THE IMPACT OF MICROFINANCE IN ALLEVIATING POVERTY IN NIGERIA: A STUDY OF FIVE SELECTED MICROFINANCE BANKS IN SHOMOLU LGA, LAGOS STATE

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Abstract

This study examines the role of microfinance vis-à-vis poverty reduction in Nigeria. Data were collected through survey questionnaire in the study area. This study considered descriptive survey research design and a sample size of 168. Descriptive statistics together with Binary Logit Regression Model were employed to analyse the data collected Microfinance has been identified as one of the influential development efforts towards promoting financial sustainability for poor individuals in the society. The government of Nigeria has made concerted efforts to alleviate poverty in the country. One of such efforts is Poverty alleviation. The result of the analyses revealed that most of the Microfinance Institutions in Nigeria are rather too young to have made a very remarkable long term impact. Most of the micro-entrepreneur-customers are in their prime age of life which falls in the economic activity group. Furthermore, about 73% of the customers are women, which validate the general belief that we have more women engaged in Microfinance activities in Nigeria than men. It is therefore, recommended that microfinance should not be seen as a universal remedy for poverty and related development challenges, but rather as an important tool in the mission of poverty alleviation. Poverty is a multidimensional problem, embedded in a complex and interconnected political, economic, cultural, and ecological system.

Key Words: *Entrepreneurship, Financial Sustainability, Government, Microfinance, Poverty alleviation*

1. INTRODUCTION

The problem of poverty alleviation actually starts with the proper identifications of the poor. Over the years the issue of poverty has assumed a global status both in dimension and efforts to reduce it. According to The World Bank (2010) the number of people living below the $1.25 a day poverty line declined from 1.94 billion (52% of the population of the developing world) in 1981 to 1.29 billion (22%) in 2008, a 33.5% drop. The World Bank estimates that just less than half of the population of sub-Saharan Africa lives below $1.25/day (World Bank, 2010 cited in Lawanson, 2016). According to the Report, Poverty is more prominent in Sub-Saharan African countries than anywhere else in the World. In a report on Poverty and Human Development in Africa, released by the UNDP (2011) Nigeria is ranked 32nd among the 42 poorest nations of the world. In a similar development, the World Bank study on poverty in Nigeria in 1995 identified that poverty in rural communities are related to poor facilities, food insecurity, obsolete agricultural facilities, poor nutrient values, little access to savings and credit and general inability to meet basic needs (Lawanson, 2016). Wide-spread poverty, with all the problems that comes with it, is the greatest challenge of our time. One of the identified constraints facing the poor is lack of access to formal sector funds to enable them to take advantage of economic opportunities to increase their output, thereby move out of poverty (Sumner, 2007 cited in Montgomery, 2014). Traditional aid has not helped in solving this problem (Meehan, 1999 cited in Lawanson, 2016). Microfinance has been identified as one of the influential development efforts towards promoting financial sustainability for poor individuals in the society (Lindvert, 2006 cited in Chowdhury, 2013). The microfinance revolution has changed attitudes towards helping the poor in many countries and in some has provided substantial flow of finance, often to very low-income groups or households, who would normally be excluded by conventional financial institutions (Kurmanalievaet al, 2003 cited in Chowdhury, 2013). Microfinance has proven to be an effective and powerful tool for poverty reduction (Morduch & Haley, 2001 cited in Chowdhury, 2013).

As a result, in recent years, microfinance has been considered as an integral component of poverty reduction strategy by many governments, international organizations and donors. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, gradually build their asset base, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life. Like many other development tools, however, microfinance has insufficiently penetrated the poorer strata of the society. The poorest still form the vast majority of those without access to primary health care and basic education; similarly, they are the majority of those without access to microfinance (Irobi, 2008 cited in Chowdhury, 2013). The findings of the studies and surveys conducted in Nigeria correlate with those of the international bodies. If poverty is characterized by hunger, ill health, inadequate or poor housing, illiteracy, malnutrition and unemployment, then there is no doubt that majority of Nigerians are living below the poverty line as set out by the World Bank in 1990 (World Bank, 1990 cited in Copestake & William, 2011).

Poverty is a harsh and undesired phenomenon in mankind. The need for reducing and if possible eradicating it is unquestionable. Based on the evidence on the role of microfinance in socio-economic development and poverty alleviation (Meyer, 2012), microfinance programs have increasingly been considered as a component of the main instruments in poverty reduction in recent development agenda. It is clear that the tools for creating human development to move people out of poverty have been hard to come by in many Less Develop Countries (LDCs). Since micro-finance has been promoted by many development experts as one among the developmental tool to reduce global poverty, however, the efficacy of microfinance program has been a contentious issue of late among development economist, researchers, and the entire academia.
There has been reported cases of mixed reactions as to the impact of micro-finance in poverty reduction with many authors having varied opinion on the phrase “micro-finance” While some school of thought believes micro-finance has positive impact in reducing poverty others share contrary views, hence the significance of this study. It is now prudent to examine and evaluate the contribution of micro-finance to poverty reduction in Nigeria. The contribution of micro-finance in the development of micro and SME businesses, savings mobilizing, women empowerment, assets, financial inclusion will be assessed. Finally, it is strongly believed that, the result of this research study will be relevant to policy planners, academicians, NGOs, development practitioners, and the government of Nigeria as a whole. This study is to examines the role of microfinance vis-à-vis poverty reduction in Nigeria, and assess the impact of microfinance institutions on the growth of small and medium scale enterprises in Nigeria. The studied banks are located in Shomolu Local Government Area of Lagos State, Nigeria. These banks are: Rehoboth Microfinance Bank, Gold Trust Microfinance Bank Limited**,** Accion Microfinance Bank Ltd, Olive Microfinance Bank Limited and LAPO Microfinance Bank.

1.2 Company Profile

Rehoboth Microfinance Bank
Rehoboth Microfinance Bank is located at Onipanu Bus Stop, Onipanu, 12 Awe Cresent, Lagos and have continued to wax stronger and stronger particularly after having recapitalised with shareholders fully paid up capital of One Hundred Million Naira. Furthermore, the Central Bank of Nigeria has approved us as a State Microfinance Bank, which means we can now have branches anywhere in Lagos State. Rehoboth Microfinance Bank Balance Sheet has also grown by 95 percent from where we were in 2008, and our income has also witnessed an impressive growth of 153 percent. In addition, our customers are able to withdraw from any Fidelity Bank branch, as against the usual practice of clients coming to our Head Office for their banking transactions. Our Board of Directors are seasoned professionals that are committed to the dual purpose of micro-finance banking. Our Management Team is made up of core professionals that have wealth of experience on the job. We are happy to welcome you to start a business relationship with us, and look forward to seeing you

Gold Trust Microfinance Bank Limited
Gold Trust Microfinance Bank Limited is located at 55, Shogbamu Street, Bariga, Lagos State City/Town: Bariga, Lagos state. The company has over 10000 customers,

Accion Microfinance Bank Ltd

Accion Microfinance Bank Ltd was established in 2006, Accion Microfinance Bank Limited began operations in May 2007 on license from the Central Bank of Nigeria. Our management team comprises seasoned and distinguished professionals from diverse backgrounds complemented by the expertise of our technical partners, ACCION International. At Accion Microfinance Bank our core values, business philosophy and methodology distinguish us as one of the leading microfinance banks in Nigeria.

