

## Social Capital and Poverty Reduction in Niger State, Nigeria: A Structural Equation Modelling Approach

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### Abstract

Despite the numerous policy/strategy put in place by the Nigeria government since independent in order to reduce the poverty rate in the country, evidence shows that the rate of poverty is still on the increase. This paper looked at the impact of social capital on poverty reduction in Niger State, Nigeria. Based on the importance and relevance of social capital to economic performance both at the micro and macro level, it is argued that it has an important role in poverty reduction. Social capital has been seen as a missing link to poverty reduction. To this end, social capital has been depicted as an empirically elusive concept, and as the glue that holds society together. Using a set of household data generated from the administration of structured questionnaire to 479 households in Niger State. This paper aims to investigate the impact of social capital on poverty reduction in Niger State, Nigeria, using structural equation modelling approach (AMOS). The social capital variables considered are the one suggested by Putnam which includes, community volunteerism, community organizational life, commitment in public affairs, informal cooperation and trust. The results obtained shows that apart from commitment in public affairs, all other variables were statistically significant, thus, fulfilling our a priori expectation that the more the people of the study area are engaged in social capital activities the more they find themselves out of poverty. This result notwithstanding, policy measures that would continue to make social capital more relevant to poverty reduction in Niger State, Nigeria in particular and the world in general were suggested.

**Keywords:** Social capital, Poverty reduction, Structural equation model (SEM/AMOS), Niger State, Nigeria.

## 1. Introduction

The situation of poverty in Nigeria is worrisome, it has revealed from the previous studies that the country is suffering from poverty. (See, Balogun, Yusuf, Omonana and Okoruwa. 2011; Balogun 2011; Ojimba, 2012, and Zaccheaus & Nwokoma 2012). This situation however, contradict the belief that the country is endowed with enormous human and physical resources, it is even more worrisome that despite the vast human and material resources that were put in place to reduce the level of poverty and the various economic policies introduced by the government since the 80's, such as, Austerity Measure and Structural Adjustment Program (SAP), Directorate of Food, Roads and Rural Infrastructure(DFRRI), Integrated Rural Development Projects, Better Life Program, Family Support Program, Mass Transit Program, National Directorate of Employment, Peoples' Bank, Family Economic Advancement Program, National Poverty Eradication Program, Subsidy Re-investment Program (SURE-P), poverty and the challenges that come with it still persist.

Nigeria is endowed with huge minerals and natural resources, but the citizens are hungry and poor in the midst of abundance. The poverty trend can be traced back to the year of independence where about 15 percent of the population lived below poverty line. In 1980, with an estimated population of 64.6 million in Nigeria, the poverty level rose to 28.1 percent and subsequently rises to 69.1 percent in the year 2010. The percentage rate represents, in absolute term 112.4 million people from an estimated population of about 160 million people. The rate also rises to 70 per cent in the year 2011 and 2012 and slightly drop to 67 per cent in 2013.

Nigeria is divided into thirty seven (37) states including Federal Capital. This thirty seven states are further divided into six geo-political zones, these include, North East, North West, North Central, South-South, South East, and South West. However, evidence shows that there is a wide variation in the rate of poverty of the geo-political zones in Nigeria. Northern Nigeria, in which the study area belongs, has witnessed the highest poverty rate. Of the six geo-political zones, poverty rate in North East, North West and North Central was 35.6 percent, 37.7 percent and 32.2 percent in 1980 respectively, which increase to 77.5 percent, 78.1 percent, and 68.0 percent for North East, North West and North Central respectively in the year 2013. Niger State, the study area is part of North Central and its poverty rate as at 2013 stood at 49.6 percent. National Bureau of Statistic (NBS, 2014).

North Central region consists of seven (7) States, which includes FCT Abuja, Kwara State, Kogi State, Plateau State, Nassarawa State, Niger State, and Benue State. According to UN (2015), through the global multidimensional poverty index, the poverty rates of these states are shown in table 1.1 below.

