



INSTITUTIONAL FINANCING AND POVERTY ALLEVIATION IN NIGERIA

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ABSTRACT

The study examined the nexus between Institutional Financing and the Poverty rate in Nigeria. The rationale behind the study is to establish the extent to which disbursed credits from the selected financial institutions have helped in alleviating the poverty rate in Nigeria. The institutional credits considered in this study include credits from the Bank of Industry, Bank of Agriculture, Microfinance Bank, African Development Bank, World Bank, and Deposit Money Bank while Poverty Index was used as a measure of the poverty rate. The study covered the periods 1991 to 2021 and data was sourced from the World Bank Database. We employed Unit Root Test, Johansen Co-Integration Test, Vector Error Correction Model, and Granger Causality Test. In the long run, we found that Microfinance Bank credit and African Development Bank credit significantly contributed to the poverty alleviation agenda of the government in Nigeria. As such, we conclude that institutional credits from Microfinance Bank and African Development Bank have significantly contributed to the fight against the poverty rate in Nigeria. As such, we recommended that Microfinance Bank should maintain its credit disbursement pattern as the report has shown that its credit has helped to assuage the poverty rate in Nigeria. Doing this is necessary as it will help in including the financially excluded citizens of the country in the financial web and also increase their access to financial products.



1. Background to the study

Lifting the larger population out of poverty is a major goal of government of nations. Poverty alleviation has received increased global attention and the challenges are becoming more overwhelming. Research findings and empirical evidences have shown that significant poverty reduction is possible and has indeed occurred in many developing countries (Chiwira, Bakwena, Mupimpila & Tlhalefang, 2020). Economic growth is one of the principal instruments for poverty alleviation and for pulling the poor out of poverty through productive employment. Supporting this fact are the findings from studies which have revealed that the absolute number of people living in poverty has dropped in all the developing countries that have experienced sustained rapid economic growth over the past few decades (Odhiambo, 2014; Orji, Aguegboh & Anthony-Orji, 2015; Chiwira, Bakwena, Mupimpila & Tlhalefang, 2020). This suggests that increase in economic growth has the capacity to reduce poverty trend in a country.

Primarily, institutional finance means finance raised from financial institutions including Commercial Banks. It encompasses financial resources raised from Public Financial Institutions (PFIs), finance raised from Non-Banking Finance Companies (NBFCs) and Investment Trusts and Mutual Funds (ITMF), and other organized institutions (Pilbram, 2018; Akinpelumi, Nwankanma & Nnamdi, 2021).

In an attempt to assuage the ever teaming poverty and unemployment rate in Nigeria, numerous efforts and measures have been put in place by government and non-governmental agencies. These includes the introduction of Small and Medium Enterprises Equity Investment Scheme (SMEEIS) in response to the concern and drive of government to bolster the financing support for Small and Medium Enterprises (SMEs). Further, various government administrations came with different intervention funds to help alleviate poverty trend in Nigeria. Prominent among those schemes include N-power program, Sure-P program, Market money among others. Other specialized financial institutions like Bank of Agriculture, Bank of Industry and so on were established to help ease the stress of getting funds for investment purposes, yet, 4 in 10 Nigerians which amounted to about 91 million citizens live below national poverty line (WB, 2022).

In accordance with Tchamyou et al. (2019), the relationship between institutional financing and poverty alleviation can be theoretically substantiated with two main underpinnings: the intensive and extensive margin theories. First, in the light of the intensive margin theory, institutional financing can reduce poverty when existing bank customers are provided with enhanced financial access services, when the poor and middle class are open to bank loans without stringent conditions (Chipote, Mgxekwa & Godza, 2019). Second, when the attendant financial services are extended to people who did not previously have access to financial services by means of bank accounts, the extensive margin theory applies (Odhiambo, 2014; Orji, Aguegboh & Anthony-Orji, 2018; Chiwira, Bakwena, Mupimpila & Tlhalefang, 2020).

