

# Do Financial Inclusion Characteristics Really Reduce Poverty?

## Evidence from Nigeria

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### Abstract

The relationship between financial inclusion and poverty has been a contentious issue among scholars in relation to developing nations despite an increased range of financial services extended to the society in the past. This study examined the extent at which financial inclusion characteristics have reduced poverty level in Nigeria. This study employed Autoregressive Distributed Lag (ARDL) technique and it covered 2008: Q1 – 2017: Q4. The study found that both actual usage dimension and payment infrastructure have significant effect on poverty reduction in Nigeria. It was, therefore, recommended that frequent usage of financial services at reduced cost will achieve poverty reduction in Nigeria.

**Keywords:** Actual Usage Dimension, Geographical Accessibility, Payment Infrastructure, Per Capita Income

### Introduction

An effective financial system is important because of wide range of services rendered to the society. Inclusive financing are of great benefit to the poor and other disadvantaged groups as it facilitates broad access to financial services without price to their users. Financial inclusion has been established as one of the means of reducing poverty in any country and it has been viewed from different dimensions which range from economic, social and political forces as these play significant role in its creation and eradication. In fact, majority of financially excluded people are members of the world's impoverished and disadvantaged population.

Poverty is scarcity of dearth of the state of one who lacks a certain amount of material possessions or money, which may be absolute or relative in nature. Absolute poverty or destitution refers to the deprivation of basic human needs, which commonly includes food, water, sanitation, clothing, shelter, health care and education while relative poverty is defined contextually as economic inequality in the location or society in which people live in.

Although, poverty is a global phenomenon in which developed economies is not excluded. That is why several organizations such as World Bank and United Nation (UN) attached high importance to poverty reduction as a goal that should be pursued by any country. Despite this, the World Bank (2008) estimated that 1.29 billion people

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were living in absolute poverty, of which Sub-Saharan Africa (SSA) recorded the highest incidence rate with 47% and within the range of twenty (20) years (1990 – 2010), 663 million people moved above absolute poverty level.

Poverty based on income and consumption measurements have been broadened to include social and political dimensions in what is essentially a more dynamic conceptualization of the problem. In the income/consumption approach, which has been extensively used in applied welfare economics (Ravallion, 1994; Lipton, 1996; Lanjouw, 1997), well-being is primarily conceived of as the fulfilment of material and biological needs that can be measured in terms of per capita income, consumption or expenditure in relation to an estimate of minimum necessary consumption. The basic human needs approach, which produced a major shift in the 1970s and continues to influence current debates on human development, expands the concept to include basic needs in relation to nutrition, health, education and related areas (Streeten, 1981, 1984). It improves on the income/consumption approach inasmuch as it avoids reliance on indirect methods of defining the poor and seeks to set adequacy levels for each of the different basic human needs, e.g. life expectancy, mortality, education and nutrition levels.

In Nigeria, the poverty levels differ between rural and urban centers as well as geographical zones. The level of poverty level in the urban and rural centers accounted for 37.8 for urban while 51.4 represents that of rural in 1995. This increased to 58.2 and 69.3 in 2005 while it reduced to 43.2 and 63.3 in 2015 for both urban and rural centers respectively (Nigerian Bureau of Statistics, 2016). The accessibility to financial services has been viewed as one of the panaceas of checkmating poverty level globally.

Financial inclusion refers to delivery of banking services to masses including privileged and disadvantaged people at an affordable terms and conditions. Financial inclusion is important priority of the country in terms of economic growth and advancement of society. It enables to reduce the gap between rich and poor population. In the current scenario financial institutions are the robust pillars of progress, economic growth and development of the economy. Financial inclusion means the delivery of financial services, including banking services and credit, at an affordable cost to the vast sections of disadvantaged and low-income groups who tend to be excluded (Chhabra, 2015).