Table 1.1 Poverty Trends in North Central Region Between 2004 and 2014

States	2004 - 2014
Benue State	59.20%
FCT Abuja	23.50%
Kogi State	26.40%
Kwara State	23.70%
Nassarawa State	52.40%
Niger State	61.20%
Plateau State	51.60%

**Source: United Nation 2015**

Table 1.1 shows the poverty rates of the states in North Central region of Nigeria, between the year 2004 and 2014. According to UN (2015), Niger State, the study area has the highest poverty rate between this periods with poverty rate of 61 per cent, followed by Benue State whose poverty rate was 59 per cent, then Nasarawa State, with poverty rate of 52 per cent. FCT Abuja has the least poverty rate in the region with poverty rate of 23.50 per cent, followed by Kwara State whose poverty rate was 23.70 per cent.

Niger State is one of the States in the North central region of Nigeria, and its poverty rate as at 2014 stood at 61.20 percent. The causes of poverty in the State can be attributed to high level of adult illiteracy, lack of access to basic needs, such as, food, shelter, drinkable water, health, sanitation, epileptic electric power supply among others (NBS, 2014; UN 2015). Above all, agriculture is the main occupation of the people in the State, over 80 percent of the population are either on-farm or non-farm agriculturists. The effects of increase in the rate of poverty in the state can lead to poor nutrition and physical health problems, which will eventually lead to malnutrition and starvation, infectious disease, mental illness and drug dependence related crime and violence, as well as increase in the rate of "Almangiri" menace. Over the years, the Niger State government in collaboration with non-governmental agencies such as Youth Empowerment Scheme (YES), and Life- Rehab, have at one time developed and implemented several measures or program in reducing the level of poverty in the state. Such measures as housing scheme, transportation scheme, and Vision 3: 2020 among others, were also geared towards poverty eradication. Paramount among them since the inception of present democratic dispensation is that of vision 3: 2020, introduced by Governor Aliyu Muazu Babangida, which aims to make Niger State one of the top three state highest economy in Nigeria.

Despite all these measures, poverty high rate still persists in the state. Failures of all these measures make scholars and policy makers to belief that the concepts of social capital will go a long way in complimenting the existing poverty reduction strategy in the state. Social capital has seen as a missing link in poverty reduction strategy.

## **2. Literature Review**

### **2.1 Meaning of Social Capital**

The concept of social capital has expanded considerably for some time now. The history of social capital can be linked to the work of Hanifan in the 20th century, who refers to social capital as "goodwill, fellowship, mutual sympathy and social intercourse" that make "real substances count for most in the daily lives" (Hanifan, 1916). He noted that a district school supervisor developed recreational, scholarly, ethical and economic condition of the community.

Coleman (1998) was the first to conceptualize the notion of social capital systematically not more than two decades ago. According to him, human capital is less tangible than physical capital, and this personified by one's skills and capabilities. However, social capital is derived from relations among individual. He stated that, rational action and social contexts determine the actions of individuals, and also the development of social organizations. Putnam & Leonardi, (1993), analyzed civic participation and attributed that there is greater progress in the north Italy than the south where social capital is richer.

Although the concept of social capital can be understood differently, there has been a uniformity in the definition that focuses on networks, shared norms and values that facilitate cooperation within and among groups (Healy & Hampshire, 2002).

World Bank (2008) refers to social capital as institutions, relationships, and norms that shape the quality and quantity of a society's social interactions. It is generally seen as a multidimensional concept incorporating different levels and units of analysis. Social capital is not just the sum of the institutions which underpin a society; it is the glue that holds them together. These are more likely to benefit better economic growth, better well-being, better health, lower crime figures, higher educational achievement, and more.

## **2.2 Types of Social Capital**

Social capital is divided into two main types "government social capital and civil, social capital" According to Collier (1998); Putman (2000); Frank (2005); Elgar et al. (2011); Uphoff et al. (2013); Svendsen (2013); and Babaei (2013), government social capital is a governmental institution which determine peoples' ability to co-operate for mutual benefit. These institutions can be economic liberty, rule of law, enforceability of contracts, and the civil liberty, while civil, social capital comprises common values, norms, the informal network and associational memberships that influence the competences of individuals to work together to achieve common goals.

