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EFFECT OF FINANCIAL INCLUSION ON POVERTY IN JIGAWA STATE – PERSPECTIVE ON DUTSE LOCAL GOVERNMENT AREA

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ABSTRACT

Since early 2000 financial inclusion has increasingly been a subject of interest to academics and practitioners alike. It has been recognized as a panacea for economic development especially in developing nations. Yet several obstacles hinder the possibility of the vast majority of people living in an underdeveloped country like Nigeria to enjoy financial inclusion. Nigeria's infrastructural deficit immensely contributes to non-profitability and viability of several business undertakings due to increased running expenses. The financial sector represented by deposit money banks are not exempted from the negative effects of the country's poor or at best, dilapidated physical and financial infrastructures. Consequently, several local government councils in Nigeria do not enjoy presence of commercial banks or any other formal financial institution. A key factor in this predicament is the low level of financial inclusion in Jigawa State. This limited financial inclusion negatively affects productive capacity thereby perpetuating a cycle of poverty. This paper therefore attempts to examine the effect of financial inclusion on poverty in Dutse local government area where a total of 170 respondents were surveyed using a structured questionnaire; and descriptive statistics were employed to analyze the responses. Findings revealed that there is less poverty in Dutse than other local governments due to access to formal financial services.

Key words: Financial inclusion, poverty, poverty reduction

1. INTRODUCTION

Financial inclusion as a panacea for economic development is not a new concept in both developed and developing nations. Equally, its positive effects on poverty reduction and enhancing mental health (Fernandez-Olit & Martin, 2020) and wellbeing are well documented. Yet several obstacles hinder the possibility of the vast majority of people living in underdeveloped countries to enjoy financial inclusion. Nigeria's infrastructural deficit immensely contributed to non-profitability and viability of several business undertakings due to increased running expenses. It is on this premise that Musa and Garba (2020) submitted that poor infrastructure as well as low literacy level dwarfed the needed reducing effect of financial inclusion on poverty. The financial sector represented by deposit money banks are not exempted from the negative effects of the country's poor or at best, dilapidated physical and financial infrastructures. Consequently, several local government councils in Nigeria do not enjoy presence of commercial banks. Those that are fortunate often have only a single branch providing services to not only the local government headquarters but other towns and villages that may be several kilometers away. This makes the much talk about financial inclusion - the process of ensuring that individuals, households and or firms have access to useful and affordable financial products and services to meet their needs. These products and services include but not limited to savings, credit, insurance, pensions and payment systems which are delivered in an affordable and sustainable way.

However, despite the fact that financial inclusion is widely recognized as a critical tool for promoting economic growth, reducing poverty, and improving the standard of living of citizens it is increasingly becoming difficult to achieve. Note that financial inclusion is sometimes referred to as inclusive financing system (David, Oluseyi, & Emmanuel, 2018)

The non-availability of financial institutions especially commercial banks makes a significant proportion of Nigerians, particularly those in rural areas, to remain excluded from formal financial services. According to the Central Bank of Nigeria (2018), over 50% of adults in some northern states do not have access to banking services, making them dependent on informal and unreliable financial systems. This exclusion often limits their ability to save, access credit, invest, or manage financial risks, thereby trapping many households in cycles of poverty which remains as one of the country's socio-economic problem (Omojolaibi, 2021).

Jigawa State, located in the North-western region of the country, is one of the states with low financial inclusion levels. The state has 27 local government areas (LGAs) out of which only the state capital and 10 other LGAs have a branch of a commercial bank. Based on the poverty incidence ranking, Jigawa is one of the poorest states in the region and the entire country. It is ranked third poorest in the country with 87 per cent of its people living in acute deprivation (National Bureau of Statistics – NBS 2022). Agriculture and animal husbandry is the major source of livelihood in the state with very little internally generated revenue, the government heavily rely on statutory allocation from federal government for its operations. Many local government councils in the state represent typical rural setting with complete absence of any commercial or microfinance bank. Thus, to enjoy savings account facilities residents must visit any of the neighboring local government headquarters which can be tens of kilometers away.

