

FINANCIAL INCLUSION AND POVERTY REDUCTION IN NORTHERN NIGERIA

By

¹Omaku A. Abubakar

Pre-ND Department, Isa Mustapha Agwai 1 Polytechnic, Lafia, Nasarawa State.

E-mail: omakuabubakar@yahoo.co.uk

&

²Mohammed Musa

Department of Social Sciences, Federal Polytechnic, Nekede
Imo State

E-mail: bestmmb71@yahoo.com

&

³Christaina Lawrence Inji Tanze

Department of Accountancy, School of Administration and Business Studies, Isa
Mustapha Agwai I Polytechnic, Lafia, Nasarawa State.

Abstract

This paper investigates the impact of financial inclusion on poverty reduction in Nasarawa State of North Central, Nigeria. Using secondary annual data from the Central Bank of Nigeria, National Bureau of Statistics, and World Bank, the research applies a time series econometric approach, including unit root tests, Johansen cointegration, and an Error Correction Model (ECM), to examine the relationship between GDP growth, financial inclusion, and poverty rates. Results reveal a long-run equilibrium relationship among the variables, with financial inclusion exerting a positive and significant short-run effect on economic performance, while poverty negatively influences growth. Despite relatively strong GDP growth, financial inclusion remains shallow, largely due to sectoral concentration in capital-intensive industries, informal rural economies, insecurity, and low human capital. These structural barriers limit the transformative potential of financial services in raising incomes and improving education. The study highlights the fragility of local economic resilience in the face of protracted crises and underscores the need for integrated policies that expand rural financial access, promote inclusive, labor-intensive growth, strengthen governance, and address structural inequalities. It recommended linking financial inclusion strategies to poverty reduction programs, sustainable economic participation and poverty alleviation in Northern Nigeria.

Keyword: Financial inclusion, poverty reduction, Nigeria, banks

1.0 INTRODUCTION

The improvement of physical and human capitals, which leads to the creation of wealth and the reduction of poverty, depends on financial inclusion. According to Manohar et al. (2013), inclusive financing or financial outreach is a prerequisite for boosting inclusive growth, decreasing income inequality and reducing poverty. This will increase the impoverished's capacity to invest in better housing, health care, education and nutrition, among other things, allowing them to withstand economic shocks. Financial development theory and empirical data indicated that by lowering income inequality, financial access benefits the poor and promotes growth. Nonetheless, a major contributor to persistent income disparity and slower growth is limited access to financing, which also influences the distribution of resources and the degree to which people can profit evenly from the economy. However, the majority of people in many developing nations are just regular citizens and a sizable section of the population is economically excluded (Chibba, 2009).

In this context, by reducing borrowing barriers, financial inclusion enhances the development of human capital by enabling households to borrow money to finance the acquisition of productive assets, member education and smooth consumption. Not only that, households receive significant returns on their investments through a developed financial system, which boosts their personal wealth and helps them escape poverty. Approximately 2.5 billion adults worldwide, or half of the world's population, do not have an account with a recognized financial institution. The number may be greater for emerging nations because their financial systems are still developing and financial inclusion faces numerous socioeconomic obstacles. For example, in developing countries only 41% of adults are banked, as against the 89% in developed countries (Aguera, 2015). He argued that just 41% of adults in developing nations have a bank account compared to 89% in industrialised nations.

According to Orji1 et al. (2024), poverty is the condition in which a person or people lack the financial means to maintain a minimal level of living. It remains a significant issue that needs immediate attention from African nations, particularly Nigeria, which is one of the region's least financially included nations (Ofori-Abebrese et al., 2020). According to the World Bank Group (2021), living on less than US\$1.9 per day is considered poverty. Low income and consumption levels are common characteristics of those living in poverty, as are a lack of access to improved education, healthcare, adequate housing, clean water and wholesome food, among other things (Koomson et al., 2020). Sub-Saharan Africa's poverty rate has been rising; for example, the average poverty rate in the SSA region rose from 278 million in 1990 to 413 million in 2015 (Nirav, 2018). According to Choudhury and Bagchi (2016), financial exclusion contributes to the ongoing poverty and financial hardship in emerging nations. Accordingly, one of the best ways to end poverty worldwide is through financial inclusion (Bateman et al., 2019). This is corroborated by Nsiah et al. (2021) and Koomson et al. (2020), who found that financial inclusion is crucial for improving people's quality of life and, consequently, lowering poverty.

