard deviation of 3.97, and values ranging from 3.69 to 17.80. Inflation recorded a mean of 18.00 with a standard deviation of 16.70, while exchange rate had a mean of 113.30 and a standard deviation of 113.25. Interest rate had a mean of 7.04 with a standard deviation of 1.41, while real gross domestic product recorded a mean of 37,470 with a standard deviation of 21,966. These results indicate moderate variation in most of the variables since their standard deviations were generally lower than their mean values. The skewness values suggest that most of the variables were fairly symmetric, except inflation which showed noticeable departure from symmetry. The kurtosis values further indicate that most of the variables approximated normal distribution, although inflation, real gross domestic product, and unemployment deviated from this pattern. The Jarque-Bera probabilities were above 5 per cent, which suggests that the variables were normally distributed. Even where normality is not fully satisfied, Shao

(2003) maintained that non-normality does not invalidate the BLUE properties of inferential estimators.

Table 2: Correlation Matrix

	SDL	INF	EXR	INTR	LRGDP	UNEMP
SDL	1.000000					
INF	-0.334176	1.000000				
EXR	0.630560	-0.400302	1.000000			
INTR	-0.627853	0.641644	-0.632495	1.000000		
LRGDP	0.550853	-0.405297	0.512795	-0.409073	1.000000	
UNEMP	0.484061	-0.483413	0.677926	-0.452324	0.422127	1.000000

Table 2 presents the correlation matrix of the independents variables. There is no correlation coefficient greater than 0.8, hence there is no problem of multi-collinearity of data. Therefore, in checking for multi-collinearity problem, the study noticed from the correlation table above that no two explanatory variables were perfectly correlated and thereby ruled out the case of having an outlier. This indicates the absence of multi-collinearity problem in the model used for the analysis.

Unit Root

The ADF unit root test has been carried out on levels and differences of relevant of variables.

TABLE 3: Augmented Dickey Fuller Test (ADF)

Variables	At Level		First Difference		Order of Integration
	t-Statistic	Prob.	t-Statistic	Prob.	
SDL	-0.253375	0.9725	-5.611217	0.0000	1(1)
INF	-2.973656	0.0457	-6.724295	0.0000	1(1)
EXR	-1.288660	0.9982	-4.951558	0.0002	1(1)
INTR	-1.081317	0.7144	-5.172813	0.0000	1(1)
RGDP	-0.578301	0.0000	-4.505765	0.0005	1(1)
UNEMP	-0.045666	0.9571	-4.045980	0.0038	1(1)

From the table above, it is obvious that study's variables were not stationary at level but in first difference all the variables were found to be stationary. This is a head way to co-integration approach and error correction model.

Table 4. Co-integration result test

Unrestricted Co-Integration Rank Test (Trace)

Hypothesized No of CE(s)	Eigen value	Trace static	0.05 critical value	Prob**
None *	0.712784	159.5056	103.8473	0.0000
At most 1 *	0.641949	110.8522	76.97277	0.0000
At most 2 *	0.581071	70.79613	54.07904	0.0008
At most 3 *	0.439319	36.86407	35.19275	0.0327
At most 4	0.260206	14.29851	20.26184	0.2694
At most 5	0.063163	2.544572	9.164546	0.6687

Trace test indicates 4 co-integrating equ(s) as the 0.05 level* denotes rejection of the hypothesis at the 0.05 level ** mackinnon-Haug-Michelis (1999) P – values.

Unrestricted co-integration Rank Test (Maximum Eigen value)

Hypothesized No of CE(s)	Eigen value	Trace static	0.05 critical value	Prob
None *	0.712784	48.65333	40.95680	0.0056
At most 1 *	0.641949	40.05609	34.80587	0.0108
At most 2 *	0.581071	33.93207	28.58808	0.0094
At most 3 *	0.439319	22.56556	22.29962	0.0459
At most 4	0.260206	11.75394	15.89210	0.2007
At most 5	0.063163	2.544572	9.164546	0.6687

Max-Eigen value test indicates 4 co-integrating equations at the 0.5 level* denotes rejection of the hypothesis at the 0.05 level **mackinnon-Haug-michelis (1999) P-values.

Trace test value and Max-Eigen indicates 4 co-integrating equations at the 0.05 level. This suggests a long run equilibrium relationship among the variables. Co-integration is a pre-requisite for error correction mechanism following the result of co-integration, there is a long-run equilibrium relationship among the variable, hence, we can move over to error correction mechanism.