In relation to the types of social capital is the form of social capital. Social capital is widely recognized as a multi-dimensional concept with dimensions such as relationships, trust, reciprocity, and action for a mutual use. Some of these dimensions such as relationships can be further split down. Three different dimensions or types of relationships are described by Woolcock (2000); Stone (2003); and Hawkins et al. (2010); bonding, bridging and linking, forms of social capital. They describe bonding as the relationships that we have with people who are like us, close tie, Hawkins et al. (2010), and typically refers to those relations among members of families and ethnic groups, Bonding social capital is derived from relationships between similar persons (for example, those alike with respect to socio-demographic and socioeconomic characteristics). Bridging refers to those relationships we have with people who are not like us. These may be people who are from a different socioeconomic status, from a different generation or a different ethnicity, bridging social capital is derived from dissimilar persons at the same level of hierarchy. They describe linking social capital as the relationships people have with those in power. It is derived from relationships between persons across levels of hierarchy and power. Linking social capital enables individuals and community groups to leverage resources, ideas and information from formal institutions beyond the immediate community radios.

## **2.3 Measurements of Social Capital**

There are considerable debates on how social capital can be measured. The World Bank attempted to suggest an agreed ways of measuring social capital while individual researchers have also been giving their way of measuring social capital (World Bank, 2004; Narayan & Pritchett, 1999; Putnam, 1995; Roslan, Nor & Russayani, 2010). However, the research for common measure of social capital is still in the process. Therefore, measuring social capital depends on the assumptions made and the availability of socio-economic variables.

However, Putnam (1995), a pioneer researcher on social capital, suggested a significant approach by differentiating five components of social capital, these include, the community volunteerism, the community organizational life, the informal cooperation, the commitments in public affairs, and trust. Indicators used in measuring the community volunteerism, Putnam (1995) took into account the number of non-profit organizations per one thousand inhabitants; the number of times worked on community projects and the number of volunteer

placements during the year. As a measure of community organizational life these include; the number of civic and social organizations per one thousand inhabitants; serving in office for a club or organization; the mean number of group memberships serving on the committee of a local organization; and the mean number of club meetings attended during a year. Spending so much time visiting friends, and the mean number of times used in entertainment at home during the last year are proposed as measures of informal interaction. Proxies considered for cooperation in public affairs are the turnout in a presidential election and the participation in public meeting on town or school affairs. Putnam (1995) said that with respect to trust, he suggests strong feelings to trust people and the moral conviction that most people are trustworthy. Many scholars suggested different ways in which social capital can be measured, this paper follow Robert Putman concepts of social capital measurement in determine the impact of social capital on poverty reduction in Niger State, Nigeria.

#### **2.4 Poverty: Meaning, Types, Measurement, Causes and Consequences**

Poverty is a multidimensional in nature; scholars have described it in different ways. There is no precise agreement on the definition of poverty. Depending on the societies and changes over time, the perceptions, contexts, meanings and usages may differ among the observers and researchers. For example, World Bank (2006) defined poverty as a condition of having insufficient resources or income. In its most extreme form, poverty is a lack of basic needs, such as adequate and nutritious food, clothing, housing, clean water, and health services. According to United Nations (2009), “fundamentally, poverty is the inability of getting choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go, not having the land on which to grow one’s food or a job to earn one’s living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living in marginal or fragile environments, without access to clean water or sanitation”.

Related to the definition of poverty are the types of poverty. According to Eric Jensen, (2009), in his book, “teaching with poverty in mind,” identify six types of poverty: situational, generational, absolute, relative, urban, and rural.

Situational poverty is generally caused by a sudden crisis or loss and is often temporary. Events causing situational poverty include environmental disasters, divorce, or severe health problems.

Generational poverty is a situation in families where at least two generations have been born into poverty. Families living in this type of poverty are not expected to get out of poverty.

Absolute poverty, involves scarcity of necessities such as shelter, running water, and food. It is a situation of day-to-day survival on day-to-day survival. It is having an annual income less than half of the official poverty line. It can also be defined in terms of the minimal requirements necessary to afford minimal standards of food, clothing, healthcare and shelter

Relative poverty refers to the economic status of a family whose income is insufficient to meet its society's average standard of living. In other words it is referred to as the living standards of majority in a given society and separates the poor from the non-poor. Households with expenditure greater than two-thirds of the Total Household Per Capita expenditure are non-poor whereas those below it are poor.