Dutse Local Government, the state capital, has a number of commercial bank branches in addition to microfinance banks that provide formal financial services. Understanding the role of financial inclusion in reducing poverty in the study area is important for designing effective policies that can enhance the welfare of residents. Therefore, the main objective of this study is to investigate the effect of financial inclusion on poverty in Jigawa State perspective on Dutse Local Government council. This paper is divided into five parts: introduction which is followed by review of relevant literature; methodology, discussion and findings as well as conclusion and recommendations.

2. REVIEW OF LITERATURE

2.1 Financial Inclusion

World Bank (2017) reported that the world has over two billion adults who do not enjoy formal financial services. Financial inclusion entails the provision of financial services – mainly savings, credit, pension and insurance – to low income and less advantaged individuals and business units by formal financial institutions as cheaply, regularly and conveniently as possible. The ability to achieve this 'inclusion' has been recognized as an important tool for reducing poverty, enhancing wellbeing and economic development (Swaiss, 2016). It is in recognition of this positive role of financial inclusion that various stakeholders ambitiously, sought to have achieved global financial access by all at the end of the year 2020. However, despite all efforts by both private and public sector players this ambitious goal has not been attained

Financial inclusion is the process of ensuring that individuals and businesses have access to affordable and appropriate financial products and services, such as savings accounts, loans, insurance, and payment systems that meet their needs and are delivered in a responsible and sustainable manner (Klapper, Singer, & Oudheusden, 2018). It is not simply about having a bank account—it involves regular usage of these services to improve one's economic well-being.

Using data from over 140 countries Asli and Klapper (2013) found that greater access to financial services is strongly associated with high household income which in turn leads to low poverty rates. In line with this position, Jonathan and Robert (2017) found that microfinance programs which provide short term funding for small scale business ventures improve household consumption stability and encourage investment in education and health, though impacts vary depending on the quality of implementation.

David, Oluseyi and Emmanuel, (2018) conducted a study on the determinants of financial inclusion in Nigeria using a time series data covering sixteen years period from 1990 to 2016. Their work which employed Error Correction Model (ECM) revealed that a country's Growth Domestic Product (GDP) per capital has a direct positive relationship with its level of financial inclusion in a similar way financial exclusion leads to low economic growth and poverty. Thus, the logic behind inclusive financing system is uplifting the economic wellbeing of the low income poor.

According to Ozili (2021) people and firms who enjoy financial inclusion have access to formal financial services which helps them to make provision for the future. They achieve this by savings, providing qualitative education to their children, establishing or expanding existing business undertaking which effectively reduce poverty level. The author further stated that financial inclusion is of growing concern in

Nigeria; and that financial technology has a great positive effect on Nigeria's financial inclusion. He concluded that despite the numerous obstacles such as low level of financial literacy and corruption, Nigeria has achieved higher level of financial inclusion than other African countries.

2.2 Financial Inclusion and Poverty Reduction

Individuals and household who are deprived of basic necessities of life including but not limited to food, clothing, shelter, education and safety from harm are in poverty (Kura, Kuperan, & Ishaq, 2019). The extremely poor do not have the means to afford minimum level of material wealth in the society and is often socially excluded and financially bereft of other opportunities. Poverty is a serious problem that affects large number of people globally and manifests itself in several forms and therefore leads to loss of human face and dignity that is accompanied by suffering the magnitude of which is difficult to describe. This is what informed the commitments of both governments and non-governmental organizations to dedicate their resources in the fight against poverty. Poverty reduction refers to measures aimed at improving the miserable living condition of the poor, ensuring access to basic needs including food, shelter, education, healthcare, and economic opportunities (Banerjee & Duflo, 2025).

Financial inclusion is increasingly recognized as a key driver of poverty reduction because it allows individuals to save securely, borrow for productive purposes, and protect themselves against economic shocks (Morduch & Cull, 2017). Thus, low level of financial inclusion results in increasing poverty level and low economic growth (Okoroafor, Adeniji & Emmanuel, 2018). Ajide (2020) conducted a study on the role of financial inclusion on Nigerian rural communities using data from 1996 – 2013.