It considers the participation of vulnerable weaker segments of the society and low-income groups, based on the extent of their access to financial services such as savings and payment account, credit insurance, pensions etc. (Singh et al., 2014). Financial inclusion has become an important part of the development agenda that aims at reducing poverty levels further and it Inclusion is considered to be the core objective of many developing nations since from last decade as many research findings correlate the direct link between the financial exclusion and the poverty prevailing in developing nations. This is further corroborated by Allen et al. (2012), Beck, Demirgüç-Kunt, and Honohan, (2009) that opening bank account increases savings, empowers women, boosts household consumption, and raises productive investment.

It is, however, noted that one of the main reasons why the large section of the rural population still remains below poverty line is adduced to lack of opportunities and access to finance besides financial illiteracy and this is referred to as financial exclusion. Lack of opportunities and access to finance besides financial illiteracy also contributed to exclusive financing. Financial exclusion can be defined as the divide with an increased range of personal finance options for a segment of high and upper middle-income population and a significantly large section of the population lack access to even the most basic banking services. Vast majorities of population living in rural areas of the country have serious issues in accessing formal financial services. Thus, the essence of financial inclusion is to ensure that a range of appropriate financial services is available to every individual and enable them to understand and access those services.

Financial Exclusion can be viewed from two angles viz. supply of financial services and demand of financial services. Supply of financial services means the adequate supply of finance options like loan facilities, credit cards, debit cards, saving accounts, loan facilities in rural areas. Demand for financial services means the acceptability of financial products by the rural poor i.e. level of awareness and understanding the advantages of the financial product or it can also be termed as financial literacy. In a country like India with large population, financial exclusion has a geographic dimension as well - inaccessibility, distances, and lack of proper infrastructure hinder financial inclusion.

The main reasons for financial exclusion, from the demand side are lack of awareness, low income, poverty and illiteracy; and from the supply side is distance from branch, branch trimming, cumbersome documentation and procedures, unsuitable procedural hassles people feel it easier to take money from informal credit sources, but it results in compromised standard of living, higher costs, and increased exposure to unethical and unregulated providers and vulnerability to uninsured risks. The consequences of financial exclusion will vary depending on the nature and extent of services denied, it may lead to higher incidence of crime, general decline in investment, difficulties in gaining access to credit or getting credit from in formal sources at exorbitant rates and increased unemployment, etc.

There are complex and multi-dimensional factors which had contributed to financial exclusion thereby leading to increased poverty in any economy. The vicious cycle of poverty is not only peculiar to developing economies but a global phenomenon. Many rural poor in Nigeria faced a lot of constraint in accessing formal financial services due to limited available financial services and other factors which discouraged savings and borrowings. Rural communities are the largest unserved market for financial services (Mbutor & Uba, 2013).

In Nigeria, the major reasons for financial exclusion are hard-core poverty and illiteracy which invariably makes financial exclusion both social and financial phenomena (Sanusi, 2011). However, access to financial services by many Nigerians will inevitably accelerate economic prosperity; mobilize financial resources for increased investment which invariably reduce poverty level and promote overall macroeconomic growth and development. Poverty is a global phenomenon and one of the ways of reducing it is through financial inclusion as it assists in the overall economic development of the underprivileged population that are excluded from accessing formal financial services. In Nigeria, like all countries in the world over, has seen the need for inclusive financing for the upliftment of the poor and disadvantaged people by providing them the modified financial products and services.

Previous studies on the financial inclusion in Nigeria have concentrated on economic growth as well as inclusive-growth but studies on financial inclusion in relation to poverty reduction is still scanty and the results found were mixed. This study therefore investigated the effect of financial inclusion on poverty reduction in Nigeria. This study further contributed to study by examining the effect of payment infrastructure, which previous studies have ignored, on poverty reduction in Nigeria. Considering the importance of financial inclusion as a veritable tool in combatting poverty, this study will contribute to existing studies as most previous studies failed to consider financial inclusion as a means of reducing poverty in Nigeria. This study therefore is set to investigate the effect of financial inclusion characteristics on poverty reduction in Nigeria.

## **Literature Review**

Analytical approaches to the understanding of poverty have become increasingly complex in their conception of what poverty means. Early, narrow definitions of poverty based on income and consumption measurements have been broadened to include social and political dimensions in what is essentially a more dynamic conceptualization of the

problem. In the income/consumption approach, which has been extensively used in applied welfare economics (Ravallion, 1994; Lipton, 1996; Lanjouw, 1997), wellbeing is primarily conceived of as the fulfilment of material and biological needs that can be measured in terms of per capita income, consumption or expenditure in relation to an estimate of minimum necessary consumption.

