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### FINANCIAL DEVELOPMENT AND POVERTY ALLEVIATION: A SYSTEMATIC REVIEW

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### ABSTRACT

This study is conducted to validate the effectiveness of financial development in reducing poverty. The study adopted a Systematic Quantitative Assessment Technique and reviewed 91 financial development and poverty alleviation articles published between 2010–2022 to provide insight into the efficacy of financial development in reducing poverty and producing a blueprint for the government for possible adoption. The study also intends to know whether financial development successfully reduced poverty, highlight the evidence showing the success of financial development in reducing poverty, how financial development strategies were implemented to reduce poverty in other countries, and why financial development has been ineffective in reducing poverty. The reviewed articles revealed that financial development benefits the poor by increasing their access to various funding sources, thus improving well-being and reducing poverty. Similarly, it was revealed that lack of institutional quality and low financial penetration are the major reasons why financial development may not successfully reduce poverty. Thus, this study presented a FOCI Blueprint to help the government effectively reduce poverty in countries where financial development is weak and unable to reduce poverty.

**Keywords:** Financial Development; Poverty, SGDs, Institutional Quality, HDI

## **INTRODUCTION**

Attaining the sustainable development goal has remained a daunting challenge for both developed and developing nations since it was adopted by the United Nations (UN). The Sustainable Development Goals (SDGs), unlike the Millennium Development Goals (MDGs), establish standards for both emerging, developing countries and industrialised nations. The SDGs have 17 goals for nations to accomplish by the year 2030. Although the UN indicates that the order of presentation of the goals does not suggest the superiority of one goal to another, surprisingly, the first goal is poverty reduction across the globe.

The UN Sustainable Development Solutions Network (SDSN) (2017), arising from its Sustainable Development Index, submits that despite the significant progress made by most Sub-Saharan African nations in recent years, it remains the poorest region in the world, experiencing major challenges across almost every Sustainable Development Goals (SDGs) with extreme hunger, poverty and poor health as major areas requiring significant improvement. The first comparative study of SDGs by SDSN (2016) was among 149 countries and ranked countries' performances on the SDG attainment measured in terms of its SDG Index. It concluded that developing nations with poor populations had the lowest score as they often have little resources relative to developed nations. Especially the Central African Republic and Liberia have the lowest ranking at the bottom and still have a long way to go in achieving the SDGs. These are incidentally African nations.

In Nigeria, it was reported that about 71% of Nigerians live on less than \$1 and about 92% live on less than \$2 a day. In 2007, the CIA Factbook detailed that 70% of the Nigerian population lived below the poverty line. On the other hand, World Development Indicators (WDI) (2016) revealed that 82.2% live on less than \$2 a day as of 2010 and that Nigeria's prevalence of undernourished was 6.4% of the population in 2013. Clearly, the level of poverty in Nigeria is remarkably high despite having rich natural resources. Nigeria's poverty infographics have remained scattered over time, while there is some evidence that Nigeria's poverty has actually increased over time (Organization of Islamic Countries (OIC), 2007).

A recent World Bank Report (2022) highlights that 40% of Nigerians live in poverty and lack access to essential resources such as electricity, safe drinking water, and proper sanitation. Additionally, the report indicates that the majority of employment opportunities in Nigeria are in small-scale household enterprises, and only 17% of workers hold wage jobs that could help them escape poverty. Nigeria also has a high infant mortality rate of 71.2 deaths per 1,000 live births (2016), which is due in part to the low purchasing power of mothers.

The Sustainable Development Goals aim to reduce poverty worldwide and narrow the wealth gap between the rich and the poor. For example, like Denmark, Nigeria could reduce income inequality by narrowing the income gap between its citizens (SBD Index, 2022). Banerjee and Newman (1993) suggest that countries with limited access to finance due to information asymmetries and transaction costs are more likely to experience poverty and income inequality. Improving access to finance and boosting economic growth through financial deepening, as concluded by Azra, Dilawar, Ejaz, and Waheed (2012), has the potential to reduce poverty. Ndebbio (2004) believes that weak financial sector development in Nigeria has contributed to a decline in economic growth and increased poverty. Imran and Khalil (2012)

also found that financial development can play a role in alleviating poverty by providing access to financial services and increasing productive assets for the poor.

This study critically evaluates previous research to determine the success and failure of financial development in reducing poverty, as well as the strategies used for implementation and the reasons for any shortcomings. The methodology for the study is outlined in the following section, with the findings, conclusion, and a plan for implementation is presented in subsequent sections.

## **METHODOLOGY**

Given the need to affirm the efficacy of financial development in reducing poverty, answers will be provided to the following research questions.

1. Was financial development successfully used to reduce poverty?
2. What was the evidence showing the success of financial development in reducing poverty?
3. How was financial development successfully implemented in reducing poverty?
4. Why wasn't financial development successful and effective in reducing poverty in developing countries?

