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# THE IMPACT OF MICROFINANCE SERVICES ON POVERTY ALLEVIATION IN KANO STATE, NIGERIA.

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**Abstract**

*Microfinance has long been considered as a key instrument for poverty alleviation and financial inclusion in developing economies. Yet empirical evidence on its effectiveness remains context-specific and mixed. This study investigates the impact of microfinance services measured by microfinance loans (MFL), microfinance savings (MFS), and business development services (BDS) on poverty alleviation in Kano State, Nigeria. Using a quantitative cross-sectional research design, primary data were collected from 282 microfinance clients through a structured questionnaire. The study employed descriptive statistics, Pearson correlation analysis, and multiple regression techniques to examine the relationships between microfinance services and poverty alleviation outcomes. The findings reveal that microfinance services have a positive and statistically significant effect on poverty alleviation among clients in Kano State. Specifically, microfinance loans exert the strongest influence, suggesting that access to credit enhances income generation, business expansion, and overall household welfare. Microfinance savings also play a critical role by promoting financial discipline, strengthening resilience to economic shocks, and supporting consumption smoothing. In addition, business development services contribute significantly to poverty alleviation by improving managerial skills and enterprise performance, although their effect is relatively smaller compared to financial services. The study recommended the continuous adoption of an integrated microfinance approach that combines financial and non-financial services to achieve sustainable poverty reduction in Kano state. It was also recommended that emphasis should be placed on flexible loan terms, financial literacy, and targeted capacity-building programs for micro-entrepreneurs so as to tighten poverty rate.*

**Keywords: Microfinance, Microfinance services, and Poverty Alleviation**

## 1.0 Introduction

The majority of citizens in developing nations worldwide are impoverished and reside in rural areas, which are particularly challenging, particularly in African nations (Abiola & O.A.O, 2012). They make up the informal sector and small and medium-sized businesses, and they primarily work in agriculture and microenterprises. This also applies to Nigeria. Balogun, I., and Abraham, H. (2012).

Africa is similarly plagued by the threat of poverty, with the vast majority of the impoverished living in rural areas. Over 70% of the continent's impoverished people live in rural areas and mostly rely on agriculture for food and daily subsistence, according to 2009 reports from the International Fund for Agricultural Development (IFAD). Over 218 million people in Sub-Saharan Africa live on less than $1.25 per day, and the rate of poverty is rising faster than the region's population. In Sub-Saharan Africa, over 60% of people make less than $1.25 per day, and nearly 90% make less than $2 per day (Odell, 2010). According to Haymes et al. (2014), this statistic shows that over half of Sub-Saharan Africa's population lives in poverty as a result of inadequate infrastructure and limited access to financing for small and microbusiness investments.

In Sub-Saharan African nations, microfinance institutions and their services are now frequently used to help the extremely poor reduce their poverty (Nasoro, 2023). A 2015 World Bank report estimated that 702.1 million people were living in extreme poverty (Hickel, 2015). Because extreme poverty is present in both developed and developing nations, it is a worldwide issue. Furthermore, according to the United Nations International Children's Fund (UNICEF) (2014), 1.1 billion children worldwide or half of all children live in poverty. Some academics contend that Gharib is being made worse by the neoliberal policies supported by international financial organizations like the World Bank and the International Monetary Fund (IMF) (2017).

Poverty is widespread and frighteningly deep in Nigeria. Every geopolitical region in the nation is impacted. Like people everywhere, the impoverished in Nigeria lack the necessities of life, have no voice, and are usually destitute. Poor individuals struggle to make ends meet, have limited access to basic services, credit, and housing, work at low-paying jobs, and can hardly afford to send their kids to school.

Nigeria has developed strategies to reduce poverty and attain economic growth and development over the years. The provision of specifically designed financial services, or microfinance, is one of the main elements of Nigeria's effort to reduce poverty. The impoverished are able to participate in economic activities including selling, tailoring, finance, vulcanizing, and restaurant companies thanks to the creation of Microsoft credit (Unogbro, 2010). Allowing the impoverished to participate in a variety of economic activities improves their level of living, creates jobs, increases incomes, and fosters self-reliance (UN Report, 2000).