Poverty has been defined as a state or condition that depicts inability of individuals to enjoy the minimum acceptable standard of life and well-being as a result of lack of the financial and other basic essentials (Investopedia, n.d). Ajakaiye (1998) defines poverty as a condition of not being able to afford basic necessities of life like food, water, clothing, shelter, education....in addition to basic non-essentials such as participation, identity, etc.

According to Scholtens and van Wensveen (2003), the role of the financial intermediary is essentially seen as that of creating specialized financial commodities. These are created whenever an intermediary find that it can sell them for prices which are expected to cover all costs of their production, both direct costs and opportunity costs. Financial intermediaries exist due to market imperfections. As such, in a 'perfect' market situation, with no transaction or information costs, financial intermediaries would not exist.

Financial inclusion is the process that ensures the ease of accessibility, availability, and affordability of formal financial services for all members of an economy (Sarma, 2008). However, it is also important to distinguish between voluntary versus involuntary exclusion. The World Bank (2014) defines voluntary exclusion as a condition where the segment of the population or firms choose not to use financial services either because they have no need for them or due to cultural or religious reasons. In contrast, involuntary exclusion arises from insufficient income and high-risk profile or due to discrimination and market failures and imperfections.

Shankar (2013) financial inclusion in India: Do Microfinance Institutions in India. The main objective explains that financial inclusion, implying expanding access to financial services to those currently not accessing them, is an important objective in many developing countries. This study analyses if Microfinance institutions (MFIs) adequately break down barriers to financial service access in India. Two lines of enquiry were followed: the spread of microfinance penetration in the country was analyzed and field interviews of 103 MFI field officers were conducted. It was found that while MFIs do break down many barriers to financial inclusion, there are limitations in the extent of their outreach to those excluded. First, MFI penetration in the country is skewed and excludes some areas neglected by the banking sector, suggesting a need for policy incentives to encourage expansion to those areas. Second, even in areas in which MFIs operate they are unable to provide services to some financially excluded individuals on account of their methods of operation.

Morgan and Pontines (2014) examined the effect of various measures of financial inclusion on some measures of financial stability. The study employed GMM dynamic panel data covering 2005 – 2011. The study found evidence that an increased share of lending to SMEs in total banking aids financial stability. The study, though considered various measures of financial inclusion but payment infrastructure, as a measure of financial, was not among the measures considered in their study.

Kanayo (2014) examined poverty incidence and reduction strategies in Nigeria 2007-2012. The paper x-rays poverty issues in Nigeria and reviewed poverty reduction measures between 2007 and 2012 using secondary data. He suggested that new poverty reduction strategies for Nigeria should be anchored on inclusive growth fundamentals, redistributive public expenditure, increasing rate of productive job creation and a broad based-sectoral growth.

Fadun (2014) examined financial inclusion as a tool for alleviating poverty and redistributing income in developing economies with reference to Nigeria. The study employed descriptive analysis and found that financial

inclusion constitutes important tool for alleviating poverty and redistributing income in developing countries, especially Nigeria.

Anwar, Uppun and Reviani (2016) investigated the role of financial inclusion to poverty reduction in Indonesia 2005 – 2013. This study intended to determine the effect of financial inclusion confronted by problems of geography against poverty panel data in the years of 2005 - 2013 of the 31 provinces in Indonesia was used. This study found that there is a positive and significant effect of inclusive finance to investment and growth as well as negative and significant impact on poverty, but has no significant effect on economic growth.

Schmied and Marr (2016) examined financial inclusion and poverty in Peru 2008-2010. The study employed a panel data analysis based on a unique 2008-2010 database on financial inclusion in Peru regression results show that financial inclusion does have an alleviating effect on various indicators of poverty. The findings are small and insignificant. Other variables such as the access to internet, employment and health coverage have a larger degree of explanatory power. It was shown that internal as well as external factors matter in alleviating poverty, which is contrary to the endogenous growth theory. However, endogenous growth theory correctly emphasizes the role of technology in determining growth and poverty.