Olive Microfinance Bank Ltd

Olive Microfinance Bank Limited was established in 2005, Olive Microfinance Bank Limited started operations in 2006 on license from the Central Bank of Nigeria. The company is located at Ikorodu Road, Lagos.

LAPO Microfinance Bank

LAPO Microfinance Bank is a pro-poor financial institution committed to the social and economic empowerment of low-income households through provision of access to responsive financial services on a sustainable basis. The Institution was established in the late 1980s as a Non-Governmental Organization (NGO) by Godwin Ehigiamusoe in response to the effects of the implementation of the Structural Adjustment Programme (SAP) in 1986. In 2010, LAPO MfB obtained the approval of the Central Bank of Nigeria (CBN) to operate as a state microfinance bank and in 2012, it got an approval as a national microfinance bank. Over the years, LAPO MfB has emerged as a leading institution delivering a range of financial services to over a million people in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

Microfinance can be defined as a type of financial development mainly dedicated to poverty reduction via provision of financial services to the poor. The Canadian International Development Agency (2002) cited in Mayoux (2012) defined microfinance as, the provision of a wide spectrum of financial services to the low-income households and micro-enterprises who usually lack access to formal financial institutions. Though it is narrowly believed that microfinance is all about micro-credit (i.e. lending small amounts of money to the poor), microfinance is beyond that: it has a far-reaching perspective, which include transactional services, insurance, and most importantly, savings. Micro finance is described as a short term loan provided too those people who are living below the poverty line, through the financial institutional system. These short term loans available to those customers at door step at the time when they need it.Through micro finance helps to improve the welfare of the poor people through better approach of saving and loans (Schreiner, 2000 cited in Mayoux, 2012). Micro finance means giving small credits to poor individuals to build or reshape their businesses and to guide them employ about fruitful activities for improving their livelihood. Micro finance having many varieties of services which are as advances, insurances and savings for very poor people who do not have availability to utilize the formal standard bank products (Rehman, 2007 cited in Narasaiad (2007). The major attributes of Micro finance are helping the poor people by providing them short term loans. As the Murray and Boros (2002) cited in Narasaiad (2007) was specifying that Microfinance has many characteristics some of them and they are as:

2.1.1 Key Characteristics of Microfinance

It is helpful to enumerate some of the characteristics associated with what is perceived to be "microfinance." There are at least nine traditional features of microfinance: Small transactions and minimum balances (whether loans, savings, or insurance); Loans for entrepreneurial activity; Collateral-free loans; Group lending; Target poor clients; Target female clients; Simple application processes; Provision of services in underserved communities and finally Market-level interest rates. It is debatable which of these characteristics, if any, are necessary conditions for a program to be considered microfinance. The first feature, small loans, is likely the most necessary, though lending itself is not essential; some microfinance programs focus on mobilizing savings (although few focus entirely on savings without engaging in any lending). Although MFIs often target micro entrepreneurs, they differ as to whether they require this as a condition for a loan. Some MFIs visit borrowers' places of business to verify that loans were used for entrepreneurial activities while other MFIs disburse loans with few questions asked—operating more like consumer credit lenders. In addition, some MFIs require collateral or "collateral substitutes" such as household assets that are valuable to the borrower but less than the value of the loan. Group lending, too, while common practice among MFIs is certainly not the only method of providing micro-loans. Many MFIs offer individual loans to their established clients and even to first-time borrowers. Grameen Bank, one of the pioneers of the microfinance movement and of the group lending model has since shifted to individual lending. The focus on "poor" clients is almost universal, with varying definitions of the word "poor." This issue has been made more important recently due to legislation from the United States Congress that requires USAID to restrict funding to programs that focus on the poor. Some argue that microfinance should focus on the "economically active poor," or those just at or below the poverty level according to Robinson (2001). Others, on the other hand, suggest that microfinance institutions should try to reach the indigent

Most, but not all, microfinance programs focus on women. Women have been shown to repay their loans more often and to direct a higher share of enterprise proceeds to their families. Worldwide, the Microcredit Summit Campaign reports that 80% of microfinance clients are female. However, the percentage of female clients varies considerably by region, with the highest percentages in Asia, followed by Africa and Latin America, with the fewest women served by microfinance institutions (MFIs) in the Middle East and North Africa. This focus on the poor, and on women, along with the simple application process and the provision of financial services in clients' communities together form financial access, that is, the provision of financial services to the unbanked, those who have been excluded from financial services because they are poor, illiterate, or live in rural areas.

Finally, microcredit loans are designed to be offered at market rates of interest such that the MFIs can recover their costs but not so high that they make supernormal profits off the poor. This is an important concept because institutions that charge high interest rates can be scarcely cheaper than the moneylenders they intended to replace, and institutions that charge subsidized rates can distort markets by undercutting other lenders that are attempting to recover their costs. This has implications for effect assessments because the less clients must pay in interest the more they could be expected to show in increased income. If we compare the effect of institutions that fall outside of "normal" microfinance interest rates, we could end up drawing unreasonable conclusions about the effectiveness of one program versus another, since each type of program attracts different clients and imposes different costs on their borrowers. (Parker & Pearce, 2001).

2.1.2 Poverty Alleviation

Poverty is defined as lack of command over basic consumption needs, that is, a situation of inadequate level of consumption; giving rise to insufficient food, clothing and shelter (Ravillion & Bodani, 1994 cited in Okurut et al, 2014). The phenomenon of poverty may also be defined as lack of certain capabilities, such as being able to participate with dignity in societal endeavors (Aluko, 1975 cited in Okurut et al, 2014). Poverty is as old and as rife as humankind. A majority of the human race has always suffered intermittent hunger. What is not old is the fact that people all over the world are beginning to demand a betterment of their economic lot. It is this revolution in expectation that is creating such ferment in the underdeveloped world. And these new attitudes are a political force that cannot be ignored (Enke, 2007 cited in Okurut et al, 2014). According to the World Bank Organization, the most commonly used way to measure poverty is based on incomes. If a person's income level falls below a minimum level required to meet his basic needs, the person is considered poor. This minimum level is usually called the "poverty line". Essentially, three common definitions of poverty exist: absolute poverty, relative poverty and social exclusion. Absolute poverty can be defined as a condition of severe lack of basic human needs, such as safe drinking water, food, health, shelter, sanitation facilities, information and education. Absolute poverty is a function of not only income but also of access to services (United Nations, 1995 cited in Okurut et al, 2014). Relative poverty is defined as the condition characterized by lack of the minimum amount of income necessary to sustain an average standard of living. Social exclusion, a complex multi-dimensional process, is the lack/denial of goods and services resources, rights and ability to partake in normal relationships and activities accessible to the majority in the society, whether in political, social, economic or cultural arenas (Levitas, 2007 cited in Okurut et al, 2014).