Result Interpretation

In order to examine the relationship between the dependent variable Standard of Living (SDL) and the independent variables (INF, EXR, INTR, LRGDP, UNEMP) and to test the formulated hypothesis, we employed a Regression Analysis since the data had both time series (1981-2023) our analysis is presented in table 4.5 below:

$$SDL_{it} = \beta_0 + \beta_1 INF_{1t} + \beta_2 EXR_{1t} + \beta_3 INTR_{1t} + \beta_4 LRGDP_{1t} + \beta_4 UNEMP_{1t} \varepsilon \ldots\ldots\ldots\ldots 1$$

Table 5: SUMMARY OF REGRESSION RESULT

Dependent Variable: SDL
Method: Least Squares
Date: 02/25/25 Time: 06:07
Sample (adjusted): 1982 2022
Included observations: 41 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.608195	8.219973	4.389546	0.0001
INF	-0.008455	0.013454	-2.628452	0.0339
EXR	0.012177	0.003989	3.052826	0.0044
INTR	0.100904	0.090271	1.117785	0.2715
LRGDP	0.163582	0.873583	4.766096	0.0000
UNEMP	-0.042467	0.061405	-1.691578	0.5239
ECM(-1)	-0.334913	0.162912	-2.055788	0.0475

R-squared	0.940065	Mean dependent var	10.39951
Adjusted R-squared	0.929488	S.D. dependent var	3.965598
S.E. of regression	1.053030	Akaike info criterion	3.095472
Sum squared resid	37.70164	Schwarz criterion	3.388033

Log likelihood	-56.45718	Hannan-Quinn criter.	3.202007
F-statistic	88.87970	Durbin-Watson stat	2.060976
Prob(F-statistic)	0.000000		

The results presented above will be analyzed using two criteria; Accounting a priori criteria, and statistical criteria

The regression result shows that the model is broadly consistent with the apriori expectations. The intercept coefficient of 0.608195 is positive and statistically significant, which indicates that per capita income remains positive even when the explanatory variables are held constant. Inflation rate has a negative coefficient of -0.008455, which suggests an inverse relationship with per capita income. This implies that rising inflation reduces standard of living. Exchange rate has a positive coefficient of 0.012177 and is statistically significant, which indicates that changes in exchange rate are associated with increases in per capita income. Interest rate also has a positive coefficient of 0.100904, but its effect is not statistically significant, which shows that it does not exert a strong influence on standard of living within the study period. Real gross domestic product has a positive and statistically significant coefficient of 0.163682, which confirms that higher output improves per capita income and standard of living. Unemployment rate has a negative coefficient of -0.042467, which indicates that increasing unemployment reduces standard of living, although its effect is not statistically significant. The coefficient of determination of 0.94 shows that 94 per cent of the variation in standard of living is explained by the model, while the F-statistic confirms that the overall model is statistically significant.

Discussion of the Findings

The findings of the study showed that inflation has a significant negative effect on the standard of living in Nigeria. This implies that rising inflation reduces consumers' purchasing power and weakens household welfare. It also suggests that persistent increases in prices lower real income and make it more difficult for households, especially low-income earners, to meet basic needs. In an import-dependent economy such as Nigeria, inflation further raises the cost of goods and services and worsens living conditions. The finding is consistent with George-Anokwuru and Inimino (2025) and Khalid Khursheed and Sangmi (2015), who reported that inflation significantly affects welfare indicators using the ARDL Bounds testing approach. However, the result contradicts Ekpeyoung (2023) and Akomolafe, Agunbiade, and Ndayako (2021), who found a positive relationship between inflation and standard of living.

The regression result also revealed that exchange rate has a significant effect on the standard of living in Nigeria, as shown by the t-value of 3.052826 and p-value of 0.0044. This indicates that changes in exchange rate significantly influence living conditions in the country. A depreciation of the domestic currency increases the prices of imported goods, raises the cost of living, and reduces disposable income, thereby lowering the standard of living. Although a weaker currency may improve export competitiveness and increase foreign earnings, its overall effect in Nigeria appears to be adverse because of the country's dependence on imported consumer and production goods. Exchange rate movements may also affect the real value of remittances received by households. This finding agrees with Ukangwa and Onyenze (2023) and Eroğlu and Olayiwola (2023), who found significant long-run and short-run relationships among exchange rate

fluctuations, GDP, per capita income, and unemployment rate in Nigeria. However, the result is contrary to the findings of Imoagwu, Ezenekwe, and Nwogwugwu (2023) and Idris and Shuyur (2023).