Momodu, Array and Akanni, (2019); Adepaju, South Africalau and Obayelu (2017); Afonso and Alves, (2018); Adeleke and Josue (2021); Kadiri, (2012); Okogba, (2018); Ogunbiyi, and Monogbe, (2019), reported that one of the reasons for unproductive influence of various institutional financing intervention funds on poverty reduction in Nigeria includes funds diversion for personal interest, moral hazard, funds mis-appropriation among others. Okogba (2018) report showed that poverty rate in Nigeria deepens due to two basic reasons; first, the growing population of the nation outperform her available resources and second, the amount committed to investment and entrepreneurial innovation and invention is not sufficient as such could not stay afloat the poverty level of the nation. Therefore, the level of hunger, unemployment, poor power supply and insecurity is on the increase.

The ever teaming increase in poverty rate in Nigeria constitute the major worry of this study. Despite increase in the quantum of fund disbursed by various financing institutions, the level of poverty deepens and this poses a question as to whether institutional financing can help in the fight against poverty rate in Nigeria or not. This is the major concern of this study. In other to address this worries, we measure institutional financing using credits disbursed from six financial institutions and they include credits from Microfinance Bank, Deposit Money Bank, African Development Bank, Agricultural Bank, Bank of Industry and World Bank credit while Poverty Index is used as the explained variable.

2. Theoretical underpinning

Theories of Institutional Financing

Supply – Leading Hypothesis

The forerunner and pioneer of supply-leading hypothesis is Bagehot (1873) and Schumpeter (1911), as supported by Calderon and Liu (2003), Gurley and Shaw, (1967), King and Levine, (1993), and McKinnon, (1973), among others. The advocates of this theory believe that the institutional finance via credit activities serves as a useful tool to increase the productivity of a country. They hold that countries with better developed financial system tend to grow faster (Bayoumi & Melander, 2008). Going through the literature in more detail, the influential study conducted by King and Levine on seventy-seven countries made up of developed and developing economies using Cross-country Growth Regression, the results revealed that finance not only follows growth; finance seems important to lead economic growth. This further supports the statement that financial services stimulate economic growth (King & Levine, 1993).

Demand – Following Hypothesis

In spite of the above views, economic growth is sometimes unrelated to banks. According to the demand following theory as proposed by Robinson (1952), economic growth is a causal factor for banking development. According to the defenders of this assertion, as the real sector grows, the increasing demand for financial services stimulates the financial sector (Gurley & Shaw, 1967). Following the same line of argument. Goldsmith (1969), using an alternative view of emphasizing the role of capital accumulation in economic growth and data from 35 countries between 1860 and 1963, empirically concluded that “a rough parallelism exists between economic and financial development in the long run”. In her research on the causality relationship between bank credit and economic growth in Nigeria, evidence from the work of (Roseline & Oluitan, 2012) showed that economic growth causes financial development, but not vice versa.

Review of Related Literature

In a recent study, Loyce and Willy (2021) examined the effect of government intervention through financial institution loan to reduce poverty level in Kenya between the periods 1964 to 2017. The various intervention efforts of the government considered in the study includes, Commercial Bank loans to Small and Medium Scale Enterprises (SMEs), Development Bank loans to the manufacturers, World Bank loans and Bank of Agricultural loans while Poverty Index in the country is the dependent variable. Study employed Unit Root test, Co-integration test and Vector Error Correction model. Findings revealed that data became stationary in the order of 1(1) integration while there exists one co-integrating equation. The report of the Error Correction model further showed that Bank of Agricultural loans and loan to the health sector in Kenya exhibited a significant and meaningful contribution to the economy by reducing the poverty trend over time while Commercial Bank loan on Education does not seem to have reduced poverty trend in Kenya as reported within the context of the

error correction model result. On this backdrop, study thus concluded and recommend that financing institutions should inject more funds into the Agricultural sector as it seemed to contribute more to economic growth thereby reducing poverty trend in the nation.