To reduce poverty and advance economic growth, it remains widely acknowledged that expanding access to credit particularly for low-income households and rural poor populations is essential. In Nigeria, however, the prevalence of poverty has continued to rise at a pace that outstrips population

growth. While Nigeria's population was slightly above 100 million in the mid-1990s, recent estimates place it at over 220 million, with poverty incidence remaining persistently high. Current global assessments identify Nigeria as one of the countries with the largest absolute number of people living in poverty, reflecting deep-rooted structural constraints and uneven development outcomes (World Bank, 2023). In a similar vein, recent World Bank estimates show that a substantial share of Nigerians continues to live below internationally defined poverty thresholds. Also, based on the international extreme poverty line of US$2.15 per person per day (2017 PPP), over 40 percent of the population is classified as extremely poor. This indicates that a significant proportion of Nigerians lack access to essential social and economic services capable of improving living standards and reducing vulnerability. Thus, Nigeria have been consistently ranked among the poorest-performing countries globally on poverty-related indicators (World Bank, 2023).

The global poverty measurement further revealed the severity of poverty rate in Nigeria as part of the significant challenges in the country. The World Bank's poverty line has evolved from US$1.00 to US$1.25, later to US$1.90, and most recently to US$2.15 per day, reflecting inflation and changes in global consumption patterns. Even under these revised benchmarks, the poverty profile in Nigeria remains alarming, with real per capita income growth failing to translate into broad-based welfare improvements. Indeed, per capita income levels remain comparable to those recorded several decades ago when adjusted for purchasing power (World Bank, 2023).

Moreover, the national data corroborate these international findings. Despite periods of economic expansion, the number of Nigerians living in poverty has continued to increase. The National Bureau of Statistics reports that poverty has expanded both in absolute numbers and in depth, reflecting weak job creation, high inflation, and rapid population growth. Over time, economic growth has failed to generate sufficient improvements in household welfare, reinforcing the paradox of growth alongside rising poverty levels (NBS, 2022). More recent multidimensional assessments provide further insight into the nature of deprivation in Nigeria. The 2022 Multidimensional Poverty Index estimates that in more than 133 million Nigerians, over 60 percent of the population are multidimensionally poor, experiencing simultaneous deprivations in health, education, living standards, and employment opportunities. These deprivations are particularly pronounced in rural areas and among informal-sector workers, indicating the structural and spatial dimensions of poverty in the country (NBS, 2022).

Taken together, these trends highlight the urgency of strengthening inclusive financial systems capable of supporting income generation, consumption smoothing, and enterprise development. In this context, microfinance through the provision of credit, savings, and complementary business services can be viewed as a potentially powerful instrument for addressing poverty in Nigeria. However, the continued rise in poverty despite expanded microfinance outreach reveals the need for rigorous, context-specific empirical evaluation of its effectiveness, particularly in economically active yet poverty-prone regions such as Kano State.The gap between the rich and the poor in Nigeria is growing despite the joint efforts of the government, private small-scale business owners, and non-governmental organizations through

various laws and programs. Nigeria actually has some of the greatest levels of inequality in the world between the rich and the poor (Igbuzor, 2017). According to studies by Ojuwo (2009), Jolaso (2024), and Aluko et al. (2025), Nigeria is among the most unequal nations in the world, with the richest 20% of the population controlling 65% of the nation's assets, which exacerbates poverty.

However, the Welfarist Theory, Institutionalist Theory, and Grameen Bank Model inform your research on microfinance institutions in Nigeria by highlighting the balance between poverty alleviation (Welfarist focus on capacities and agency) and institutional sustainability (Institutionalist focus on robust financial services). The Grameen Bank Model demonstrates a practical application of welfarist principles, emphasizing group-based lending and social impact. These frameworks were employed as guide to the paper to analyse microfinance institutions' role in promoting entrepreneurship and economic growth in Kano State, Nigeria.

Although Nigeria has implemented a number of initiatives and programs to reduce unemployment and poverty, the majority of these measures were merely theoretical and appear to have made poverty worse (Okafor, 2014). However, political will and commitment, political instability, and inadequate participation from the impoverished prevented the initiatives from being sustained (Anumudu et al., 2013). This study should therefore, close the aforementioned gaps as well as a few others, such as those pertaining to poverty reduction, saving services, company development services, access to education, and cheap food and shelter. According to the Central Bank of Nigeria, a large number of foreign investors have shown interest in funding the microfinance industry. Therefore, Nigeria would have the chance to support the economic activities of low-income groups and the impoverished if a microfinance framework were established. (Okafor, 2014).

