

## **IMPACT OF FINANCIAL INCLUSION ON SOCIAL EMPOWERMENT AMONG URBAN DISADVANTAGED GROUP IN YOLA**

**MANSUR IBRAHIM SAJOH<sup>1</sup> & ZAHRADDEEN ABBAS BELLO<sup>2</sup>**

<sup>1</sup>Department of Finance, Nigeria Security and Civil Defense Corps, Adamawa State Command, Federal Secretariat Complex, Yola Adamawa State, Nigeria.

**E-mail:** misajoh1@gmail.com

<sup>2</sup>Banking and Finance Department, School of Business Technology, Federal Polytechnic, Mubi. Adamawa State, Nigeria. **E-mail:** zahruballo@yahoo.com

### **ABSTRACT**

The study examines the Impact of Financial Inclusion on Social Empowerment among Urban Disadvantaged Group in Yola, the administrative capital of Adamawa State. The study aims to investigate the key processes which promote financial inclusion and the resulting effect on social empowerment for the individual concerned. The study used primary data generated through questionnaire from a non-probability sampling methods of Judgmental and Snowball techniques selected sample of 355 respondents and analyzed using regression model of ordinary least square (OLS) analysis on SPSS. It was established from the regression result that the coefficient of financial inclusion index was positively signed and found to be statistically significant and the coefficients of education was positively signed and found to be statistically significant. Positive relationships were found to exist between all the parameters of the model; Income, Education, Age, Gender, Time to Bank. Based on the findings that financial inclusion is a driver of social empowerment in Yola, the study therefore submits that all stakeholders need to commit more resources to the policy formulation, implementation evaluation geared toward job creation, and poverty reduction at the macro-level, and assist individuals in improving their financial opportunities, income and standard of living.

**Keywords:** Financial Inclusion, Social Empowerment, Disadvantaged Group.

### **1. INTRODUCTION**

Financial Inclusion is defined as the mechanism of ensuring access to financial services and timely and adequate credit whenever needed by the vulnerable groups such as the weaker sections and low-income groups at an affordable cost. Africa Development Bank (AFDB, 2013) defines financial inclusion to refer to all initiatives that make formal financial services; Available, Accessible and Affordable to all segments of the population. This requires particular attention to specific portions of

the population that have been historically excluded from the formal financial sector either because of their income level and volatility, gender, location, type of activity, or level of financial literacy. In so doing, there is a need to harness the untapped potentials of those individuals and businesses currently excluded from the formal financial sector or underserved, and enable them to develop their capacity, strengthen their human and physical capital, engage in income-generating activities, and manage risks associated with their livelihoods. The consensus is that financial inclusion may contribute to achieve economic growth and poverty reduction goals of any country. It will enable millions of low-income people to improve their economic and social status by participating in the formal financial system (AFDB, 2013).

Financial products play an important part in today's society. Being able to access and use a wide range of financial products and services is now necessary to lead a normal social life Lederle (2009). Access to financial services, that are well suited for low-income earners promote enormous capital accumulation, credit creation and investment boom CBN (2015). It will give access to the presently excluded group from financial services and provide the possibilities for the creation of a large depository of savings, investable funds, investment and therefore global wealth generation (Onaolapo & Odetayo 2012).

Although the linkage of financial development with economic development is established, a high degree of financial development in a country is not necessarily an indication of alleviation of poverty in the country (Mohieldin, Iqbal, Rostom, & Fu, 2012). The empirical literature largely supports a positive association between financial development and economic growth, (Levine 2005; Levine, 2002; Neal, 1990; North, 1990; Odedokun, 1998; and Sanchez & Yu, 2011) find a positive relationship between financial development and economic growth. However, Demirguc-Kunt, Beck and Honohan (2007) argued that a growing realization that in addition to financial development, the emphasis should be to expand the accessibility to finance which can play a more positive role in eradicating poverty.