Dauda and Makinde (2021) examined the role of financial system development on poverty reduction in Nigeria between the periods 2000 to 2018. Study employed Unit root test, Co-integration test and Vector Auto Regression model due to the lag of co-integrating equation among employed variables. Study further employed structural analysis. Findings showed that against all odds, credit to the private sector which was expected to reduce poverty rate in Nigeria exhibited a positive and significant relationship to poverty rate which suggested that credit to the private sector does not lead to poverty reduction in Nigeria. According to the study, this direct relationship was attributed to the meticulous attitude of the intermediaries in the Nigerian banking industry and their failure to channel funds to the pro-poor in the society. Finally, the study concluded that the open-door strategy of the government which gives room for foreign investors is capable of promoting the Nigerian citizens. Hence, study recommended that for an economy to accumulate more funds which will help in reducing poverty trends in Nigeria, government should increase her savings capacity as reported by Rosenstein Rodan.

Okaro (2021) evaluated the effects of credit on economic growth and development in Nigeria (1981-2019). Theories of financial liberalization holds that economic growth in a developing economy rests on an efficient financial sector that pools domestic savings and mobilizes foreign capital for productive investments. The specific objectives of the study are to: examine the relationship between credit to private sector and the real Gross Domestic Product (RGDP) in Nigeria; access the relationship between credit and infrastructural development in Nigeria and; to determine the relationship between total credit and real GDP in Nigeria. The study adopted multiple regression approach on an annual time series data spanning from 1981 to 2019 and estimated single equation models using Ordinary Least Square (OLS) regression framework. The study also investigated the stochastic nature of the time series by conducting stationarity test using Augmented Dicker-Fuller (ADF) test. The existence of long run relationship between economic growth (proxied by RGDP), economic development and credit using Philip-Qualiris cointegration framework was also conducted successfully. The findings of the study indicated that total credit to all sectors of the economy is positively and significantly related with economic growth and development. However, while credit to private sector drives growth, credit to public sector frustrates growth due to crowding out effect. The paper recommended that banks should be encouraged to direct their credits to priority sectors of the economy.

Ifionu, Monogbe and Boufini (2019) investigated the government effort in alleviating poverty rate through job creation and government capital investment on economic development in Nigeria between the periods 1981 to 2017. The study employed Unit Root Test, Error Correction Model and Granger Causality test. Findings revealed that all explanatory variables under investigation exhibited a negative co-efficient to economic development in Nigeria except for poverty rate. Poverty rate exhibited a significant P-value of 0.0023 with a corresponding positive coefficient of 0.002829. This suggests that the development strength of the economy is not intensive enough to stimulate job creation which will further help to reduce poverty rate in Nigeria. Employment rate exhibited a significant P-value of 0.0055 with a negative coefficient of -0.07783 which implies the existence of negative and significant relationship between employment rate and economic development in Nigeria. By implication, this suggests that for employment rate to respond in a positive manner to economic development, such development must be an intensive one as unemployment rate appeared to be a lagged indicator which responds to economic development in a gradual pace. Government capital expenditure exhibited a significant P-value of 0.0000 with a corresponding negative coefficient value

of -0.00002 which suggests an inverse relationship between government capital expenditure and economic development in Nigeria. On this note, the responsiveness of the poverty alleviation measures to economic development are dynamic and asymmetry. This then calls for normalization and asymptotic distribution of the government policy as it maintains a vast effect on the economy and thus determines the direction of flows on the macro-economic variables and investment strength of the nation

Okogba (2018) reports showed that poverty misery in Nigeria deepens based on two basic reasons and they include, one, the growing population of the nation outperform her available resources and second, the amount committed to public amenities expansion is not sufficient and as such could not stay afloat the poverty level in the nation. Hence, the level of hunger, unemployment, power supply, insecurity, and banditry are on the increase. Further, Ifionu, Monogbe and Boufini (2019) asserted that development strength of the economy is not intensive enough in stimulating job creation which will further help to reduce poverty rate in Nigeria.

Ogunbiyi and Monogbe (2019) studied the role of sectoral lending in the economic development process of Nigeria between the period 1981 to 2017 using time series data exploit from the apex bank published bulletin. Study considered sectoral loan to production, commerce, services and other sectors and their various contribution to economic development in Nigeria accordingly. Result of the Cointegration test provided evidence of three co-integrating equation while government expenditure on commercial services exhibited a significant relationship on economic development between the periods under investigation as reported by the result of the multiple regression model. Study thus concluded that sectoral loans and advances to the preferred sector of the economy (production and general sector) has significantly stimulated economic growth while loans and advances allocated to other sectors relegated economic growth. This result however, corroborated the report of Balago, (2018) whose study suggested that increase in government allocation on production and manufacturing is capable of promoting economic growth. In this vein therefore, the study thus recommended that more credit be allocated to the sector with higher contribution to economic growth in Nigeria.