Poverty reduction is basic goal of development policy but according to the definition of poverty, there is little conformity and for poverty reduction strategy, definition of poverty matter a lot (Laderchi, Saith & Stewart, 2003 cited in Okurut et al, 2014). The resources includes 1) human i.e. education accessible, 2) natural i.e. land access, 3) physical i.e. approach to infrastructure, 4) social i.e. approach to system of responsibilities or 5) financial i.e. approaches to credit. The state of poverty has been investigated conservatively as one of hindrance in access by unfortunate family circle to these above mentioned assets essential for a higher standard of earnings or wellbeing (World Bank, 2000 cited in Okurut et al, 2014). Poverty can "be present in a specified society when one or more people do not achieve a level of material well-being which is considered as to comprise a logical lowest level by the principles of the humanity" (Ravallion, 1992 cited in Okurut et al, 2014). Muhammad Yunus a great economist developed the different theories and model which are known as the GRAMEEN MODEL in 1976. According to Yunus, small amount of loans are most helpful for the poor people to pull themselves out of poverty (Roy, Mark, A, 2003). In August 14, 1947 Nigeria came into existence after a long political struggle. The total area of Nigeria is 796,095 sq. km. Nigeria state has four provinces, Sindh, Punjab, Balochistan and KPK, with tribal area Azad Jammu and Kashmir and Federal region Islamabad. The Nigeria country has total 184.35 million residents. 62% (114.4 million) of the total population are living rural areas while 38% (69.87 million) in urban areas (Highlights of the Nigeria Economic Survey 2012-13). There are several types of poverty in Nigeria. In Nigeria, poor people have low earnings and they also face the problems of having basic needs such as education, health, land holding, pure drinking water, housing facilities and proper sanitation. In Nigeria, poor people living below the poverty line are 24% in 2007 which was 34% in 2000-01. Percentage of poverty is about twice in rural areas as compared to urban areas. For example, the percentage of poverty was 14.96%in 2006, whereas in rural areas it was 28% (SBP-a, 2007). Extremely poor people in the country were 1.1 % in 2001 and 1 % in 2005. Ultra poor people was10.8 % in 2001 and 6.5 % in 2005 and poor people were 22.5 % in 2001 and 16.4 in 2005 (Okurut et al, 2014).

2.1.2.1 Wealth

Wealth is most important for the economic & material welfare. Wealth provides the opportunity to the poor people to show their potential. Although, the present research focuses on characteristic of wealth, either it is the form of the reserve or flow. Wealth has different dimensions like savings, consumption, household assets and land holding. Savings and investments have the impact on poverty reduction (Khandker, 2000 cited in Adebayo, 2009). Through Microfinance scheme, the poor peoples may have enhanced their earnings, investment & savings and some additional assets (Adebayo, 2009).

2.1.2.2 Education

The main objective of the poor peoples is to invest their income into their children's schooling. Earlier research shows that children of poor peoples who get the microfinance are more punctual to go to school for better education as compare to the other children. The poor family wants to educate their children. The education is the most important skill to improve the human being livelihood. It allows the persons to share their potential in public, financial and political area of their lives. Education has favorable & positive pressure on poverty reduction, since the better education provides the opportunity to increase income, health and food (Adebayo, 2009).

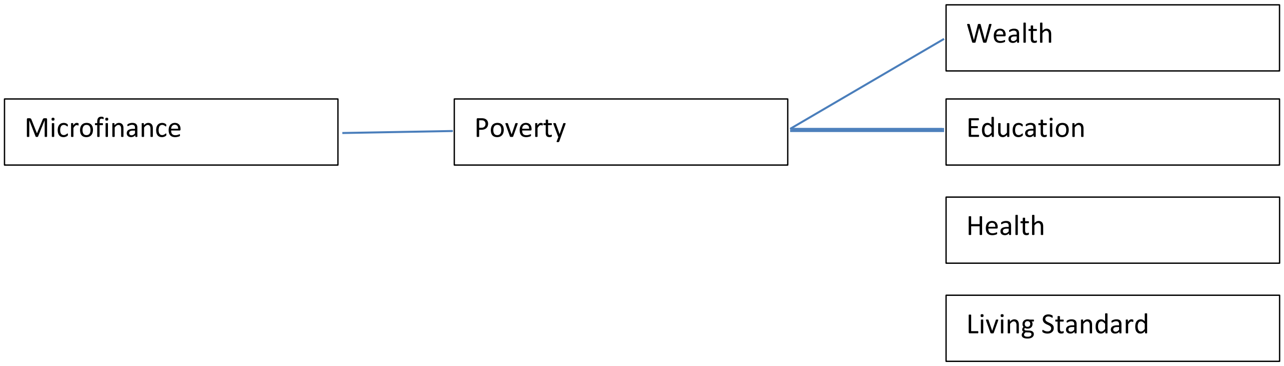
2.1.2.3 Health

Similar to education, health plays an important role in verifying the welfare of the poor people. Health and education are two major aspects of non-economic influence of Microfinance at a family level. Wright (2000) stated that Microfinance has the impact on wellbeing and schooling, dietetic items consider to progress. Murdoch and Hashemi (2003) cited in Ahmad, Durrani, Muhamm, Muhammad, Usman,(2011) also identify the spare precise proof of the influences of Microfinance on health however learning have been ending up with the result as, "family of Microfinance customers show to encompass improved food, health condition than as compared to non-client family unit". To measure the level of poverty, first check the health status of the people and their family (Adebayo, 2009).

2.1.2.4 Living Standard

Most of Nigeria people are considered as a cluster living on weaknesses. Assessing the financial situation of the earlier years, the value rises the rate of Nigeria is raising rapidly. Increasingly rate of inflation create the trouble for the poor people in Nigeria culture. The rich are getting to be richer as well as the poor are getting to be poorer. The basic necessities of the people in Nigeria, these are "food, clothing and shelter" or many other are "job, education and utilities". The proportion of their three key desires with their three superficial requirements is essential for the poverty reduction as well as for enhancing living standard and budgetary perpetual quality (Johnson & Rogaly, 1997 cited in Ahmad, Durrani, Muhamm, Muhammad, & Usman, 2011). Microfinance becomes the source to improve the living standard of the poor people in Nigeria.

2.1.3 Conceptual Model based on literature Review



Source: Usman, (2015). Analysis the Impact of Microfinance on Poverty Reduction

2.1.4 Microfinance as a Poverty Reduction Tool

There is a debate about whether impact assessment of microfinance projects is necessary or not. The argument is if the market gives sufficient proxies for impact, such that customers are pleased to pay for a service, then assessments are a waste of resources (Green, Kirkpatrick & Murinde, 2016). However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFIs. Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning with MFIs so that they can improve their services and the impact of their projects (Green et al., 2016). Poverty is beyond a lack of income. Wright and Rowe (1999) cited in Green et al., (2016) drew attention to the shortcomings of seeing increased income as the sole measure of the effect of microfinance on poverty. He argues that a significant difference exist between increased income and poverty alleviation. He argues further that by growing the incomes of the poor, microfinance institutions are not necessarily alleviating poverty. It is all a function of what these low-income people do with the money: often it is spent on gambling or on alcohol. Thus focusing merely on growing incomes is not adequate. The focus needs to be on helping the poor to have a particular quantum of well-being by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved (Hussien & Hussain, 2013). Microfinance is a tool for poverty reduction and while arguing that the record of MFIs in microfinance is "generally well below expectation" he does concede that some positive impact do take place. After a study of a number of microfinance institutions, the findings show that redistribution of wealth and consumption smoothing effects within the household are the commonest impacts of microfinance (Baridam, 2011; Brock & McGee, 2012).

Hulme and Paul (1996) cited in Baridam (2011) in a broad survey of the usage of microfinance to fight poverty, showed that ingenious microfinance programmes can enhance the incomes of the poor and can lift them out of poverty. They argued that clear evidence exists that the effect of a loan on a borrower's income is correlated with his level of income, as people with greater incomes have a wider spectrum of investment opportunities and so microfinance schemes are much more likely to be advantageous to the middle and upper poor". However, they also show that when MFIs such as the Grameen Bank and Bangladesh Rural Advancement Committee (BRAC) provided credit to very poor households, those households were able to raise their incomes and their assets.