Urban poverty occurs in metropolitan areas with higher populations. The urban poor deal with a complex aggregate of chronic and acute stressors, it consists of ghettos, slump, and shanties characterized by inadequate welfare services, low per capita income, over-crowded accommodation, and environmental degradation.

Rural poverty occurs in non-metropolitan areas with lower populations. In rural areas, there are more single-guardian households, and families often have less access to services, support for disabilities, and quality education opportunities. It is characterized by poor living condition. Programs to encourage transition from welfare to work are problematic in remote rural areas, where job opportunities are few (Whitener, Gibbs, & Kusmin, 2003).

According to (UNDP, 2009), HDI combines three components in which poverty can be measured: (i) life expectancy at birth (longevity); (ii) education attainment and; (iii) improved standard of living determined by per capita income. The first relates to survival-vulnerability to death at a relatively early age. The second refers to knowledge being excluded from the world of reading and communication. The third relates to a decent living standard in terms of overall economic provisioning. Poverty has various manifestations which include, among others: lack of income and productive resources sufficient to ensure sustainable livelihood, hunger and malnutrition, ill health, limited or lack of access to education and other essential services, increased morbidity and mortality from illness, homelessness and inadequate, unsafe and degraded environment and social discrimination and exclusion. It's characterized by a lack of participation in decision-making in civil, social and cultural life (World Bank, 2006).

### **2.5 Causes of Poverty**

Maldonado (2004) classified the causes of poverty into two, (i) low productivity of available household resources and (ii) the high income and consumption volatility experienced by poor households. The first one is associated to limited endowments (that is, human capital, technology and knowledge, social capital and physical capital), not well-defined property rights, and precarious access to markets (e.g., markets for goods and services, financial services, labor markets, and land markets). These constraints make it difficult for poor households to take fuller advantage of their productive opportunities. The second one is the instability of income and consumption results from the incidence of shocks and the lack of mechanisms to anticipate and cope with adverse occurrences. The inability of households to deal efficiently with shocks may lead to loss of productive assets and, thereby, reduce income-generating opportunities. To solve this problem, households may choose strategies that generate lower, but more stable returns in the process trap into poverty.

### **2.6 Consequences of poverty**

Poverty involves a complex array of risk factors that adversely affect the population in a multitude of ways. It has a wide ranging and often devastating effects. World Bank (2006) highlighted five major consequences of poverty. These are: (i) malnutrition and salvation, (ii) Infectious disease and exposure to the element, (iii) mental illness and drug dependence, (iv) crime and violence and lastly (v) long-term effect.

## **3. Materials and Methods**

### **3.1 Study Area, Sampling Procedure and Data Collection**

This study was conducted in Niger State of Nigeria, Niger State is one of the State in the Northern part of Nigeria, specifically, North central region. The State located in an area of

about 150 Kilometer from Abuja, the Federal Capital of Nigeria and on Latitude 8o22'N and 11o30'N and Longitude 3o30'N and 7o20'E.

Data was collected through structured questionnaire administered among the heads of households in Niger State between the month of January 2015 and May 2015. A stratified sampling method was used in selecting the respondents. To have an unbiased selection of samples (i.e. the respondents), a multistage sample design was used to collect cross sectional data from households in the study area. The first stage was to identify the sample areas which comprise twenty five (25) local government areas, which was divided into three (3) senatorial district that is Niger East, Niger North and Niger South. . In the state, two local government area was randomly selected from each of the senatorial district based on the proximity, ecological, socio-cultural, language speaking, and economic variations. This was necessary for equal representation of the study area. The second stage identified the number of household and population in each study area, while the third stage of the sampling involve random selection of eighty five point five (86.5) approximately eighty seven (87) households in each of the selected study areas. In all a total sample of about five hundred and nineteen (519) or five hundred and twenty two (522) heads of households were randomly selected to respond to the questions in the questionnaires. Out of which only 479 questionnaires were suitable for the analysis of this study.

### 3.2 Models Specification

In determining the influence of social capital on poverty reduction in Niger State, Nigeria, an econometrics model of simultaneous equation modeling through structural equation model was built around the indicators of civil social capital and poverty reduction, as the main objective of this paper. The model was used in estimating the impact of these indicators on the poverty reduction in Niger State, Nigeria.