Nandru, Anand and Rentala (2016) exploring the factors impacting financial inclusion in India 2010-2012. The main objective of the study is to identify the determinants of financial inclusion by providing evidential support for South Indian states by using Index of Financial Inclusion (IFI). The study uses multiple regression analysis to examine the determinants of financial inclusion. The study highlights that size of population, gender ratio, branch penetration and credit to deposit penetration ratio have a significant impact on enhancing financial inclusion programme in south Indian states.

Lanie (2017) evaluated demand-driven determinants and self-reported barriers to financial inclusion in the West African Economic and Monetary Union (WAEMU) 2007-2014. The study "Access the finance for all" has gained attention in the international development agenda in recent years in the West African Economic and Monetary Union (WAEMU). In the study, several factors were identified as important for financial inclusion in WAEMU and it was further investigated whether these factors are correlated with self-reported barriers to financial inclusion using the 2014 Gallup World Poll Survey data. The results indicate that, the variables - age, sex, employment status, educational attainment and level of income are all determinants of financial inclusion in WAEMU. The results of the relationship between self-reported barriers and individuals' characteristics show that, educational level and income are the main factors that affect the livelihood of reporting a barrier to financial inclusion in WAEMU.

Iqbal and Scaista (2017) examined the impact of financial inclusion on growth of India economy. The study employed multiple regression covering 2008 – 2014 and found positive and significant impact of Automatic Teller Machines (ATMs) growth on Indian GDP over time.

In the study of Ogunsakin and Fawehinmi (2017) examined financial inclusion as an effective policy tool of poverty alleviation in Ekiti State in Nigeria. Data were gathered through primary source and it covered the period of 1980 – 2015. The estimation technique employed was multinomial logit. Findings revealed that inclusive financing was among civil servants and few businessmen. It was recommended that commercial banks branches and cash centers should be encouraged across the 3 senatorial districts in Ekiti State.

Omojolaibi (2017) examined the economic financial Inclusion, governance and progress in Nigeria 1980-2014. This study enquires empirically the impact of financial inclusion and governance characteristics on economic progress via three major channels: Investment in infrastructure, per capita GDP and income inequality. The study leans on the Generalised Method of Moment (GMM) estimation technique for the analysis. Three striking results were reported: (i) financial inclusion and governance indices have statistical relevance in determining infrastructural

investment in Nigeria; (ii) Governance indices and commercial bank deposit significantly increase per capita GDP; and (iii) financial inclusion has the tendency to bridge the gap between the rich and the poor and reduce the prevalence of poverty in the economy.

Cyn-Young and Mercado (2018) carried out a study on 151 countries to assess the impact of financial inclusion on poverty and income inequality. They employed principal component analysis (PCA) and study found that high-and-middle –high-income economies with high financial inclusion have significantly lower poverty while no such relation exists for middle-low and low-income economies. The study provided evidence that higher financial inclusion significantly covaried with lower poverty rates.

## Research Methods and Procedure

This study adopted *ex-post facto* research design. The data used for this study were sourced from the Central Bank of Nigeria (CBN) statistical bulletin using an annual data of 2008 – 2016 on quarterly basis. The variables used in this study include per capita income (PCI) to capture poverty reduction while geographical access, payment infrastructure and actual usage dimension were used to capture independent variables. Also, some macroeconomic variables such as interest rate, financial deepening, loan to deposit ratio and liquidity ratio of commercial banks were included. This paper employed Autoregression Distributed Lag (ARDL) technique and this was informed by the unit root test results as it combined both long-run and short-run variables in the equations.

The data for this study were gathered from CBN statistical bulletin publication. The data covered the period of 1986 – 2016 on annual basis. The data necessary for this study include poverty reduction variable which include per capita income (PCI) while geographical access was measured with number of commercial bank branches (NBB), payment infrastructure was captured with ratio of currency-outside-bank to money supply ( $M_2$ ) in Nigeria and actual usage dimension was measured with deposit/gross domestic product ratio (AUD). Also, moderating variables included were loan to deposit ratio (LDR), liquidity ratio of commercial banks and financial deepening (FND).