Hulme and Paul (1996) cited in Baridam (2011) found that when loans are correlated with rise in assets, when borrowers are motivated to participate in low-risk income-generating activities and when the extremely poor are motivated to save; the susceptibility of the extremely poor is drastically reduced and their poverty subsides. Johnson and Rogaly (1997) cited in Baridam (2011) highlight examples where savings and credit met the needs of the poor. They argued that microfinance experts have begun to see increase in economic security, rather than increased income as the first step in the alleviation of poverty as this lessens recipients" overall vulnerability. Thus, while the debate still rages on about the effect of microfinance schemes on poverty, it is established that when microfinance institutions recognize the needs of the poor and meet those needs, microfinance schemes can have positive impacts on alleviating the susceptibility, not just for the poor, but also for the poorest in the society.

2.1.5 Challenges of Micro Financing

In spite of the progress made so far by micro finance institutions in different parts of Africa, both the formal and informal micro finance providers face real challenges in their attempt to extend financial services to the poor. A general challenge for many MFIs and other financial serving the sector is that they are operating without an agreed upon definition of what poverty is in the micro finance context. The question is how they can deepen and maintain outreach to a target that they do not truly know. Rhyne and Otero (2006) cited in Anyanwu (2014) noted, the micro finance field knows very little about the poverty level of clients in various microfinance programs. Morduch (2005) cited in Asemelash (2012) observes that few microfinance programs have received the rigorous statistical evaluations to address this question. Some of the challenges faced by micro finance institutions when financing MSEs include:-

i) Limited capital and funding sources

Shortage of funds for on-lending and capacity building has been cited as a constraint by several studies done in this sector according to Dondo (1998) cited in Asemelash (2012). Many MFIs especially those that are not regulated are facing real difficulties raising funds due to scarce donor resources and lack of conventional security to borrow funds from the commercial sector.

ii) Competition and increasing loan delinquency

MFIs are increasingly facing competition especially in the area of savings mobilization. Banks are slowly moving back into rural areas after widespread withdrawal during the years of financial restructuring. Also some of the commercial banks are moving towards the medium and small savers where they are setting up deposits mobilization retail outlets right into the low-income but highly populated areas and since they are perceived to be safer than the new comers (MFIs), they tend to be more successful in building up deposit bases more easily than even the newly regulated micro finance programs. Clients will therefore borrow an MFI but place and manage their loan funds through a commercial bank which is considered more stable and safer (Baridam, 2011).

iii) Clients drop-outs

Dondo (2001) cited in Asemelash (2012) noted that one of the biggest challenges in the provision of financial services to micro and small entrepreneurs is the inability by many programs to design appropriate products reflecting an understanding of the reality of this market. This is not challenge that has been met by most MFIs. The results are that clients are forced to accept products that in most instances do not answer to their needs, but on the other hand is the only product available. Clients drop outs is costly to an organization in many ways, in terms of investments in training, opportunity costs of losing the older, more experienced members most likely to take larger loans.

The new entrants are more risky than those who would otherwise have developed and build loyalty to the institutions. The affected MFIs lose because they have to repeatedly offer small size and riskier loans which provide much lower returns. Consequently they are unable to expand their programs to reach more clientele, make more profits and therefore the cycle continues.

iv) Lack of informational technological solutions

High transaction costs are one of the major factors limiting the expansion of MFIs especially rural financial services. Many MFIs operate manual and semi-annual management information systems which lead to high cost in processing of a larger number of generally small transactions and maintaining a quality loan portfolio sometimes spread over a broad geographical area. Lack of appropriate technology based solutions and the high cost of processing dissuades the affected programs to increase their outreach within their operational areas, whether urban or rural. Small transactions in general require nearly as much oversight as larger ones, while providing a much smaller return (Aremu, 2016).

v) Assessment and Management of Risks.

Proper assessment and management of business risk poses a challenge to MFIs service delivery. Some MFIs staff are not well trained, they lack relevant skills to enable them make good loan decisions. This situation is further complicated by lack of business records, entrepreneurial and management capacities by the larger clientele as the MFIs staff are not able to impart the required skills to their clientele (Asemelash, 2012).

2.1.5 Principles of Microfinance Programs

According to Aremu (2016), principles of microfinance are seen as the basic building blocks of most successful microfinance programs. They are perhaps seen not as irresolvable rules but rather as essential elements that should be incorporated into group based microfinance system design whenever possible.

2.1.6 Microfinance in Nigeria

The importance of microcredit to the growth of any economy can never be overemphasized, as it is the solution to helping the poor. Micro-enterprises or small businesses are important in situations where economic and social environments have had a disappointing effect on the people, so that the poor can survive under micro-financing. Yet these small businesses play a great role in providing jobs thereby contributing positively to the GNP. Despite this, the enabling environment is still lacking in Africa to make this function well. The weakness of the enabling environment has caused untold hardship on the people. Lack of infrastructural facilities has stood on the way of small business owners. Part of the fallouts of the implications of SAP in Nigeria was that it caused varying degrees of hardship to different vulnerable groups of the population. Therefore, to give relief, improve earnings opportunities; alleviate poverty and ignorance among the poverty stricken, Better Life Programme (BLP) was launched in 1987 but later changed to Family Support Programme (FSP)/Family Economic Advancement Programme (FEAP) under Abacha in 1993. To benefit from microcredit scheme of BLP/FSP/FEAP, individuals must be members of cooperative societies. Since 1987, the efficacy of microcredit through the cooperative regime to alleviate poverty has come under a paucity of loanable funds, absence of support institutions in the sector, unwillingness of conventional banks to support micro enterprises, weak internal control, poor credit administration and asset quality, low management capacity and unavailability of clients. This is an important test since poverty alleviation has turned out to be a key policy debate in recent development literature and Nigerian Government is fully committed to alleviating poverty among its citizens. The Nigerian economy is full of attempts at alleviating poverty especially among vulnerable groups based on cooperative ideals with large degrees of failure. According to the World Bank (1995) the Peoples Bank and Community Bank failed in achieving their goals and objectives. The failure experienced through these approaches (i.e. Peoples Bank and Community Bank) were as a result of the wrong perception by members of the unique framework of cooperatives due to poor financial management by some cooperatives, lack of understanding of the status of cooperatives by a large number of beneficiaries, among others. The view of these authors is that micro credit through cooperative does not automatically guarantee poverty alleviation. They maintained that for success to be achieved by such cooperatives they need to depend largely on loan administration, efficient cooperative management, and on whether the organized cooperative is routed on felt needs of the citizenry rather than on undue emphasis on business orientation and profitability. In the case of Nigeria, over 80 million people (65% of the active population) remain unserved by the formal financial institutions (Central Bank of Nigeria (CBN), 2006). Hence there is a need for MFIs to reach the unreached and serve the unserved