The result further showed that interest rate has a positive but insignificant effect on the standard of living in Nigeria, with a beta value of 0.100904 and p-value of 0.2715. This suggests that interest rate does not exert a statistically significant influence on the standard of living within the period covered by the study. In principle, high interest rates discourage borrowing and investment, reduce economic activities, and can limit access to credit, especially for low-income households. This may weaken welfare and reduce living standards. Conversely, lower interest rates may stimulate investment and output growth, which can improve income and welfare. Despite these theoretical expectations, the empirical result indicates that the effect of interest rate on standard of living in Nigeria is weak and insignificant. This finding is in line with Rahmad, Samad, Amarsyah, Taufik, and Baene (2020) and Ogini (2022), who used Ordinary Least Squares and found similar outcomes. However, it contradicts Umeh, Nzotta, and Chris-Ejiogu (2023) and Akomolafe, Agunbiade, and Ndayako (2021).

The study also found that gross domestic product has a significant effect on the standard of living in Nigeria, as indicated by the p-value of 0.0000. This means that economic growth plays an important role in shaping the welfare of the population. Positive growth in GDP can increase employment opportunities, expand income levels, and raise demand for goods and services, thereby improving the standard of living. The structure of GDP also matters, since stronger contributions from productive and high-income sectors such as finance, technology, and services may improve wages and welfare more substantially. This result agrees with Eroğlu and Olayiwola (2023), Essien, Agboegbulem, Mba, and Onumonu (2016), Fagbemi, Osinubi, and Adeosun (2022), Fernando (2023), and Ghandour (2020), who all reported that GDP growth contributes positively to living standards.

Finally, the analysis showed that unemployment rate has a negative but insignificant effect on the standard of living in Nigeria, with a p-value of 0.5239. This implies that although unemployment tends to reduce the standard of living, its effect was not statistically significant in this study. High unemployment usually lowers household income, increases poverty, and restricts opportunities for economic improvement. In Nigeria, this problem is worsened by the dominance of the informal sector, where many people are engaged in low-paying and unstable jobs that do not provide adequate welfare. The finding agrees with Zira (2022) and Omotayo, Maku, and Adelowokan (2023), who found that unemployment has an indirect and significant long-run impact on income inequality. However, the result contradicts Isiwu, Azike, and Ngwu (2021) and Okorie and Anowor (2023), who reported a significant negative relationship between unemployment and standard of living.

CONCLUSION AND RECOMMENDATION

This study examined the effect of macroeconomic variables on the standard of living in Nigeria over the period 1981 to 2023, using inflation rate, exchange rate, interest rate, real gross domestic product, and unemployment rate as the major explanatory variables. The study was anchored on endogenous growth theory, monetary theory, and the Keynesian theory of poverty. Secondary data obtained from the Nigerian Statistical Bulletin were analysed using descriptive and inferential statistical techniques.

The findings showed that inflation has a negative and significant effect on the standard of living in Nigeria, indicating that rising prices reduce purchasing power and

worsen household welfare. Exchange rate was also found to have a significant effect on the standard of living, suggesting that exchange rate instability affects the cost of living and the general welfare of the people. Interest rate, however, was found to have no significant effect on the standard of living during the period under review. The result further revealed that gross domestic product has a significant effect on the standard of living, implying that improvements in economic output can enhance welfare conditions. Unemployment rate was found to have no significant effect on the standard of living within the study period.

Based on these findings, the study concludes that macroeconomic variables remain important determinants of the standard of living in Nigeria, particularly inflation, exchange rate, and gross domestic product. The study therefore recommends that the government, through the Central Bank of Nigeria, should implement effective monetary and exchange rate policies that will stabilize prices and strengthen the value of the naira. This will help reduce the cost of imported goods and encourage the consumption of locally made products. The Central Bank of Nigeria should also maintain an investment-friendly interest rate regime that can support private sector growth and local production. In addition, government should intensify efforts toward increasing gross domestic product through productive investment in key sectors of the economy, since sustained output growth can improve income and reduce poverty. There is also a need to promote entrepreneurship and small business development by providing access to finance, business support services, and training opportunities, as this can generate employment and improve living conditions.

The study also contributes to knowledge by adopting a broader macroeconomic framework that links inflation, exchange rate, interest rate, gross domestic product, and unemployment rate with standard of living in Nigeria. The study extended the period of analysis to 2023, thereby providing more recent evidence for policy formulation. Its findings add to existing literature and provide useful reference material for researchers, scholars, and policymakers concerned with poverty reduction and welfare improvement in Nigeria.

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