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Research Article

Evaluating The Impact of Financial Access on Poverty Alleviation Programs in Gombe State: A Conceptual Overview

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Abstract

This study evaluated the impact of financial access on poverty alleviation programs in Gombe state: A conceptual overview. The study made use of a variety of relevant literatures that were gathered from recently published journal articles, textbooks, and scholarly earlier research that was relevant to the topic. Preliminary results indicated that every factor influencing financial access has a major impact on reducing poverty. Consequently, the study suggested that in order to help small company owners grow their enterprises, the government should provide loans and other forms of financial support at reduced interest rates. It is also necessary to address the technical aspects of the banks' facility issuance process.

Keywords: Access, Alleviation, Finance, Poverty and Program.

1.1 INTRODUCTION

Concerns regarding the fact that most developing countries' economic progress is not reducing poverty and inequality and that the gap between affluent and poor countries are growing (Sachs, 2015). Sub-Saharan Africa is the area of the world where poverty incidence is most prevalent. There was a greater need for infrastructural and human development initiatives in Sub-Saharan Africa due to the region's widespread and persistent poverty (Effendi & Sunani, 2020). Sub-Saharan Africa has seen economic growth and recovery, but the problem lies in the way that these developments have not improved the wellbeing of the people living there (Arnt, 2016). Nigeria is a country in Sub-Saharan Africa that is curiously impoverished despite having a robust geographical environment that is ideal for industrial and agricultural activity, an abundance of natural mineral resources, and human resource availability. Nigeria, which is home to 200 million people and ranks seventh in the world in terms of population, is rich due to its tenth-largest oil production, diverse rich mineral resources, and human resources. However, the majority of Nigerians, or 70% of the country's population, live in poverty and earn less than $2 per day due to a combination of numerous failed policies and a lack of political will to enact real policies that will lift many individual households out of poverty and into prosperous, better lives (National Bureau of Statistics 2017 and Human Development Report 2017, UNDP).

Through coordinated yet flexible policies, the United Nations (UN) has been in the forefront of the global effort to combat poverty. The world's poverty rate was at an alarming level in 1990, prompting the UN to establish and announce the Millennium Development Goals (MDGs). The global trend of poverty and its high visibility made international cooperation in the fight against it necessary. By 1990, the populations of the East Asian nations of China, North Korea, South Korea, and Mongolia had reached a 60% poverty rate. Following South Asia, where 49.5% of people live in poverty, is Sub-Saharan Africa (SSA), where 57.3 percent of people live in poverty (UN, 2018). The goal of the UN's initiative, known as the Millennium Development Goals (MDG), is to cut the rate of extreme poverty and hunger in half by the year 2015. The Millennium Development Goals (MDGs) formed the cornerstone of the United Nations' (UN) vision for a world free of poverty, providing a framework for the vigorous reinforcement of local policies. Additionally, it aimed to address the detrimental effects of poverty on the world's impoverished population and to create opportunities for all children, particularly those residing in rural areas, to be enrolled in schools.

Furthermore, Nigeria was declared the world's poorest nation in 2018, surpassing both China and India, as its poverty rate increased from 70% in 2017 to 72.6% in 2018. The percentage started to drop in 2020. On the other hand, the drop in the number in only one will reveal whether or not the nation has overcome serious poverty (NBS, 2020). Therefore, it is clear from the study by Maksimov et al. (2017) that sixty thousand people living in poverty said that the most helpful aspect in enabling them to escape poverty was growing revenue from their enterprises or wages from their occupations. According to figures given by the National Bureau of Statistics (NBS, 2020). Gombe State ranked third among the poorest states in Nigeria with a poverty rate of 74.6% in 2015. Poverty in Africa and developing countries like Nigeria is also a result of the unequal relationship that was established between the industrialized capitalist countries and Africa through the slave trade, legal commerce, colonialism, and neo-colonialism. The World Bank did, however, associate poverty with Nigeria. According to Mansaray and Mansaray Jr. (2020), there are two main causes of poverty: structural causes, which include things like a lack of resources, a lack of skill, being in a disadvantageous location, and other things that are a part of the social and political system; and transitional causes, which are mostly brought on by structural adjustment reforms and changes in domestic economic policies that could lead to things like price changes, higher unemployment, and other things. Natural disasters like wars and environmental deterioration can also result in temporary poverty. This study's overall goal is evaluating the impact of financial access on poverty alleviation programs in Gombe state: A conceptual overview.