To answer each of the research questions listed above, various aspects of the articles were explored. For instance, to validate the successful usage of financial development to reduce poverty from the articles, the findings and conclusion section of each empirical article was examined and explored to ascertain the success. The reviewed articles were group into "Yes" and "No" for articles that found that financial development successfully reduced poverty and for those that found that it did not reduce poverty, respectively.

Furthermore, the evidence showing that financial development was able to reduce poverty was gathered from the findings and conclusions of the various articles reviewed in this study. The articles were then be grouped based on the indicators that they used as evidence of success. To address the third research question, data was gathered from the introduction and discussion portions of the analysed articles to determine the specific financial development strategies successfully used to reduce poverty. The articles were then grouped based on the specific financial development strategy they described. Finally, the information needed to address research question four was obtained from the findings and discussion sections of the articles reviewed that found that financial development was not effective in reducing poverty. The articles were then grouped based on the major reasons identified for the lack of success.

Regarding the answers given above, the articles selected and reviewed to answer the research questions are empirical, given their reliability and the fact that conclusions are exclusively derived from concrete, verifiable evidence while validating previous research findings and frameworks used. This study selected top publishers in categories A and B based on the Centre for Resource Studies for Human Development (CERES) ranking system at the University of Utrecht (CERES, 2021). The publishers selected include Emerald, Elsevier, Harvard University Press, John Wiley and Sons, Sage, Springer International and Taylor & Francis, given their high impact rate, popularity, and number of Google Scholar hits in 2021.

Furthermore, Google Scholar was explored to access empirical articles needed for this study. This is premised on allowing for specific search entries and details, thereby restricting the search to credible

articles and sources. Gusenbauer (2018) asserted that Google Scholar is a widely used database. It houses over 160m indexed documents, including books, case laws, patents and journal articles; hence, this study relies solely on empirical articles in the database.

The search period was restricted to articles published and available on the database from 2010 to 2022. This is premised on the fact that economies were at the recovery stage after the financial recession that occurred between 2007 and 2009, crippling economic activities and bringing hardship to countries around the world. This was followed by unprecedented fiscal, monetary, and regulatory policies for government authorities to restore confidence, reduce unemployment and spur economic growth.

After identifying the period and database to explore for empirical articles on the financial-poverty nexus, this study adopted a three-search strategy for the necessary articles to carry on this study. These strategies helped sort the relevant articles needed for this study and allowed for replication of the search process. The search strategy steps are detailed below:

**Table 1**  
*Search Strategy*

Strategy
Step 1: From the Google Scholar page, click on the Advanced Search menu at the top left corner of the screen.
Step 2: From the Advanced Search Tab, insert “Financial Development and Poverty” or “Financial Development and Inequality”, or “Financial Development and Income” in the “With all of the words” Column.
Step 3: Change the ‘where my words occur’ option to “in the title”.
Step 4: Insert the publisher’s Name in the space for a publisher (Emerald, Elsevier, etc.)
Step 5: Insert 2010-2022 in the Time Range Column.

Source: Authors Compilation, (2022)

From Table 1, the Advanced Search option is peculiar to both strategies as it allows for specific details to be included in the search, allowing the researcher to adjust the choice of words, publishers, and time range. Similarly, the three (3) search strategies adopted allowed for the keywords to be changed from “Financial Development and Poverty” or “Financial Development and Inequality” or “Financial Development and Income” in order to retrieve all relevant articles related to financial development and poverty alleviation. The adjustment was also necessary given that one of the Sustainable Development Goals is to end all forms of poverty, and most countries with high levels of poverty are mostly affected by income inequality, hence, the need to search for articles within that context.

**Table 2**

*List of Papers Based on Search Strategy*

	Strategy A*		Strategy B**		Strategy C***			
Publisher	Total Papers	Selected Papers	Total Papers	Selected Papers	Total Papers	Selected Papers	Total	Total Selected
Elsevier	10	8	12	10	20	8	42	26
Wiley	2	2	11	8	10	5	23	15
Sage	-	-	2	2	7	4	9	6
Springer	5	5	15	10	28	14	48	29
Emerald	6	6	5	5	4	4	15	15
Francis & Taylor	4	4	6	6	11	5	21	15
	27	25	51	41	80	40	137	91

Source: Authors Compilation, (2022) \*Strategy A- Financial Development and Poverty; \*\*Strategy B- Financial Development and Inequality, \*\*\* Strategy C- Financial Development and Income.