Results from his study shows that financial inclusion greatly reduces poverty level in rural communities. The author however, pointed out that high cost of borrowing significantly erodes the poverty reduction effect of financial inclusion. Other obstacles to attaining financial inclusion for poverty reduction as outlined by Ogunode and Akintoye (2023) include socio-cultural practices which breeds gender sensitivities, systemic challenges and data privacy breaches that make financial technology less effective. Further, the work of Sakanko et al. (2018) investigated the impact of financial inclusion on poverty reduction in Minna using logistic regression. Findings from the study revealed that financial inclusion helped in poverty reduction in the study area. In his study which employed ex post facto method using time series data titled Financial Inclusion and Rural Development in Nigeria, Jolaiya (2023) submitted that rural savings as a financial inclusion variable has a significant positive impact on rural development. This will enhance rural savings, boost investments and in turn positively impact gross domestic product per capita and enhance wellbeing. Similarly, Ogwuoke, Ogbonna and Freeman (2023) posited that customers of microfinance who enjoy financial inclusion via services rendered by microfinance institutions have their poverty levels significantly reduced.

3. METHODOLOGY

Primary data was used in this study. The paper used structured questionnaire to obtained responses from one hundred and seventy (170) respondents drawn using a convenience sampling technique. Instrument validity was ensured through expert review. Academics and professionals in the fields of finance reviewed the questionnaire for content and construct validity. The questionnaire was administered within a period of two weeks. Authors were able to retrieve one hundred and fifty (150) questionnaires which represents 88 percent response rate. Retrieved responses were analyzed using descriptive statistics. The data were presented in tables using absolute figures and the comparative percentages which help further analysis.

4. RESULTS AND DISCUSSION

Demographic Characteristics of Respondents
A total of 150 structured questionnaires were successfully completed and used for the analysis.

Table 1: Respondents demography

Gender:	Frequency (n)	Percentage (%)
Male	93	62
Female	57	38
Total	150	100
Age:		
18 – 25	108	72
26 – 35	33	22
36 – 45	09	06
Total	150	100
Education Level:		

No formal education	06	04
Secondary	03	02
Tertiary	141	94
Total	150	100
Occupation:		
Student	36	24
Trader	81	54
Civil servant	21	14
Unemployed	12	08
Total	150	100

Source: Researcher's field work, 2025

The demographic analysis shows that majority of respondents were Male (62%) and overwhelmingly belonged to the 18 – 25 age brackets (72%). Furthermore, a significant majority had a Tertiary educational level (94%) and was primarily traders (54%) or students (24%). This profile indicates a highly educated, youthful, and commercially active sample, which is important for interpreting the findings on financial service usage.

Financial Inclusion: Access and Usage

This section presents the results concerning access to and usage of formal financial services by the respondents.

Access to Financial Services

Contrary to the general statistics on financial exclusion in Northern Nigeria, 100% of the respondents reported that they currently have a bank account. However, the physical distance to the nearest bank does not constitute a barrier:

Table 2: Access to financial services

Distance to Nearest Bank	Frequency (n)	Percentage (%)
Less than 5km	130	87
5 km to 10 km	14	09
More than 10 km	06	04
Total	150	100

Source: Researcher's field work, 2025

The data shows that 87% of respondents are located less than 5 km away from the nearest bank, suggesting that physical bank branch presence in Dutse is relatively high. The presence of bank branches is equally complimented by the uptake of digital channels, as evident in the services used. The primary financial services used were Mobile Banking apps (87 respondents), ATMs (33 respondents), and POS Agents (30 respondents), confirming a high reliance on alternative and digital channels.

Financial Service Usage and Financial Literacy

Table 3: Financial usage and financial literacy

Financial Usage and Literacy Indicators	Yes (n)	Yes (%)	No (n)	No (%)
Use Mobile Phone for Transactions?	147	98.0%	03	2.0%
Belong to Informal Savings Group (Ajo/Esusu)?	33	22.0%	117	78.0%
Taken a Formal Loan?	57	38%	93	62.0%
Received Financial Literacy Training?	45	30.0%	105	70.0%

Source: Researcher's field work, 2025

It can be observed from table 3 that overwhelming majority (98%) of respondents use a mobile phone for financial transactions, indicating high digital adoption. However, there is a low usage of credit, as 62% of respondents reported they have never taken a loan from a formal institution. Of the 38% who did take a loan, the primary uses were for Business (10 respondents), Education (4 respondents), and Health (3 respondents). However, a major concern is the low level of financial literacy training as 70% of respondents reported never having received financial literacy training. This confirms a gap in one of the key pillars of financial inclusion (financial literacy) identified in the literature.

