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Effects of microfinance bank activity on poverty reduction in Nigeria

Ahmed Oluwatobi Adekunle*

Walter Sisulu University South Africa

Abstract

Poverty constitutes a substantial challenge in Nigeria, with larger part of the population residing beneath the poverty threshold. Microfinance banks were created to connect the financially marginalized with the official banking system, providing small loans, savings options, and financial literacy initiatives to low-income people. The objective of this study is to examine the effect of Microfinance Banking Services on Poverty Reduction in Ilorin, Kwara State, Nigeria. This study utilized quantitative design, the population of this study are business owners based in Ilorin which were chosen using cross-sectional survey research design. Using a simple random sampling method, a total number of 70 business owners were selected as the sample size. Data analysis was done using SPSS version 22. The findings showed that all the four proxies have a statistically significant effect on reducing poverty, with Microcredit having the largest effect. The study recommended that considering the positive impacts of micro-savings on the reduction of poverty, financial institutions may create and market novel micro-savings products. These items can assist low-income individuals in establishing stable finances and saving habits.

Keywords: Effects of microfinance bank, Activity on poverty, Reduction in Nigeria

Introduction

Poverty constitutes a substantial challenge in Nigeria, with more than 40% of the population residing beneath the poverty threshold (NBS, 2020). Microfinance banks were created to connect the financially marginalized with the official banking system, providing small loans, savings options, and financial literacy initiatives to low-income people (Tafamel, 2019). The concept of microfinance progressively gained prominence throughout Latin America, Asia, and ultimately Africa over time. The term "micro-financing" originated with the establishment of the modern micro-financing sector by entities such as the Grameen Bank of Bangladesh and its pioneer, Mohammad Yunus (Musa et al., 2023). According to Onyebinama & Onyebinama (2010), microfinance is a developmental method that provides minimal loans, savings, micro-leasing, micro-insurance, and money transfers to assist the extremely impoverished in initiating or expanding their enterprises. It is predominantly employed in underdeveloped countries because to SMEs' limited access to alternative financial resources.

Ugochukwu & Onochie (2017) assert that the growing acceptance of microfinance among diverse stakeholder groups globally raise enquiries regarding whether microfinance is gaining popularity as a lucrative business, as an effective instrument for poverty alleviation, or due to a combination of both factors. Microfinance has demonstrated its efficacy in numerous countries, particularly in Nigeria, as a tool to combat poverty and hunger (Basu et al., 2020). It has the potential to significantly improve individuals' lives, particularly for those in greatest need. Evidence in Nigeria demonstrates that microfinance assists the impoverished in transcending poverty without reliance on charity. It is a financial system that provides effective and productive financial services to the impoverished (Abiyeye, 2020). The experiences of numerous microfinance institutions in Ilorin, Kwara State, indicate that these organisations may achieve the objective of servicing individuals in extreme poverty while maintaining profitability. This is mostly due to microfinance being tailored for the impoverished, but simultaneously adhering to market principles of competitiveness, price, and sustainability. Earning money while assisting the impoverished is acceptable, if profit does not become the primary or sole objective of microfinance institutions. Microfinance institutions in the developing world are extending small loans to the impoverished for self-employment, thereby fostering

Correspondence: Ahmed Oluwatobi Adekunle, Walter Sisulu University South Africa, **e-mail:** ----------, **Received:** January 6, 2025 **Accepted:** March 24, 2025

sustainable enterprises in the battle against poverty (Elyaqub et al., 2023).

Microfinance banking is recognised as an effective means of alleviating poverty in Ilorin, Kwara State. Nonetheless, despite the existence of microfinance institutions, poverty remains alarmingly prevalent in Nigeria, and despite the proliferation of these institutions and other initiatives, poverty levels in Ilorin, Kwara State, remain excessively elevated. This study examined the efficacy of microfinance banking services in alleviating poverty in Ilorin, identified remaining challenges that require resolution, and proposed recommendations for enhancement. As most firms are classified as Small and Medium Scale Enterprises (SMEs), they encounter significant difficulties in obtaining the necessary financing to expand micro-businesses, which is crucial for alleviating poverty in Ilorin (Musa et al., 2022). Despite their significance, numerous SMEs in developing areas, such as Ilorin, Kwara State, Nigeria, have various problems that hinder their performance and sustainability. These problems encompass restricted access to capital, insufficient infrastructure, and a deficiency in entrepreneurial skills. Empirical evidence indicates that numerous SMEs fail due to owners' insufficient access to financing for business development, a service primarily offered by microfinance banks, hence hindering effective poverty alleviation, which is the focus of this study (Abdulai & Tewari, 2017) (Mogaji & Musa, 2023). The absence of financial access for micro-businesses hinders entrepreneurial success and complicates poverty alleviation in Ilorin, thus establishing the research gaps for this study. Consequently, the study seeks to elucidate the underlying causes of these difficulties and provide evidence-based recommendations to policymakers for their resolution. This study assesses the impact of microfinance banks in Ilorin by gathering data from several banks and their beneficiaries to critically analyze their activities and their role in alleviating poverty in Nigeria, specifically in Ilorin, Kwara State.