In Nigeria today, 40 million of the 95 million adult population are financially excluded without access to formal or informal financial services while 47 million have access to formal financial services (Enhancing Financial Innovation & Access (EFInA), 2017). 25.5 million adults save at home; if for example, just 50.0% of these adults were to save N1000 per month in the formal sector, then up to N153 billion could be mobilized annually, this indicates there is a significantly large untapped market for formal savings products.

About a decade ago, the country set a target of reducing financial exclusion to 20 percent of the adult population by the year 2020. Realizing this target has, however, been challenging over the years as the country continues to look for policy

frameworks that will help in bringing the unbanked and under-banked into the formal financial system (Onaolapo & Odetayo 2012). Most studies in literature discussed the financial inclusion of poor rural households. Remarkable among these studies are; (Hashemi, Schuler, & Riley, 1996; Hulme & Mosley, 1996; Kabeer, 2012; Mayoux, 1998; Nur, 2017. It is observed that there is a need to study the issue of the financial inclusion of urban poor to formulate appropriate strategies for enhancing inclusion of urban poor.

## **2 LITERATURE REVIEW**

Financial Inclusion has been increasingly accepted globally as an effective tool to support economic development (Andrianaivo & Kpodar, 2011; Sahay *et al.*, 2015). There has thus been increasing commitment of various global institutions such as the World Bank, International Monetary Fund (IMF) and others to financial inclusion pursuits. George (2011) opined that for growth to be sustained in the long run, it should be inclusive and broad-based across all sectors and sections of the economy. Inclusive growth promotes economic growth, increases the standard of living, reduces poverty, decreases disparity, promotes agricultural growth rate and provides new work opportunities (Deutscher & Jacquet, 2009).

The importance of financial inclusion derives from its impact on livelihood. In Hariharan and Marktanner (2012), financial inclusion is a huge prerequisite for economic growth and development based on its ability to enhance capital creation, financial sector savings, and intermediation and by implication investment. United Nations Development Programme (2013) defined financial inclusion as an inclusive financial system that services all clients reaching out to poor and low-income people and providing them with affordable financial services tailored to their needs. Nigerian FI Strategy (2013) stated that financial inclusion is achieved when adults have easy access to a broad range of formal financial services that meet their needs and are provided at affordable cost

### **Overview of the national financial inclusion strategy**

Financial exclusion has manifested prominently in Nigeria with the bulk of the money in the economy staying outside the banking system. The issue of financial exclusion has therefore been a major economic challenge that has received the attention of the various governments over the past four decades (CBN, 2015). Enhancing Financial Innovation and Access (EFInA), through survey research, EFInA provides credible market information on the Nigerian financial sector and the low-income population. The survey is nationwide and has been conducted in 2008, 2010, 2012 and 2014. The survey covers over 20,000 consumers and provides: relevant and reliable data on the demand for and usage of a range of financial products (formal and informal), input to evidence-based financial inclusion policies

and reform, credible benchmarks & indicators for financial access, and defines and quantifies the market opportunity for the low-income segment.

Result of 2014 survey revealed that 25.5 million adults save at home; if for example, just 50.0% of these adults were to save N1000 per month in the formal sector, then up to N153 billion could be mobilized annually, this indicates there is a significantly large untapped market for formal savings products. New ways of thinking and innovation in product and service offerings are needed to attract the financially excluded population.

The Central Bank of Nigeria defines a Financial Inclusion (FI) strategy for Nigeria to ensure that a clear agenda is set for increasing both access to and use of financial services within the defined timeline, which is 2020 (CBN report, 2012). The CBN definition of Financial Inclusion is based on: 1) Ease of access to financial products and services; financial products must be within easy reach for all groups of people and should avoid onerous requirements, such as challenging KYC procedures. 2) A broad range of financial products and services; financial Inclusion implies access to a broad range of financial services including payments, savings, credit, insurance and pensions products. 3) Designed according to need; financial products must be designed according to target clients' needs and should consider income levels and access to distribution channels. 4) Affordable cost; formal financial services should be affordable even for low-income groups, particularly when compared to informal services, e.g. esusu or moneylenders.