Table 2 shows 137 documents were available from the selected publishers, given the three search strategies adopted. These documents include books and journal articles related to financial development and poverty reduction. However, for this research, only empirical articles available as of 13<sup>th</sup> May 2022 were selected for this study. This is based on the premise that empirical articles are evidence-based and are either qualitative or quantitative in nature. To ascertain this, each article's title and abstract section were reviewed to confirm whether they could answer the research questions raised above and validate if the article is empirical. Similarly, empirical articles relating to developed economies were prioritised given their well-structured financial system and low poverty rate. At the same time, articles from developing emerging countries and Africa were also be reviewed to ascertain that financial development could reduce poverty given their fragile financial system and most developing countries are low-income countries and have a large number of their population living below the poverty line, hence, their inability to meet their daily financial obligation (Magwedere et al., 2021). This is also to confirm or refute the claim that financial development could reduce poverty in developing countries with unstable financial systems and weak financial institutions (Park & Mercado, 2018).

Similarly, the abstract session of articles was reviewed to ensure that they addressed poverty through financial development. Thus, 91 articles were selected for final review from Elsevier, Harvard University Press, John Wiley and Sons, Sage, Springer International, Emerald, Francis, and Taylor.

## **FINDINGS AND DISCUSSION**

This section presents the findings to answer the research questions presented in the methodology section of this study. Each research question is presented in different sub-sections with charts to understand how financial development reduced poverty, the strategy adopted, and why financial development was

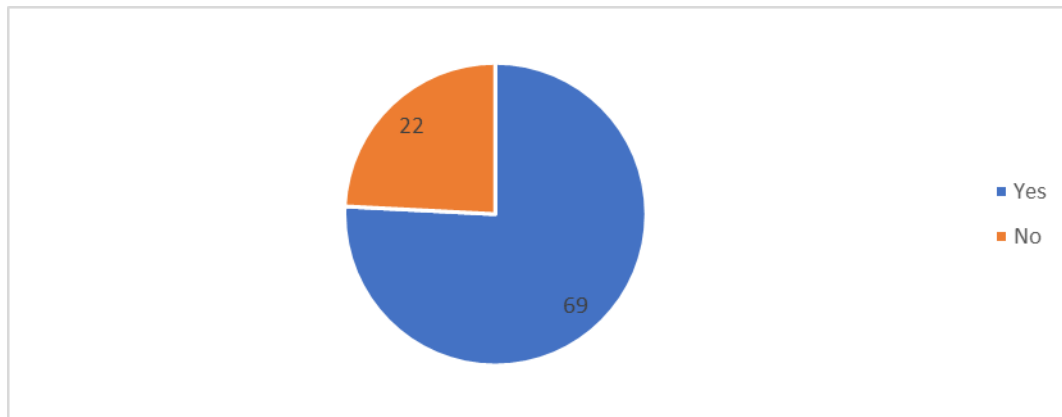
ineffective in some regions based on the articles reviewed. Subsequently, conclusions are drawn from the findings to aid in the development of a blueprint to help the Nigerian government use financial development initiatives to help reduce poverty in the country.

**Research Question 1: Was financial development successfully used to reduce poverty?**

Figure 1 presents the statistics on the effectiveness of financial development in reducing poverty. Based on the grouping criteria, 69 articles, representing 76% of the articles reviewed, affirmed that financial development successfully reduced poverty, while 22 articles, representing 24% of the articles reviewed, submitted that financial development doesn't reduce poverty. For instance, Uddin et al. (2014) asserted that providing loans to SMEs and increasing the money supply creates jobs and ultimately reduces poverty.

**Figure 1**

*Effectiveness of Financial Development in Reducing Poverty*



Different studies have reached varying conclusions about the relationship between financial development and poverty reduction. While some studies have found that financial development can improve access to funding and reduce poverty (Boukhatem, 2015; Inoue, 2017; Dewi et al., 2018), others have found that it has little impact or may even worsen poverty (Dwumfour et al., 2017; Le & Chu, 2016; Raju & Yifei, 2015; Dandume, 2014; Dauda & Makinde, 2014). However, most of the reviewed articles demonstrate the positive role of financial development, especially the banking system, in allocating capital, increasing growth, and helping the poor (Nguyen, 2011; Chu & Le, 2015; Kavya and Shijin, 2020).