2.1 Literature Development

2.2 Poverty Alleviation

Nigeria has used a multifaceted and multi-institutional strategy to try and reduce poverty and develop rural communities. Nigeria still has high poverty rates (World Bank, 2019). When compared to other nations going through fast economic expansion, like Nigeria, the nation's performance deviates from the overall global trend of reducing poverty. Some of these initiatives are listed below; National Directorate of Employment (NDE, 2015). Established in 1987, the National Directorate of Employment (NDE) The aim was to reduce widespread unemployment and the associated social problems. Its purpose was to put into practice the suggestions made by a national committee on how to address the nation's widespread unemployment and ensuing poverty. Even though the directorate is still in place, it hasn't been able to address the nation's unemployment issue or promote graduate employment, small-scale industry development, or agricultural growth. This suggests that the main goals of its creation have not been accomplished. The program's failure can be ascribed to a lack of funding and political will to carry out the admirable idea. BLFRD stands for Better Life for Rural Dwellers. The Better Life for Rural Dwellers (BLRD) initiative was started in Abuja in 1987 out of concern for the predicament of our rural residents, especially the women, as a result of the structural disparity between rural and urban areas' social infrastructure and economic prospects.

2.3 Access to Finance

The idea of enabling the poor to have access to credit and financial services is based on recent empirical findings which indicate that basic financial services such as savings, credit, money transfer and insurance can make a substantial positive difference in improving poor people's lives (Tavis, 2016). Lack of funding is frequently the primary barrier to expansion for micro, small, and medium-sized businesses (MSMEs) (Ogundele, 2021). According to CBN (2020), giving impoverished households and micro-entrepreneurs access to credit and financial services will encourage their independence and self-development. In the face of many uncertainties, this will enhance the economic situation and quality of life for the impoverished. The capacity of an enterprise is determined by its access to finance and financial services in a number of ways, particularly with regard to the selection of technology, market accessibility, and availability of necessary resources, all of which have a significant impact on the viability and success of a firm (Adeniji, 2018). Adeniji (2018) goes on to say that one of the biggest challenges facing all entrepreneurs, especially those operating MSMEs, is obtaining funding for business operations or startup. One of the main obstacles to business growth and expansion in the SMEs sector is the inability to obtain loans. Ogundele (2021) asserts that SMEs' capacity to expand is mostly dependent on their capacity to innovate, restructure, and make technology investments. Capital is needed for these initiatives, and that can only be obtained if business owners have access to financial services and credit. The Ghanaian government launched a number of initiatives to assist SME's throughout the nation, recognizing their important role in the growth of any country. To guarantee that micro, small, and medium-sized businesses have access to credit and financial services, these include the Business Assistance Funds (BAF), EMPRETEC, Microfinance and Small Loans Scheme (MASLOC), Support Programs for Enterprise Development, and the National Board for Small Scale Industries (NBSSI).

Despite the establishment of these organizations, SMEs nevertheless have a significant challenge in obtaining financing. As to Kowo et al. (2019), the incapacity of SMEs in Sub-Saharan Africa to furnish precise details about their financial standing, absence of collateral, elevated loan default rate, elevated credit costs, and feeble legal and judicial frameworks are some of the factors contributing to credit accessibility issues in the region. Other factors include their far location from the closest financial services provider, inadequate infrastructure, and socioeconomic and demographic traits that lower their creditworthiness. In fact, the majority of small and medium-sized businesses are unable to offer the collateral required to sustain any significant loans. According to Buavait et al. (2019), the IBRD/World Bank (2018) Investment Climate Survey revealed that one of the main barriers to fostering businesses is a lack of access to financial services, which could boost economic growth, create jobs, and lower poverty in many developing nations. Gaining access to credit and financial services is therefore a vital step in connecting the poor to a broader economic life and in establishing the confidence for them to play a role in the greater community (Ndubuisi et al., 2018). It is anticipated that credit will be utilized profitably and result in increased revenue for borrowers. As a result, giving credit started to be seen as a crucial tool for ending poverty (Aziz et al., 2020). It is yet to be shown, though, whether or not access to credit and financial services lessens poverty. This is due to the fact that there are numerous components in a microfinance intervention that have the ability to effect poverty, making it challenging to separate the influence of loans and financial services.

2.4 Empirical Review

Role of informal sector in poverty alleviation have been empirically investigated by different scholars and researchers both in Nigeria and other countries around the globe or world. Some of these researches include;

2.4.1 Access to Finance and Poverty Alleviation

Using the Multidimensional Poverty Index (MPI), Khaki and Sangmi (2017) assess how the National Rural Livelihood Mission Scheme participants and beneficiaries have progressed over time in relation to different aspects of poverty. The findings imply that the involvement has, in fact, raised living standards and decreased multifaceted poverty. Additionally, the findings imply that while involvement significantly lowers deprivations in all other dimensions, it does not lower deprivations in the "education" dimension.