### **Role of financial institutions in promoting financial inclusion**

Financial institutions act as a catalyst in the economic and social growth of the stakeholders (Banerjee & Francis, 2014). Financial inclusion through these institutions is a tool for empowering financial users (Reyes *et al.*, 2011). It lays an impact on achieving economic and social empowerment (Barik, 2009; Jha, 2008). Financial inclusion increases the economic opportunities for the poor & low-income people, which lead towards positive result in social progress, economic development, economic empowerment and social/political/legal empowerment (Ali & Hatta, 2012 and Mishra, 2012). Financial inclusion is the key to empowerment of poor, underprivileged and low skilled rural households (Barik, 2009; Jha, 2008; Ranganath & Rao, 2011).

To improve the financial condition and living standard of the poor & disadvantaged classes, efforts on financial inclusion need to be stressed leading a thrust on empowerment of the common person and marginal income groups in the lower strata of the society (Barik, 2009; Jha, 2008; Reyes *et al.*, 2011). Providing access to financial services promotes social inclusion, builds confidence and helps in

empowering vulnerable groups (Banerjee & Francis, 2014 and Tamilarasu, 2014). According to Archana (2013), a sizeable population of the world particularly the poor, underprivileged, disadvantaged and vulnerable group of people does not have access to most basic financial services. Financial Empowerment is the prime basic need of all.

***a) Role of commercial banks***

Commercial Banks play an important role in mobilization and allocation of resources in any country. They are encouraging interaction between different economic units through mobilization of savings and disbursement of credit. They are stakeholders in national financial sector policy, growth, and development. Taking advantage of their economic of scale, they introduce financial services designed for the poor, providing improved services to rural clients' by introducing new technology, offer flexible grant funding to financial institutions seeking to adapt or introduce new financial products or to reduce delivery transaction costs or introduce more diverse & transparent financial services for farmers (Archana, 2013).

***b) Role of microfinance bank***

Microfinance policy in Nigeria is part of the global financial integration in the provision of tailor-made financial services to those outside the catchments of the big banks either as a result of their income, location, literacy level or discrimination. Oluyombo (2010) made note that microfinance institutions and banks are fast becoming a household name globally due to its acceptance as a means of reaching those people that were not served by the conventional big banks

***c) Role of self-help group-bank linkage programme***

Self-help groups have emerged to be an effective instrument for financial inclusion. The objectives of self-help group programmes are to alleviate poverty, increase sustainability, improve capacity building and help the weaker section to build assets. The self-help group-bank linkage model is the dominant channel where banks lend directly to self-help groups formed explicitly for this purpose. This serves as a meaningful linkage between banks and self-help groups.

SHG participates willingly because the SHG-system is designed in ways conducive to their active participation, shared interest, responsibility, and economic potential. SHG reach to wider areas at lower transaction costs and low risk involved. The system provides money to the poor to stimulate self-reliance (Archana, 2013).

***d) Role of Islamic Finance***

Despite its essential role in the progress of efficiency and equality in a society, 2.7 billion people (70% of the adult population) in emerging economies still have no

access to basic financial services, and a great part of them come from countries with predominantly Muslim population. According to Global Financial Development Report 2014, the proportion of adult population holding bank accounts in 25 out of 48 Organization of Islamic Cooperation (OIC) member countries surveyed stands below 20 %. Part of the reason is Muslims' voluntary exclusion of interest-based financial services. The core principles of Islam lay great emphasis on the prohibition of *ribah* (interest) and promotion of social justice, inclusion, and sharing of resources between the haves and the have nots. According to Abdul-Rahman and Mohd Nor (2016), development in the Islamic Finance (IF) industry conforms with the Islamic goals of broad economic prosperity, balanced distribution of income and wealth, socioeconomic justice, optimum level of economic growth and currency stability, especially in Malaysia.