2.2 Theoretical Framework

The first wave of theoretical work on microfinance focused exclusively on joint liability. The term joint liability lending (JLL) can be interpreted in several ways, which can be lumped under two categories. First, under explicit joint liability, when one borrower cannot repay her loan, group members are contractually required to pay in her stead. Such repayments can be enforced through the threat of common punishment, typically the denial of future credit to all members of the defaulting group, or by drawing on a group savings fund that serves as collateral. Second, the perception of joint liability can be implicit. That is the borrowers believe that if a group member defaults, the whole group will become ineligible for future loans even if the lending contract does not specify this punishment (Adebayo, 2009). Ghatak and Guinnane (1999) cited in Adebayo (2009), review the key mechanisms proposed by various theories through which JLL could improve repayment rates and the welfare of credit-constrained borrowers. These all have, in common the idea that JLL can help alleviate the major problems facing lenders screening, monitoring, auditing, and enforcement – by utilizing the local information and social capital that exists among borrowers. In particular JLL can do better than conventional banks for two reasons: First, members of a close-knit community may have more information about one another than outsiders. Second, a bank has limited scope for financial sanctions against poor people who default on a loan, since, by definition, they are poor. An institution that gives poor people the proper incentives to utilize information about their neighbors and to apply non-financial sanctions to delinquent borrowers can do better than a conventional bank. A more effective dialogue between theoretical and field researchers can do more than just extend the frontier of academic knowledge. It can also facilitate translating research into action. Not unlike any other field in Economics, this calls for a three way interaction between theoretical researchers, empirical researchers and practitioners. Untested theories, however insightful, are unlikely to be considered by microfinance institutions and donors, let alone influence their operations. Similarly, field experiments conducted without sound theoretical foundations have little to say about the underlying mechanisms through which a policy or program operates. Unifying theory and field experiment can help practitioners make sense of and utilize academic results to contribute to poverty reduction and other institutional aims.

2.3 Empirical Literature Review

A very limited number of empirical studies have been conducted on determinants of moral hazard in JLL schemes. Among the few attempts are studies by Ledgerwood (1999) and Saunders & Thornhill (2009) cited in (Akanji, 2011). . Wydick assesses the incidence of moral hazard among credit groups in Guatemala and provides evidence that joint liability works because of social cohesion and better information flow. Nevertheless, the study fails to assess the extent to which other key variables of group dynamics such as, dynamic incentives, sanctions and matching problems influence the incidence of moral hazard. Hermes et al (2005) study the incidence of moral hazard among credit groups from Eritrea and observe that social ties and peer monitoring are key factors influencing the likelihood of moral hazard among borrowers. The role of peer selection in mitigating adverse selection and hence moral hazard is discussed by Ghatak & Guinnane (1999). Ghatak argues that despite information asymmetry, joint liability lending allows for Pareto superior equilibrium in credit markets if group formation is conducted appropriately. Ghatak shows how groups formed through self-selection will result into members with homogenous quality. Ghatak shows that through the assortative matching process, groups end up with less risk borrowers, directly reducing moral hazard, which leads to a lower equilibrium interest rate leading to a Pareto superior outcome relative to individual lending.

The significance of peer monitoring in improving repayments in group credit is highlighted by a number of authors. Stiglitz (1990), for example, observes that the major problem facing MFIs is ensuring that borrowers exercise prudence in the use of the funds so that the likelihood of repayments is enhanced. Stiglitz notes that a partial solution to this problem is peer monitoring: giving neighbors or group members the responsibility to monitor each other. The incentive for peer monitoring comes from the fact that peers are supposed to pay loans for any defaulting group members. Studying the incentive rationale for the use of group lending as a method of financing liquidity-constrained entrepreneurs, Cheston and Kuhn (2002) observes that the joint liability lowers the liquidity risk of default but creates a free-riding problem. Cheston points out that in the static setting, the freeriding problem dominates the liquidity risk effect, thus making group lending unattractive. However, when the projects are repeated over time, the joint liability feature provides the group members with a credible means of exercising peer monitoring and sanctioning, which can make the group lending attractive, relative to individual lending. In contrast to the emphasis on peer monitoring, Aryeetey (1997) argue that the monitoring by lending institutions is all that matters most when it comes to improving repayment rates. They observe that even micro lenders that are famous for the joint liability methodology such as the Grameen of Bangladesh do in fact also rely heavily upon highly motivated and locally recruited loan staff officers as monitors and organizers. Cooper and Schindler (2001) questions whether such delegated monitors might not be just as good as monitoring, and perhaps better at enforcing loan repayment than peer monitors, in which case joint liability clauses may be superfluous or may be serving other purposes. The role of peer pressure is discussed by Diagne & Zeller (2001), Diagne cited in Akanji (2011) proposes a peer pressure model in which borrowers are incompletely informed about their partners' willingness to apply or tolerate social sanctions and shows how peer pressure can be used to mitigate default in situations where potential defaulters are intolerant of sanctions.

3. METHODOLOGY

This study used a descriptive research design. This design was appropriate because it is considered suitable for gathering qualitative information and generating appropriate conclusions with respect to the research questions (Mugenda & Mugenda, 2003). This is the most suitable design because data was collected from one organization and hence its adoption for this study. Osuala (1982) stated that designing implies out lining the name of equipment and other materials the research intends using, applying some to successfully execute the practical aspect of the research study. The population size for this study was 290 respondents. One hundred thirty nine (139) for the staff of the Microfinance banks and one hundred fifty one (151) for clients of the selected Microfinance bank. Convenience and accidental sampling techniques was used. The reason for this is to allow accuracy and allow the study to be carried out on the specified time and also feedback. Using the Yaro Yamani's formula, a sample size of $n = 168.11$ has been calculated.

Data Source and Collection Instrument

The instrument used for the study is the structured questionnaire which comprises items that generated data for answering the research hypotheses. A structured questionnaire was used as a research instrument for this study. It was designed and constructed to get information from respondents. The questionnaires were administered through drop and pick method to identify respondents with a brief explanation on their purpose and importance. The questionnaire consist two parts as follows: Section 'A' deals with respondents' Bio-Data while Section 'B' is the subject item in respect of the study. The construction of the questionnaire was based on standardized scales of likert which are: SA - Strongly Agree, A-Agree, U-Undecided, D- Disagree and SD - Strongly Disagree.

Method of Data Analysis

According to Marshall and Ross (1999), data analysis is the process of bringing order, structure and interpretation to the mass of collected data. It involves the coding, editing and cleaning of data in preparation for processing. The descriptive and inferential statistics were used to analyze the data in this study with SPSS Version 26.0 as the main tool for data analysis and presentation. Simple percentage and Binary Logit Regression Model were used.

Model Specification

The objectives of this study as stated in chapter one are to identify the role of Micro Finance Banks in poverty reduction; to assess the extent to which microfinance institutions have successfully helped the poor to improve their standard of living and to assess the impact of microfinance on the growth of small and medium scale enterprises in Nigeria. In an attempt to address the first objective, the study draws from the data collected from the field survey and these were reported using tables, to draw inferences. In addition, a model was specified and estimated using Binary Logit Regression analysis. Also, a Binary Logit Regression analysis was specified and estimated to measure the objective two and three.

Model 1

Regression analysis was used to describe the relationships between a set of independent variables and the dependent variable. Binary Logit Regression analysis produces a regression equation where the coefficients represent the relationship between each independent variable and the dependent variable.

$$MIF=\alpha 0+\beta 1CONS+\beta 2EDL+\beta 3LIS+\beta 4HES+\beta 5HOS \quad 1$$

Where;
Mif = Microfinance (dependent Variable)
Cons = Consumption level
Edl= Education level
LIS= Living Standard
HES= Health Standard
HOS= Household size

4. DATA ANALYSIS AND INTERPRETATION

4.1 Data Presentation

Demographic profile describes the basic characteristics of the sampled respondents (staff) in terms of their gender, Status/Level of Staff, Length of Service, in such manner that allow for easier segmentation or social grouping. While these parameters are varied on the basis of each study, those characteristics employed here are keen to banking behaviours of the respondents selected for this study.