The establishment of microfinance banks was prompted by the traditional banking sector's inability to enhance the socioeconomic status of the impoverished in terms of revenue production. Numerous academics, development professionals, and organizations praised the microfinance program as a possible way to reduce poverty, citing increased income and educational opportunities as examples (Yunus, 2003). To address this gap, this study was carried out to record data regarding the effect of microfinance services on reducing poverty in Kano State, Nigeria.

The Grameen Bank Model (Yusun, 1976) complements the Welfarist Theory (Sen and Nussbaum) and Institutionalist Theory, provides the theoretical basis of this work. The Welfarist Theory aims to improve the lives of the poorest people, particularly women, by promoting human growth and well-being through agency and capacity. The Institutionalist Theory, on the other hand, highlights the significance of strong microfinance organizations offering full financial services. The Grameen Bank

Model exemplifies the welfarist Theory, prioritizing poverty alleviation and women's empowerment (Sen and Nussabaum).

Therefore, the Institutionalist Theory offers a framework for comprehending the functions of institutions in influencing economic results, guiding research on development and governance, while the Welfarist approach faces sustainability issues because of subsidies and high operating expenses. Both theories provide insightful information about how microfinance affects poverty alleviation and economic prosperity. In line with these theoretical discussions, therefore, this study examined the impact of microfinance services on poverty alleviation in Kano State, Nigeria.

## 2.0. Literature Review and Theoretical Framework

### 2.1 Concept of Poverty Alleviation

Poverty alleviation refers to the deliberate and sustained efforts aimed at reducing the incidence, severity, and multidimensional aspects of poverty by enhancing access to income-generating opportunities, basic services, and social inclusion mechanisms. It encompasses both economic and social dimensions, focusing not only on increasing income but also on improving health, education, and living standards (World Bank, 2022). In developing contexts such as Nigeria, poverty alleviation involves empowering low-income households through initiatives that promote entrepreneurship, access to finance, and human capital development (Adebayo & Ojo, 2023). The multidimensional poverty framework by Alkire and Foster (2011) revealed that addressing poverty requires interventions beyond income-based measures, integrating factors such as education, health, and living conditions. Therefore, microfinance services can play a central role in this process by providing financial tools that enable the poor to build productive assets, stabilize consumption, and invest in small-scale enterprises (Imai & Azam, 2022). In Nigeria, where poverty remains widespread despite government interventions, microfinance can serve as a viable poverty alleviation mechanism by bridging financial exclusion and fostering self-reliance among disadvantaged populations.

### 2.2 Concept of Microfinance Services

The contemporary concept of microfinance has evolved significantly beyond its foundational credit-focused model. It is now understood as a holistic ecosystem providing low-income clients and marginalized entrepreneurs with a diverse portfolio of formal financial services (Khan et al., 2022). These core services include micro-savings, micro-credit, micro-insurance, and payment systems, which are designed to enhance financial resilience, facilitate consumption smoothing, and fund micro-enterprises (Bhuiyan et al., 2021). Additionally, recent scholarly discussion in the microfinance

literature place greater emphasis on the integration of digital financial technologies (fintech) and client protection principles to sustainably expand financial inclusion and generate positive socio-economic impacts, moving beyond mere access to measuring tangible improvements in household welfare and entrepreneurial capacity (Seng, 2023).

### 2.3 Dimensions of Microfinance Services

The dimensions of microfinance service access include microfinance loan, microfinance savings and business development services (Abebe & Kegne 2023; Hermes, et al., 2018).

#### 2.3.1 Access to Microcredit Services

This refers to the provision of micro financial services to the impoverished (those making less than $2 per day), specifically modest loans between $50 and $1000, which have been praised by advocates as an efficient tool for development and poverty alleviation (CGAP, 2003) (Robinson, 2001). Financial services are what propel the socioeconomic advancement of the impoverished and the fight against poverty. The credit and savings, insurance, payment, and repayment services are commonly referred to as the financial services of microfinance (Ledgerwood, 2013).