A study by Naceur, Barajas, and Massara (2015) examined the extent to which IF has contributed to financial inclusion by reducing the incidence of religious exclusion in Muslim countries despite more than doubling of IF assets since 2006. They argued that the extent to which Islamic banking is associated with trends in supply-side measures of financial inclusion in Muslim countries (i.e., OIC countries) is certainly an area for research. The study established that worldwide financial exclusion for religious reasons is high in certain Muslim countries. For instance, Afghanistan suffers 34% financial exclusion as compared to Iraq and Tunisia of 26-27% with 23-24% in Djibouti and Saudi Arabia; whereas Kuwait and UAE have 2.5-3%, Sudan has 4.5% and Malaysia has virtually zero percent financial exclusion.

In Nigeria, with about 50 percent of Muslims population, significant number of whom are unbanked either because of poverty, lack of exposure to modern banking or perhaps most fundamentally dislike for usury/interest (*ribā'*) (Mustafa and Adebayo, 2015; Abdullahi, 2013; Sanusi, 2011; Atlas on Regional Integration, 2007). Thus, since many Muslims are unbanked due to the Islamic prohibition of interest, it implies that a substantial share of the financial and banking populace is automatically excluded.

***e) Role of Financial Technology (FinTech)***

Financial technology (Fintech) is used to describe new tech that seeks to improve and automate the delivery and use of financial services. According to Gomber, Koch, and Siering (2017), digital finance encompasses a magnitude of new financial products, financial businesses, finance-related software, and novel forms of customer communication and interaction - delivered by FinTech companies and innovative financial service providers. While there is no standard definition of digital finance, there is some consensus that digital finance encompasses all products, services, technology and/or infrastructure that enable individuals and companies to have

access to payments, savings, and credit facilities via the internet (online) without the need to visit a bank branch or without dealing directly with the financial service provider (Ozili, 2017).

When Fintech emerged in the 21st Century, the term was initially applied to the technology employed at the back-end systems of established financial institutions. Since then, however, there has been a shift to more consumer-oriented services and therefore a more consumer-oriented definition. Fintech now includes different sectors and industries such as education, retail banking, fundraising and nonprofit, and investment management to name a few. (EFinA, (2017)

Fintech has brought a new paradigm to the design and implementation strategies for financial inclusion. For example, smartphones for mobile banking and investing services are technologies that are making financial services much more accessible to the general public. A number of impressive developments can be observed, such as the progress in transferring money via mobile phone messages, or the widespread usage of mobile payment services (eg Alipay (Alibaba) and WeChat Pay (Tencent) in China processed more than \$10 trillion worth of transactions in 2017, with 502 million users; and Paytm in India has over 200 million users). In parallel, cross-border retail payments have been facilitated by fintech (Alipay and WeChat Pay are accepted in 28 countries by retailer (BIS, 2018.).

In Nigeria, some key players in the Fintech market includes; Aplify, Afara Partners, Social Lenders, Interswitch. With Cumulative funding of over US\$250m, driving Surge in e-commerce activity and establishing innovation hubs. Between 2014 and 2018, equity & grant financing by funding partners grew by 53%. About 80% of the FinTech market is made up of Digital Retail Payment (36%), Lending (25%) and Payment Infrastructure (19%) firms. API is the dominant technology in the market followed by AI and DLT (EFinA, 2017).

### **Barriers of financial inclusion**

Financial exclusion is a relatively new concept which was first used in 1994 to describe the process of withdrawal of financial institutions predominantly from deprived areas (Leyshon, 1994). Financial exclusion is also a relative concept and needs to be defined in relation to the society in which people live. Financial exclusion also needs to be understood based on people's individual needs, which can vary from individual to individual and are subject to taste.