Table 1: Socio-economic characteristics of Staff of MFIs

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Sex	Male	25	36.8	36.8	36.8
	Female	43	63.2	63.2	100.0
	Total	68	100.0	100.0	
Status/Level of Staff	Senior Management	16	23.5	23.5	23.5
	Middle Management	37	54.4	54.4	77.9
	Junior Staff	15	22.1	22.1	100.0
	Total	68	100.0	100.0	
Length of Service	1 – 5years	39	57.4	57.4	57.4
	Over 5years	29	42.6	42.6	100.0
	Total	68	100.0	100.0	

Source: Field Survey, May, 2023.

As indicated in the Table 1, 36.6% were male while 63.2% were female. Based on respondent’s status/level, 23.5% were senior management, 54.45 were middle management and 22.1% were junior staff. Base on the respondent’s length of service, 57.4% were between 1 and 5 years while 42.6% were over 5 years.

Table 2: The role of Micro Finance Banks in poverty reduction

Statement	SA (%)	A(%)	U(%)	D(%)	SD(%)
My bank gives access to financial services to low-income people, who wish to access money for starting their business.	88.2	10.3	0	0	1.5
My bank gives access to finance services people who wish to develop an income generation activity.	55.9	26.5	7.4	7.4	2.9
My bank has created financial products and services that enabled low-income people to become clients of a banking intermediary.	52.9	27.9	5.9	4.4	8.8
Short term loans, frequent loans, installments and deposits are part of our services.	48.5	19.1	2.9	8.8	20.6

Source: Field Survey, May, 2023. **Note**: Strongly Agree (SA), Agree (A), Undecided (U), Strongly Disagree (SD), Disagree (D)

Table 2 shows that 88.2% of the respondents strongly agreed that their bank gives access to financial services to low-income people, who wish to access money for starting their business, 10.3% agreed while 1.5% strongly disagreed. From the Table 4.2, 55.9% of the respondents strongly agreed that their bank gives access to finance services people who wish to develop an income generation activity, 26.5% agreed, 7.4% were undecided and disagreed while 2.9% strongly disagreed. It was shown that 52.9% of the respondents strongly agreed that their bank has created financial products and services that enabled low-income people to become clients of a banking intermediary, 27.9% agreed, 5.9% were undecided, 4.4% disagreed and 8.8% strongly disagreed. It was revealed that 48.5% of the respondents strongly agreed that short term loans, frequent loans, installments and deposits are part of our services, 19.1% agreed, 2.9% were undecided, 8.8% disagreed and 20.6% strongly disagreed.

Table 3: Microfinance institutions and the wellbeing of people

Statement	SA (%)	A(%)	U(%)	D(%)	SD(%)
My bank has simple loan procedures and collateral free loan activities.	61.8	25.0	2.9	2.9	7.4
Most people have use Microfinance bank service to improve their wellbeing.	63.2	30.9	1.5	0	4.4
Microfinance bank has brought positive marginal impacts on consumption	63.3	25.0	1.5	8.8	4.4
Microfinance bank has helped the poor in terms of job creation, income generation and social upward mobility, especially for women.	48.5	29.4	4.4	7.4	10.3

Source: Field Survey, May, 2023. **Note**: Strongly Agree (SA), Agree (A), Undecided (U), Strongly Disagree (SD), Disagree (D)

Table 3 shows that 61.8% of the respondents strongly agreed that bank has simple loan procedures and collateral free loan activities, 25% agreed, 2.9% were undecided and disagreed and 7.4% strongly disagreed. The table 4.3 shows that 63.2% of the respondents strongly agreed that most people have use microfinance bank service to improve their wellbeing, 30.9% agreed, 15% were undecided and 4.4% strongly disagreed. From the table 4.3, 60.3% of the respondents strongly agreed that microfinance bank has brought positive marginal impacts on consumption, 25% agreed, 1.5% were undecided, 8.8% disagreed while 4.4% strongly disagreed. Table 4.3 shows that 48.5% of the respondents strongly agreed that microfinance bank has helped the poor in terms of job creation, income generation and social upward mobility, especially for women, 29.4% agreed, 4.4% were undecided, 7.4% disagreed while 10.3% strongly disagreed.

Table 4: Microfinance institutions and the growth of small and medium scale enterprises

Statement	SA (%)	A(%)	U(%)	D(%)	SD(%)
The interest rate policy of my bank encourage client to patronize us.	67.6	14.7	0	10.3	7.4
My bank loan policy has increase clients income.	64.7	13.2	2.9	14.7	4.4
Simple loan repayment enhances the client business development.	63.2	14.7	2.9	16.2	2.9
My bank increases loan size to the borrower to ensure business growth and development.	33.8	25.0	19.1	19.1	2.9

Source: Field Survey, May, 2023. **Note**: Strongly Agree (SA), Agree (A), Undecided (U), Strongly Disagree (SD), Disagree (D)

Table 4 shows that 67.6% of the respondents strongly agreed that the interest rate policy of their bank encourage client to patronize them, 14.7% agreed, 10.3% disagreed while 7.4% strongly disagreed. From the Table 4, shows that 64.7% of the respondents strongly agreed that their bank loan policy has increase clients income, 13.2% agreed, 2.9% were undecided, 14.7% disagreed while 4.4% strongly disagreed. 63.2% of the respondents strongly agreed that simple loan repayment enhances the client business development, 14.7% agreed, 2.9% were undecided, 16.2% disagreed while 2.9% strongly disagreed. Table 4 shows that 33.8% of the respondents strongly agreed that their bank increases loan size to the borrower to ensure business growth and development, 25% agreed, 19.1% were undecided and disagreed while 2.9% strongly disagreed.

Table 5: Customer's Demography

	Response Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	45	45.0	45.0	45.0
	Female	55	55.0	55.0	100.0
	Total	100	100.0	100.0	
Education	Elementary Education	9	9.0	9.0	9.0
	Secondary Education	7	7.0	7.0	16.0
	National Diploma	7	7.0	7.0	23.0
	HND	8	8.0	8.0	31.0
	Bachelors Degree	28	28.0	28.0	59.0
	Master Degree	41	41.0	41.0	100.0
	Total	100	100.0	100.0	
Marital Status	Single	44	44.0	44.0	44.0
	Married	42	42.0	42.0	86.0
	Divorce	1	1.0	1.0	87.0
	Widow(er)	13	13.0	13.0	100.0
	Total	100	100.0	100.0	
Account Relationship with Microfinance Bank	Sole/Personal A/c	47	47.0	47.0	47.0
	Partnership A/c	13	13.0	13.0	60.0
	Company /A/c	28	28.0	28.0	88.0
	Others/Specify	12	12.0	12.0	100.0
	Total	100	100.0	100.0	
Nature/Size of Business	Micro	87	87.0	87.0	87.0
	Small	13	13.0	13.0	100.0
	Total	100	100.0	100.0	
Nature of occupation/Business Activities	Under 5 Under 10	64	64.0	64.0	64.0
	10 and above	36	36.0	36.0	100.0
	Total	100	100.0	100.0	
Size of Enterprise – Number of employees	Farming	8	8.0	8.0	8.0
	Fishing	13	13.0	13.0	21.0
	Petty Trade	79	79.0	79.0	100.0
	Total	100	100.0	100.0	
Have you received require of loan	Yes	100	100.0	100.0	100.0
In how many days you received amount of loan	3 to 4 days	1	1.0	1.0	1.0
	5 to 6 days	9	9.0	9.0	10.0
	7 to 8 days	55	55.0	55.0	65.0
	Others	35	35.0	35.0	100.0
	Total	100	100.0	100.0	
Did you face any difficulty in submitting documents	Yes	29	29.0	29.0	29.0
	No	71	71.0	71.0	100.0
	Total	100	100.0	100.0	

Source: Field Survey, May, 2023.