Literature Review

Focusing on the study on the impact of microfinance bank activity on poverty reduction in Nigeria, several initiatives were implemented to lessen poverty in Ilorin, Kwara State, Nigeria. These initiatives include the Group-Lending model, a traditional model that offers funding to both individuals and borrowers, and the Microfinance Bank Schemes, which were introduced by the Nigerian government in 2005 to provide funding to borrowers, typically low-income earners.

Lack of funding is another issue contributing to Nigeria's rising poverty rate. In the battle against poverty, microfinance is crucial. Although there have been positive reactions to expanding access to formal financial services through microfinance, some have questioned this, claiming that high interest rates keep poverty impoverished (Acha & Acha, 2012). However, there are three (3) main ways that microfinance is thought to affect poverty, first, the entrepreneurship channel means that the impact of money on alleviating poverty primarily affects rural self-employed people (Mago, 2014). Second, the idea that interstate labour mobility to more developed states are a surefire way to reduce poverty has been refuted. According to Nwanne and Okorie (2015), poorer demographic segments in rural areas may have shifted to urban areas due to financial incentives.

Ezeanyeji (2020) used the Autoregressive Distributed Lag (ARDL) model for data analysis as she examined the relationships between microfinance, poverty alleviation, and economic growth in Nigeria between 1992 and 2018. The results of the analysis of the effectiveness of microcredit as a tool to improve financial accessibility among impoverished women in rural areas revealed that loans from microfinance banks had a significant negative long-term impact on poverty but did not significantly contribute to economic growth. The study examined the empowerment performance of microcredit recipients in comparison to non-recipients in the same socioeconomic setting using impoverished rural women.

Ezeanyeji (2020) did a recent study on the relationship between microfinance, poverty reduction, and economic growth in Nigeria between 1992 and 2018. The data analysis was based on the Autoregressive Distributed Lag (ARDL) model. The results of the study showed that loans from micro-finance organizations had a substantial, long-term detrimental effect on poverty.

Akhter and Cheng (2020) investigated the effectiveness of microcredit as a means of expanding underprivileged women's access to financing in rural areas of Bangladesh. To compare the empowerment of microcredit recipients and non-recipients in the same socioeconomic context, the study used impoverished rural women. To accomplish these objectives, a regression analysis was employed. Empirical research findings showed that microcredit significantly influences women's Long-term empowerment.

In a similar vein, Okafor (2016) investigated how microfinance banks affected Nigeria's standard of life between 1993 and 2012. The data was analyzed using a multiple regression model. The findings showed that the activities of microfinance banks significantly improve the standard of living in Nigeria. Additionally, the results showed that microfinance banks significantly contribute to the fight against poverty in Ilorin, Kwara State, Nigeria, by introducing various schemes to reduce poverty. programs like the Group-Lending Model, which lends money to borrowers and individuals. Personal income, household growth, housing, education accessibility, and Management Dynamics in the Knowledge Economy were among the economic and social factors used in the study. The poverty index and microfinance banks were shown to be directly correlated. Multinomial logistics results, however, showed that AIM improved household income levels.

Abimbola, Olokoyo, and Farouk (2018) examine how financial inclusion contributes to the decrease of poverty in Nigeria using a multiple regression model. The average current and savings account balance, the average number of deposit money bank customers, and the average loan size to the agricultural sector are all said to have a positive and significant impact on lowering poverty. The study does, however, also demonstrate that borrowing costs have a negative impact on poverty reduction.