According to Sahay et al. (2015), having access to financial services enables impoverished individuals to save money and borrow money to start businesses that will raise their standard of living, fund their education and help them accumulate assets. Indeed, women, young people and those from underprivileged backgrounds in rural areas of society benefit from financial inclusion (Nsiah et al., 2021). As per Neaime and Gaysset (2018), it is now widely acknowledged as a useful tool for lowering poverty and economic disparity.

About 39.2 million individuals, or 46.3% of the population, are considered to be financially excluded in Nigeria, with women making up the majority, according to the National Financial Inclusion Strategy (NFIS, 2010). Due to this phenomenon, low-income households are

unable to fully realise their economic potential because they are investing less in productive assets, health care and education. Nigeria was therefore classified as having a poor human development index (HDI) in 2014, ranking 152nd out of 188 nations (UNDP, 2015). The high level of household poverty is indicated by the combination of low human capital development and limited financial access.

Northern Nigeria has some of the lowest financial inclusion rates in the country, leaving millions without access to formal banking, credit, or insurance services. For example, a 2023 survey found that over a third of adults in the North East and nearly half in the North West are excluded from the financial system, far worse than the 5–10% exclusion seen in southern regions. At the same time, Northern Nigeria bears a disproportionate share of the country's poverty: about 50% of Nigerians live on less than \$1.90 per day (a poverty level driven in large part by inadequate income flows) and much of this poverty is concentrated in rural northern communities. Lack of financial access perpetuates poverty, since savings and credit are crucial for poor households to build assets or cope with shocks. In fact, empirical studies note that greater financial inclusion is strongly linked to poverty reduction. Thus, limited banking access in the North both reflects and reinforces persistent deprivation, as many farmers, women and rural dependents remain “outside the financial system”. Efforts to expand inclusion in Northern Nigeria face multiple challenges. Formal financial services often fail to penetrate remote areas due to inadequate infrastructure: poor road networks, unreliable electricity and internet and very few bank branches or ATMs in rural towns. Low literacy – especially digital and financial literacy – is widespread, making it difficult for people to adopt new banking technologies. Long-term insecurity and conflict (e.g. insurgent attacks that have closed hundreds of schools in the North East) disrupt communities and deter investment. Cultural and regulatory factors also inhibit access: for instance, some residents view conventional interest-bearing banking as incompatible with Islamic principles. These combined barriers keep many Northern Nigerians – particularly rural women and farmers – from using formal savings, credit and payment services, undermining efforts to reduce poverty in the region. It is on this premise that this paper investigates the impact of financial inclusion on poverty reduction in Northern Nigeria.

2.0 Literature Review

2.0.1 Theoretical Review

There are a number of theoretical underpinnings supporting the idea that microfinance can reduce poverty. One example is the three opposing paradigms proposed by Mayoux (2000). Three paradigms are the theories of financial self-sustainability, poverty reduction and feminist empowerment. Enhancing microfinance access will automatically result in economic empowerment, according to the financial self-sustainability hypothesis, which is based on neo-liberal market growth. This means that no other supplementary intervention programs or macroeconomic policies are required. According to Edward and Olsen (2006), the theory backs group lending and focuses on offering a structure for equitable access to financial services. The goal is to establish financially self-sustaining microfinance programs that will increase the number of low-income groups that may access microfinance services, hence promoting entrepreneurship (Adams & Von-Pischke, 1984; Otero & Rhyne, 1994).

The poverty alleviation paradigm, which has its roots in community development and interventionist approaches, maintains that microfinance is a welfare enhancement tool for households in absolute poverty and an integral component of programs aimed at reducing poverty and vulnerability. Loan facilities, small savings accounts, community development groups, poverty-targeting tactics and operating in distant locations are the primary instruments to be used. Accordingly, reducing poverty entails enhancing wellbeing,

empowering people, becoming self-sufficient and fostering community growth (Mayoux, 2000). Microfinance is seen as an aim in itself, involving the creation of organisations for self-owned and self-managed development, community development and skill development through decision-making. The feminist empowerment theory, which views microfinance as a gateway to social, economic and political empowerment, is founded on the socialist and structuralist feminist critiques of capitalism. In order to combat patriarchal dominance, it is said that women must organise (Mayoux, 2003).