Onuorah and Ozurumba (2019) explored the relationship between bank credit and economic growth in Nigeria over the period under review. However, the problem associated with bank credit facility is the constraint and regulation imposed by Central Bank of Nigeria (CBN) on the percentage of credit to be given to the entrepreneurs. The study used Secondary data from banks credit on sectorial distribution such as production, general commerce, services and others were spread across the period 1980- 2018. Various statistical techniques such as Diagnostic test, Unit root, Co-integration VAR model and Causality test were used to test the stability function, stationary properties, variable relationship and causality effect of the variable and the result revealed that the time series properties of the variables are stationary and co integrated at most 1 with at least 2 co- integrating equation. The study also showed that all the bank credit measures such as Total Production Bank Credits (TPTBKC), Total General Commerce Bank Credits (TGCBKC), Total Services Bank Credit (TSCBKC), and Other Banks Credit (OTHBKC) did not granger cause GDP, instead GDP exerted influencing factor on them. In addition, short run relationship existed between bank credit measures and GDP as sustainable key player in the economy It therefore recommended total supervision and overhaul of the banks' credit activities towards encouraging investors in Nigeria for economic growth.

Onakoya (2019) examined the impact of financing small enterprises on economic growth in Nigeria. The study formulated a relationship model between the real GDP and bank credits. Variables used are loans to SMEs, interest rates and GDP covering between 1992 and 2017. The study combined several

econometric techniques. The findings proved that loans to small businesses have a positive impact on the economic growth while interest rates have a negative impact. In conclusion, the study outlined the following: The greatest problem of small businesses in Nigeria is managerial capacity; Access to capital is necessary but not a sufficient condition for successful entrepreneurship development.

Oluitan (2019) assessed the significance of real bank credit in stimulating real output growth in the case of Nigeria. The study observed that credit granger causes output. In testing the factors that mobilize credits, it found that exports in general are negatively related to credit. However, while oil exports are negatively related to credits, non-oil export has positive relationship with credits. Credit is also positively linked to capital inflows and imports. These findings suggest that bank credit is inextricably linked to the opening of the economy to international trade and capital flows in non-oil sector.

3. Methodology

We utilized the Ex-post facto causal comparative research design. The choice of this research design is anchored on the fact that historical data which is not within the control of the researcher is being used for the study. Given that the nature of relationship that existed between the studied variables cannot be predicted without subjecting them to rigorous analysis, therefore Ex-post facto causal comparative research design is considered more appropriate. We therefore sourced for data from the Central Bank of Nigeria Statistical Report alongside the World Bank Data Base between the periods 1991 to 2021 for effective and efficient data analysis. The study population comprised of credits from Deposit Money Banks, Microfinance Banks, Bank of Industry, Bank of Agriculture, African Development Bank and World bank in Nigeria.

Model Specifications:

Toeing the line of the studies by Radzeviča, Bulderberga, and Krasnopjorovs (2018) and Commander & Nikoloski (2010), the study presents its models in the Classical Linear Regression form as; the functional relationship expresses the direction of relationship between the selected institutional credits and poverty rate in Nigeria

$$POVI_t = f(DMC_t, BAC_t, BIC_t, MFC_t, ADC_t, WBC_t) \tag{1}$$

We convert the equation 1 above to econometric form by the introduction of the constant term (α_0, β_0) and error term (μ_t, ψ_t):

$$POVI_t = \alpha_0 + \alpha_1 DMC_t + \alpha_2 BAC_t + \alpha_3 BIC_t + \alpha_4 MFC_t + \alpha_5 ADC_t + \alpha_6 WBC_t + \mu_t \tag{2}$$

Where;