Table 5 shows that 45% out 100 respondents were male while 55% were female. Base on education, 9% were Elementary Education, 7% were Secondary Education and National Diploma, 8% were HND, 28% were Bachelors Degree while 41% Master Degree. Out 100 respondents, 44% were single, 42% were married, 1% was divorced and 13% were widow(er). Base on Account Relationship with Microfinance Bank, it was shown that 47% were Sole/Personal A/c, 13% were Partnership A/c, 28% were Company /A/c while 12% Others/Specify. Base on nature/size of business, 87% were Micro and 13% were small. Base on nature of occupation/business activities, 64% were between Under 5 under 10 while 36% were between 10 and above. Base on size of Enterprise – Number of employees, 8% were Farming, 13% were Fishing and 79% Petty Trade. Base on loan, 100% of the respondents have collected loan. Base on loan duration, 1% of the respondent said between 3 to 4 days, 9% said between 5 to 6 days, 55% said 7 to 8 days while 35% said others. Base on document on loan, 29% of the respondents said it was difficult to submit their loan document while 71% said no.

Table 6: The role of Micro Finance Banks in poverty reduction

Statement	SA (%)	A(%)	U(%)	D(%)	SD(%)
It is difficult for me to receive loan from my Microfinance bank to start my business.	51.0	40.0	4	3.0	2.0
My Microfinance bank has created financial products and services that enabled low-income people to become clients of a banking intermediary.	58.0	37.0	3.0	1.0	1.0

Source: Field Survey, May, 2023. **Note**: Strongly Agree (SA), Agree (A), Undecided (U), Strongly Disagree (SD), Disagree (D)

Table 6 shows that 51% of the respondents strongly agreed that It is difficult for them (customers) to receive loan from their microfinance bank to start their business, 40% agreed, 4% were undecided, 3% disagreed while 2% strongly disagreed. Responses on My Microfinance bank has created financial products and services that enabled low-income people to become clients of a banking intermediary; 58% of the respondents strongly agreed with the statement, 37% agreed, 3% were undecided, 1% disagreed while 1% strongly disagreed.

Table 7: Microfinance institutions and the wellbeing of people

Statement	SA (%)	A(%)	U(%)	D(%)	SD(%)
Loan obtained from Microfinance Bank has improved my business as well as raised the standard of living in my family substantially.	61.0	37.0	0	1.0	1.0
I pay my loan installment easily, after paying house rent and business expenses.	47.0	52.0	1.0	0	0
Loan obtained from Microfinance Bank makes me to have more business outreaches.	60.0	37.0	0	3.0	0

Source: Field Survey, May, 2023. **Note**: Strongly Agree (SA), Agree (A), Undecided (U), Strongly Disagree (SD), Disagree (D)

Responses on Loan obtained from Microfinance Bank has improved my business as well as raised the standard of living in my family substantially; 61% of the respondents strongly agreed with the statement, 37% agreed, 1% disagreed while 1% strongly disagreed. Responses on I pay my loan installment easily, after paying house rent and business expenses; 47% of the respondents strongly agreed with the statement, 52% agreed, 1% were undecided. Responses on Loan obtained from Microfinance Bank makes me to have more business outreaches; 60% of the respondents strongly agreed with the statement, 37% agreed, 3% disagreed.

Table 8: Microfinance institutions and business growth

Statement	SA (%)	A(%)	U(%)	D(%)	SD(%)
My bank provides non-financial service (market knowledge, innovation, prudent investment, business operations and good management) to enable client to compete.	38.0	57.0	0	0	5.0
Non-financial services provided by Microfinance banks enable my business activities to experience better plan and manage my cash flow.	27.0	61.0	8.0	3.0	1.0

Source: Field Survey, May, 2023. **Note**: Strongly Agree (SA), Agree (A), Undecided (U), Strongly Disagree (SD), Disagree (D)

Responses on my bank provide non-financial service (market knowledge, innovation, prudent investment, business operations and good management) to enable client to compete; 38% of the respondents strongly agreed with the statement, 57% agreed, 5% strongly disagreed. Responses on Non-financial services provided by Microfinance banks enable my business activities to experience better plan and manage my cash flow; 27% of the respondents strongly agreed with the statement, 61% agreed, 8% were undecided, 3% disagreed while 1% strongly disagreed.

4.3 Regression

This table presents the regression result of the dependent variable (CSR) and the independent variables of the study (EVA, SIZE, DIV, INSTOW, LEV, and GRWTH). The presentation follows the analysis of the association and impact between the independent variables and the dependent variable of the study and also the cumulative analysis.

Table 9a Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.514[a]	.264	.205	1.03629

Source: Extracted from SPSS Version 26.0, 2023.

Table 9a shows that with a R^2 of 26.4%, Microfinance (MIF) can be predicted without error from the independent variables Cons = Consumption level (Cons), Education level (Edl), Living Standard (LIS), Health Standard (HES), Household size (HOS). Also, there is a positive relationship of 26.4% between the stated variables and Microfinance (MIF). The remaining 73.6% unexplained variation is due to other variables outside the regression.

Table 9b : ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.934	5	4.787	4.457	.002[b]
	Residual	66.581	62	1.074		
	Total	90.515	67			

Source: Extracted from SPSS Version 26.0, 2023.

Table 9b shows that the F statistics (F=4.457, Df =5; 62 p=0.002 <0.005) is significant. This shows the fitness of the model, therefore the null hypothesis is rejected which stated that there is no significant relationship between MFBs and poverty reduction and accept alternative hypothesis which stated that there is significant relationship between MFBs and poverty reduction.

Table 4.9c: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.484	.802		1.851	.069
	CONS	.059	.083	-.083	-.714	.000
	EDL	.692	.179	.540	3.873	.000
	LIS	.326	.173	-.030	-.152	.003
	HES	.758	.304	-.064	-.192	.008
	HOS	.768	.292	.074	.235	.815

Source: Extracted from SPSS Version 26.0, 2023.

Table 9c shows that the intercept is 1.484. This implies that that if all the explanatory variables are held constant, MIF will be 1.484. If P<0.05, the variable is significant or otherwise. The coefficient of CONS is -.059 and P=0.478. This indicates that Consumption level (CONS) is positively related to poverty reduce (a unit increase in CONS will reduce poverty by 5.9%) and its impact on poverty reduction. The coefficient of Education level (EDL) is .692 and P=0.000. This indicates that Education level (EDL) is positively related to poverty reduction (a unit increase in MFI is followed by an increase in Education level (EDL) by 26.9%) though it has significant impact on poverty reduction. The coefficient of Living Standard (LIS) is .326 and P=.003. This indicates that Living Standard (LIS) is positively related to poverty reduction (a unit increase in MFI is followed by an increase in Living Standard (LIS) by 32.6% and it has significant impact on poverty reduction. The coefficient of Health Standard (HES) is 758 and P=.000. This indicates that Health Standard (HES) is positively related to poverty reduction (a unit increase in MFI is followed by an increase in Health Standard (HES) by 75.8% and it has significant impact on poverty reduction. The coefficient of Household size (HOS) is .768 and P=.008. This indicates that Household size (HOS) is positively related to poverty reduction (a unit increase in MFI is followed by an increase in Household size (HOS) by 76.8% and it has significant impact on poverty reduction.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.358[a]	.128	.092	.67055

Source: Extracted from SPSS Version 26.0, 2023.