Through a survey carried out in Ogbomoso Metropolis, Oyo State, Obadire, A. (2022) critically evaluates the effect of microfinance banks as a method for reducing poverty in Nigeria. Both the condition of living of the respondents and the accessibility of microloans for the expansion of small and medium-sized enterprises was evaluated. To assess the initiatives, microfinance bank customers immediately handed out questionnaires. The basic data was analyzed using the Chi-square test, Pearson correlation, and Analysis of Variance (ANOVA) test. The t-statistic test revealed a value of 16.383 with $p < 0.05$, indicating that the impoverished have strong access to loan facilities from microfinance banks for the growth of micro-enterprises.

The influence of microfinance banks on the homes of the respondents was shown to be positively and significantly correlated with their level of living ($p < 0.05$ and $r = 0.212$). Based on the effect analysis, it was determined that microfinance institutions might potentially lower poverty, especially by improving the living conditions of the poor and offering microloans for microbusinesses. Thus, poverty in Nigeria sharply decreased as microlending credit increased steadily. The Chi-square test, Pearson correlation, and ANOVA test were employed to analyze primary data in this study, which was carried out in the Ogbomosho metropolitan region of Oyo State.

Ehiabhi (2019), on the other hand, looks at how microfinance institutions affect both entrepreneurship and poverty reduction in Nigeria. Two hundred (200) micro and small business companies in the Ikpoba Okha Local Government Area of Edo State, Nigeria, were given questionnaires as part of the study's survey research instrument. For data analysis, the study uses the Ramsey RESET test, heteroscedasticity diagnostic test, multivariate regression approaches, and Pearson correlation. The findings indicate that there is a positive and substantial relationship between microfinance institutions and poverty alleviation, but there is a positive and negligible relationship between entrepreneurial activity and poverty reduction. Additionally, just one local government area in Edo state, Ikpaba Okah is included in this study. The methodology employed in the investigation was different.

The impact of microfinance banks on reducing poverty in Nigeria is empirically examined by Obayagbona (2019), along with the consequences of such findings. The study spans 25 years, from 1992 to 2016. The empirical study employed the Ordinary Least Squares (OLS) econometric technique and the

correlation coefficient. The empirical analysis's findings show that microfinance assets and the loan-to-deposit ratio are important factors in reducing poverty in Nigeria; microfinance deposits and the liquidity ratio, on the other hand, failed the 5% significance level, suggesting that they have no discernible effect on reducing poverty in Nigeria. However, microfinance bank loans and gross revenues have a major detrimental effect on reducing poverty in Nigeria. The study suggests, among other things, that the government and pertinent regulatory bodies should develop a comprehensive policy framework that will help microfinance banks make the most of their total earnings to provide more credit facilities for profitable MSMEs businesses. This will have the necessary beneficial effect on Nigeria's common poor on the streets, which will lead to a significant improvement in the country's general standard of living. Fortunately, Nigeria was included in this study, although it only covered 25 years (1992-2016).

In a similar vein, Mustapha, Yusuf, and Abdullahi (2019) investigate how Rima Microfinance Bank affects poverty and income in the Goronyo Local Government Area of Sokoto State, Nigeria. A structured questionnaire was utilized for data collection, and a multistage sampling technique was employed for sampling. The findings indicated that while poverty decreased by 6%, income rose as recipients utilized the Rima Microfinance Bank loan facility. This study used a single microfinance bank in Sokoto State's Goronyo Local Government Area as its sample.

Additionally, Nwibo, Okonkwo, Eze, Mbam, and Odoh (2019) examined how well microfinance reduced poverty among Nigerian rural farmers. Two hundred (200) farmers are chosen for the study using multi-stage random and purposive sampling. Descriptive and inferential statistics were used to analyse the data, which were mostly gathered using a structured questionnaire. The findings confirm that microcredit is a major source of funding for Nigerian rural farm households. Despite covering the entirety of Nigeria, the study's time frame was only 22 years, and it did not Include data until 2022.

Onyele & Onyele's analysis of the banking and finance literature, there is ample evidence linking microfinance banking to poverty reduction (2020). The microfinance project is expected to reduce poverty by enabling economically engaged disadvantaged people to access financial resources. To evaluate the effect of microfinance banks (MFBs) on reducing poverty in Nigeria between 1992 and 2018, this study employed the Autoregressive Distributed Lag (ARDL) approach to regression analysis. With a VAR lag order choice of two, the ARDL limits test showed a long-term relationship between the poverty rate and MFB's operations. Long-term estimations indicate that the MFB's liquidity ratio and loans-to-deposit ratio gradually decreased poverty. The short-run estimates indicated that the MFBs could not ensure poverty reduction in a short period of time, but all the variables exhibited significant coefficients within a year. These findings imply that MFBs Ability to eradicate poverty requires time.