POVI = Poverty Index

MFC = Microfinance Bank credit

ADC = African Development Bank credit

WBC = World Bank Credit

DMC = Deposit Money Bank Credit

BAC = Bank of Agriculture Credit

BIC = Bank of Industry Credit

α_0 = Constant variable/Intercept for both models

- $\alpha_1- \alpha_6$ = Slope/Coefficient for Model 1
- μ_t = Error Terms/Stochastic variables for both models
- t = time series

Apriori Expectation

We expect credits disbursed from the various institutions to contribute to economic development thereby leading to poverty alleviation. Hence a negative relationship is expected between the series. This can be expressed in a mathematical form thus

$$\alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5, \text{ and } \alpha_6 < 0$$

4. Result and Discussion of Findings

To establish the stationary trend of the data set, unit root test is employed.

Table 1: Presentation of Unit Root Test Result.

	ADF t-stat	Nigeria		Prob	Order of Integration
		Test Critical Values			
		5% Level	10% Level		
PI	-5.551403	-2.976263	-2.627420	0.0001	I(1)
ADC	-8.893432	-2.971853	-2.625121	0.0000	I(1)
BAC	-5.846778	-2.981038	-2.629906	0.0001	I(1)
BIC	-3.453666	-3.012363	-2.646119	0.0204	I(1)
DMC	-5.224685	-2.981038	-2.629906	0.0003	I(1)
MFC	-4.287725	-3.012363	-2.646119	0.0034	I(1)
WBC	-8.320061	-2.971853	-2.625121	0.0000	I(1)

Source: Extraction from E-views

The outcome of our unit root test suggested that all the variables are stationary at first differencing in the order of i(1). As such, we conclude that report from this study should not be spurious having established that they are all stationary at 1st differencing. Having established the i(1) nature of stationarity, we proceed to test if there exist any long run nexus between the study variables using the Johansen Co-integration test. The result is presented below.

Table 2: Presentation of Johansen Co-integration Test Result

Series: PI ADC BAC BIC DMC MFC WBC

Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.934771	220.3298	125.6154	0.0000
At most 1 *	0.837700	143.8938	95.75366	0.0000
At most 2 *	0.784272	92.98112	69.81889	0.0003

At most 3 *	0.610534	50.03654	47.85613	0.0307
At most 4	0.324779	23.63312	29.79707	0.2164
At most 5	0.287132	12.63709	15.49471	0.1288
At most 6	0.106730	3.160256	3.841466	0.0754

Trace test indicates 4 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Source: Extraction from E-VIEW

The result justified the existence of long run co-existence among the study variables. This implies that in the long run, all the studied variables co-exist. As such, the existence of long run nexus led us to estimate the error correction model. This is done so as to identify if the long run error will continue or whether the error in the short run can be corrected in the long run.

Table 3: Presentation of Error Correction Model Result.

Dependent Variable: PI
 Method: Least Squares
 Date: 12/02/22 Time: 19:36
 Sample (adjusted): 1992 2021
 Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.575260	0.014438	39.84278	0.0000
ADC	-5.87E-07	1.80E-07	-3.266390	0.0039
BAC	-9.96E-05	0.000112	-0.888316	0.3844
BIC	0.003159	0.003882	0.813753	0.4249
DMC	0.000177	0.000372	0.476098	0.6389
MFC	-1.13E-05	0.000102	-3.110699	0.0130
WBC	0.000253	0.000155	1.626649	0.1187
ECM(-1)	-0.303579	0.103612	-2.929964	0.0103
R-squared	0.701633	Mean dependent var		0.591690
Adjusted R-squared	0.685510	S.D. dependent var		0.049908
S.E. of regression	0.040683	Akaike info criterion		-3.337062
				-
Sum squared resid	0.034757	Schwarz criterion		2.95nc9877
Log likelihood	56.38740	Hannan-Quinn criter.		-3.218932
F-statistic	3.019656	Durbin-Watson stat		2.183455
Prob(F-statistic)	0.023268			

Source: Extraction from E-view

The Error Correction Model Coefficient (ECM) values of -0.303579 at a probability level of 0.0103 shows that the distortion in the short run is adjusted in the long run to the tune of 30.35%. Table 3 above shows that all variables showed the expected negative coefficient values in the long run, with the exception of the Deposit Money Bank credit, World Bank Credit and Bank of Industry credits. This shows that an increase in Deposit Money Bank credit, World Bank credit and Bank of Industry credits will lead to increase in the poverty index. This therefore, shows that the Deposit Money Bank credit, World Bank credit and Bank of Industry credits have not significantly contributed to poverty rate reduction in Nigeria which is against our a priori expectation.