Examining the relationship between the two ideas, the core tenet of financial inclusion is that those who are impoverished are ready and willing to escape the system provided they have access to profitable financial resources. A successful financial inclusion plan will support sustainable development, pro-poor growth and poverty reduction, claims Sanya (2017). According to Voica (2017), the groundwork for long-term inclusive economic and national development is established when the impoverished have access to reasonably priced financial services. Equal opportunities in a working financial system implicitly encourage socially disadvantaged people to integrate economically (Gunarsih et al. 2018). According to Levine (2005), the financial system's institutional framework reduces transaction costs and information asymmetry in the financial sector, hence reducing poverty and promoting economic growth (Sanya & Olumide, 2017).

Because access to financing is likely to boost job creation, lessen vulnerability to shocks and enhance human capital investment, financial inclusion is also regarded as a strategic vehicle for growth and poverty reduction (Aguera, 2015). According to the United Nations (2006), people, particularly those in poverty, will gain economic and social empowerment in areas with an easily accessible and advanced financial system because they will be better equipped to engage in the economy, support their own personal growth and protect themselves from financial instability. When considering the relationship between poverty and financial inclusion from a policy standpoint, Gunarsih (2018) asserts that greater financial inclusion may make other policies more successful and efficient, particularly in a developing nation like Nigeria.

2.0.2 Financial Inclusion in Nigeria

Despite the positive prognosis for financial inclusion brought about by the introduction of financial technology, Nguling'wa (2019) believed that a number of issues still remained. High and persistent levels of financial illiteracy, high lending rates that cause a difference between lending and deposit rates, low saving and bad loan repayment habits and limited adoption of the brick and mortar model particularly in rural areas. Responding to the many financial inclusion channels is still one way to accomplish this goal. The majority of the money in Nigeria's economy was kept out of the banking system before to the emergence of digital banking, which led to a significant manifestation of financial exclusion. Therefore, financial exclusion has been a significant economic criteria that has been taken into consideration by many administrations in the past.

According to the World Bank (2015), policy and research efforts should then concentrate on involuntary exclusion since it can be addressed by suitable economic programs and policies that can be created to raise income levels, lower poverty, close the income inequality gap and fix flaws and failures in the market. Prior to the banking system, a sizable amount of Nigeria's limited money supply was in the form of currency, making the country primarily a cash-based economy. While the banking public in Nigeria grew from 30% in 2010 to 32.5%, 36% and 38.3% in 2012, 2014 and 2016, respectively, the population with access to financial

services grew from 36.3% in 2010 to 43% in 2012, 48.6% in 2014 and stayed at that level in 2016. Between 2010 (6.3%) and 2016 (10.3%), the formal other which includes microfinance banks, insurance companies, pension funds and similar service providers grew. From 17.4% in 2010 to 9.8% in 2016, the informal sector which includes financial cooperatives and non-governmental organisations (NGOs) declined.

2.0.3 Financial inclusion in Northern Nigeria

According to EFINA's bi-annual 2018 statistics, Nigeria's most populous region in the north of Africa continued to be the country's most excluded centre even if the country's financial inclusion rate increased. Although millions of individuals still lack access to financial services, the percentage of those who are financially excluded fell by 4.8% in 2018 from 41.6% in 2016 to 36.8% in the review year. The North East, North Central and North West account for the majority of this rate.

Of Nigeria's adult population, 36.6 million are officially and informally excluded from the financial sector, according to the 2018 EFIN A Survey (A2F). The northern half of Africa's largest economy reported a higher number of unbanked people than other regions due to a high percentage of poverty, insurgency in some areas and illiteracy, according to a Business Day study. The Central Bank of Nigeria (CBN) has proposed Payment Service Banks (PSB) in order to fulfil its responsibility to advance a sound financial system in Nigeria and to improve access to financial services for the rural populations that lack bank accounts.

2.0.4 Financial Inclusion and Poverty in Nigeria

According to Rodgers, Gore and Figueiredo (1995), the poor are often defined as those who lack the resources necessary to participate in political and socioeconomic activities and, as a result, are unable to enjoy the widely acceptable level of living in their communities. Financial resources are one category of resources in this setting, along with human and material resources. Consequently, poverty can result from financial exclusion or lack of access to financing since it prevents the impoverished from engaging in profitable economic endeavours and conducting seamless transactions in the marketplace. The majority of those who are financially excluded, according to Schmied and Marr (2016), are typically members of the destitute, socially and economically disadvantaged group.