Chikwira, Vengesai, and Mandude examine how microfinance has been utilized to fight poverty by providing credit to disadvantaged individuals and marginalized economic groups in their 2022 study. However, especially in poorer countries, the main objective for which these organizations were created has not yet been achieved. This study examined the role of microfinance in reducing poverty using quarterly time-series data and a Vector Error Correction Model. The results show that the factors of poverty, microfinance, SMEs, and agricultural expansion have a significant long-term association. Contrary to expectations, microfinance was found to exacerbate poverty over time. SMEs and agricultural expansion have been found to gradually reduce the level of poverty. According to regression research, the growth of SMEs lowers poverty in the short term while the growth of microloans in the country raises poverty. The growth of microfinance organizations is mostly fueled by poverty, which can also be mitigated.

This suggests that chronically inappropriate microfinance may raise poverty rates to unacceptable levels. The findings imply that the rise in microloans is not being used as efficiently and completely as it may be. These findings demonstrate that there are other important factors besides financial support.

The effective power of the combined dimensions

used in this study has a dominant beneficial influence on reducing poverty in Ilorin, Kwara State, according to the empirical review's conclusion.

Methods: To ascertain the impact of microfinance bank activities on the reduction of poverty in Ilorin, this study employed quantitative design, the data used in this study came from surveys: Primary data obtained by asking microloan customers about their experiences, income levels, and thoughts regarding the impact of the services and microfinance institutions: Details from MFIs in Ilorin regarding loan portfolios, client demographics, and financial reports.

The study used questionnaires to collect relevant data. Questionnaires allowed for objective responses because they collected data consistently (Shaba et al., 2018). A five-point Likert scale was used to generate the survey. Questionnaires were used to gather primary data from the chosen Ilorin company owners.

The study's main method of gathering data was a questionnaire with closed-ended questions. The study hypotheses will be used to create the questionnaire.

The purpose of the questionnaire is to collect the information needed to determine the parameters of the model, the relationship between the independent and dependent variables, and to evaluate the final model and hypotheses. This survey will consist of two parts. The first section will contain questions pertaining to sociodemographic information. The second segment will include factors related to microfinance and the success of female entrepreneurs. Responses will be scored on a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

All the elements from which a study sample will be chosen and conclusions drawn are referred to as the population. The research population consists of 2825 SME owners and managers that have registered with the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN 2017). A sample is a condensed set of components selected from a population in order to gather information about that population. The sample consisted of 70 business owners. Simple random sampling procedures were used in this investigation. Simple random sampling is the process of selecting a sample in which every member of the defined population has an equal chance of being selected.

Seventy questionnaires that were distributed to SME owners in Ilorin, Kwara State, Nigeria, provided the data used in the study. The data was coded and analyzed using software known as the Statistical Package for Social Science (SPSS). The data was used to characterize and make inferences on the issues that were being studied. Descriptive statistics and inferential statistics are the two types of statistical analysis. While the variables under investigation will be analyzed using inferential statistics, the demographics will be analyzed using descriptive statistics.

Christensson et al. (2017) and Ganga et al. (2018), microfinance bank services are measured by the number of people who use them to grow their income, accumulate assets, and become less vulnerable to shocks from external sources. Microcredit is measured by: Loan amount, loan repayment rate, borrowing frequency, and microcredit usage (Cull & Morduch, 2017) Savings Amount, Savings Frequency, Savings Purpose, and Access to Savings are the metrics used to measure micro-savings.

Training Duration, Training Topics, Knowledge Gain, Perceived Training Quality, and Advisory Session Frequency are used to gauge training and advisory services (Ghalib et al., 2020) (Samer et al., 2015). Access to banking services, financial product usage, digital financial inclusion, and financial literacy levels are the metrics used to evaluate financial inclusion (Magagi et al., 2021; Stanley & Ezeanyeji, 2017). The number of microbusinesses required to quickly enhance the income-generating economic activities in society is a metric of poverty reduction (Adjei & Hossain 2019; Chinedu et al., 2021). This study assesses the impact of microfinance activity on poverty reduction using both independent and dependent factors.