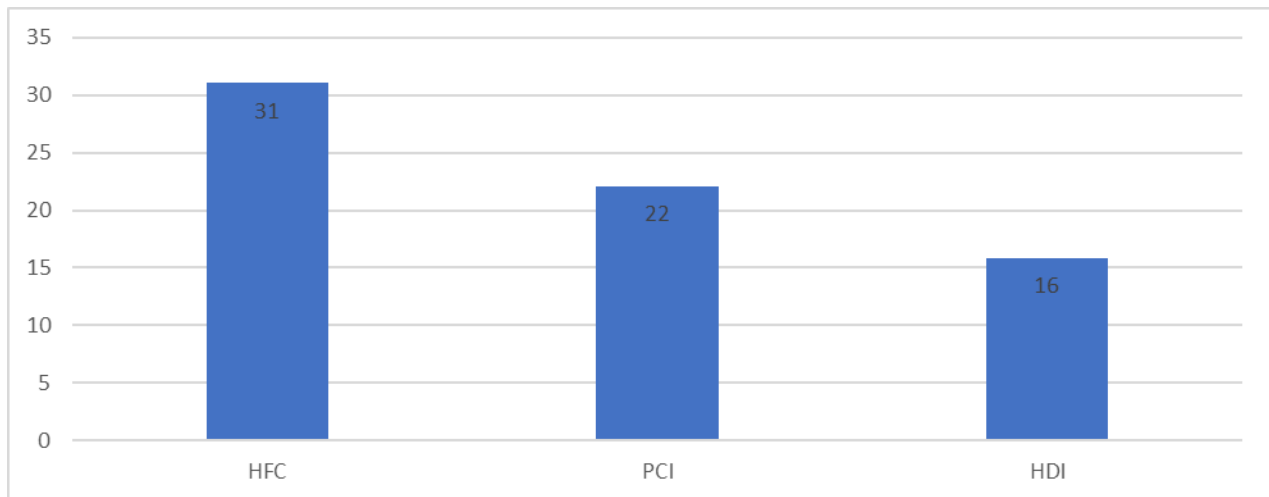
Financial development has the potential to drive growth, close the wealth gap, spur economic development, create jobs, and ultimately reduce poverty. However, ensuring access to loans by households and small/medium enterprises with adequate guarantees and directing credit to real economic activities rather than speculative investment is necessary for financial development to reduce poverty (Dhrifi, 2014).

## Research Question 2: What was the evidence showing the success of financial development in reducing poverty?

To answer the question above, the articles that indicated success were further grouped to reflect the indicators used to measure the effectiveness of financial development in reducing poverty. Figure 2 below gives a pictorial view of the indicators.

**Figure 2**

### *Evidence Showing the Success of Financial Development*



Source: Authors Compilation (2022)

Note: HFC: Household Final Consumption; PCI: Average Per Capital Income; HDI: Human Development Index.

Based on 91 empirical articles reviewed, 69 (76%) concluded that financial development reduced poverty in different countries. Hence, three groupings were made to capture the evidence of success to answer the research question. Among the indicators are Household Final Consumption (HFC), Average Per Capital Income (PCI), and Human Development Index (HDI).

The Household Final Consumption Expenditure (HFC), found in 31 out of the 69 articles reviewed and accounted for 45% of the evidence, refers to the amount of money households spend on goods and services that meet their needs or desires. It is commonly used to measure poverty levels as consumption expenditure is more accurately reported and stable among the poor than income (Odhiambo, 2010). Leila (2014) found that as financial development improves, household final consumption expenditure per capita increases, reducing poverty in 8 Middle East and North African countries.

Another metric for success seen in the reviewed articles is the Average Per Capita Income (PCI). PCI represents the average income of the poorest 20% of the population, calculated by multiplying the income share of the lowest 20% quintile by the average per capita GDP. This metric provides insight into the



distribution of population income and detects changes in the income of the poor, even if they do not cross the poverty line. According to Honohan et al. (2007), 40% of the long-term impact of financial sector development on the income growth of the poorest quintile is due to reducing income inequality, while 60% is due to the impact of financial sector development on economic growth. Financial sector development also reduced the number of people earning less than 1 USD a day, highlighting the crucial role of financial institutions for the poor.

The HDI, which accounted for 23% of the evidence in the articles reviewed, is a composite index that measures a country's average performance in three key aspects of human development: health, education, and standard of living. The HDI is calculated by measuring life expectancy at birth, the adult literacy rate and education enrolment, and GNI per capita. It is expressed as a value between 0 and 1, with 1 indicating high development and 0 low development. Dwumfour et al. (2017) found that financial development improved human development and well-being in 54 African countries and benefited the poor.

The government should consider using a consumption-related indicator to evaluate the impact of financial development policies in Nigeria, being mainly a consumption-driven country. The Household Final Consumption Expenditure (HFC) is a suitable indicator as it is a crucial component of overall demand and a focus of most governments in ensuring improved living standards and economic growth. HFC aligns with the World Bank's definition of poverty as the inability to meet basic living needs and also accounts for inequality (Leila, 2014; Dewi et al., 2018). Additionally, consumption data is more accurate than income data, which comes from household surveys, making it a better indicator of a person's standard of living, especially in Nigeria, where individuals do not reveal their income but have high expenses.