In terms of the value of influence each variable has on the poverty index, Africa Development Bank and Microfinance Bank credit shows a negative and significant influence on the poverty index while

Bank of Agriculture credit also shows a negative, but insignificant influence which is in line with the apriori expectation of the study. This is identified from their negative coefficients of -0.00000587, -0.0000996, -0.0000113 alongside its significant P-val of 0.0039, 0.0130 and 0.3844 for Microfinance Bank credit respectively. From the model utility, the coefficient of determination (R^2) value of 0.70163 shows that, all employed institutional funding jointly accounts for approximately 70% of variations in the poverty index, while the remaining 30% can be attributed to other factors (White noise/error term) not directly captured in the model.

Table 4: Presentation of Granger Causality Test Result for Nigeria

Pairwise Granger Causality Tests

Date: 12/02/22 Time: 19:54

Sample: 1991 2021

Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
ADC does not Granger Cause PI	29	2.18209	0.0356
PI does not Granger Cause ADC		0.13429	0.8750
BAC does not Granger Cause PI	29	0.97168	0.3935
PI does not Granger Cause BAC		0.20765	0.8140
BIC does not Granger Cause PI	29	4.83977	0.0176
PI does not Granger Cause BIC		0.91108	0.4161
DMC does not Granger Cause PI	29	1.07330	0.3584
PI does not Granger Cause DMC		1.13979	0.3373
MFC does not Granger Cause PI	29	0.49240	0.0175
PI does not Granger Cause MFC		1.25592	0.0336

Source: Extraction from E-view

From the causality result presented above, three prevailing uni directional relationship exists. (i) a significant uni-directional causal relationship exist between ADC and PI with causality flowing from Africa Development Bank credit to Poverty index. (ii) Causality also flows from BOI to PI and lastly, (iii) causality flows from MFC to PI. The implication of this result is that in the Nigerian context, Microfinance Bank, Africa Development Bank and Bank of Industry credits have contributed significantly in the fight against poverty reduction over the years.

Discussion of Findings

From the VECM report, the Nigerian economy seems to have benefited more from the inflow of credits from African Development Bank (ADB). The result showed that the quantum of credit allocated from Africa Development Bank has helped in fighting the ever teaming poverty rate in Nigeria. An inverse and significant relation prevails between this series. This implies that increase in the inflow of credit from ADB will bring about decrease in poverty index in Nigeria. This is however in consonant with our a priori expectation. The causality report further justifies that African Development Bank credit causes poverty alleviation in Nigeria. The report from this study supported that of Akinpelumi, Nwakanma and Akinpelumi, (2021); Ogunbiyi and Monogbe, (2019) whose study found that significant relationship prevailed between credit from African Development Bank and economic development in Nigeria such that increase in the inflow of this has helped in creating more industries and manufacturing firms in the country.

Also, credits from Bank of Agriculture seem to have helped in the fight against poverty rate in Nigeria, although in an insignificant manner. This justification is drawn from its insignificant P-value. The implication of the result is that credit from agricultural institution has the capacity to help alleviate poverty if properly used for the designed purpose. However, the insignificant contribution of this credit in poverty alleviation could be attributed to the country's specific problems. For instance in Nigeria, the significant impact of this credit is not being felt as reported by the result and this could be attributed to diversion of funds from the targeted farmers to other individuals, hence the expected poverty alleviation fight is not being achieved. The result here is in line with the report of Ogunbiyi and Monogbe (2019) whose study submitted that the essence of institutional credits in Nigeria has been sabotaged. The authors reported that most of these credits don't get to the targeted population, hence the unqualified people with connection are those accessing these credits. Hence, the purpose of instituting this programme is far from being achieved.