Table 10 shows that with a R^2 of 12.8%, Microfinance (MIF) can be predicted without error from the independent variables, Household size (HOS), Health Standard (HES), Consumption level (Cons) and Living Standard (LIS). Also, there is a positive relationship of 12.8% between the stated variables and Microfinance (MIF). The remaining 87.2% unexplained variation is due to other variables outside the regression.

Table 4.10c: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.285	4	1.571	3.494	.001[b]
	Residual	42.715	95	.450		
	Total	49.000	99			

Source: Extracted from SPSS Version 26.0, 2023.

Table 10b shows that the F statistics (F=3.494, Df =4; 95 p=0.010 <0.005) is significant. This shows the fitness of the model, therefore the null hypothesis is rejected which stated that there is no significant relationship between MFBs and poverty reduction and accept alternative hypothesis which stated that there is significant relationship between MFBs and poverty reduction.

Table 10b: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	2.774	.588		4.714	.000
	HOS	.145	.118	.135	1.226	.003
	HES	.497	.119	.091	.810	.002
	CONS	.526	.107	.260	1.933	.056
	LIS	-.060	.118	-.063	-.508	.003

Source: Extracted from SPSS Version 26.0, 2023.

Table 10b shows that the intercept is 2.774. This implies that that if all the explanatory variables are held constant, MIF will be 2.774. If P<0.05, the variable is significant or otherwise. The coefficient of HOS is .145 and P=003. This indicates that HOS is positively related to poverty reduce (a unit increase in HOS will reduce poverty by 14.5%) and its impact on poverty reduction. The coefficient of HES is 0.497 and P=0.56. This indicates that CONS is positively related to poverty reduction (a unit increase in MFI is followed by an increase in CONS by 52.6%) though it has significant impact on poverty reduction. The coefficient of LIS is -.060 and P=.003. This indicates that LIS is positively related to poverty reduction (a unit increase in MFI is followed by an increase in LIS by 6% and it has significant impact on poverty reduction.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.453[a]	.205	.155	1.05166

Source: Extracted from SPSS Version 26.0, 2023.

Table 11 shows that with a R^2 of 20.5%, Microfinance (MIF) can be predicted without error from the independent variables, Household size (HOS), Health Standard (HES), Consumption level (Cons) and Living Standard (LIS). Also, there is a positive relationship of 12.8% between the stated variables and Microfinance (MIF). The remaining 87.2% unexplained variation is due to other variables outside the regression.

Table 11b: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.013	4	4.503	4.072	.004[b]
	Residual	69.678	63	1.106		
	Total	87.691	67			

Source: Extracted from SPSS Version 26.0, 2023.

Table 11b shows that the F statistics (F=4.072, Df =4; 63 p=0.005 <0.005) is significant. This shows the fitness of the model, therefore the null hypothesis is rejected which stated that there is no significant relationship between MFBs and poverty reduction and accept alternative hypothesis which stated that there is significant relationship between MFBs and poverty reduction.

Table 4.11c: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.457	1.308		.044	.005
	EDL	.602	.233	.296	2.586	.012
	FRS	.372	.134	.348	2.787	.000
	HUR	.270	.142	.076	.491	.005
	SAG	-.153	.120	-.218	-1.283	.204

Source: Extracted from SPSS Version 26.0, 2023.

Table 11c shows that the intercept is 3.457. This implies that that if all the explanatory variables are held constant, MIF will be 3.457. If P<0.05, the variable is significant or otherwise. The coefficient of Education level (EDL) is .145 and P=.012. This indicates that HOS is positively related to poverty reduce (a unit increase in HOS will reduce poverty by 14.5%) and its impact on poverty reduction. The coefficient of FRS is 0.372 and P=.007. This indicates that Firms Size

(FRS) is positively related to poverty reduction (a unit increase in MFI is followed by an increase in FRS by 37.2%) though it has significant impact on poverty reduction. The coefficient of HUR is .270 and P=.005. This indicates that Human resources (HUR) is positively related to poverty reduction (a unit increase in MFI is followed by an increase in HUR by 27%) and it has significant impact on poverty reduction. The coefficient of SAG is -.153 and P=.204. This indicates that Sale growth (SAG) is positively related to poverty reduction (a unit increase in MFI is followed by an increase in SAG by 15.3%) and it has no significant impact on poverty reduction.

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

The study found out that most of the Microfinance Institutions in Nigeria are rather too young to have made a very remarkable long term impact. Most of the micro-entrepreneur-customers are in their prime age of life which falls in the economic activity group. Furthermore, about 73% of the customers are women, which validate the general belief that we have more women engaged in Microfinance activities in Nigeria than men.

From the empirical analysis, microfinance institutions have improved the wellbeing of people through simple loan procedures and collateral free loan activities, job creation, income generation and social upward mobility, especially for women. This finding is in line with Okurut, Banga, and Mukungu (2004), which to tackle the problem of poverty, many programs have been instituted by the various levels of government to relieve the poor of their deplorable conditions. These include among others the micro credit financing which is targeted at empowering the poor to create job1. This is based on the argument that one of the constraints facing the poor is lack of access to formal sector credit to enable them take advantage of economic opportunities to increase their level of output thereby moving out of poverty. Similarly, in Yahaya, Osemene, and Abdulraheem (2011), which stated that microfinance played a significant role in poverty alleviation through provision of financial services to the active poor, creation of self-employment opportunities and provision of small loans to small businesses. The findings revealed that microfinance institutions have also enhanced the growth of Small and Medium Scale Enterprises in Nigeria through the interest rate policy to encourage client's income and bank increases loan size to the borrower to ensure business growth and development. The result shows that MicroFinance Banks have reduces poverty in Nigeria through her financial products and services that enabled low-income people to become clients of a banking intermediary. This result is found in Mayoux (2001), microfinance is being promoted as a key alleviation strategy to enable poor women and men to cope with the adverse economic and social impacts of structural adjustment policies and globalization.

Conclusion

From the empirical analysis, it was discovered that microfinance has been used on several occasions to reduce poverty, in rural areas in particular which are believed to harbour the poorest people in the world. It is an important aid that can improve the economic performance of the poor. The poor people need microfinance to improve their entrepreneurial skill and socio economic needs. But despite these efforts, the level of unemployment continued to rise, while poverty conditions remain unabated in the country.

Recommendations

Microfinance should not be seen as a universal remedy for poverty and related development challenges, but rather as an important tool in the mission of poverty alleviation. Poverty is a multidimensional problem, embedded in a complex and interconnected political, economic, cultural, and ecological system. Owing to poverty's large scope and multiplicity of actors, there is no single guaranteed approach to its eradication. As a result, solutions are as multifaceted as the causes. Problems and solutions are not isolated phenomena, but occur within an interconnected system in which actors and actions have reciprocal consequences. As microfinance becomes more widely accepted and moves into the mainstream, the supply of financial services to the poor will likewise increase, improving and efficient

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