Following the work of (Knack and Feefer, 1997; Grootaret, 1999; Putman, 1995; Grootaert & Narayan, 2004; Grohowska & Strawinski, 2010; and Roslan, et al., 2010), with some modifications, the components of social capital consider includes the following: (i) Community Volunteerism, (ii) Community Organizational life, (iii) Informal Cooperation, (iv) Commitment in Public Affairs, (v) Trust.

These can be represented in the following model

$$Y = f(CV, COL, IC, CPA, Trust)$$

Where:

Y = per capita consumption of the heads of household

x<sub>1</sub> = Community volunteerism include: ( number of non-profit organizations per one thousand inhabitants; the number of times worked on community projects; and the number of volunteer placements during the year,

x<sub>2</sub> = Community organizational life include:(the number of civic and social organizations per one thousand inhabitants; serving in office for a club or organization; the mean number of group memberships serving on the committee of a local organization; and the mean number of club meetings attended during a year)

x<sub>3</sub> = Informal cooperation includes: (turnout in a presidential election; and the participation in public meeting on town or school affairs)

x<sub>4</sub> = Commitments in public affairs include: ( time visiting friends; and mean number of times used in entertainment at home during the last year)

x<sub>5</sub> = Trust include: (strong feelings to trust people; and the moral conviction that most people are trustworthy)

This study used questionnaires in gathering the information needed for the analysis. The responses to the questionnaires by the respondents were coded and then analyzed using SPSS 22 and analysis on Structural Equation Model (SEM) was conducted using Analysis of Moment Structure (AMOS).

According to Kline, (1998), a sample size that is more than 200 can be considered to be large enough for Structural Equation Modeling (SEM) analysis. Hence, this study is qualified to adopt Structural Equation Model (SEM) technique, because the sample size exceed 200.

The variables considered for this study are: Poverty (Poverty), Community Volunteerism (CV), Community Organizational Life (COL), Commitment in Public Affairs (CPA), Informal Cooperation (IC), and lastly Trust (Trust).

#### 4. Results and Discussions

##### 4.1 Exploratory Factor Analysis:

An EFA was performed for the items adopted for this study, using SPSS statistical software package for the analysis, which consisted Principal component analysis using varimax rotation with Kaiser Normalization.

The result shows six (6) factors with eigenvalues greater than 1, they were 8.49, 4.03, 3.33, 2.84, 2.04, and 1.49. The eigenvalues for the seventh and eight factor is 0.867 and 0.744 respectively. These were extracted with total items of 28. The six factors extracted from EFA represented the best factor structure, and 79.38 percent accounted for the total variance. The loading of the items ranged from 0.624 to 0.945, these ranges is above the threshold value of 0.50 recommended by Hair et al., (2010). Apart from item IC5 and Pov. 5, all other items were found to provide a meaningful relationship to this factor.

Another important test carried out by EFA is Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity. As for the KMO, the closer the value to 1, the better the patterns of correlation. However, the cutoff value for KMO must be greater than 0.5 as recommended by Kaiser, (1974). Therefore, the KMO for the items for this study is 0.84, this is considered suitable for factor analysis since it greater than the required threshold of 0.5. Also, Bartlett's test of Sphericity was significant with Chi-Square of (141, N=378),  $P < 0.001$ . These results indicate that the data used for the study is appropriate for factor analysis.

##### 4.2 The Measurement Model Fit

In the measurement model, the model fit generated along with the output including the CFI, NFI, RMSEA and Relative chi-square, meet their expected range to justify the validity of the measurement model.