In a similar vein, Shaikh (2017) investigates the effectiveness of micro equity financing at the enterprise level while aiming to attain size, efficiency, and mitigation of high monitoring costs. The study contrasts interest-based debt financing with the suggested framework's economic characteristics. This paper highlights the issue of agency costs, which includes moral hazard and adverse selection, using a mathematical model. For financial inclusion, debt financing necessitates regular repayments and indebtedness. On the other hand, its current baseline structure's Islamic equity financing methods are beset by excessive agency expenses. Islamic microfinance institutions (IMFIs) are able to tackle the issues of adverse selection and high monitoring costs by implementing enterprise level funding and specific entry criteria for obtaining Islamic debt-based and micro equity credit. The study suggests a framework in which equity financing could be used to fund microenterprises that will employ poor people with related skills.

Furthermore, Twumasi et al. (2022) use survey data gathered from four areas in Ghana to examine the mediating function of access to financial services (AFS) in the influence of financial literacy (FL) on household income. Random selection was used to identify 572 respondents for the study using the multi-stage sampling technique. The study's conclusions show that household income is positively impacted by financial literacy in a significant and growing way. Once more, the findings show that AFS mediates FL's beneficial impact on household income. The study also reveals an intriguing moderating influence of social networks. This study contributes to the body of knowledge on rural development by examining the ways in which inclusions and financial education help to reduce poverty and offer policy recommendations to enhance the well-being of rural households.

Similarly, Effendi and Sunani (2020) identify the obstacles to financial services that the general public faces and how they affect efforts to reduce poverty. Six ASEAN nations—Indonesia, Singapore, Malaysia, Vietnam, Thailand, and the Philippines—were included in the sample, which was drawn between 2006 and 2015. The MARS analytical technique was employed. As an alternative to multiple linear regression, which is subject to parametric assumptions, MARS is one of the nonparametric regression techniques. The study's MARS results demonstrate that the developed model has a high coefficient of determination and satisfies all test requirements for model applicability. Put differently, the fluctuation of the independent factors on the dependent variable can be effectively explained by the multivariate adaptive regression spline (MARS). The outcomes of the MARS method hypothesis testing demonstrate how macroeconomic, social, institutional, bank, and regulatory indicators impact financial services (AFS) accessibility and how AFS contributes to the reduction of poverty. This research demonstrates that raising AFS will have an impact on reducing poverty, and reducing macroeconomic, regulatory, social, bank, and institutional barriers will raise public AFS.

2.5 Theoretical Framework

2.5.1 Theory of Personal Income

The theory is the theory of personal income distribution otherwise described as the size distribution of income (Bronfenbrenner, 2017). It provides the macroeconomic foundation of income inequality and an organizing framework to determine the channel by which macroeconomic variables are transmitted into changes in poverty rates. It focuses attention on the labor market and the determinants of labor incomes based on demand and supply factors (Hartog, 2012). According to the marginal productivity theory of labor, the income received by labor is due to their marginal productivity. The marginal productivity of an individual depends on educational level, skills, aptitude, motivation, regional location and age among others. According to the theory of personal income distribution, the majority of families or households rely on labor market earnings for most of their income. As a result, poverty remains since they do not channel their labor power to creativity, innovation and entrepreneurship.

Therefore, the study adopts this theory as underpinning, because it clearly explains the relationship between individual access to finance and the poverty alleviation. Once the small business owner can access finance from his savings or loan or assistance, he can use it to boost his business and that can reduce the rate of poverty in a society.

3.1 Methodology

In order to review the literature and draw conclusions, the study used content analysis technique. The influence of access to money on poverty alleviation programs in Gombe State was studied using a variety of related literatures and other sources, including textbooks and prior research by experts.

3.2 Discussions of Findings

The study found that the Gombe state poverty reduction program and financial access have a beneficial relationship. The analysis of the literature also demonstrated how sensitive and dependent on financial availability small-scale businesses are for their efficacy. This demonstrated that small business inefficiencies could be caused by a lack of access to financing.

3.3 Conclusion

In reality, no organization—private or public—succeeds globally without access to cash, which is a necessary component of any organization's total success. Thus, the study concludes that Gombe State's poverty can be mitigated by having access to financing for any type of business, based on the studied data.

3.4 Recommendations

Therefore, the study recommended that;

i. Government should give loans and other financial assistance to small business owners at lower interest charges so that they can boost their business.
ii. Additionally, the technicalities involve in issuance of facilities by the banks, should be address.

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