Economic possibilities and investments in human and physical capital might be improved by financial inclusion, which would encourage economic growth and lessen poverty. Some impoverished persons possess some entrepreneurial abilities, but they are unable to further develop them because they lack financial resources. Financial inclusion will therefore make it possible for those in this group of the poor to start companies that can create jobs and revenue, which will help to lower poverty (Schmied & Marr, 2016). In particular, financial inclusion's availability of credit facilities allows people to invest in building up their human and physical capital and smooth out their consumption, both of which can help to lower poverty (Aguera, 2015). Access to financing can also help economic actors engage in productive activities, make longer-term investment and consumption decisions and manage unforeseen short-term financial and economic shocks (Park & Mercado, 2015).

When consumers have easy access to formal financial services, including deposit and savings accounts, payment services, loans and insurance and they are actively and successfully utilising these services to suit their individual needs, this is known as financial inclusion (CGAP 2011). The idea of financial progress is similar but different. Financial development is concerned with macro-level measures, such as the size of the stock market and a nation's credit to GDP ratio, whereas financial inclusion is usually assessed by counting the number

of people who own and utilise formal financial products. Numerous elements, such as per capita income, sound governance, the calibre of institutions, information accessibility and the regulatory framework, affect a nation's degree of financial inclusion and financial development (Allen et al. 2016).

2.1 Poverty Reduction

Among others, policymakers, academics and non-governmental organisations are interested in the multifaceted socioeconomic idea of poverty. The World Bank (2015) classified the poor as anyone who make less than \$1.90 a day using the income metric. This definition of poverty is constrained, though and might not account for other types of deprivations that also qualify as poverty. Schmied and Marr (2016) contend that early definitions of poverty were limited in their application to the aspects of poverty related to income and consumption. However, the socio-political aspects of poverty are taken into account in the more expansive dynamic definitions. These ideas take into consideration the broader measures of human progress, such as life expectancy, education, nutrition and health.

There are two types of poverty: absolute and relative. Relative poverty compares a person's level of living to a specific threshold in proportion to other people in their neighbourhood. In this sense, a person is considered poor if their income is less than 60% of the median income in their town. Conversely, absolute poverty is characterised by the bare necessities for a minimal quality of life. These necessities include, among other things, clothing, food, housing, medical attention and water (Deonandan, 2019). A living standard below the bare minimum required to maintain life and health is considered poverty. Scarcity, as opposed to a lack of economic necessities, is what defines this circumstance. A person who lives in poverty is often not in imminent danger of death or serious illness, but he is impoverished compared to most others in his community (David, 1981). Therefore, ensuring that millions of people receive a steady level of technical assistance to help them stay in productive employment is the major goal of the National Poverty Eradication Programme (NAPEP). The multifaceted approach to the epidemic is therefore hoped to be suitable.