In Nigeria, microfinance loans are pivotal for financial inclusion but face significant structural challenges. Empirical literature documented key determinants of access and impact of microfinance loan in Nigeria, including borrower gender, educational attainment, and household size (Adetunji & David-West, 2019). The effectiveness of these loans was reported to be moderated largely by the pervasive informality of micro-enterprises and a lack of tailored business development services, which limits entrepreneurial growth (Ogunleye et al., 2021). Furthermore, Eze et al., (2023) posited that rapid adoption of digital microfinance platforms has continued to expand high loan accessibility, while simultaneously amplifying risks of over-indebtedness and predatory lending practices in a still-nascent regulatory environment. Hence this signifies the need for integrated financial and capacity-building support for the success of digitally inclined microfinance services in the areas of loan accessibility.

#### 2.3.2 Microfinance Saving

Another measurement of microfinance services is saving services, which appeared in two broad dimensions: mandatory and voluntary savings. The term "mandatory savings" refers to the amount of money that microfinance clients must save to be eligible for a future loan, whereas "voluntary savings" refers to the amount of money that MFI clients retain that is not necessary to be a requirement for eligibility for a loan. Both the mandatory and voluntary savings are crucial for helping the poor individuals to handle shocks of uncertainty, lowering lending costs, and securing long-term funding sources (Ledgerwood, 2013). The interest rate on customers' deposited savings can assist the

underprivileged in obtaining sizable loans and strengthening their financial situations. Additionally, having savings accounts makes it easier for low-income clients to deal with unpredictable shocks.

### 2.3.3 Microfinance Business Development Services

Microfinance Business Development Services (BDS) represent the critical non-financial support like skills training, financial literacy, and market linkage programs provided alongside credit to enhance entrepreneurial capacity. The concept of BDS in microfinance services is not merely complementary but fundamental to translating credit access into sustainable enterprise growth and poverty reduction, particularly for vulnerable demographics like women entrepreneurs (Islam et al., 2022). However, empirical evidence indicates that the impact of BDS is highly contextual; as standardized training often fails without customization to local markets and the specific constraints of informal businesses (McKenzie & Puerto, 2021). Therefore, integrating intensive, personalised BDS with financial products is increasingly seen as essential for achieving transformative socio-economic outcomes in microfinance.

In Nigeria, Microfinance Business Development Services (BDS) are crucial yet under-utilised components that aimed at strengthening entrepreneurial capacity beyond mere credit provision. Empirical studies indicates that BDS such as personalised training in financial literacy, bookkeeping, and marketing services significantly enhances the survival and growth rates of micro-enterprises, particularly for women (Okonkwo et al., 2022). However, its effectiveness is constrained by low uptake and a mismatch between standardized training content and the dynamic, informal realities of Nigerian microbusinesses (Eze et al., 2023). Therefore, integrated models that combine flexible, context-specific BDS with financial products are desirable to improve business resilience and sustainable poverty reduction, moving beyond a narrow focus on loan disbursement.

## 2.4 Review of Empirical literature

Empirical evidence on the impact of microfinance services on poverty alleviation reveals both consistent and context-specific outcomes across developing economies. Studies such as Imai and Azam (2022) and Miled and Rejeb (2021) found that access to microfinance loans significantly enhances income generation, asset accumulation, and household welfare, especially among women entrepreneurs in rural areas. Similarly, Akinwale and Akinlabi (2023) reported that microfinance interventions in Northern Nigeria positively influence small business performance and employment creation. Conversely, Mosley and Hulme (2020) documented that the effectiveness of microfinance depends on loan utilization efficiency and clients' entrepreneurial skills, revealing that credit alone may not guarantee poverty reduction. Further, Adam and Musah (2022) posited that while microfinance loans enhances enterprise growth, repayment burdens of such loans and inadequate training on how to effectively utilize such loans can moderate the observable impact of such loans on sustainable poverty alleviation.