Financial exclusion is a phenomenon that often affects a significant minority of predominantly vulnerable and otherwise disadvantaged people, such as single

parents, social tenants, the long-term unemployed, members of some minority ethnic communities and those living on persistent low incomes (Kempson & Whyley, 1999). Financial inclusion is not randomly distributed, knowing who is more likely to be excluded is important as it can help the design of financial inclusion programs. Not surprisingly, those with access to financial institutions tend to be males, middle-aged professionals in full-time employment in middle- to high-income groups who have cars, telephones and are homeowners (Heimann & Mylenko, 2011). Conversely, those tending to be without are mostly women, the young, the old, the unemployed, those in semi-skilled or manual jobs and those of low socioeconomic status.

### **Causes of financial exclusion**

According to the World Bank (2008, cited in Ibeachu, (2010)), the causes of financial exclusion were broken down into: insufficient income; discrimination; contractual/information framework; and price and product features. In their research, krauss (2005) looked to see the reasons that none financial user gives for not using financial products. He asked if it could be fixed by the financial providers in terms of quality of service, location or relevance of product. Kempson (2006) gave some explanations for the reasons why people are financially excluded. He said that these reasons could vary from country to country. He stated the importance of bank required identification and documents, the terms and conditions of bank accounts, levels of bank charges, physical access and cultural barriers in financial inclusion.

#### ***a) Required identification***

This serve as a threat for unemployed to have an account with bank, since banks need the proof of identity before some services can be offered. This was also attributed to stricter money laundering rules by Brussels (2006) stating that it is in response to avoid terrorist attacks, with some people being unable to satisfy required identification. Leyshon and Thrift (1995) stated that people with limited income and with some disabilities represent a high risk to the financial institutions, who then avoid such geographical locations where these people reside.

#### ***b) Terms and conditions of bank accounts***

Different banks across the world have different terms and conditions for opening accounts with them. Such terms as the amount of money to open with, the account minimum/maximum balance and Know Your Customer(KYC) requirements. Kempson (2006) explained that these different types of terms and conditions can deter or prevent people with low incomes to open an account. Some accounts come with certain contracts that establish the rules on which the accounts are controlled.

***c) Unemployment and low income***

Countries with a high rate of unemployment and low levels of income tend to have higher levels of financial exclusion. In most areas of the world, especially in Nigeria, a person who is unemployed and with no source of income is most likely to be excluded from the use of financial facilities. It is also likely that this will be due to self-exclusion.

***d) Levels of bank charges***

The issue of hidden bank charges in the industry is not new. At a time, the industry regulator, CBN had cause to intervene, but the bank charges keep coming in various forms. Some of the charges in question include charges on e-banking and mobile transactions. Common among them include complaints of unexplained deductions ranging from charges on text message alerts, which sometimes are sent and charged twice (N5 or N10, depending on the bank), ATM charges despite using the bank's ATM, charges on Internet access monthly and a separate charge for any money transfer conducted on the Internet (Onalapo & Odetayo 2012). This has contributed to a high level of financial exclusion in Nigeria.

***e) Lack of physical access***

Most of banks in Nigeria are located in cities, while rural areas were neglected and this has been the main barrier to financial inclusion in Nigeria, because rural residents have to travel to cities to reach a bank branch.

***f) Cultural barriers***

“In countries with high levels of financial exclusion, self-exclusion by individuals with low or no income is more of the reason for lack of access to banking services than direct exclusion by the banks refusing to open accounts” (Kempson, 2006). Help the aged (2005) noted that cultural and language barriers is one of the issues that minority community dwellers face in accessing financial services.

***g) Lack of financial education***

Some customers did not know the importance of bank services and its instruments. This has resulted in a high level of financial exclusion in rural areas. Banks need to educate their customers on the various products that are available and the benefits attach to each product. Such as current account, savings account, fixed account, and time account, this will enhance financial inclusion.