Furthermore, this study adapted the models of Omojolaibi (2017) and Ayyargal, Beck and Hoseini (2013) to examine the effect of financial inclusion characteristics on poverty reduction in Nigeria. The model employed for this study was:

The general form of equation for this study is as follows:

$$Y_t = \alpha_0 M'_t + \beta_1 K'_t + e_t \quad \dots 3.1$$

The ARDL model is, therefore, generated from equation 3.1 and stated below:

$$\Delta Y_t = \alpha_0 + \sum_{i=1}^n \alpha_i \Delta y_{t-1} + \sum \delta_i M'_{t-1} + \sum \lambda_i K'_{t-1} + \beta_1 Y_{t-1} + \beta_2 M'_{t-1} + \beta_3 K'_{t-1} + \varepsilon_i \quad \dots 3.2$$

Given that,

$$Y_t = f(\text{PCI})$$

$$M'_t = f(\text{GAC, PIF, AUD})$$

$$K'_t = f(\text{ITR, LDR, LQR, FND})$$

where

PCI = Per Capita Income;

GAC = Geographical Access;

PIF = Payment Infrastructure;

AUD = Actual Usage Dimensions;

ITR = Interest Rate;

LDR = Loan to Deposit Ratio;  
 LQR = Liquidity Ratio of Commercial Banks; and  
 FND = Financial Deepening.

All variables that captured financial inclusion in the model were based on extant studies which established that geographical access (GAC) influences poverty reduction and geographical access was used as a measure of financial inclusion (Demirguc-Kunt, Beck and Honahan, 2008; Sarma, 2008; Omojolaibi, 2017) while payment infrastructure (PIF) is said to influence poverty reduction (CBN, 2012) and actual usage dimensions (AUD) affect poverty reduction (CBN, 2012). More so, certain bank – specific variables, loan to deposit ratio (LDR) and liquidity ratio (LQR), were included as their manipulations may influence the extent of poverty while two macroeconomic variables, interest rates and financial deepening, do have influence on poverty incidence (Nwagwugwu, 2008).

## Results and Discussion

The nature of the data employed required stationarity tests so as to avoid spurious result. In this regard, Augmented Dickey Fuller (ADF) unit root was conducted and this presented in Table 4.1

**Table 4.1: Table Showing Unit Root Test**

Variable	ADF	Order of Integration
PCI	-5.71	I(1)
GAC	-3.70	I(1)
PIF	-6.01	I(1)
AUD	-3.49	I(1)
LDR	-4.86	I(0)
LQR	-4.73	I(0)
FND	-5.49	I(1)
ITR	-4.38	I(0)

**Source:** Authors' Computation, 2019

The ADF test revealed that were stationary at order zero, I(0), while were of order one, I(1). In this kind of scenario, ARDL technique becomes necessary as this combines both short–run and long–run coefficients.

Table 4.2 showed the ARDL bound test with F-statistic value of 6.70 which exceeds the upper bound critical value at 5% signifying the rejection of the null hypothesis to conclude that there is

**Table 4.2: Results of ARDL Bound Test**

Estimated Equation: $PCI = f(GAC, PIF, AUD, ITR, LDR, LQR, FDN)$		
F-statistic	6.6951	
Optimal lag length	(2, 1, 2, 2, 2, 2, 1)	
Significance level	Critical values	
	Lower bound	Upper bound
1%	2.96	4.26
5%	2.32	3.5

10%	2.03	3.13
Diagnostic Tests	Statistics	
R <sup>2</sup>	0.8233	
Adjusted R <sup>2</sup>	0.6931	
F-statistics	10.0107 (0.0332)	
Breusch-Godfrey Serial Correlation LM Test	1.4957 (0.3097)	
Breusch-Godfrey Serial Heteroscedasticity Test	0.1125 (0.8941)	

Source: Authors' Computation, 2019

long run equilibrating relationship between financial inclusion characteristics and poverty reduction in Nigeria. The diagnostic tests conducted include Breusch-Godfrey serial correlation LM test which confirmed absence of serial correlation while ARCH test for heteroscedasticity confirmed its absence in our model. It further showed that the independent variables employed in this study explained about 69.3% of the variations in the dependent variable as shown by the coefficient of multiple determination (Adj. R<sup>2</sup>) value of 0.6931.