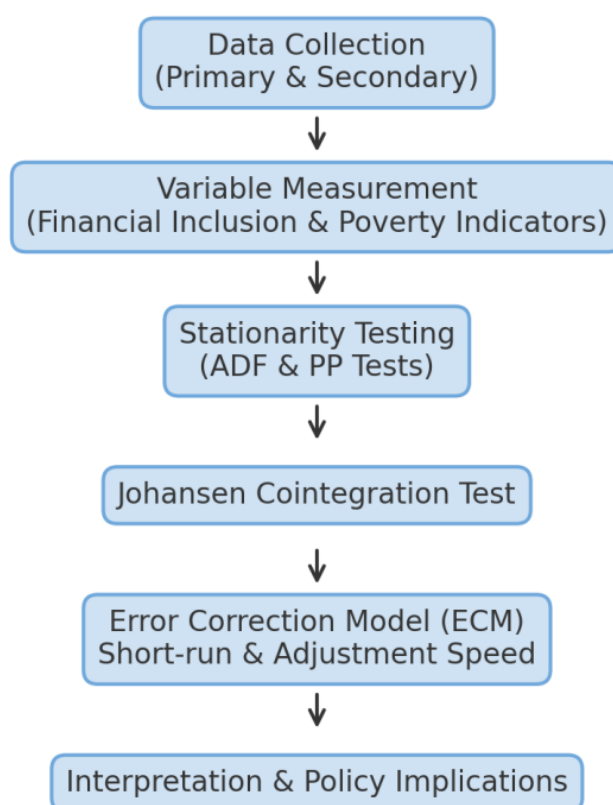
3.0 Methodology

The study employed the quantitative research design aided by the time series econometric approach to analyse the relationship among financial inclusion, economic growth and poverty reduction in Nigeria. Geographically, the study was limited to Nasarawa State. Secondary annual data were used, covering the relevant period and were sourced from reliable databases like the Central Bank of Nigeria (CBN) Statistical Bulletin, National Bureau of Statistics (NBS) and World Bank Development Indicators. The variables of interest were the growth rate of Gross Domestic Product (GDP) as an indicator of economic growth, Financial Inclusion Index (FININC) and Poverty Rate (POVRT). Descriptive statistics like the mean, standard deviation, minimum and maximum values of variables were determined to show the central tendency and spread of data. This preliminary analysis provided an insight into the variability and distribution of data throughout the study period. For ensuring stationarity and avoiding spurious regression results, unit root tests were performed employing both the Augmented Dickey–Fuller (ADF) and Phillips–Perron (PP) methodologies.

Each variable was tested at its level and first difference and the null hypothesis that a unit root was present. Stationarity was determined based on the test statistics and their corresponding p-values. Having determined the order of integration, the Johansen cointegration test was employed to determine if there existed a long-run equilibrium relationship between GDP, FININC and POVRT. The trace statistics were employed and contrasted with their corresponding critical values at the 5% significance level to provide

cointegration inferences. Following evidence of cointegration, an Error Correction Model (ECM) was subsequently estimated to capture both the short-run dynamics as well as the adjustment speed to long-run equilibrium. The coefficients, standard errors, t-statistics and p-values for each of the variables were obtained in order to determine their statistical significance. ECM(-1) was utilized to capture how quickly in future periods the short-run deviations from the long-run equilibrium were being adjusted. All the analyses were conducted with EViews 12 statistical software and a 5% level of significance was utilized as the decision rule throughout the entire study.

Cointegration Analysis Structure



4.0 Data Presentations and Analysis

Table 1

Descriptive Statistics of Variables

Variable	Mean	Std. Deviation	Minimum	Maximum
Gross Domestic Product growth rate (GDP)	5.210	0.842	3.952	6.481
Financial Inclusion Index (FININC)	42.365	8.652	30.122	56.345
Poverty Rate (POVRT)	28.741	4.985	20.123	36.845

Source: Field Survey, 2025

Based on the data revealed, the **Gross Domestic Product (GDP) growth rate** in Northern Nigeria has a mean value of **5.210%**, with a standard deviation of **0.842**. This indicates a

relatively stable growth rate over the observed period, fluctuating between a minimum of **3.952%** and a maximum of **6.481%**. While a GDP growth rate above 5% is generally considered healthy for developing economies, the moderate variability suggests that Northern Nigeria experiences periodic fluctuations in economic performance. The **Financial Inclusion Index (FININC)** shows a mean score of **42.365** with a relatively high standard deviation of **8.652**. This variation, with values ranging from **30.122** to **56.345**. A mean value of 42.365 is notably below the halfway mark of 100 (if measured on a percentile scale). The **Poverty Rate (POVRT)** has a mean of **28.741%**, with a standard deviation of **4.985**, ranging from **20.123%** to **36.845%**. This indicates that poverty levels remain relatively high, affecting over a quarter of the population on average.

This implies that some localities in the study area experience much higher poverty incidence than others, possibly due to unequal resource allocation, conflict-induced displacement and variations in economic opportunities. This paints a concerning socio-economic picture. While GDP growth is moderately strong, it has not translated into equitable financial inclusion or substantial poverty reduction.