### **Research Question 3: How was financial development successfully implemented in reducing poverty?**

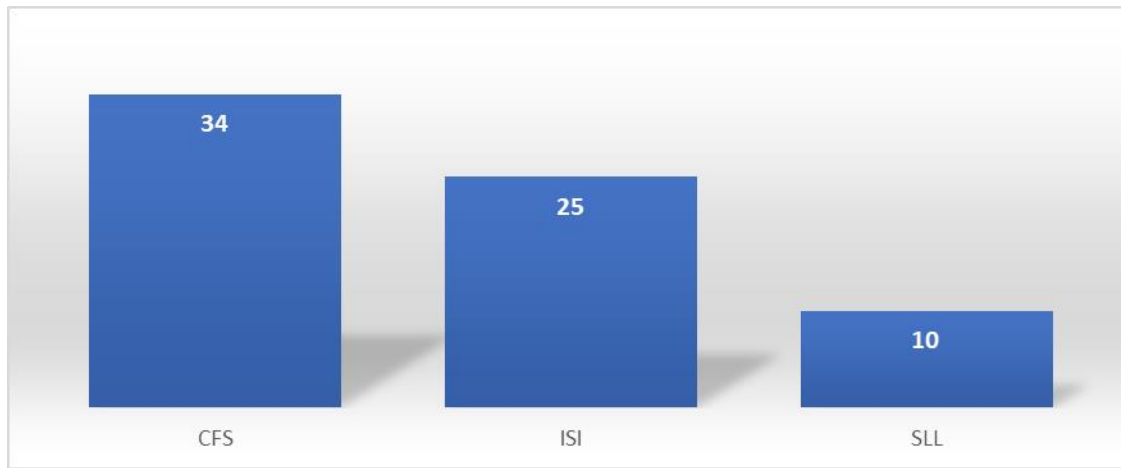
Figure 3 presents the main financial development strategies implemented by the 69 articles reviewed that indicated that these strategies led to poverty reduction.

Banks can evaluate access to credit and the financial sector through the use of domestic credit to the private sector, as it shows how much funding is made available by the banking sector to households and businesses. Rashid and Intartaglia (2018) argue that households with access to affordable credit through loans are better off than those without access. Inoue (2017) adds that with more access to funding and financial intermediation from the private sector, the deficit sector is funded, leading to increased economic growth, job creation, and more cash for households to spend on consumption. As the level of domestic credit from financial intermediaries increases, poverty levels are reduced. For financial development to effectively reduce poverty, banks and other financial institutions need to increase credit in the economy, boost economic activities, encourage innovation, and increase employment opportunities.



**Figure 3**

*How was Financial Development Successfully Implemented*



Source: Authors Compilation (2022)

Note: Access to Credit and Financial Sector (CFS); Increase in Savings and Investment (ISI); Adequate Supply of Liquid Liability (SLL)

Figure 3 shows that three distinct financial development strategies were implemented successfully in reducing poverty in the 69 articles reviewed, namely, Access to Credit and Financial Sector (CFS), ranked first (49%), Increase in Savings and Investment (ISI) ranked second (36%), and Adequate Supply of Liquid Liability (SLL) ranked third (15%).

Another strategy aimed at reducing poverty, as described in the articles, is increasing savings and investment (ISI). Savings come from surplus funds generated in the surplus sector of the economy, with financial institutions acting as intermediaries to mobilise these funds and allocate them towards viable investments in the deficit sector. According to Rashid and Intartaglia (2017), the primary role of financial institutions in all economies is to improve the efficiency of savings mobilisation and capital allocation for investment purposes. The amount of savings generated by the banking sector can be measured by the total bank savings, which is an important factor because the mobilisation of savings is a crucial role of banks, especially in terms of accumulating money from small savers. (Seven & Coskum, 2016).

According to Kaidi and Mensi (2010), the government needs to use monetary policies to promote saving and allow the poor to access funds and start micro-businesses, creating more job opportunities, increasing incomes, and reducing poverty. The financial sector's promotion of savings will lead to a trickle-down effect, with more job opportunities improving income distribution. The availability of credit at lower costs can also support the financially weaker sections, enabling them to invest in health and education and improve their children's lives, leading to an improvement in human capital and, ultimately the distribution of income (Seharat & Giri, 2016).

The availability of liquid liability, or the measure of money supply (M3), is another important strategy for reducing poverty, as shown in reviewed studies. The ability of the financial system to provide transaction

services and savings opportunities, along with the real size of the financial sector in a growing economy, determines the adequacy of the supply of liquid liability. This is because M3, or broad money stock, is a measure of money supply in an economy (Inoue, 2017; Leila, 2014; Seven & Coskum, 2016). Adequacy of liquid liability is an important strategy to reduce poverty, according to these studies. This refers to the financial system's ability to provide transaction services and savings opportunities and to reflect the real size of the financial sector of a growing economy. An increase in the broad money supply, measured by M3, can lead to an improvement in the standard of living for the poorest 20% of the population, according to Boukhatem (2015). However, liquidity constraints and bank crises can harm the poor as their deposits may become inaccessible and financing for their investments becomes more difficult. To improve welfare and reduce poverty, the money supply must be adequate and available.