**Table 4.1 Established Criteria for Fit Indices**

Fit indices	Authors	Recommended values	Values from current model
CFI	Bentler, (1990), Hatcher, (1994),	➤ .90	0.935
NFI	Bentler & Bonett, (1987)	➤ .90	0.919
GFI	Yuan, K.H,(2005), Steiper, J.H, (2007) Hair et.al., (2010)	➤ .90 ➤ .80	0.891

RMSEA	Byrne, (2001), Hu & Bentler (1999)	< 0.05 or ≤ 0.08	0.08
Relative Chi-square	Marsh & Hocevar, (1985), Bentler (1990)	< 5.0	4.662

In assessing the validity and reliability of the measurement model, this study first assessed the unidimensionality before proceeding to validity and reliability assessment. The unidimensionality was achieved because all factors loading were positive and greater than 0.5. (See Table 4.2)

**Table 4.2: The CFA Report for Every Construct in the Model**

Constructs	Items	Factor loading	CR (Minimum 0.6/ 0.7)	AVE (Minimum 0.5)
CV	CV1	1.00	0.817	0.657
	CV2	0.53		
	CV3	Deleted		
	CV4	0.56		
	CV5	Deleted		
COL	COL1	0.54	0.901	0.753
	COL2	Deleted		
	COL3	0.93		
	COL4	0.79		
	COL5	Deleted		
Inf. Coop.	IC1	0.93	0.940	0.84
	IC2	Deleted		
	IC3	0.88		
	IC4	Deleted		
	IC5	0.73		
CPA	CPA1	0.92	0.945	0.853
	CPA2	Deleted		
	CPA3	0.74		
	CPA4	0.90		
	CPA5	Deleted		
Trust	T1	0.79	0.911	0.722
	T2	0.87		
	T3	0.66		
	T4	Deleted		
	T5	0.57		
Poverty	Pov1	Deleted	0.682	0.53
	Pov2	0.33		

	Pov3	0.73		
	Pov4	Deleted		
	Pov5	Deleted		

**Table 4.3: Discriminant Validity Testing**

	<b>CV</b>	<b>COL</b>	<b>IC</b>	<b>CPA</b>	<b>Trust</b>	<b>Poverty</b>
<b>CV</b>	<b>0.81</b>					
<b>COL</b>	0.25	<b>0.87</b>				
<b>IC</b>	0.22	0.15	<b>0.92</b>			
<b>CPA</b>	0.17	0.24	0.39	<b>0.92</b>		
<b>Trust</b>	0.25	0.36	0.34	0.22	<b>0.85</b>	
<b>Poverty</b>	0.42	0.56	0.31	0.22	0.41	<b>0.728</b>

The value in diagonal and bold is the square root of AVE of the construct while other values are the correlation between the respective constructs. The discriminant validity is said to be achieved when a diagonal value (bold) is higher than the values in its row and column. Therefore, this study exhibit sufficient discriminant validity, since the value in bold is higher than the values in its row and column. Also, there is the absence of multicollinearity since the correlation coefficient among the latent variables did not exceed 0.85 (See Zainudin 2015).

#### 4.3 Assessment of the Items' Normality

The third stage of measurement model which is also important is to examine the fulfillment of assumption of normality. According to Tabachnich and Fidell, (2007), Data is considered to be normal if the values of skewness fall between the ranges of -2 to +2. Byrne, (2010), also considered a data set to be normal if the values of kurtosis fall between the ranges of -7 to +7.

The values of both skewness and kurtosis fall within the threshold, this justifies the normality of data used for this study, and we can also say that all the observed data for items considered for this study are normal.

The basic structural model for the impact of social capital on poverty reduction in Niger State, Nigeria, is the path diagram that explained the influence of the components of social capital on poverty reduction in Niger State, Nigeria. The path diagram shows a significant level, this is because the fit indices meet the required threshold. For instance, the relative chi-square was 4.662, which is within the range of required fitness of less than 5.0, this indicates an acceptable fit. Also, the root mean square error of approximation (RMSEA) 0.08 shows that the model is acceptable, because it falls within the threshold of less than or equal to 0.08, the CFI, NFI, GFI and TLI all meet their expected range to justify the validity of the structural model.