The CUSUM and CUSUM-SQ tests lie within 5% significant level which indicated the stability of the estimated model as shown in Figure 4.1:

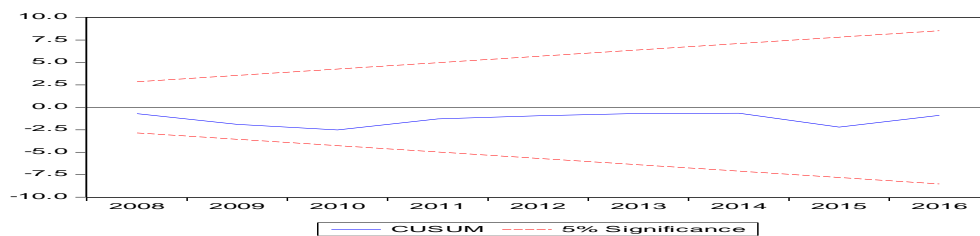


Figure 4.1a: CUSUM Graph

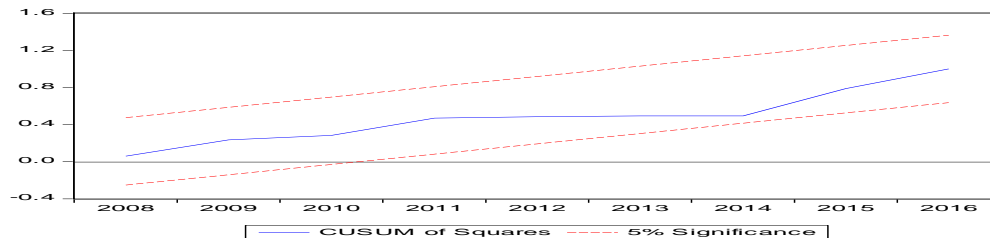


Figure 4.1b: CUSUM-SQ Graph

The graphs in Fig. 4.1a&b confirmed the structural stability of the model in this study and this is an indication that the model will produce a reliable result for policy implication.

The short-run and long-run elasticities of ARDL estimation are presented in Table 4.3. The elasticities of both short-run and long-run were interpreted to explain economic implications.



**Table 4.3: Short-run and Long-run Elasticities of ARDL Results**

Short-run Elasticities		Long-run Elasticities	
Variables	Coefficients	Variables	Coefficients
D(PCI(-1))	-1.3925** (0.0015)	GAC	0.0033 (0.1389)
D(GAC)	-0.0069 (0.2334)	PIF	93.1656** (0.0526)
D(PIF)	-80.2715 (0.0685)	AUD	41.6959 (0.6047)
D(PIF(-1))	-150.7559** (0.0290)	ITR	0.4820 (0.3400)
D(AUD)	179.8816** (0.0079)	LDR	-0.2878 (0.1208)
D(AUD(-1))	108.2705 (0.0618)	LQR	-0.9918** (0.0106)
D(ITR)	-0.6750** (0.0471)	FND	0.2124 (0.6725)
D(ITR(-1))	-0.6811** (0.0195)	C	67.9763** (0.0383)
D(LDR)	0.0344 (0.6803)		
D(LDR(-1))	0.1833 (0.1013)		
D(LQR)	-0.3326 (0.0548)		
D(LQR(-1))	0.2416** (0.0398)		
D(FND)	-1.1562** (0.0466)		
CointEq(-1)	-0.7774** (0.0099)		

Source: Authors' Computation, 2019

Note: \*, \*\* are significant at 1% and 5% levels respectively

The result of the ARDL bounds test revealed the need for estimating the short-run dynamics through error correction model (ECM) to establish the speed of adjustment for a long-run equilibrium.