Table 1: Variable description

Variable Type	Variable Name	Measurement
Independent Variable	Micro Savings, Micro Credit Financial Inclusion	Amount saved, type of savings product used. Loan amount received, loan purpose, repayment rate. Index or binary variable indicating whether a household has access to or uses formal financial services (credit, savings & payments.
Dependent Variable	Poverty Reduction	Income, consumption, assets, poverty status.
Control Variable	Age, Gender, Education, Occupation	Various (years, binary, counts, categories)

Source: Field Survey 2026

Model specification

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4 X_4 + e$
Where;
Y = Poverty Reduction
β_0 = Intercept or constant
β_1 = Coefficient of Microcredit
β_2 = Coefficient of Microsavings
β_3 = Coefficient of Training and Advisory Services
β_4 = Coefficient of Financial Inclusion
X_1 = Microcredit
X_2 = Microsavings
X_3 = Training and Advisory Services
X_4 = Financial Inclusion e = Error term

Reliability of research instruments

Primary data for this study was gathered from respondents using a standardized questionnaire. A measuring gadget is considered reliable if it produces repeatable data (Sunday, 2025). The instrument's reliability or internal consistency was assessed using Cronbach's Alpha coefficient, which ranges from 0 to 1 (Chambers et al., 2019). Cronbach's alpha requires just one testing session. Higher alpha coefficient values show that the items consistently evaluate the intended concept. According to Emelie (2019), an alpha value of at least 0.7 is considered adequate. As indicated in the table, pilot research was carried out using 30 sample sizes to assess consistency. Cronbach's Alpha was calculated for the main portions of the questionnaire, including inclusion of finances, small-scale savings, microcredit and indicators of poverty reduction

For research purposes, a Cronbach's Alpha value of 0.70 or above is typically regarded as acceptable. As a result, the dependability test results that are shown below are trustworthy.

Table 2: Reliability analysis

Criteria	Number of Items	Cronbach Alpha	Decision
Micro Credit	5	0.741	Reliable
Micro Savings	5	0.702	Reliable
Financial Inclusion	5	0.720	Reliable
Poverty Reduction	5	0.740	Reliable

Source: Field Survey 2026

Validity of research instruments

Both face validity and content validity were used in this investigation to guarantee validity. Content validity guarantees that every pertinent facet of the constructions under study is covered by the research tool. To do this, the questionnaire's items were created using a thorough analysis of pertinent research on microfinance and poverty alleviation, as well as, when appropriate, pre-existing standardized measuring scales The degree to which an instrument seems to measure what it is supposed to measure is known as face validity. Seventy members of the target community participated in a pilot test to evaluate the questions' language, clarity, and order. Items that were unclear or deceptive were changed or eliminated in response to comments from respondents.

Results and Discussion

Response rate

The percentage of completed and returned questionnaires (or interviews) relative to the total

number distributed is known as the response rate. Because it ensures the quality of the questionnaires collected for data analysis, the study's response rate is essential (Sohn & Ume, 2019). Usifo et al. (2017) define response rate as the percentage of survey respondents from the study's selected sample size. The completion rate, often known as the response rate, indicates how many participants finished a research survey (Okafor, 2015). The percentage can be calculated by dividing the total number of respondents who completed the questionnaire by the necessary sample size (Samer et al., 2015). The study's sample consisted of 339 company owners in Ilorin, Kwara State. As a result, 58 of the 70 questionnaires that were distributed to participants were correctly completed and returned. The result was a 74% response rate, which was deemed appropriate for a descriptive study. Table 4.1 below displays the final response rate:

Table 3: Response rate

Questionnaire	Numbers	Percentage
Correctly Filled	58	74
Not returned	12	26
Total	70	100

Source: Field survey 2026

Data analysis

Data analysis, which comprises examining, cleaning, converting, and modelling data to generate conclusions, offer significant insights, and support decision-making, is an essential stage in the research process (Igwe et al., 2021). For analysing correlations, patterns, and themes in datasets, it offers a variety of statistical and visual techniques. The ultimate objectives of data analysis are to extract valuable information, draw well-informed conclusions, and effectively communicate findings.