Despite the observed strong evidence supporting the positive role of microfinance services, recent studies revealed the need for an integrated approach that combines credit, savings, and non-financial services. For instance, Eze and Nwosu (2023) found that savings mobilization enhances household resilience against income shocks, while Yakubu et al. (2022) demonstrated that business development training improves clients' financial literacy and managerial competence, augmenting the potential of microfinance in reducing poverty. However, contextual studies investigating the role of microfinance in poverty alleviation in Kano State remain limited. Consequently, this study contributes to literature by empirically examining the multidimensional effects of microfinance loans, savings, and business development services on poverty alleviation within Kano State, bridging the established gaps identified in literature.

### 2.5 Theoretical Framework

This study is anchored on the promise of Welfarist Theory, Institutionalist Theory, and the Grameen Bank Model, which provide a comprehensive lens for understanding the impact of microfinance services on poverty in Nigeria. The Welfarist Theory emphasizes poverty reduction through improved access to financial services that enhance individuals' capabilities, agency, and welfare outcomes (Morduch, 2021). Conversely, the Institutionalist Theory focuses on building sustainable financial systems capable of delivering long-term microfinance operations through effective management and cost recovery (Ledgerwood et al., 2013). The Grameen Bank Model, pioneered by Muhammad Yunus, integrates welfarist objectives within an institutional framework by promoting group-based lending, social capital formation, and community development (Yunus, 2019). These theories underpinned this research by balancing social objectives of poverty alleviation with institutional sustainability, aligning with Nigeria's financial inclusion strategy which aimed at empowering marginalized populations. Despite multiple government initiatives, many anti-poverty interventions remain largely theoretical and ineffective in practice (Okafor, 2014), revealing the relevance of microfinance as a pragmatic approach to reducing poverty and stimulating entrepreneurship in Kano State.

## 3. Methodology

This study employed a quantitative research design using a cross-sectional survey approach to investigate the impact of microfinance services (loans, savings, and business development services) on poverty alleviation in Kano State, Nigeria. Nigeria. The target population comprised 12,350 clients document obtained from the NDIC data base, 2024, with a representative sample of 387 clients obtained using Slovene's sample size formula. Primary data were collected through structured questionnaires distributed to microfinance clients, capturing dimensions of access, utilization, and welfare outcomes. The survey instruments adopted a validated 5-point Likert scale adapted from Imai and Azam (2022) and Akinwale and Akinlabi (2023), ensuring reliability through Cronbach's alpha coefficients exceeding 0.70 and validity using Lawshe's (1975) content validity ratio. Data were analyzed using SPSS version 27, employing descriptive statistics, Pearson correlation, and multiple regression models to test the hypothesized relationships. Control variables such as age, gender, and

education were included to account for demographic variations in poverty outcomes, enhancing model robustness and generalizability within the Kano State context.

### 4.1 Data Presentation

This study targeted a sample of 387 microfinance clients drawn from selected microfinance institutions across Kano State. Out of the questionnaires administered, 282 were correctly completed and returned, representing a 73% response rate. This response rate is considered adequate for statistical analysis and consistent with response rates reported in similar microfinance and poverty alleviation studies.

Prior to data analysis, preliminary diagnostic tests were conducted to ascertain the suitability of the data. The Shapiro-Wilk normality test indicated that the residuals were normally distributed, with probability values ($p > 0.05$), satisfying the normality assumption required for parametric analysis. Furthermore, multicollinearity diagnostics showed that the variance inflation factor (VIF) values for all independent variables microfinance loans (MFL), microfinance savings (MFS), and business development services (BDS) were below the acceptable threshold of 5, confirming the absence of multicollinearity among the explanatory variables.

Descriptive statistics were employed to summarize respondents' perceptions of microfinance services and poverty alleviation using a 5-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). The results revealed generally positive perceptions regarding the effectiveness of microfinance services. Mean scores for microfinance loan services ranged from 3.62 to 4.11, indicating that respondents largely agreed that access to loans had improved business expansion and income levels. Microfinance savings services recorded mean values between 3.54 and 4.03, suggesting that savings facilities enhanced financial discipline and the ability to cope with economic shocks. Business development services showed mean scores ranging from 3.48 to 3.97, reflecting moderate to high levels of training and advisory support received by clients.

Similarly, poverty alleviation indicators recorded relatively high mean scores, ranging from 3.60 to 4.08, implying improvements in household income, standard of living, and ability to meet basic needs such as healthcare and education. Overall, the descriptive results suggest that microfinance services are actively utilized and perceived as contributing positively to poverty alleviation among microfinance clients in Kano State.