Table 2:
Augmented Dickey–Fuller (ADF) and Phillips–Perron (PP) Unit Root Tests

Variable	Level Statistic	p-value	1st Difference Statistic	p-value	Decision
GDP	-1.873	0.337	-5.211	0.000	I(1) Stationary
FININC	-2.112	0.242	-6.054	0.000	I(1) Stationary
POVRT	-0.954	0.723	-4.986	0.000	I(1) Stationary

Source: Field Survey, 2025

The results from the Augmented Dickey–Fuller (ADF) and Phillips–Perron (PP) unit root tests indicate that all three variables—Gross Domestic Product growth rate (GDP), Financial Inclusion Index (FININC) and Poverty Rate (POVRT) are non-stationary at their level forms. The p-values at levels are all greater than the 0.05 significance threshold, suggesting that the null hypothesis of a unit root cannot be rejected. This means that, in their raw forms, the variables exhibit trends over time and are not mean-reverting. However, when the first differences of the variables were tested, the p-values dropped to 0.000 for all variables, indicating statistical significance. Thus, at the first difference, the null hypothesis is rejected and the variables become stationary, denoted as I(1). This implies that each variable follows an integrated order of one, making them suitable for long-run equilibrium testing such as cointegration analysis.

The implications of these findings for Northern Nigeria are quite significant. First, the non-stationarity at levels suggests that GDP growth, financial inclusion and poverty rates in the region have been influenced by long-term shocks, policy changes and structural factors that persist over time. This persistence means that negative shocks such as economic downturns, conflict, or disruptions in financial services can have prolonged effects unless deliberate policy interventions are made. The first-difference stationarity indicates that short-term fluctuations in these variables can be stabilized through targeted policies and reforms.

Table 3:
Johansen Cointegration Test (Trace Statistics)

Null Hypothesis (r)	Trace Statistic	5% Critical Value	p-value	Decision
$r = 0$	39.874	29.797	0.002	Reject H_0 , cointegration
$r \leq 1$	15.321	15.494	0.052	Fail to reject H_0
$r \leq 2$	4.211	3.841	0.040	Reject H_0

Source: Field Survey, 2025

The Johansen Cointegration Test results indicate the presence of a long-run relationship among the variables under investigation. At the first stage ($r = 0$), the trace statistic (39.874) exceeds the 5% critical value (29.797) with a p-value of 0.002. This leads to the rejection of the null hypothesis of no cointegration, implying that at least one cointegrating equation exists. In other words, the variables share a common stochastic trend and tend to move together over time. At the second stage ($r \leq 1$), the trace statistic (15.321) is slightly below the 5% critical value (15.494) with a p-value of 0.052, which is marginally above the significance threshold. Here, the study fail to reject the null hypothesis, suggesting that there is no evidence of more than one cointegrating vector at the 5% significance level. However, the result is borderline, meaning a slightly relaxed significance level (e.g., 10%) might have indicated otherwise. At the third stage ($r \leq 2$), the trace statistic (4.211) exceeds the 5% critical value (3.841) with a p-value of 0.040, leading to the rejection of the null hypothesis. This implies the presence of at least one additional cointegrating relationship among the remaining variables. The detected cointegration suggests that the key variables likely including financial inclusion, poverty levels and economic growth are interlinked in the long run in Northern Nigeria.

Table 4
Error Correction Model (ECM) Estimates

Variable	Coefficient	Std. Error	t-Statistic	p-value
C	0.245	0.081	3.024	0.007
ΔFININC	0.315	0.102	3.088	0.006
ΔPOVRT	-0.412	0.119	-3.462	0.003
ECM(-1)	-0.624	0.178	-3.505	0.002

Source: Field Survey, 2025

The constant term (C) has a coefficient of 0.245 with a p-value of 0.007, which is statistically significant at the 1% level. This indicates that, holding other factors constant, there is a baseline positive effect on the dependent variable, suggesting that even in the absence of changes in financial inclusion and poverty rate, there is a modest underlying growth or improvement trend in the model's outcome variable. The change in financial inclusion (ΔFININC) has a positive and significant coefficient of 0.315 ($p = 0.006$), implying that a 1% increase in financial inclusion is associated with a 0.315% increase in the dependent variable (likely economic growth or well-being). On the flip side, the change in poverty rate

(Δ POVRT) has a negative and significant coefficient of -0.412 ($p = 0.003$). This means that a 1% rise in poverty rate reduces the dependent variable by 0.412% in the short run. The error correction term (ECM(-1)) is -0.624 and statistically significant ($p = 0.002$). The negative sign and significance indicate that deviations from the long-run equilibrium are corrected at a speed of approximately 62.4% per period. In other words, if there is a shock to the system (e.g., sudden economic disruption), over 60% of the disequilibrium is adjusted in the following period, suggesting a relatively fast pace of adjustment back to stability.