Data cleaning

There are criteria for data screening in the quantitative research process. For the data to be used safely for statistical studies, it must first meet the psychometric property assumptions. The second is the need to follow a particular protocol by looking for and correcting any flaws in the data file. Failure to do so could lead to biased data analysis later (Acha & Acha, 2012). To meet these requirements, Nwanne & Okorie (2015) employed the methods of outlier detection, normalcy evaluation, linearity assessment, and identification and resolution of missing values.

Analysis of demographic variables

The purpose of the demographic information provided in this section was to provide the researcher with background information about the study participants. Age, gender, and greatest level of education are the main demographic data points. Gender A summary of the gender distribution in the dataset is provided in Table 4.3, which is a helpful resource for research to take into consideration when doing analyses and interpretations. Based on these classifications, the demographic results, explanations, and remarks are given in the following sections. The table displays the frequency and proportion of males and females as well as the gender distribution of a certain dataset. According to the table, women make up 80% of the dataset, while men make up 20%. By confirming that the frequencies and percentages sum up appropriately, the "Total" row shows that the data is based on the entire dataset of 70 individuals. Table 4.3 following provides an excellent illustration of the gender distribution:

Table 4: Gender distribution

Gender	Frequency	Percentage
Female	57	80
Male	13	20
Total	70	100

Source: Field survey 2026

Age distribution

The table provided, which describes the percentage and frequency of individuals in each age group, is used to disperse the ages within a dataset. Based on their "Age Range," participants are split into four groups: 21–30 years old, 31–40 years old, 41–50 years old, and 51 years and older. These groups reflect various demographic segments according to age. The table (Table 4.4) indicates that most respondents are between the ages of 42 and 52, accounting for 40.6% of the sample. The remaining age groups are then split equally, with the least number of people in the 54+ age group. The dataset's most common age range is 42 to 52 years old, suggesting that this group contributes significantly to

the composition. Demographic characterization requires an understanding of the distribution of various age groups. The dataset reflects a broad range of age demographics, from those in their early twenties to those who are 54 years of age or older. This kind of diversity is necessary to identify patterns or behaviors that may alter over the course of various life stages.

Table 5: Age categories

Age Range	Frequency	Percent
21-30 years	5	3.1
31-40	12	18.5
41-50	18	26.4
51 plus year	35	52
Total	70	100.0

Source: Field survey 2026

Educational status

A detailed overview of the distribution of education in the dataset can be found in Table 4.5. The dataset exhibits a heterogeneous educational background, with participants possessing credentials ranging from Postgraduate degrees to Secondary School Certificates. Most of the sample consists of those with diplomas. The table shows that, at 32.5%, the biggest frequency of respondents in the dataset has a diploma. The Secondary School Certificate (26.3%) and bachelor's degree (27.5%) are the other two most common educational levels. With 13.7% of the total, the Postgraduate Degree group has the lowest representation. Evaluating the wide range of abilities, expertise, and skills within the dataset requires a grasp of the spread of education levels. It provides context for analyses of employment, socioeconomic status, or behaviors linked to various educational backgrounds.

Table 6: Level of education distribution

Level of Education	Frequency	Percent
Secondary School Certificate	45	63.5
Diploma	22	28.5
Postgraduate Degree	3	8.0
Total		100.0

Source: Field survey 2026

Table 7: Microcredit

Statement	SD	D	N	A	SA	Total	
The microfinance credit I received has positively impacted my financial situation.	5(3.1%)	12(7.5%)	10(6.3%	18(37.5%)	25(45.6%)	70	100
The terms and conditions of the microfinance credit were fair and reasonable	5(3.1%)	8(5.0%)	12(7.5%	25(45.0%)	20(39.4%)	70	100
The microfinance credit has contributed to the growth of my business or income	2(1.2%)	5(3.1%)	10(6.3%)	23(42.5%)	30(46.9%)		
Access to microfinance credit has positively impacted my financial stability	3(1.9%)	5(3.1%)	10(6.3%)	30(42.5%)	23(46.9%)	70	100

Source: Field survey 2026

Table 8: Poverty reduction

Statement	SD	D	N	A	SA	Total	
I believe that microfinance has Has contributed to the Reduction of poverty in My community	3(1.9%)	%) 7(4.4%)	9(5.6%)	20(42.5%)	31(45.6%)	70	100
The support from microfinance has improved the overall standard of Living in my household	5 (1.9%)	8(3.1%)	12(6.9%)	25(39.4%)	20(48.7%)	70	100