***h) Lack of mobile banking***

Mobile banking through cell phones however has been identified as a feasible tool to provide basic financial services to millions of the unbanked in urban and rural communities in Nigeria and Africa in general. Lack of mobile banking has contributed immensely to a high level of financial exclusion in Nigeria. Mobile

telephony allows expansion and access to financial services to previously underserved groups in developing countries. It reduces transaction costs, especially the costs of running physical bank branches. The increasing use of mobile telephony in developing countries has contributed to the emergence of branchless banking services, thereby improving financial inclusion. This increased access to financial services for underserved people helps narrow the financial infrastructure gap, especially in developing economies, where the costs of distance and time are very high for formal banking services. ICT favor better information flows, and the data collected on depositors can be used to analyze credit worthiness more efficiently and to facilitate deposit-taking. Therefore, ICT and mobile phones in particular improve access to credit and deposit facilities, allow more efficient allocation of credit, facilitate financial transfers, and boost financial inclusion. In turn, this would stimulate private investment, and hence economic growth.

### **Theoretical Framework**

Based on the nature of this work, the study of financial inclusion at urban areas in Nigeria is anchored on two theories: modern development theory and sustainability theory.

#### ***a) Modern development theory***

Modern development theory was developed by Burr, HS (1958) in the year 1958 and it is a conglomeration or a collective vision of theories about how desirable change in society is best achieved. The theory was based on modernization theory which is used to analyze how modernization processes in a society can take place. The theory looked at which aspect of the economy can foster development and which one that constitutes obstacles for economic growth. This is because the idea of financial inclusion in rural dwellers is the developmental assistance targeted at those particular aspects that can lead to modernization of tradition or backward societies. The earliest principles of development theory can be derived from the idea of progress which stated that people can develop and change their society themselves. This is an indication that this counting is meant to be developed by us and not by any other foreigner.

#### ***b) Sustainability Theory***

Sustainability theory as developed by Felix Ekardt 1986 describe sustainability describes a form of economy and society that is lasting and can be lived on a global scale. The society-changing potential of the claim: 'More justice between generations, more global justice – at the same time' faces the problem of getting out sight. Sustainability is just not the general claim to take social, economic, and environmental policy serious and to strike a sound balance between these aspects. Sustainability theory tries to explain the potential for long-term maintenance of well-

being, which has ecological, economic, political and cultural dimensions will be in the long run. Sustainability requires the reconciliation of environmental, social equity and economic demands to achieve its aim especially in the rural areas.

### **3. METHODOLOGY**

This study adopts descriptive survey research design. The study used survey type of research design because the relative elements of the population have common attributes which are chosen with a view to representing the entire population of the study.

The population of this study is made up of the people classified as the disadvantaged group in society. According to Townsend (1979), they comprise of people in society that lack minimum standards of subsistence resources to obtain the types of diet, participate in the activities, and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies to which they belong.

Using data from the National Population Commission and Enhancing Financial Innovation and Access (EFInA) 2014 survey, the population for the study is projected as 9,652.

**Table 1:** Population of the study

| <b>Demography</b>         | <b>Population</b> | <b>Percent</b> |
|---------------------------|-------------------|----------------|
| TOTAL                     | 326,648           | 100            |
| ADULT                     | 164,631           | 50.4           |
| URBAN                     | 52,023            | 31.6           |
| FIN. EXCL. N/EAST         | 31,235            | 60.04          |
| INCOM $\leq$ 20,000/MONTH | 9,652             | 30.9           |

Source: Derived from statistical Data in the National Population Commission & the literature by the Researcher

To The sample size of the study of 355 respondents out of 9,652 population is derived using the Krejcie and Morgan (1970) table for determining sample size.

### 3.9.1 Model Specification

In this sub-section, the Pooled OLS that examined the impact of income, education, age, gender, and travel time to bank on financial inclusion was developed. The pooled OLS model for the impact of the drivers on financial inclusion was specified in the following.