#### 4.4 Results of the Regression Analysis

**Table 4.4: Results of SEM on the Impact of Social Capital on Poverty Reduction in Niger State, Nigeria**

Construct	$\beta$	SE	Beta	CR	$\rho$
CV	0.128	0.027	0.244	4.767	0.000
COL	0.287	0.040	0.422	7.192	0.000
CPA	-0.007	0.024	-0.015	-0.304	0.761
IC	0.095	0.033	0.148	2.911	0.004
Trust	0.153	0.053	0.151	2.897	0.004

R = 0.66

R<sup>2</sup> = 0.44

Table 4.4, shows the results of the regression analysis on the impact of social capital on poverty reduction in Niger State, Nigeria. The R<sup>2</sup> value of 0.44 shows that 44 per cent variation in the dependent variable (Poverty) is explained by the explanatory variables (Social Capital Components). According to Chin et al., (2003), R<sup>2</sup> values greater than 0.67 is having practical value, R<sup>2</sup> value between 0.33 and 0.66 is assumed to have moderate explanatory value and while R<sup>2</sup> value between 0.19 and 0.32 has weak explanatory value, therefore, R<sup>2</sup> for this study is 0.44 and it has a moderate explanatory power. Looking at the individual variables, out of five independent variables, (that is, social capital components), only one was not significant, an indication that the model is acceptable. Community volunteerism (CV), has a coefficient of 0.128, with critical ratio of 4.767 was positively related to poverty reduction and statistically significant at 1 per cent level. The beta result of 0.244 indicates that community volunteerism has 24.4 per cent direct effect on poverty reduction in Niger State, Nigeria. Community organizational life (COL), has coefficient of 0.287 with critical ratio of 7.192 been positively related to poverty reduction and statistically significant at 1 per cent level. The beta result of 0.422 indicates that community organizational life has 42.2 per cent direct effect on poverty reduction in Niger State, Nigeria. Informal cooperation (IC), has coefficient of 0.095 with critical ratio of 2.911 been positively related and statistically significant at 1 per cent level. The beta result of 0.148 indicates that informal cooperation has 14.8 per cent direct effect on poverty reduction in Niger State, Nigeria. Trust (T), has coefficient of 0.153 with critical ratio of 2.897 been positively related and statistically significant at 1 per cent level. The beta result of 0.151 indicates that trust has 15.1 per cent direct effect on poverty reduction in Niger State, Nigeria.

### 5. Policy Implications and Recommendations

The proposition of this paper, investigates the impact of social capital components on poverty reduction in Niger State, Nigeria, using structural equation model technique. The findings of this study revealed that community volunteerism (CV), community organizational life (COL), informal cooperation (IC) and trust (Trust) have significant impact on poverty reduction in Niger State, while commitment in public affairs (CPA) is not statistically significant.

This results notwithstanding, the following policy implications can be considered for possible impact of social capital in reducing household's poverty in Niger State, Nigeria.

Firstly, the government can institutionalize the measurement of social capital. In doing this a data base of social capital formation would be required in Niger State. The measurement of social capital will additionally provide social indicators of standard of living as well as well-being which would leads to reduction in poverty status of the household in Niger State. Institutionalizing the measurement of social capital means that incorporating social capital perspective into public policy. Database that can be used for time series purposes should be

encouraged in order to achieve other purposes in the future. Therefore, it would be very important to incorporate social capital dimensions into national surveys.

Secondly, policy initiatives that would promote social networks and interactions, informal cooperation, community organizational life, commitment in public affairs and trust among the households as well as community empowerment should be given proper attention and priority by the government both at local, state and national level. This policy would enhance the development of social capital and since social capital is an important component of household's survival portfolio that provides sources of livelihood. One important way of promoting the development of social capital is by increasing the cohesiveness of households to be able to work together as well as increasing the community participation in social capital activities in order to achieve their common goal. For example, programmes such as youth empowerment program, community volunteerism scheme, community organization program etc. should be encouraged.

Thirdly, another important policy in which social capital can reduce the poverty status of the household is by the ability of the shared values, social norms and association of membership and other kinds of social networks that would give room for collective action. This would enable the poor to cooperate for mutual benefit in carrying out advocacy activities as well as participating in common pool resources management and public services delivery.

Fourthly, another important policy that can also make social capital contributes to poverty reduction in Niger State; Nigeria is good governance and political participation. Policy makers who are interested in improving the living standard of the household may be advised to promote good governance and political participation; this will go a long way in improving the well-being of the households in Niger State, Nigeria. For instance, Galab and Reddy, (2006) are of the view that policy that would foster grassroots community organizations are likely to have a spill-over impact on participation in electoral politics and demands for better governance.

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