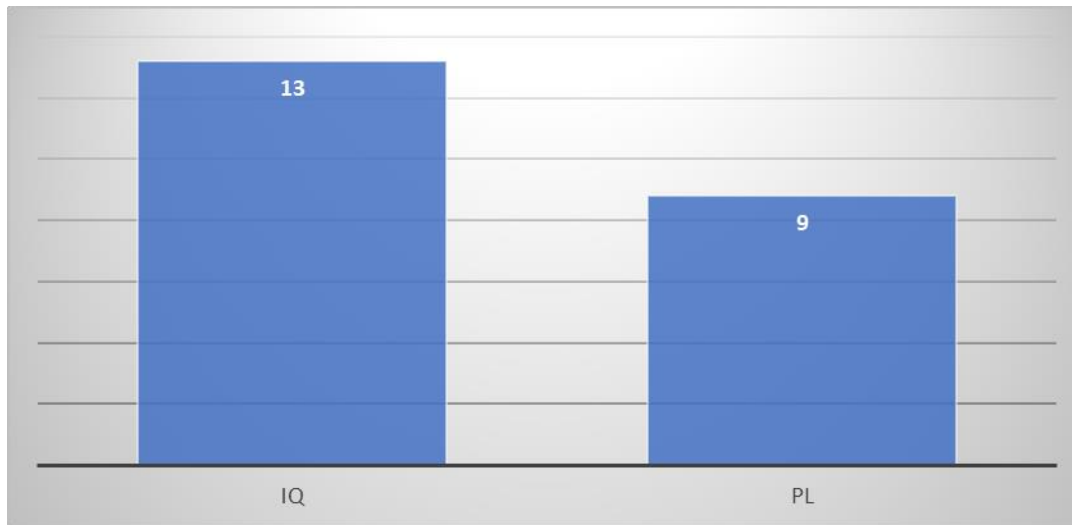
The articles reviewed showed that access to credit and financial services is a key strategy in reducing poverty. In Nigeria, where many people live in rural areas and lack financial access, this approach will provide access to funds and services. Dewi et al. (2018) found that providing credit to the private sector can be effective in reducing poverty in less developed countries like Nigeria, where traditional lending activities play a crucial role in financial intermediation due to the underdeveloped or non-existent stock market. Increased access to credit and financial services would allow individuals, entrepreneurs, and low-income earners to access financial intermediation and loans, leading to job creation, more employment opportunities, and improved household consumption, ultimately improving their well-being and standard of living.

#### **Research Question 4: Why wasn't financial development successful and effective in reducing poverty in developing countries?**

To answer the research question raised above, 22 articles that found that financial development was ineffective in reducing poverty were explored to ascertain the remote cause. These causes were grouped into two categories, presented in Figure 4. It is evident from Figure 4 that the two major reasons why financial development may not successfully reduce poverty are lack of institutional quality (IQ) and low financial penetration (PL) (Kaidi & Mensi, 2010; Fowowe & Abidoye, 2012). Institutional quality refers to the condition of laws, rights of individuals, and the quality of government regulation and services in a country. Omar and Inaba (2020) noted that financial penetration, the extent of access individuals have to financial institutions, particularly in rural areas, is one of the dimensions of financial inclusion. According to EFINA (2014), only 36.3% of adults in Nigeria have access to financial services offered by deposit money banks, 12.3% have access to and use formal financial services not provided by DMBs, 11.9% have access to unregulated financial institutions such as savings clubs, cooperatives, crowdfunding, etc. and remittances, while 39.5% are completely financially excluded. This compares unfavorably to other African countries, such as South Africa (80%) and Kenya (67%), where a higher proportion of the population has access to formal financial services.

**Figure 4**

*Causes of Ineffectiveness of Financial Development*



Source: Authors Compilation (2022)

Note: IQ: Institutional Quality; PL: Penetration Level

Rajan and Zingales (2003) and Claessens and Perotti (2007) suggest that in weak governments, the financial system may primarily benefit the wealthy and politically connected, neglecting the poorer segments of society. Policymakers must consider the need for effective regulation and oversight to mitigate the risks of financial sector development. An example of this is seen in India, where financial development had a limited impact. According to Dhrifi (2014), this is because improvements in the financial sector tend to benefit the rich more. Banks typically lend money to households that can provide adequate security and guarantee repayment, while poor households, who are part of the most disadvantaged segment of society, lack these guarantees and are excluded from the formal financial system. As a result, the rich have the necessary guarantees and protections, allowing them access to credit and benefit from improvements in the financial system.