The functional relationship of the model is given as follows;

$$BNK = F(INC, EDU, AGE, GEN, TTB) \dots\dots\dots 3.1$$

The mathematical model of the following is as follows

$$EP = \beta_0 + \beta_1 INC + \beta_2 EDU + \beta_3 AGE + \beta_4 GEN + \beta_5 TTB + \mu_i \dots\dots\dots 3.2$$

Where: INC= Income, EDU= Education = AGE, AGE = GEN, Gender = TTB, Time to Bank.  $U_i$ = Error term,  $\beta_0$ = is the intercept of the relationship,  $\beta_1\beta_2\beta_3\beta_4\beta_5$  = are the coefficients of independent variable

## 4 RESULTS AND DISCUSSION

### a) Correlation Matrix

The linear independency of the explanatory variables is examined using a correlation matrix.

The Pearson Product Movement Coefficient of correlation for pairs of independent variables

measures the degree of linear relationship between two or more variables. In line with the second research objective in the study, the linkages between financial inclusion indices and poverty reduction is examined. The results are shown in Table 2 below;

**Table 2:** Correlation Matrix of the Variables

| Variables | INC      | FIS       | EDU      | TTB      | GEN      | AGE    |
|-----------|----------|-----------|----------|----------|----------|--------|
| INC       | 1.0000   |           |          |          |          |        |
| FIS       | 0.906*   | 1.0000    |          |          |          |        |
| EDU       | 0.553**  | 0.056***  | 1.0000   |          |          |        |
| TTB       | 0.437**  | 0.140***  | -        | 1.0000   |          |        |
|           |          |           | 0.129*** |          |          |        |
| GEN       | 0.908*   | 0.091***  | -        | 0.077*** | 1.0000   |        |
|           |          |           | 0.248*** |          |          |        |
| AGE       | -        | -0.025*** | 0.151*** | -        | -        | 1.0000 |
|           | 0.030*** |           |          | 0.109*** | 0.041*** |        |

Source: *Correlation Result Using SPSS Version 20* \*\*\*= significant at 1% (0.01), \*\*= significant at 5% (0.05), \*= significant at 10% (0.10)

Table 2 above shows the correlation matrix for the variables used in the study and indicates that strong relationships exist among most of the variables used in the study, thus preventing any potential spurious problem in the regression estimates. The table indicates strong relationship to have existed between financial inclusion status (FIS) and income (INC), between education (EDU) and income (INC) and between time to bank (TTB) and income (INC). Also, strong linkage was found to have existed between age (AGE) and income (INC). However, weak relationship was found to have existed between gender (GEN) and income (INC) as indicated by their asterisks.

### **b) Regression Analysis**

A multiple regression analysis was performed to find the impact of financial inclusion on social empowerment among urban disadvantage in Yola metropolis. In the regression model, Income Level is the dependent variable and explanatory variables include age, gender, financial inclusion status, time to bank and education. This analysis was carried out to address the objective three of the study.

**Table 3: Summary of Regression Result**

| Variables Value   | Coefficients  | Std Error | Sig.  |
|-------------------|---------------|-----------|-------|
| Constant<br>0.000 | 2.7510        | 0.240     |       |
| FIS               | 0.039         | 0.009     | 0.005 |
| EDU               | 0.048         | 0.073     | 0.008 |
| TTB               | 0.016         | 0.006     | 0.005 |
| GEN               | 0.135         | 0.074     | 0.084 |
| AGE<br>0.960      | 7.025         | 0.001     |       |
| R-square          | 0.551         |           |       |
| Adjusted R-square | 0.540         |           |       |
| F-change          | 2.471 (1.733) |           |       |
| DW Statistic      | 1.733         |           |       |

Source: Author's Computation (2019)

Table 3 above shows the regression estimate of impact of financial inclusion on social empowerment among urban disadvantage in Yola metropolis. In the regression model, Income level is the dependent variable and explanatory variables include age, gender, financial inclusion status, income and education.