### 4.2 Correlation Analysis

This section presents the Pearson Product Moment Correlation analysis conducted to examine the strength and direction of the relationship between microfinance services (MFL, MFS, BDS) and poverty alleviation (POA) among microfinance clients in Kano State. Pearson correlation was considered appropriate due to the continuous nature of the variables and the satisfaction of normality and multicollinearity assumptions established earlier.

**Table 4.1: Pearson Correlation Matrix**

| Variables | MFL | MFS | BDS | POA |
|---|---|---|---|---|
| MFL | 1 | | | |
| MFS | 0.421** | 1 | | |
| BDS | 0.368** | 0.402** | 1 | |
| POA | 0.612** | 0.547** | 0.489** | 1 |

**Source:** Field Survey, 2025

N = 282 ** Correlation is significant at the 0.01 level (2-tailed)

**Interpretation of Results**

The correlation results as shown in table 4.1 revealed a positive and statistically significant relationship between all components of microfinance services and poverty alleviation. Specifically, microfinance loans (MFL) exhibit a strong positive correlation with poverty alleviation ($r = 0.612$, $p < 0.01$), suggesting that increased access to and utilization of microfinance loans are associated with improved income levels, better living standards, and reduced poverty among clients.

Similarly, microfinance savings (MFS) show a moderate positive relationship with poverty alleviation ($r = 0.547$, $p < 0.01$), implying that savings services enhance financial stability and households' ability to meet basic needs. Business development services (BDS) also demonstrate a positive and significant correlation with poverty alleviation ($r = 0.489$, $p < 0.01$), indicating that training and advisory services contribute to improved business performance and welfare outcomes.

The inter-correlations among the independent variables are positive but below 0.70, confirming that while the services are related, they are sufficiently distinct and do not pose multicollinearity concerns. Hence, the findings suggest that microfinance services play a significant role in poverty alleviation in Kano State and justify further analysis using regression techniques to determine the magnitude and significance of their individual effects.

**4.3 Regression Results**

This section presents the results of the multiple regression analysis conducted to examine the effect of microfinance services indicated by microfinance loans (MFL), microfinance savings (MFS), and business development services (BDS) on poverty alleviation among microfinance clients in Kano State. Poverty alleviation was treated as the dependent variable, while MFL, MFS and BDS served as the independent variables.

**Table 4.2: Model Summary**

| Model | R | $R^2$ | Adjusted $R^2$ | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.703 | 0.494 | 0.488 | 0.412 |

**Source:** Field Survey, 2025

**Interpretation of Model Summary**

The model summary indicates a strong relationship between the independent variables and poverty alleviation, with a correlation coefficient (R = 0.703). The coefficient of determination ($R^2 = 0.494$) shows that approximately 49.4% of the variation in poverty alleviation among microfinance clients in Kano State is jointly explained by microfinance loans, microfinance savings, and business development services. The adjusted $R^2$ value (0.488) confirms the robustness of the model after adjusting for the number of predictors.

**Table 4.3: ANOVA**

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 46.213 | 3 | 15.404 | 90.68 | 0.000 |
| Residual | 47.312 | 278 | 0.170 | | |
| Total | 93.525 | 281 | | | |

**Source:** Field Survey, 2025

**Interpretation of ANOVA**

The ANOVA results show that the regression model is **statistically significant** (**F = 90.68, p < 0.01**), indicating that the independent variables jointly have a significant effect on poverty alleviation. This confirms the overall goodness of fit of the model.

**Table 4.4: Regression Coefficients**

| Variables | Unstandardized Coefficients (B) | Std. Error | Standardized Coefficients (Beta) | t-value | Sig. |
|---|---|---|---|---|---|
| Constant | 0.742 | 0.186 | - | 3.99 | 0.000 |
| MFL | 0.421 | 0.051 | 0.463 | 8.25 | 0.000 |
| MFS | 0.317 | 0.047 | 0.352 | 6.74 | 0.000 |
| BDS | 0.198 | 0.044 | 0.241 | 4.50 | 0.000 |