Le and Chu (2016) noted that the low level of financial penetration in developing countries, particularly in Africa, indicates that policies need to focus on improving financial development. This is because the majority of the population in these countries live in rural areas where access to financial institutions is limited, and the banking system is centered in urban areas. Additionally, a large portion of the labor force in these countries has low skills and low incomes, reducing their chances of taking advantage of the opportunities created by the expansion of credit markets. To address this issue, there may be a need to allocate more credit to rural areas and the agricultural sector, which is the primary source of income for those living in rural areas.

In conclusion, it is important for the Central Bank of Nigeria, working with the government, to enhance institutional quality and governance processes by improving legal frameworks, socioeconomic conditions, investment environment, and accountability and reducing corruption and external conflicts. This is

because a well-functioning financial system has the potential to alleviate poverty and reduce social imbalances. Additionally, a well-developed financial system can help to reduce poverty and inequality by efficiently allocating resources (Rewilak, 2017).

However, formal financial services like banks and stock markets mostly serve wealthy areas in many developing economies, leaving the poor without access to financial products. This exacerbates poverty and income inequality between the richest and poorest segments of the population. Therefore, Nigeria needs to determine the level of financial development required for reducing poverty. Policymakers in low-income countries must continuously improve their financial sector to reach the necessary level for poverty reduction, despite the current low level of financial development appearing to be less important.

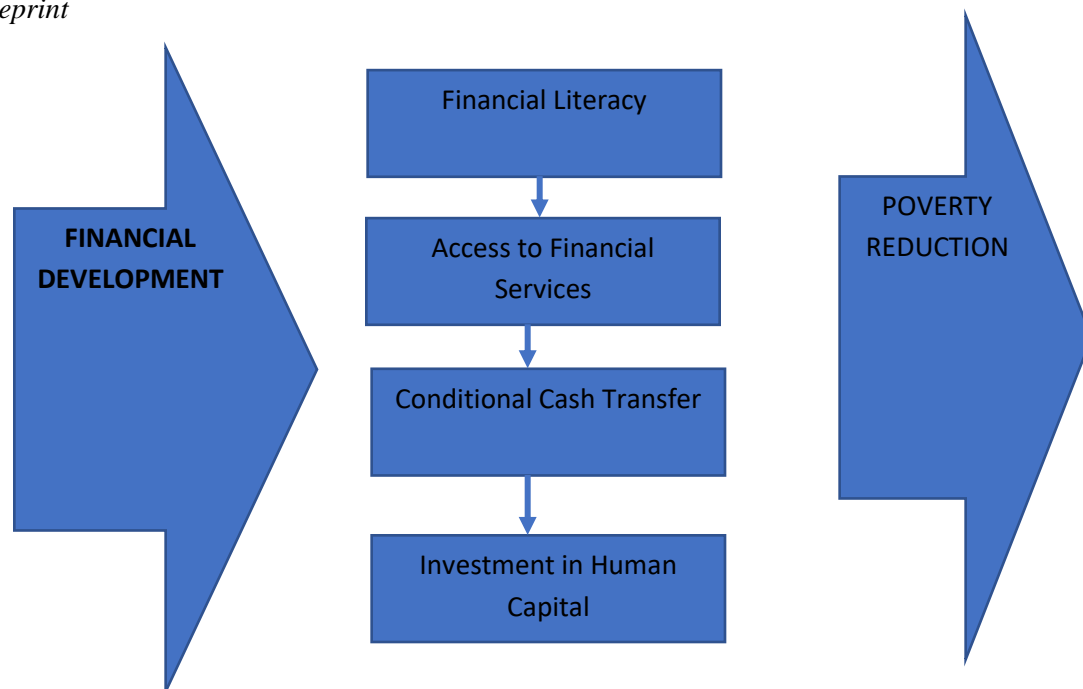
The next section presents the FACI blueprint, which will detail the steps required to reduce poverty successfully if implemented as appropriate.

### **Blueprint for Poverty Reduction**

This section presents the FACI blueprint, which provides a plan for the Central Banks to take action to increase financial development to the point where it can effectively help reduce poverty. A step-step process to ensure appropriateness is shown in Figure 5.

**Figure 5**

*FACI Blueprint*



### **Step 1:**

To reduce poverty, the first step is to improve financial literacy. Financial literacy involves a person's understanding of financial concepts and their ability to manage their financial resources. This has recently become an important aspect of financial reform efforts (Askar et al., 2020). Individuals living in poverty benefit the most from financial literacy as they are less likely to recover from financial difficulties without proper knowledge (Simpson, 2021). This makes it crucial for this group to make wise financial decisions to prevent any avoidable financial problems.

The lack of financial literacy among individuals with low socioeconomic status is a widespread issue in developing countries. A study by the Organization for Economic Cooperation and Development (OECD) revealed that most Indonesians in this demographic only have enough financial savings to last seven days in case of an emergency. Similarly, half of the population in Zambia does not use any financial services. A survey in South Africa shows that 60% of respondents do not understand important financial terms like "interest" (Simpson, 2021). These statistics highlight the widespread issue of insufficient financial literacy in developing countries. This suggests that financial literacy can help individuals become more aware of the financial services available and make informed decisions about which services are best suited to their needs. Wachira and Kihui (2012) found that households with a higher level of financial literacy were more likely to seek out information about financial services.

