FINANCIAL INCLUSION AND AGRICULTURAL HOUSEHOLDS' VULNERABILITY TO MULTIDIMENSIONAL POVERTY IN NIGERIA

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ABSTRACT

Financial inclusion - a situation where individuals and firms have equal access to and usage of affordable financial services and products, is widely acknowledged as having the potential to reduce poverty and the level of vulnerability to multidimensional poverty, in addition to assisting the attainment of equitable economic growth. This study examined the effects of financial inclusion on agricultural households' vulnerability to multidimensional poverty in Nigeria. Data for the study were drawn from the fourth wave of the Living Standard Measurement Study-Integrated Surveys on Agriculture 2018/19. Descriptive statistics, Probit Regression model (PRM), Alkire and Foster Method (AFM), Logit Regression Model (LRM), and 3-stage Feasible Generalized Least Squares (3-FGLS) were used to analyse the data. Results show that 76.8% of household heads were male, 72.2% were married, and 77.1% had primary school education with mean age and household size of 49.2 years and 6 persons respectively. 17.0% of the respondents respectively reside in Northcentral and Northwest, 16.6% reside in Northeast, Southeast and Southwest respectively while 16.4% reside in Southsouth zone. Overall, 68.0% of the respondents reside in the rural area with 52.7% owning assets. Furthermore, 41.5% of the respondents had bank accounts while 84.9% and 96.2% had no access to credit and insurance policies respectively. AFM revealed that 58.2% of the households were financially included. PRM reveals that household size ($\gamma = 0.010$, $p<0.05$); age of household head ($\gamma= 0.011$, $p<0.01$); household income ($\gamma = 0.018$, $p<0.05$); possession of phone ($\gamma = 0.168$, $p<0.05$); access to internet ($\gamma = 0.170$, $p<0.05$); being a resident of Southeast ($\gamma = 0.041$, $p<0.10$) and Southwest ($\gamma = -0.043$, $p<0.05$) significantly affected the extent of households' financial inclusion. AFM reveals that 35.6% of the households were multi-dimensionally poor (MPI =0.25). LRM

reveals that household size ($\beta = 0.101$, $p<0.01$); age ($\beta = -0.036$, $p<0.05$); male-headed households ($\beta = -0.272$, $p<0.05$); marital status ($\beta = 0.0389$, $p<0.01$); urban area residence ($\beta = -0.211$, $p<0.01$); resident of Southeast ($\beta = -0.388$, $p<0.01$), Southsouth ($\beta = -0.278$, $p<0.01$), Southwest ($\beta = -0.666$, $p<0.01$) and financial inclusivity ($\beta = -0.548$, $p<0.01$) had significant effects on the multidimensional poverty of households in Nigeria. FGLS reveals that households' size ($\beta = 0.010$, $p<0.01$); being married ($\beta = 0.021$, $p<0.05$) and residing in Northeast ($\beta = 0.021$, $p<0.05$) positively influenced the likelihood of households being vulnerable to multidimensional poverty. However, residing in Southeast ($\beta = -0.029$, $p<0.01$), Southwest ($\beta = -0.050$, $p<0.01$); living in urban area ($\beta = -0.013$, $p<0.05$), age of household head ($\beta = -0.004$, $p<0.01$), household income ($\beta = -0.036$, $p<0.05$) and financial inclusivity ($\beta = -0.024$, $p<0.01$) negatively influenced the likelihood of households being vulnerable to multi-dimensional poverty. The study concluded that financial inclusion decreases the likelihood of households' poverty and the future risk of multidimensional poverty. It is therefore recommended that government policies should emphasize on financial management and poverty reduction so that more agricultural households can be captured in the financial system and ultimately promote economic growth.