I have personally experienced a positive Change in my economic situation. Due to microfinance	3(1.9%)	5(3.1%)	10(6.3%)	30(42.5%)	23(46.9%)	70	100
I believe that the microfinance bank has contributed to improving my overall standard of living	2(1.2%)	5(3.1%)	10(6.3%)	23(42.5%)	30(46.9%)	70	100

Source: Field survey 2026

Instrumentation

Reliability statistics

Reliability in statistics refers to the consistency or stability of a measurement tool or data set. It assesses how well a measurement produces reproducible outcomes in similar situations. Reliability statistics allow researchers and analysts to evaluate a tool's or scale's accuracy and consistency. Cronbach's alpha is a frequently used measure of internal consistency reliability. It assesses how closely connected a group of items are to one another. stronger values of the coefficient, which range from 0 to 1, suggest stronger internal consistency (Cronbach, 1951). Cronbach's alpha is calculated using an item's average correlation over all possible pairings in a scale. When the alpha value is around 1, the items exhibit strong internal consistency and strong correlation. This indicates that the scale's elements are likely evaluating the same fundamental idea. According to Abimbola & Olokoyo (2018), a Cronbach alpha value should not go below 0.70. The instrument's reliability was over the criterion (0.710), as indicated in Table 4.11. As a result, the device was dependable.

Table 9: Reliability statistics

Criteria	Number of Items	Cronbach Alpha
Micro Credit	5	0.715
Micro Savings	5	0.705
Financial Inclusion	5	0.703
Poverty Reduction	5	0.708

Source: Field Survey 2026

Assumptions of multiple regression

Various regression is a statistical technique for analyzing the connection between various

independent variables and a dependent variable. The multiple regression analysis is predicated on several assumptions, which must be understood to properly interpret the results. 1. Linearity The independent and dependent variables are thought to have a linear relationship. This suggests that changes in the criterion variable and changes in the predictor variables are proportionate. To illustrate the degree of correlation between changes in the dependent variable and the independent variable, the multiple regression technique used the assumption of linearity of relationship (Acha & Acha, 2012). Scatter plots or linearity residual plots can be used to confirm the linearity of the data.

Conclusion and Recommendations

The study's objective was to investigate how microfinance banking services affected the reduction of poverty in Ilorin, Kwara State. Multiple regression analysis was used to determine the best linear combination of Microfinance Bank proxies (microcredit, micro savings, training and advisory services, and financial inclusion) for predicting poverty reduction in connection to the inferential statistics. Poverty Reduction was significantly predicted by this combination of factors, F (4, 155) = 65.309, p =.000, with the four independent variables significantly contributing to the prediction. The R square value was.628. This shows that 62.8% of the variance in poverty reduction was explained by the model. Microcredit was the primary predictor of poverty reduction, as seen by Table 4.16 beta weights. This forecast was also significantly influenced by training and advising services, financial inclusion, and microsavings.

The results of correlation and regression analysis regarding the association and impact of microfinance bank proxies on poverty reduction in Ilorin indicate that all the independent variables of the microfinance bank proxies covered in this study are positively and significantly related to poverty reduction and predict about 62.8% level of poverty reduction. Furthermore, "microcredit" has been found to have the greatest link and impact on lowering poverty.

The following suggestions are made for stakeholders considering the findings that Microcredit is the most important of the four independent variables (Microcredit, Micro Savings, Training and Advisory Services, and Financial Inclusion) and that Microcredit contributes most to the dependent variable (Poverty Reduction):

1. Since microcredit has the greatest effect on reducing poverty, governments may consider expanding existing microcredit programs or starting a new one. One approach to doing this would be to increase the number of microcredit loans available to individuals and small businesses. Additionally, with an emphasis on microcredit, credit unions and other financial institutions ought to expand the variety of micro-finance products they provide. This may include developing flexible and easily accessible microcredit programs to serve the requirements of small firms and people alike.

2. Considering the positive impacts of micro-savings on the reduction of poverty, financial institutions may create and market novel micro-savings products. These items can assist low-income individuals in establishing stable finances and saving habits.
3. Financial Inclusion (Fin_Inc) is a crucial component that can be enhanced by policies that support it, like increasing access to financial services, which will aid in the battle against poverty.

4. Organizations that provide Training and Advisory Services (TAS) should enhance and customize their training programs to the needs and challenges faced by those who are impoverished. This may include workshops on business promotion, financial literacy education, and skill development.

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