Additionally, research by Wachira and Kihui (2012) highlights the positive impact of financial literacy on individuals' understanding of financial services available to them. They found that households with higher financial literacy are more likely to seek out information on financial services that suit their needs. Lusardi and Mitchell (2011) also showed that financially literate people are more likely to plan for their retirement. Fornero and Monticone (2011) demonstrated that financial literacy plays a role in pension market participation. Hence, enhancing financial literacy in developing countries requires the collaboration of policymakers, stakeholders, organisations and other relevant parties.

### **Step 2:**

Access to finance is crucial in promoting poverty reduction and economic growth in developing countries. Despite efforts to address this gap, most of the unprivileged population in Sub-Saharan Africa still lacks access to financial services (Allen et al., 2012). Improving access to finance is crucial in driving financial development and reducing poverty in these countries. Erlando et al. (2020) confirmed that expanding poor people's access to financial services increases their economic opportunities, thus improving their lives. While in India, Inoue (2017) concluded that access to financial services and usage of banking services complement each other in the poverty-alleviation process.

Erlando et al. (2020) found that expanding access to financial services for poor people leads to improved economic opportunities and better lives. In India, Inoue (2017) documented that access to financial services and usage of banking services work together to reduce poverty. Therefore, the Central Bank of Nigeria (CBN) should encourage deposit banks to increase access to and utilisation of banking services, particularly in rural areas, by expanding their branch network and utilising mobile banking technology.

**Step 3:**

The next step is to implement an effective Conditional Cash Transfer (CCT) program as a way to combat poverty and enhance health and education outcomes in low-income communities. The CCT program involves providing cash to households with specific conditions attached. CCT programs aim to combat poverty by linking welfare benefits to recipients' actions. The government only provides financial assistance to individuals who fulfill specific requirements, such as sending their children to public schools, receiving regular medical check-ups, getting vaccinated, etc. These programs have received praise for their ability to decrease inequality and assist families in breaking the cycle of intergenerational poverty.

Studies have shown that countries implementing CCT programs have significantly increased household consumption, school attendance, and child health and have reduced mortality rates (Yunusa et al., 2018; Attanasio et al., 2005). This suggests that if CCT programs were implemented in Nigeria, it has the potential to improve school attendance, especially in the northern regions where attendance is low, enhance health services for expectant mothers and children, and increase household consumption.

**Step 4:**

Finally, investment in human capital is crucial. Human capital, as defined by Becker (2010), refers to the education, skills, health, and training of individuals. It is considered capital because these skills or education are a long-lasting part of individuals, similar to how a machine, plant, or factory lasts. Thus, there is a need to deliberately invest in human capital to improve education, skills, and health.

According to Osoba and Tella (2017), human capital development is crucial for economic growth and poverty reduction, leading to increased investment in education and health in developing countries to improve quality of life and productivity through better education and healthcare. Olapade et al. (2019) also support the idea that investment in education and health plays a significant role in national development in both developed and developing nations.

Investing in education and healthcare can greatly improve the quality of human resources, providing the economy with well-trained individuals crucial for economic growth. The government should prioritise this by increasing funding for education materials, improving teaching environments, and enhancing the quality of learning for successful skill acquisition and self-employment.

## **CONCLUSION**

This study critically reviews articles to ascertain whether financial development was successfully used to reduce poverty, the evidence of success and failure, how financial development was successfully implemented in reducing poverty and why financial development was unsuccessful and ineffective in reducing poverty. Using a Systematic Quantitative Assessment Technique and systematically reviewed of 91 financial development and poverty alleviation articles published over the last decade (2010–2022) the reviewed articles revealed that financial development can help reduce poverty and improve the well-being of the poor by increasing access to various sources of funding.

It was also found that poor institutional quality and low financial access hinder the ability of financial development to reduce poverty effectively. A FACI Blueprint was proposed as a solution to help governments reduce poverty in countries where financial development is lacking and unable to alleviate poverty. Therefore, the government should improve the financial system and ensure citizens' financial literacy, increase access to financial services, implement conditional cash transfer programs, and invest in human capital for sustained poverty reduction. Further research could also consider exploring whether there are any differences in the findings between earlier years and more recent publications since this study is restricted to 2010-2022. Similarly, further studies could also assist in understanding the relationship between FD and poverty reduction by adopting various analytical approaches, such as sampling by country-specific institutions, economic status, and Western versus Asian contexts. Such approaches could also help extract new information and identify the underlying reasons for the mixed results.



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