From the above result,  $R^2$  shows that all the explanatory variables in terms of degree of financial inclusion status (FIS), education (EDU), age (AGE), gender (GEN) and time to bank (TTB) explained 55.1% variability in the income level (INC). This implies that the model explains 55.1% of the change in INC and the remaining 44.9% is contributed by other variables outside the model or that are captured by the error term. Since  $R^2$  measures the fit of the model so this model is well fit i.e. the data is fitted well. Considering the adjusted  $R^2$  (which can be less than or equal to  $R^2$ ) after considering the degrees of freedom, the 2 explained 54% variability in FIC. Therefore, we can still conclude that the explanatory variables perfectly explained the behavior of the dependent variable. Durbin Watson statistic, the bench mark for DW is 2 given the DW to be 1.733 which can be approximated to 2 shows that the model is free from autocorrelation problem.

To check if the independent variables are jointly significant to explain the dependent variable or the overall significance of the model we use F-statistic. So given the F-statistic value to be 2.471 with the F-Prob value of 0.026 we can conclude that there is statistically significant relationship between the explanatory variables and the dependent variable. This is because the probability value of 0.026 is less than 0.05 i.e. at 5% level of significance which led to the rejection of the null hypothesis which states that there exists no significant relationship between the explanatory variables and the dependent variable; hence, the acceptance of alternative hypothesis which states otherwise. The coefficient of financial inclusion status (FIS) is 0.039 and it gives a positive and significant impact with income (INC) and it shows that percentage increase in FIS will lead to 3.9% increase in income in terms of poverty reduction. Poverty level in this model is measured by the income level at any given point in time. The result of the study is in line with the previous study of Murari & Didwania (2010) which has the same observation and found that scheme of financial inclusion is an effective instrument which can lift poor above the level of poverty by providing them increased self-employment opportunities and making them credit worthy. Another study by Salathia (2014) highlights financial inclusion combat poverty by making advanced opportunities available for the disadvantaged poor, thereby promoting social inclusion and inclusive socio-economic growth.

Income level (INC) is a good indicator for measuring the economic well-being of people. A high level of income level signals a better standard of living whereas a low or declining income level indicates a slide towards poverty level. The coefficient of education is positive and statistically significant. This shows that percentage increase in education will lead to -4.8% reduction in poverty. Education plays a vital role in Nigeria's level of poverty reduction. This result is also in consistent with the idea that education lowers poverty as it allows persons to obtain and use their knowledge and talents that increase their engagement and visions and, consequently, earn higher wages. The coefficients of age (AGE) and gender (GEN) showed positive and statistically insignificant with financial inclusion in terms of poverty reduction. This implies that age and gender play insignificant role in financial inclusion. The coefficient of time to bank (TTB) was found positive and statistically significant. Furthermore, based on the focus group discussions, there is propensity for households to save and avail other banking services in case door step service is leveraged.

## **5. Conclusion and Recommendations**

This study has discussed the issue of impact of financial inclusion on social empowerment among urban disadvantaged group in Yola. The study marks the departure from the earlier studies. Since the earlier studies on financial inclusion had a rural focus, but this study is unique since it focuses on access, availability, and usage of financial services that are beneficial to the poor disadvantaged people irrespective of where they live or what they do to earn a living.

According to Sanusi (2011) the major obstacles to having a bank account include irregular income, unemployment and distance to the bank branch. The study captures the measure of financial inclusion and finds that the financial inclusion indices had significantly affected people, is playing a significant role and is working on the positive side. The results support the view that income is the significant key driver of financial inclusion, and that involuntary financial exclusion may be greatly influenced by inadequate household income.

An inclusive growth will act as a source of empowerment and allow people to participate more effectively in the economic and social process. The result of the study suggests that, between the financial inclusion indices, education considerably impact the level of poverty reduction. Precisely, higher financial inclusion status and education significantly improves poverty reduction. Financial inclusion can help in alleviating poverty level and improve economic growth in Yola metropolis. Based on the findings that financial inclusion is a driver of social empowerment in Yola, it is therefore submits that all stakeholders need to commit more resources to the policy

formulation, implementation evaluation geared toward job creation, and poverty reduction at the macro-level, and assist individuals in improving their financial opportunities, income and standard of living.

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