Financial Inclusion and Poverty Reduction

This section examines the respondents' perceptions on the impact of financial inclusion using a 5-point Likert scale (Strongly Disagree to Strongly Agree). The responses have been grouped into Agree (Strongly Agree + Agree) and Disagree (Strongly Disagree + Disagree) and neutral for clarity

Table 4: Financial inclusion and poverty reduction

Statement	Agree%	Neutral%	Disagree (%)
Access to financial services has increased my income level.	54.0	28.0	18.0
Using formal financial services helps me save money.	74.0	18.0	08.0
I am more financially secured and better prepared for emergencies than before.	68.0	20.0	12.0
Financial inclusion helps in poverty reduction.	66.0	24.0	10
Women and youth have adequate access to financial opportunities.	32.0	36.0	32.0
Cultural beliefs discourage the use of formal financial institutions.	34.0	30.0	36.0
Religious beliefs discourage the use of formal financial institutions.	28.0	28.0	44.0
Government programs have improved financial literacy in this area.	30.0	34.0	36.0

Source: Researcher's field work, 2025

Table 4 shows that most of respondents confirmed the positive impact of financial inclusion on their welfare: 74% agree that using formal financial services helps them save money; 68% agree that they are more financially secured and better prepared for emergencies. Equally, 54% agree that access to financial services has increased their income level; and a combined 66% of respondents agree that financial inclusion helps in poverty reduction in the study area. These findings strongly support the central objective of the study.

The study examined the effect of financial inclusion on poverty reduction in Dutse Local Government Area of Jigawa State, Nigeria. It was motivated by the persistently high level of poverty in Northern Nigeria despite various national financial inclusion initiatives. Findings revealed that all the respondents posses bank accounts and mostly use mobile phones for financial transactions, indicating high formal account ownership and strong digital adoption, especially among the youth. Our finding here, tallies with the conclusion reached by Akeem et al. (2018) when they showed that the unbanked are mostly illiterates, unemployed and are excluded from the financial market.

This high level of account ownership is accounted for partly by respondents' level of education as well as the presence of several bank branches in the local government which makes physical proximity to the banks much closer as most of the respondents are not far away from the banks; and mobile banking, ATMs, and POS agents compliment branch banking services. Also results show that formal financial services help respondents' savings which leads to financial security and ability to handle emergencies. Further, findings revealed a positive association between financial inclusion and poverty reduction as financial services availability enhances income and wellbeing. However, uptake of formal credit was low and significant financial literacy gap was reported due to near absence of financial literacy training.

5. CONCLUSION AND RECOMMENDATION

This paper has attempted to examine the effect of financial inclusion on poverty in Dutse local government. Based on the findings, the study concludes that financial inclusion has a positive and significant effect on poverty reduction among residents of Dutse Local Government who already have access to basic financial services. Digital channels (mobile banking and agent banking) have successfully complimented the physical access gap for the educated and youthful segment of the population. However, the quality and depth of inclusion remain weak, particularly in the areas of credit access, financial literacy, and equitable reach to women, less-educated, and rural dwellers. Without deliberate efforts to address these remaining barriers, financial inclusion will continue to benefit only a narrow, already-advantaged segment and will fall short of its potential as a broad-based poverty reduction tool in Dutse LGA and Jigawa State at large.

The study recommended that policy makers including the CBN and Jigawa State Government as well as development partners should embark on financial literacy campaigns using local languages, radio, and integration into secondary and tertiary curricula in the state. Also agent banking networks and microfinance banks should be prioritized both in semi-rural wards of Dutse LGA and other local governments to reduce physical access barriers with a view to achieve more inclusion. Equally, Jigawa state government should create an enabling environment for private-sector investment in banking infrastructure through land allocation and tax incentives for microfinance banks and agent banking operators. Additionally, financial institutions should simplify accounts opening requirement and introduce more flexible, collateral-free digital credit products suitable for low income earners.

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