Deposit Money Bank credits in Nigeria has not contributed significantly to poverty alleviation as reported from our findings. The insignificant contribution could be attributed to high cost of accessing credits which discourages investors. Our findings are in consonance with that of Ratema (2021) whose result showed that Commercial Bank loans are seen to be difficult to access and the cost of accessing it is quite high. As reported in the study, Bank of Industry credit has not significantly contributed in the poverty alleviation agenda in Nigeria. This is identified from its insignificant P-value and the positive coefficient which suggests that increase in Bank of Industry credit will bring about corresponding increase in poverty index in Nigeria which is against our a priori expectation. Nevertheless, the causality report suggested that credit from Bank of Industry predicts poverty index in Nigeria.

The failure of the People's Bank and Community Banks to address the financial needs of the low incomes and poor gave room for the establishment of Microfinance institutions and policy in Nigeria. (Acha, 2008). Microfinance Bank is vital when it comes to poverty alleviation in any country. Our findings show that credit from Microfinance Bank significantly brought about decrease in poverty index in the country. This is in line with our a priori expectation and of course in line with the objective of establishing the bank. The significant contribution of Microfinance Bank credit to poverty index reduction could be attributed to its less stringent condition in loan giving activities and also low cost of borrowing. The Granger causality test also testifies to the significant effect of Microfinance Bank credit on poverty reduction in Nigeria. We found a support to this result from the study of Kibet, Acha and Omwono (2015). The authors reported that in Kenya, Microfinance Bank is one of the institutions that cushion the government efforts in terms of loan allocation to the rural populace. Their study found that more citizens who are financially excluded due to their inability to meet up with the conventional bank condition find it easy to access Microfinance Bank credits due to less paper process. As such, their loan has helped in job creation which further results to decrease in poverty rate. The World Bank is known for its quick intervention especially in supporting countries that are financially distressed and experiencing natural disaster. Nigeria has benefited from World Bank credit over the years. Findings revealed that World Bank Credit shows an insignificant effect on the poverty index. This shows that development funds received from the World Bank are not significantly employed to boost productive capacities or create employment opportunities enough to actively reduce the poverty level in Nigeria.

5. Summary, Conclusion and Recommendation

The study examined the nexus between institutional financing and poverty rate in Nigeria. The rationale behind the study is to ascertain the extent to which disbursed credits from the selected financial institutions have helped in poverty alleviation in Nigeria. The institutional credits considered in this study include credits from Bank of Industry, Bank of Agriculture, Microfinance Bank, African Development Bank, World Bank and Deposit Money Bank while Poverty Index is used as a measure of poverty rate for the country. The study covers the periods 1991 to 2021 where data is sourced from the World Bank Data base. We employed the Unit Root Test, Johansen Co-Integration Test, Vector Error Correction Model and Granger Causality Test. In the long run, we found that

- In the Nigerian context, Microfinance Bank credit and credit from Africa Development Bank have significantly helped in combating poverty rate. This assertion is drawn from their significant contribution to poverty reduction as reported from the Vector Error Correction Model (VECM) and Granger causality Test Result.

Conclusions

We draw our conclusion based on the result of the VECM and Granger causality test.

- i. Based on our findings, we conclude that credit from two Institutions have significantly helped in alleviating poverty in Nigeria. They include credits from Microfinance Bank and Africa Development Bank credit.

Recommendations

On the basis of our findings, we recommended that

- i. Microfinance Banks should maintain their credit disbursement pattern as reports have shown that their credits have helped in combating poverty rate in Nigeria. There's also always room for improvement so that enhanced financial access services are provided to their existing customers. Efforts should also be made to include more of the financially excluded citizens in the financial web by increasing/improving awareness and access to financial products.
- ii. Deposit Money Banks and other specialized banks in Nigeria should reconsider and lessen their loan/credit accessing and disbursing conditions to accommodate entrepreneurs and the less privilege/low income sects of the society especially in the rural areas. Doing this will help new innovators and inventors access the needed credit to implement their plans which will result into job creation, thereby leading to poverty reduction in the country.

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