

Impact of Energy Consumption on Poverty Reduction in Africa

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Abstract

This study investigates the impact of energy consumption on poverty reduction in a panel of 12 African countries over a period of 1981-2014. Using the Fully Modified Ordinary Least Square (FMOLS) method, the study shows that a long-run negative relationship exists between energy consumption and poverty level in the selected African countries. This underscores the importance of energy in poverty reduction in the selected African countries. The result also indicates that other variables such as capital stock and political stability have significant effect on poverty implying that these intervening factors tend to play critical role in reducing poverty in the energy-GDP relationship for the selected African Countries. Furthermore, the granger causality test shows that a short-run unidirectional causality runs from energy consumption to poverty. The findings clearly suggest that increasing energy consumption affect poverty reduction in the short-run but not in the long run. The study therefore recommends that the government in the selected countries should improve infrastructure and reduce political instability so as to maximize the effect of energy consumption on poverty reduction.

Keywords: Energy Consumption; Poverty level; Panel Cointegration; Panel Causality