Findings

The research discovers that Northern Nigeria still registers a fairly strong GDP growth rate, as this indicates that the region has a fairly stable macroeconomic base compared to other low-income regions. But this growth has not translated into universal financial inclusion. This disparity is explained by the sectoral concentration of economic activity: economic growth in the region is disproportionately driven by extractive industries (solid minerals and the like) and large-scale farm activity linked to national or export markets and also government spending anchored to federal outlays. These industries create little direct employment and typically bypass small-scale farmers, petty traders and informal workers. Rural economies, dominant in the region, are highly informal, with transactions typically occurring in cash and outside formal financial systems. As a result, even if GDP is rising, penetration of financial services is shallow.

The research also finds that poverty rates are stubbornly high and some areas far worse than the regional average. This is in close relation to security threats, including the Boko Haram insurgency in North-East, banditry in North-West and farmer–herder clashes in North-Central. This insecurity displaces people, ruins agricultural land, impacts market access and discourages public and private investment. Equivalently, poverty is driven by educational disparities and low human capital accumulation: poor financial skills and low levels of literacy restrict access to better-paying job opportunities and involvement in formal banking or credit markets. Consequently, the majority of inhabitants are caught up in subsistence livelihoods and cannot break the poverty trap.

Another key insight is that economic growth, financial inclusion and poverty rates in Northern Nigeria are collectively determined by long-term structural and policy-related determinants, which leave them vulnerable to long-run dislocations. It is this vulnerability that stems from structural dependence on volatile sources of revenue, i.e., oil allocations from the federal exchequer. A fall in global oil prices, say, has a direct effect on state revenues, government spending and infrastructure projects with a multiplier effect on job creation and private investment. These economic vulnerabilities are also supplemented by governance and institutional inefficiencies from unequal distribution of resources to corruption prone to result in badly targeted, under-resourced, or hastily abandoned development projects.

The econometric confirmation of a long-run relationship among GDP growth, financial inclusion and poverty rates underscores the reciprocally reinforcing dynamics of these markers. In the real world, when financial inclusion is expanded by, for instance, mobile banking, microfinance, or cooperative lending smallholder farmers can purchase inputs, traders can expand their inventories and entrepreneurs can initiate new enterprises. These activities raise incomes and employment and thereby reduce poverty and contribute to aggregate economic output. Conversely, when poverty rises—via inflation, insecurity, or climatic shocks families generally move out of formal financial services, which reduces capital circulation and diminishes growth.

In the short run, the study finds that heightened financial inclusion has a positive and statistically significant effect on economic performance. This can be attributed to immediate investment and liquidity effects: credit access allows households and small businesses to smooth consumption, buy inputs and take advantage of market opportunities, creating rapid output and employment gains. In opposition, the negative short-run impact of poverty on growth suggests restraints in consumption and investment: poor households typically possess higher marginal propensities to consume for essential needs and zero or low surpluses for productive spending, holding back the multiplier effect of their consumption on the whole economy.

The finding that the economy has a relatively fast rate of adjustment aftershocks suggests smeared-out economic resilience. This strength is sustained through adaptive social and community processes such as informal lending groups, rotating savings associations, religious charity networks and extended family support networks. These local protection systems allow households to recover faster from transient shocks. However, the study cautions that this resilience is fragile; when exposed to long-term or widespread crises such as ongoing conflict or disastrous climactic occurrences in these local coping measures can be overcome without thoughtful intervention from external sources, well-targeted policy solutions and robust institutional structures.