The result of ARDL revealed that only seven out of thirteen variables were found to be significant, in the short-run, at 5%. It was found that previous per capita income, previous payment infrastructure, current actual usage dimension (AUD), previous interest rate, current interest rate, previous liquidity ratio and current financial deepening have significant effect on current per capita income but only current actual usage dimension (AUD) exerted positive effect among others in Nigeria.

The implication of this is that only actual usage dimension (AUD), which bothers on frequency of usage of financial services such bank accounts and ATMs, as well as increasing capital formation through bank deposit would go a long way in improving per capita income, thereby reducing poverty level in Nigeria. This finding is in consonance with CBN (2012) which found positive and significant effect of actual usage dimension (AUD) on poverty reduction in Nigeria. It is worth mentioning that the frequency of usage is consequent upon cost affordability.

More so, the implication of negative and significant effect of payment infrastructure which bothers on ratio of currency outside bank to money supply, on per capita income (PCI) revealed that currency outside banks has damaging effect on poverty level in Nigeria. This findings in this study disagreed with CBN (2012) which concluded that payment infrastructure has positive and significant impact on poverty reduction. The negative coefficient may be as a result of the fact that banked population has grown faster than bank branch network which implies that payment infrastructure is operating below its potentials compared to that of Kenya and Tanzania (CBN, 2012; Fadun, 2014). The disagreement between this study and that of CBN (2012) may be due to economic downturn that engulfed Nigeria as a result of economic recession.

Also, geographical access (GAC), which is the third measure of financial inclusion, is negative and not significant. This shows that availability and provision of broad financial services does not influence poverty in Nigeria as availability does not guarantee usage. This study led credence to the submission of Shankar (2013) which advocated that expanding access to financial services to those not accessing them is important, though not significant on poverty reduction in Nigeria as many factors, ranging from unreliable electricity supply to low sensitization campaign on the importance of bank penetration, may hinder effective usage.

It should be noted that all variables included in this study are not significant in the long except liquidity ratio which is negatively significant on per capita income (PCI). This implies that the ability of financial institution to meet up its short-term obligations, in the long-run, negatively increases poverty level in Nigeria. This implies that liquidity ratio set is high as cash-tied assets (assets that can easily be converted into cash) for financial institutions has not benefitted the poor in Nigeria as this constrain credit creation which would have impacted positively on the poor masses in the long-run.

Furthermore, the two macroeconomic variables, interest rate (ITR) and financial deepening (FND), included in this study were negatively significant on per capita income while loan to deposit ratio was insignificant. The negativity of these variables showed that interest rate charged as well as bank intermediation, measured with financial deepening, have not impacted positively on the standard of living in Nigeria, hence increase in the level of poverty in Nigeria.

## **Conclusion and Policy Recommendations**

This study examined the effect of financial inclusion characteristics on poverty reduction in Nigeria. The three basic measures of financial inclusion used in this study – geographical accessibility (GAC), payment infrastructure (PIF) and actual usage dimensions (AUD) were investigated to know whether or not their incursion into financial system really reduced poverty between 1986 – 2017 in Nigeria. The study concluded that actual usage dimensions (AUD) and liquidity ratio in the previous year have significant effect on poverty reduction.

In view of the findings and conclusion of this study, the following recommendations are imperative:

- (a) The study found that geographical access has insignificant effect on poverty reduction in Nigeria. This does not preclude the continual increase in bank branch as this would facilitate economic activities. The

- CBN and monetary authorities should continue encouraging bank branch network to enhance bringing financial services closer to people so as to improve capital formation in Nigeria;
- (b) This study found that payment infrastructure to be negatively significant on poverty reduction in Nigeria. The government should embark on sensitization campaign on the need to embrace cashless policy and educate bankable public to save idle funds as this would assist in channelling such funds to profitable investment which would impact on poverty level in Nigeria.
  - (c) In order to improve the standard of living thereby reducing poverty to the barest minimum, the monetary authorities should persuade financial service providers to reduce cost implication of banking services so as to engender frequent usage of financial services in Nigeria;
  - (d) This study, further, recommends that government and monetary authorities should provide good haven for public to encourage savings and investment as this would affect poverty level in Nigeria.

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