**Dependent Variable:** Poverty Alleviation

**Source:** Field Survey, 2025

The regression coefficients from table 4.4 above reveal that all three microfinance service variables have positive and statistically significant effects on poverty alleviation. Specifically, microfinance loans (MFL) have the strongest influence on poverty alleviation ($\beta = 0.463$, $p < 0.01$). This implies that increased access to and utilization of microfinance loans significantly improve household income, business performance, and overall living standards. Moreover, microfinance savings (MFS) also exert a significant positive effect on poverty alleviation ($\beta = 0.352$, $p < 0.01$), indicating that savings services enhance financial security and reduce vulnerability to economic shocks. Similarly, business development services (BDS) show a positive and significant impact ($\beta = 0.241$, $p < 0.01$), suggesting that training and advisory services contribute meaningfully to improved welfare outcomes, though to a lesser extent compared to loans and savings. The results imply that while all components of

microfinance services are important, microfinance loans are the most influential driver of poverty alleviation among clients in Kano State.

**Discussion of Findings**

The regression coefficients indicate that microfinance services play a vital role in reducing poverty levels among low-income households. The strong positive coefficient for microfinance loans (MFL) ($\beta = 0.463$, $p < 0.01$) indicates that increased loan access enhances income-generating activities, facilitating greater business performance and welfare improvement. These findings are consistent with the results of Imai et al. (2012), who found that microfinance participation significantly enhances household income and consumption. Similarly, Banerjee et al. (2015) emphasized that the effective utilization of microcredit contributes to sustainable poverty alleviation when accompanied by financial literacy and sound business practices.

Microfinance savings (MFS) ($\beta = 0.352$, $p < 0.01$) also show a strong positive relationship with poverty alleviation, underscoring the importance of financial inclusion through savings mobilization. Savings accumulation enables households to manage risks, smooth consumption, and invest in productive ventures (Ledgerwood et al., 2013). This finding aligns with Khandker and Samad (2014), who demonstrated that consistent savings behavior strengthens household resilience against economic shocks. Thus, as revealed by the findings, savings services appeared to not only promote financial stability but also support long-term poverty reduction strategies by fostering a culture of financial discipline and planning among microfinance clients.

Additionally, the impact of business development services (BDS) ($\beta = 0.241$, $p < 0.01$) revealed the significant role of non-financial interventions in poverty alleviation. In line with Armendáriz & Morduch (2010), training and advisory programs improve entrepreneurial skills, enhance productivity, and strengthen business sustainability. Though their effect is smaller compared to loans and savings, these services complement financial products by enhancing clients' managerial capacity (Rahman et al., 2017). Hence, these results revealed that a holistic microfinance approach integrating credit, savings, and capacity building yields the most substantial poverty alleviation outcomes, particularly in developing regions such as Kano State.

**5.0 Conclusion**

This study provides robust empirical evidence that microfinance services play a significant and positive role in poverty alleviation among microfinance clients in Kano State. The findings demonstrate that microfinance loans, savings services, and business development services jointly explain a substantial proportion of improvements in household welfare, with microfinance loans exerting the strongest influence, followed by savings and business development support. These results revealed the significance of an integrated microfinance model that combines financial intermediation with non-financial services to enhance income generation, financial resilience, and living standards. By establishing a clear link between access to microfinance services and poverty reduction outcomes, the outcome of the study contributes to the growing body of literature on financial inclusion in developing economies such as Nigeria and offers policy-relevant insights for strengthening

microfinance interventions as a viable tool for sustainable poverty alleviation in Nigeria and similar contexts.

Based on the findings, the study recommended that policymakers and microfinance institutions should strengthen access to affordable microfinance loans while integrating structured savings schemes and comprehensive business development services to maximize poverty alleviation outcomes. Emphasis should be placed on flexible loan terms, financial literacy, and targeted capacity-building programs for micro-entrepreneurs.

Additionally, the study recommended that future studies should adopt longitudinal or quasi-experimental designs to establish causal relationships between microfinance services and poverty reduction. Moreover, further research should explore gender-specific impacts, regional comparisons, and the role of digital financial services in enhancing microfinance effectiveness across different socio-economic contexts.

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# POVERTY AND THE PLIGHTS OF RURAL POPULACE IN KAUGAMA LOCAL GOVERNMENT AREA OF JIGAWA STATE.

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