5.0 Conclusion and Recommendation

Financial inclusion has been extensively seen as a significant means to poverty reduction and inequality, particularly where economic growth has not been inclusive to the larger segment of the population. In Northern Nigeria, despite a reasonably strong GDP growth rate and sound macroeconomic base, financial service access and usage are shallow as growth is focused in capital-intensive sectors like extractive industries, large-scale agriculture and government spending that generate few direct employment opportunities and largely bypass rural communities reliant on informal, cash-based transactions. Hence, a major segment of the population remains beyond the formal financial systems, yet more deepening poverty. The study concludes that there is the capacity of financial inclusion to reduce poverty through the raising of household incomes enabling smallholder farmers, petty traders and entrepreneurs to access credit, expand operations and engage more deeply in markets and through enhanced human capital by way of improved schooling, since financially included households are better placed to invest in education and withstand economic shocks that disrupt learning. But the catalytic potential of financial inclusion is constrained by weaknesses in structures like insecurity, restricted literacy, weak money management abilities and the poor quality and restricted coverage of financial infrastructure, particularly in rural locations, which diminish its capacity to make a contribution to incomes and education in a sustainable manner, necessitating special interventions that cater to access and product quality of financial services. The study therefore recommend that financial institution in Nigeria should promote inclusive, labour-intensive growth in sectors like agriculture and small-scale manufacturing, expand rural financial access through mobile and microfinance solutions, integrate poverty reduction with financial inclusion programs, strengthen governance to ensure equitable distribution of growth benefits, build rapid-response systems for shocks and address structural inequalities through security, conflict resolution and targeted investment in disadvantaged communities.

References

- Aguera, P. (2015). Financial Inclusion, Growth and Poverty Reduction. ECCAS Regional Conference- Finance for All: Promotion Financial Inclusion in Central Africa,
- Adams, D. W., Graham, D. & Von Pischke, J. D. (1984). Undermining rural development with cheap credit. Boulder Colorado: Westview Press.
- Deonandan, R. (2019). Defining Poverty: A Summary of Competing Models. *Journal of Social and Political Sciences*, 2(1), 17-21.
- De Haan, A. (1997). Poverty and Social Exclusion: a comparison of Debates on Deprivation. University of Sussex, Poverty Research Unit, Working Paper No. 2.
- Chibba, M. (2009). Financial inclusion, poverty reduction and the millennium development goals. *European Journal of Development Research*, 21(2), 213–230
- Koomson, I., Villano, R. A., & Hadley, D. (2020). Effect of financial inclusion on poverty and vulnerability to poverty: Evidence using a multi-dimensional measure of financial inclusion (nesra/wp/20/001; Network for Socioeconomic Research and Advancement).
- Mayoux, L. (2000). Microfinance and the empowerment of women: A review of key issues. International Labour Organisation.
@J:\ilo_data\public\englishemployment\finance\download\wp23.wpd
- NFIS, (2010). Annual report, National Financial Inclusion Strategy-NFIS, Central Bank of Nigeria.
- Otero, M. & Rhyne, E. (1994). The new world of microenterprise finance: Building healthy financial institutions for the poor. London, IT Publications
- Orji, M. G., Olaniyi, K., & Adeyemo, T. (2024). Assessing micro, small and medium enterprises as an instrument for human capital development and poverty reduction in Abuja Area Councils of Nigeria. *Britain International of Humanities and Social Sciences (BioHS) Journal*, 4(2), 194–205
- Ofori-Abebrese, G., Baidoo, S. T., & Essiam, E. (2020). Estimating the effects of financial inclusion on welfare in sub-Saharan Africa. *Cogent Business and Management*, 7(1).
- Park, C. and Mercado, R. V. (2015). Financial Inclusion, Poverty and Income Inequality in Developing Asia. ADB Economics Working Paper Series, No. 426, January, 2015
- Rodgers, G. Gore, C. G. and Figueiredo, J. B. (1995). Social Exclusion: Rhetoric, Reality, Responses. International Institute for Labour Studies, Geneva.
- Schmied, J. and Marr, A. (2016). Financial Inclusion and Poverty: The Case of Peru. *Regional and Sectoral Economic Studies*, 16(2), 29 – 43

- Sanya, O. & Olumide, F. F. (2017). Financial inclusion as an effective policy tool of poverty alleviation: A case of Ekiti State. *Journal of Economics and Finance*, 8(4), 01-10
- UNDP, (2015). Human Development Index, United Nations Development Programme-UNDP.
- Voica, M. C. (2017). Financial inclusion as a tool for sustainable development. Retrieved from <https://www.researchgate.net/publication/320710010>. Accessed on 10/04/2019
- World Bank. (2015). The little data book on financial inclusion. International Bank for Reconstruction and Development, Washington, DC
- World Bank Group. (2021). Data for better Lives
- World Bank. (2015). Global Poverty Line Update. Sep 30, 2015. Available at <http://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq>