

**MICROFINANCE AS AN EFFECTIVE TOOL FOR POVERTY ALLEVIATION IN  
NIGERIA**

**BY**

**ADEYELU ADEYINKA STELLA**

**MGS1706494**

**DEPARTMENT OF BANKING AND FINANCE**

**FACULTY OF MANAGEMENT SCIENCES**

**UNIVERSITY OF BENIN,**

**BENIN CITY**

**DECEMBER, 2022**

## CERTIFICATION

We the undersigned certify that this work was submitted by **ADEYELU ADEYINKA STELLA** and it is hereby approved for the partial fulfilment of the award of Bachelor of Science (B.Sc.) Degree in Banking and Finance, University of Benin, Benin City.

---

**VEN. PROF. I.O. OSAMWONYI**  
(Project Supervisor)

---

**Date**

---

**DR. J. OBAYAGBONA**  
(Project Coordinator)

---

**Date**

---

**DR. O.G. OMOROKUNWA**  
Head of Department

---

**Date**

## TABLE OF CONTENTS

|                                     |          |
|-------------------------------------|----------|
| Title page                          | i        |
| Dedication                          | ii       |
| Certification                       | iii      |
| Acknowledgement                     | iv       |
| Table of Contents                   | v        |
| Abstract                            | ix       |
| <b>CHAPTER ONE: INTRODUCTION</b>    | <b>1</b> |
| 1.1 Background of the Study         |          |
| 1.2 Statement of the Problem        | 7        |
| 1.3 Statement of Research Questions | 7        |
| 1.4 Objectives of the Study         | 8        |
| 1.5 Hypothesis of the Study         | 8        |
| 1.6 Significance of the Study       | 9        |

|   |           |
|---|-----------|
| 1.7 Scope of the Study  | 9         |
| 1.8 Limitations of the Study  | 10        |
| <b>CHAPTER TWO: LITERATURE REVIEW</b>   | <b>11</b> |
| 2.1 Introduction  | 11        |
| 2.2 Microfinance Defined  | 12        |
| 2.3 What is Poverty   | 14        |
| 2.4 Historical Background of Microfinance in Nigeria  | 16        |
| 2.5 Benefits of Microfinance  | 18        |
| 2.6 Challenges of Microfinance Banks  | 19        |
| 2.7 Contributions of Government in alleviation of poverty<br>through establishment of microfinance banks. | 25        |
| 2.8 Microfinance Policy   | 27        |
| 2.9 Policy Objectives   | 31        |
| 2.10 Policy Target  | 32        |
| 2.11 Overview of Microfinance Activities (2006 - 2010)  | 33        |
| 2.12 Empirical findings on nexus between microfinance banks and poverty reduction.                        | 34        |
| <b>CHAPTER THREE: RESEARCH METHODOLOGY</b>  | <b>38</b> |

|  |           |
|--|-----------|
| 3.1 Research Design                                    | 38        |
| 3.2 Area of Study                                      | 39        |
| 3.3 Population of the Study                            | 39        |
| 3.4 Sample Size and Sampling Technique                 | 39        |
| 3.5 Instrument of Data Collection                      | 41        |
| 3.5.1 Primary Data                                     | 41        |
| 3.5.2 Secondary Data                                   | 41        |
| 3.6 Method of Data Collection                          | 41        |
| 3.7 Method of Data Analysis                            | 42        |
| 3.8 Validity and Reliability of Instruments            | 43        |
| <b>CHAPTER FOUR: PRESENTATION AND ANALYSIS OF DATA</b> | <b>44</b> |
| 4.1 Presentation of Data                               | 44        |
| 4.1.1 Presentation of Data Collected from Bank Staff   | 44        |
| 4.1.2 Presentation of Data Collected from Bank Clients | 45        |

|  |           |
|--|-----------|
| 4.2 Analysis of the Data                                     | 55        |
| 4.2.1 Socio-economic Characteristics of the Respondents      | 69        |
| 4.2.2 Testing of Hypothesis                                  | 71        |
| <b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS</b> | <b>74</b> |
| 5.1 Summary of Major Findings                                | 74        |
| 5.2 Conclusions and Implications of Findings                 | 74        |
| 5.3 Recommendations  | 75        |
| REFERENCE  | 76        |
| APPENDIX   | 83        |

## **ABSTRACT**

When an individual or community lacks the means of subsistence, they are said to be in a state or situation of poverty. Microfinance banks are financial establishments designed to handle relatively small deposits and loans with a focus on helping the underprivileged. The impact of microfinance banks in reducing poverty in Nigeria is examined in this study. The chi-square technique and the t-test were used to evaluate the data. The conclusion of the hypothesis was that microfinance banks have a beneficial effect on reducing poverty. According to the results, it is advised that the interest rates of microfinance banks be lowered in order to draw more clients to the institution, and the loan size should be increased in order to satisfy client needs. Additionally, there should be thorough orientation for both bank employees and consumers, as information is power and the fight against poverty cannot be won without a sufficient level of public education. Also, the government has to introduce regulatory measures that support and enhance the efficiency of microfinance institutions.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 BACKGROUND OF STUDY**

The issue of poverty is an international one. Perhaps the biggest problem currently confronting humanity is this, especially in the majority of the developing world. This may explain why the first of the seventeen SDGs, the eradication of poverty, was listed. Given that there is enough wealth in the world to effectively meet everyone's requirements, the problem of poverty is all the more alarming. The inability to adequately provide for one's basic requirements, such as housing, food, education, and healthcare, is referred to as poverty. Similar to this, poverty is a violation of human dignity because it restricts one's options and chances. It denotes a basic inability to contribute to society in a meaningful way. It entails not having enough to feed and clothe a family, not having access to a school or clinic, not having a job to support oneself, not having access to credit, not having a place to live or a place to grow one's own food. It entails uncertainty, helplessness, and exclusion of people, homes, and communities. It denotes vulnerability to violence and frequently entails living in precarious or unstable situations without access to sanitary facilities or clean water. (UN, 2008; Ucha, 2010; cited). To put it another way, the issues of poverty are more concerning in Sub-Saharan Africa, where 47.5% of people live on less than \$1.25 and 70%

on less than \$2 a day (World Bank, 2008). Given the drought that affected portions of the Horn of (East) Africa in 2011 and the issue of bad administration or poor governance plaguing the region, the figure may have worsened. High levels of corruption and ineffective leadership in Nigeria have made the problem of poverty worse. According to Ucha (2010), some of the major causes of poverty in Nigeria include unemployment, corruption, a lack of economic diversification, income disparity, laziness, and a subpar educational system (p.46).

Despite numerous government intervention programs designed to decrease the burden of the populace as a result of the plague of poverty, poverty remains an unceasing storm that has ravaged Nigeria. For instance, during Nigeria's developmental journey, programs like Operation Feed the Nation, the Green Revolution, the Family Economic Advancement Programme (FEAP), and the National Poverty Eradication Programme (NAPEP), among others, were introduced. The majority of Nigerians nonetheless continue to live below the global subsistence criterion of \$1 a day in spite of these government interventions.

According to the World Bank's Nigeria economic report, which was published in July 2019, Nigeria has one of the highest average economic growth rates in the world at 7.4%. The gross domestic product (GDP) growth rate fell to 2.7% in 2015 as a result of negative production shocks and the decline in oil prices from 2014 to 2016. In 2016, the GDP shrank by 1.6% during its first recession in 25 years. Nationwide, 89 million Nigerians, or 43% of the

population, live in poverty, while another 53 million, or 25%, are vulnerable. The level of poverty continues to be intolerable for a nation with enormous riches, a sizable population to sustain trade, a highly developed economy, and an abundance of natural resources like oil.

Nearly half of the population, and unemployment peaked at 23.1%, are said to be living below the international poverty line (\$2 per day). (Wikipedia) According to the World Bank, seven million Nigerians are now living in poverty as a result of inflation. The World Bank claims that seven million Nigerians have fallen into poverty as a result of a 22% increase in food prices. Approximately 60% of Nigeria's 18% inflation rate was attributable to food prices. Rising food costs make poverty worse by lowering households' real purchasing power and diverting money from necessities like housing, health care, and education.

The highest rate in the world, a typical Nigerian household spends 56% of its income on food. Spending is 6.4%, 8.2%, 9.1%, and 9.8% in nations including the US, UK, Canada, and Australia. A minor increase in food costs would likely cause more individuals in Nigeria to fall into multidimensional poverty, given the country's high food spending. For a number of factors, food costs in Nigeria have increased and more people are falling into poverty. The first effect of the Naira's decline in value is the sharp rise in the cost of imported foods such as rice, sugar, milk, drinks, and frozen foods. Over the past year, the Naira has lost nearly 13% of its value. Second, the country's food supply may not be keeping up with demand due to

Nigeria's rapid population increase. Nigeria's population has been increasing by 2.6% year, while the value added to agriculture has been increasing by 2% (The World Bank).

Nigeria has a poverty rate of 71% if \$3.20 per day, the World Bank's definition of poverty, is utilized. This is bad news when compared to lower rates for certain developing nations that produce oil, notably Brazil (9.1%), Mexico (6.5%), Ecuador (9.7%), and Iran (3.1%).

According to the National Bureau of Statistics, 60.9% of Nigerians lived in "absolute poverty" in 2010, up from 54.7% in 2004. News from BBC.

The "2019 Poverty and Inequality in Nigeria" report, recently released by the National Bureau of Statistics (NBS), shows that nearly 83 million people, or 40% of the total population, live below the poverty line of 137,430 naira (\$381.75) per year. Nigeria's poverty profile for 2021 has not yet been made public, but it is anticipated that by 2022, there will be 90 million poor people in the country, or 45% of the total population (The World Bank).

The NBS report is based on information from the most recent Nigerian Living Standards Survey, which was carried out in 2018–2019 with assistance from the Poverty Global Practice of the World Bank and technical support from the LSMS programme. According to figures from the Nigerian National Bureau of Statistics, there are more poor people in Nigeria than in South Africa, Namibia, Botswana, Lesotho, Mauritius, and Eswatini put together.

Nigeria prior to COVID-19: Although its economy was gradually improving, Nigeria's levels of poverty and inequality were already very high. In 2018, 87 million individuals, or over half the population, were living on less than \$1.90 per day. The majority of the country's impoverished reside in rural areas, where they have significantly less access to clean water than people who live in cities.

The Nigerian economy had been expanding steadily before the COVID-19 outbreak, with a per capita GDP that doubled from \$1,400 to \$2,800 between 2000 and 2012. However, because this economic growth lagged behind population expansion, Nigeria's high poverty rate did not reflect this development.

Why is Nigeria such a vulnerable country? About 90% of Nigeria's exports and 50% of the government's income come from oil. Nigeria is particularly vulnerable because of this lack of diversity. Nigeria's economy suffered from the pandemic's reduction in oil prices, which also hurt government revenue at a time when it was particularly required to combat COVID-19. According to the World Bank, this might lead to Nigeria experiencing its worst recession in forty years. The Nigerian economy's reliance on oil exports and international investors' reluctance to what they see as riskier investments in the Nigerian economy both contribute to the country's loss during COVID-19. Nigeria was particularly susceptible to the damaging

effects of COVID-19 on its economy due to inequality and a lack of employment prospects. Due to its precarious position, Nigeria's poverty was made worse by COVID-19.

Without implementing well-targeted programs to decrease poverty by giving people more access to production factors, substantial economic growth cannot be realized. The introduction of microfinance services will considerably boost the latent capacity of the poor for entrepreneurship, enabling them to engage in economic activities and be self-reliant, increase employment possibilities, enhance household income, and create wealth. Before the establishment of conventional banking in Nigeria and the latter years of the nineteenth century, microfinance had been around for a while. (Ekot, 2008)

The decline in government-sponsored development financial schemes and the unwillingness and incapacity of the traditional financial institutions to offer financial services to urban and rural poor people in Nigeria led to an increase in private sector-driven microfinance. As of the end of December 2009, 840 microfinance banks had received approval from the Central Bank of Nigeria (CBN) to start doing business there. (Briefs from CBN, 2008–2009).

## **1.2 STATEMENT OF PROBLEM**

In order to achieve sustainable economic development, rural areas must be transformed and rural residents must be given more influence. This highlights the critical need to restructure microfinance institutions so that they can best contribute to the economic growth of our

country. In spite of Nigeria's expanding microfinance industry, poverty is still a problem. Hence the requirement for this investigation.

### **1.3 STATEMENT OF RESEARCH QUESTIONS**

- How effective are microfinance banks in Nigeria at reducing poverty?
- What role does the government play in reducing poverty in Nigeria through establishing microfinance institutions?
- What are the obstacles facing Nigeria's microfinance institutions?

### **1.4 OBJECTIVES OF THE STUDY**

This study's main goal is to evaluate how microfinance institutions in Nigeria contribute to the reduction of poverty.

- To evaluate the efficiency and influence of microfinance institutions in Nigeria's fight against poverty.
- To investigate the role that the government in Nigeria has played in reducing poverty through microfinance institutions

- To determine what is preventing microfinance banks in Nigeria from developing and functioning effectively.

## **1.5 HYPOTHESIS OF THE STUDY**

The purpose of the research objectives is to ensure that the study has indeed been investigated and verified

**H<sub>0</sub>:** Microfinance banks have no effect in the alleviation of poverty in Nigeria.

**H<sub>1</sub>:** Microfinance banks have an effect in the alleviation of poverty in Nigeria.

## **1.6 SIGNIFICANCE OF THE STUDY**

The following groups will gain from the study:

- Government: The study's findings will be helpful to the government in that they will highlight the efficiency of microfinance banks, point out areas for improvement, and offer recommendations for doing so.
- Owners: Understanding the function microfinance banks are to play as a catalyst for reducing poverty in rural areas as a way of expanding rural banking would be important to current and future owners of microfinance banks.

- Scholars; it will be helpful for academics and students when working on research projects for things linked to microfinance banks.

## **1.7 SCOPE OF THE STUDY**

This study will have a 2000–2020 time frame as its range. During this time, Nigeria witnessed a social and economic slump, capital flight, an increase in unemployment, and business failures, all of which contributed to the country's citizens becoming more impoverished. The COVID-19 virus outbreak during this time had a significant impact on the population and economy of Nigeria.

## **1.8 LIMITATIONS OF THE STUDY**

**Time Constraints:** The researcher will conduct this study together with other academic tasks at the same time. As a result, less time will be spent on the research project.

**Financial Constraint:** A researcher's efficiency in locating relevant materials, literature, or information and in the data gathering procedure is often hindered by a lack of funding (internet, questionnaire and interview).

**Environmental Constraints:** Access to some microfinance institutions is restricted, making it difficult to obtain additional information about their records and other helpful work-related data.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

The widespread consensus is that microfinance programs are a type of development strategy that can improve the poor's economic performance. To reduce poverty in the nation, the Nigerian government has worked hard. Poverty alleviation through microloans is one of these initiatives, although poverty is nonetheless entrenched and widespread throughout the nation, particularly in rural areas.

As was previously mentioned, the perceived shortcomings in the current funding options for the underprivileged and small enterprises led to the establishment of microfinance institutions. They received licenses to start their businesses in 2007, and CBN-approved community banks and NGO microfinance institutions that already existed were allowed to convert into microfinance banks.

An existing community bank was required to boost its paid-up capital from N5m to N20m in order to be eligible for a microfinance license. The microfinance banking policy framework allowed microfinance banks to open branches inside a state, unlike the community banking

policy framework, which required all community banks to only engage in unit banking. The paid-up capital for microfinance banks planning to create branches in a state was set at N1 billion. One further area where community banks and their microloan successors differ is in who is permitted to hold them under regulatory guidelines. Foreign investors may own microfinance institutions in addition to individuals, groups of individuals, community development associations, private corporate entities, community banks, and commercial banks.

## **2.2 MICROFINANCE DEFINED**

Microfinance is the term used to describe the provision of financial services to low-income people or groups that are generally shut out of regular banking. The majority of microfinance organizations concentrate on providing credit in the shape of modest working capital loans, sometimes known as microloans or microcredit. While regulated microfinance banks offer savings accounts, many also offer insurance and money transfers. In order to encourage self-sufficiency, microfinance strives to increase the accessibility to financial services for underserved populations, particularly women and the rural poor.

Microfinance, according to Rogaly et al., is the provision of financial services including relatively small deposits and loans with a focus on helping the underprivileged. In extending

his definition of microfinance, Rogaly cited Rutherford's (1996) definition of financial services, which he interpreted to indicate services intended to help the underprivileged accumulate substantial sums of money with little saving.

A different definition of microfinance is a group of financial services geared toward people and small enterprises without access to traditional banking and related services. Microfinance covers, among other things, payment systems, savings and checking accounts, microinsurance, and microcredit, which gives small loans to underprivileged customers. Microfinance services are intended to assist socially or geographically isolated or excluded consumers, who are typically lower population segments, in becoming self-sufficient.

Microfinance is banking for the unbanked, making credit, savings, and other necessary financial services accessible to millions of people who are typically too poor to be served by conventional banks because they cannot provide enough collateral. It is the best method for reducing income disparity since it enables people from lower socioeconomic community to engage in the economy. Additionally, it has been demonstrated that its engagement causes income inequality to go lower.

According to the CBN, the following individuals are among the target customers of microfinance banks:

- a. the impoverished who are involved in the economy.
- b. Households with little income
- c. The unbanked and underserved, especially vulnerable populations including women, young people, and physically challenged persons.
- d. Members of the informal economy, microbusiness owners, and subsistence farmers.

### **2.3 WHAT IS POVERTY**

Perhaps one of the most divisive and important issues affecting humanity right now is poverty. Poverty may include an inability to meet one's physical needs and other kinds of deprivations ranging from people's lack of housing/ shelter, medical care, education including clothing and physical wellbeing, (Shillington et al, 2009; O'Boyle, 1991; Jitsuchon, 2001). Defining the concept of poverty in absolute terms is in fact difficult because there is no consensus measure or single meaning of poverty and defining who is poor (Rosenfield, 2010; Spicker, 1999; Akindola, 2009). However, some definitions are worth viewing.

According to O' Boyle (1991, p.1) "Poverty is a problem in unmet human physical needs. That is persons and families in poverty lack the goods and services needed to sustain and support life and the income to purchase the goods or services which would meet those needs.

Weisfeld & Andrzejewski (2008) distinguished between two types of poverty; vis-à-vis income poverty and human poverty. According to them, income poverty is based on the understanding or defining of poverty in monetary income terms, this measure popularly used by the World Bank and the United Nations (UN) is regarded as the poverty line method. According to World Bank, this means that people living on less than \$1.25 are in extreme poverty, while those living on less than \$2 per day are in moderate poverty. In other words, human poverty includes material deprivation of people. This includes lack of basic needs of life like housing/ shelter, clothing, proper diet and other social deprivations such as “denial of employment, participation in social institutions and education” (Weisfeld & Andrzejewski 2008, p. 2). The World Bank 2000 explained poverty as follows;

Poverty is hunger, lack of shelter, being sick and not being able to see a doctor, not having access to school and not knowing how to read and write, not having a job, fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom from servitude. Poverty is living in abject squalour and hopelessness (World Bank 2000, p. 52).

For the World Health Organization (WHO):

Poverty is associated with the undermining of a range of key human attributes including health. The poor are exposed to greater personal and environmental health risks; they are not well nourished, have less information and are less able to access health care. They thus have a higher risk of illness and disability... The poorest of the poor around the world have the worst health (WHO, 2012).

This definition explains succinctly the devastating health consequences and risks associated with poverty. In a similar vein, the United Nations (UN), defines poverty as “a condition characterized by severe deprivation of basic human needs including food, health, shelter, education, and information. It depends not only on income but also on access to services (UN, 1999: 57; quoted in Spicker 1999, p. 232).

## **2.4 HISTORICAL BACKGROUND OF MICROFINANCE IN NIGERIA**

The history of microfinance sector is as old as when man started using money. People have always been borrowing, lending and saving, for as long as there has been money. This has always been done within communities, using their own system and methods without any external assistance or services.

The micro finance scheme has primarily developed as a response to the inability or apathy of commercial banks and the formal financial system to serve the needs of low-income

households and micro enterprise. According to the central Bank of Nigeria (2005:25), the formal financial system provides services to about 35% of the economically active population, while the remaining 65% are excluded from access to financial services.

Looking back into history, one would see that Nigerians have always engaged in economic activities, but such activities continued for a long time on subsistence basis. Agriculture, for instance was in most cases carried out simply to feed the immediate family. Other activities such as pottery, weaving, e.t.c were for personal needs and market within the locality (Oladele, 1988:12).

Currently, these traditional rural occupations such as pottery, basket making, cloth dying, local brewing e.t.c which used to keep people employed, have escaped the reach of small scale undertakers. This is because, these poor entrepreneurs do not have access to financial services, which will support their activities to enable them succeed in business and consequently reduce poverty and possibly bring about economic growth and development.

Furthermore, UNDP Human Development Report (1997) estimated that 40% of Nigerians live in absolute poverty, with 80% of them living in the rural areas. The significance of this is that most of these rural dwellers have been denied access to banking facilities to enable them engage successfully in agriculture, handicraft etc. The aggregate micro credit facilities in

Nigeria accounts for about 0.2 percent of Gross Domestic Product(GDP) and less than one percent of total credit to the economy. Most microfinance funding goes to the commercial sector to the detriment of the more vital economic activities, especially agricultural and manufacturing sectors which provide the foundation for sustainable growth and development. Currently, only about 14.1 and 3.5 per cent of total MFI funding went to these sectors, respectively, while the bulk, 78.4 percent, funded commerce (Anyanwu, 2004).

## **2.5 BENEFITS OF MICROFINANCE**

One of the most significant advantages of microfinancing is empowerment. Empowerment is at the center of human progress. Microfinance is helping the world reach the first Millennium Development Goal: eradicating poverty and hunger. It is also helping reach the MGD 3 to promote gender equality and empower women.

Access to essential financial services can empower individuals economically and socially by creating self-reliance and economic sustainability in impoverished communities where salaried jobs are scarce. Other benefits of microfinance include:

- Small loans enable entrepreneurs to start or expand micro, small and medium enterprises.

- Savings help families build assets to finance school fees, improve homes (e.g., install power or running water) and achieve goals.
- Insurance products can offset the cost of medical care.
- Money transfers and remittances allow families to easily send and receive money across borders.

Hundreds of millions of low-income people have benefited from microfinance since its inception, with about 140 million borrowers served by the industry worldwide annually.

(Finca)

## **2.6 CHALLENGES OF MICROFINANCE BANKS**

In terms of poverty reduction, two key questions have emerged: first, to what extent has microfinance contributed to creating a long-lasting and permanent difference to help households escape poverty? Second, to what extent do microfinance programs reach the worst off, “chronic poor” and not just the “transient poor.”

The total number of microcredit borrowers has magnified exponentially from less than 20 million in the 1970s to over 211 million in 2013. There are undeniable success stories regarding the transformative effect of microfinance on individuals and households. But until

recently, there has been very little research that shows the impact of microfinance in a way that demonstrates causality.

In their book “Finance Against Poverty” (1996), David Hulme and Paul Mosley were first to criticize microfinance. They suggested that microfinance helps those above the poverty line more than those below the poverty line. In some instances, they found that microcredit make life for those at the base of the pyramid even worse. Some argue microfinance contributes to creating debt traps for the poor whereby they sink into the vicious cycle of repayment of loans, and due to increasing interest rates, they are never able to escape.

One of the most fundamental difficulties microfinance banks in Nigeria have is the near absence of basic infrastructure. This lack of basic infrastructure compounds the operational difficulties of these banks, which ordinarily are faced by high operational costs because of their nature of business. By dealing with many small clients microfinance banks’ transaction costs are usually higher than those of conventional banks. Unfortunately, these banks are also forced to incur additional costs to provide themselves with electricity and water. The absence of good roads especially in the rural areas also distorts their outreach. All these work in concert to drive cost of operations up and put them at a very big competitive disadvantage.

The lack of banking culture in the rural areas and among the urban poor is another factor militating against the progress of microfinance banks. Traditionally, these people borrow money from friends and relatives and repay the same amount of money borrowed no matter the tenure of such loans. They therefore find it difficult to understand the payment of interest on bank loans.

In the northern part of the country, the issue of frowning at interest on loans takes a religious dimension. This part of the country is populated by mainly Muslims, a religion which abhors usury. This has hampered the development of microfinance banking in that part of the country. This was buttressed by who opined that “conventional microfinancing violates Islamic principles by charging interest. This matter is of concern for Muslims due to the consequences of dealing with interest (ribia)”. This may account for the lopsided location of microfinance banks in country as over 75% of them are located in the southern part of the country while the northern part with a higher incidence of poverty has less than 25%.

The failure of many community banks and the withdrawal of the license of 224 microfinance banks in 2010 have badly damaged public confidence in these banks. Many microfinance banks established in communities where failed community banks existed are faced with an uphill task of convincing these communities that they will not go through the unfortunate experience of losing money in a bank failure. The sudden withdrawal of the license of 224 of

these banks has fueled the lack of public confidence which community banks bequeathed them. Many of the customers of these banks have refrained from dealing with them in fearing the same fate would befall them. On the other hand, the Central Bank of Nigeria has constantly assured the public that it will not allow any commercial bank to fail; this, places the microfinance banks at a great disadvantage by tilting public confidence in favour of commercial banks that are normally bigger and stronger.

Another important factor identified to militate against the performance of microfinance banks in Nigeria as identified by is limited support for human and institutional capacity building. The paucity of human capacity in the microfinance sub-sector in Nigeria has been an issue from the days of community banking. According to one of the major problems of the microfinance sub-sector is recruitment of effective and appropriate manpower. This he ascribed to the inability of the sector to adequately remunerate staff. Other human resource problems faced by microfinance banks include lack of training opportunities and poor conditions of service. The quality of manpower in these banks is reflected in the poor performance of many of them, inefficiency and high levels of frauds and forgeries. The banks also suffer from high labour turnover a further indication of low staff motivation and poor personnel practices.

Corruption is a cankerworm that has wrecked-havoc in many sectors of the Nigerian economy. The microfinance sub-sector is not left out of the ravages of corruption. This

manifests in many ways, such as, corporate governance failures, frauds and forgeries, theft and refusal by customers to repay loans. The standard of corporate governance in many microfinance banks in Nigeria is poor. Board members are known to misuse their positions to obtain facilities way above the regulatory limit for insider related loans and worse still with no intentions of repaying such facilities. They also use their positions to unduly influence and manipulate the recruitment processes in favour of their cronies. Frauds and forgeries by both insiders and outsiders to the banks are rife and people generally obtain loans with no intention to repay.

It is important to note that there is over nine hundred (900) microfinance banks today in Nigeria and they are regulated and supervised by the Central Bank of Nigeria (CBN). The CBN also has the responsibility of supervising commercial banks, development finance institutions, primary mortgage institutions, and bureau de change and credit bureaus. The multiplicity of the institutions and their diverse nature possess a regulatory challenge. This is against the backdrop that since for instance commercial banks and microfinance banks differ in operational method and scope, a regulator trained to inspect/supervise the activities of one may be handicapped in the supervision of another.

The emergence of miracle or magic banks from time to time has done a lot of disservice to the image of microfinance banks. These banks spring up without any license, promise to pay

outlandish interest on deposits, mobilize deposits from the uninformed and/or greedy and disappear. Most of the victims of these scams are customers that microfinance banks should service but become skeptical about banking after the miracle bank experience. Many others do not see any difference between those magic banks and the licensed microfinance banks.

Another prevalent problem among microfinance banks is the copying, competing and mimicking the practices of commercial banks. Many microfinance bank managers and other management staff were commercial banks' staff who were either retired or sacked by their former employers. To these staff microfinance banking is just an extension of the commercial banking they know. They also come with their organizational orientation, philosophy and culture. They refuse to understand that microfinance is not micro-commercial banking but a different kind of banking requiring a different approach, philosophy and client base. This may be why many microfinance banks spend colossal sums on office complex, exotic cars and the wardrobe of their staff. They also engage in inordinate competition with the commercial banks. This class of staff lack orientation as to the essence of microfinance.

The constant government policy changes offer its set of challenges to the microfinance banks. In 2007, commercial banks were consolidated; they became so big obviously leaving the not too wealthy client segment to microfinance banks. Today banks have been reclassified into regional, national and international, fueling fears that the regional banks might be in direct

competition with microfinance banks. In addition to this, Islamic banks are being licensed and may end up in the same market segments as microfinance banks (Wikipedia)

## **2.7 CONTRIBUTIONS OF GOVERNMENT IN ALLEVIATION OF POVERTY THROUGH ESTABLISHMENT OF MICROFINANCE BANKS**

In December 2005, the Central Bank of Nigeria (CBN) introduced a Microfinance Policy Framework to enhance the access of microentrepreneurs and low income households to financial services required to expand and modernize their operations in order to contribute to rapid economic growth. The rationale was that no inclusive growth can be achieved without improving access of this segment of the economic strata to factors of production, especially financial services

The basis of this bold initiative in 2005 is still valid. With the benefit of experience spanning over five years of operating the Microfinance Policy, the CBN believes that a review of the Policy to reflect lessons from experience, global economic trends and the envisioned future for small business development in Nigeria has become auspicious.

Before the emergence of Microfinance Banks (MFBs) under the Microfinance Policy, the people that were unserved or under-served by formal financial institutions usually found succour in non-governmental organization-microfinance institutions (NGO-MFIs),

moneylenders, friends, relatives, credit unions, etc. These informal sources of funds have helped to partially fill

The envisioned microfinance sub-sector under the policy regime recognizes the existence of informal institutions and provides for their mainstreaming into the national financial system. The policy also seeks to harmonize operating standards and provide a strategic platform for the evolution of microfinance institutions particularly MFBs. Existing non-deposit taking service providers, which continue to operate outside the purview of regulation and supervision of the CBN, would be encouraged to make periodic returns on their operations for statistical purposes to the CBN.

## **2.8 MICROFINANCE POLICY**

The micro-finance regulatory framework was first formulated in 2005 to replace all existing community banks and micro-finance institutions and mandating them to convert to micro-finance banks and was required to have a mandatory minimum capital of 20million Naira about \$125,000 (CBN, 2005).

The following are the justifications for the implementation of the microfinance policy:

- **Weak Institutional Capacity**

Many former community banks, microfinance organizations, and development finance organizations have consistently performed below expectations due to poor management, lax internal controls, and a lack of deposit insurance programs. Poor corporate governance, poorly defined operations, onerous regulatory and supervisory obligations, and more are additional reasons.

- **Absence of Technological Platform**

A significant barrier to profitable operations is the lack of an appropriate network infrastructure for information communication technology (ICT) to reduce costs and create economies of scale.

- **Weak Capital Base**

Due to their inadequate capital bases, current microfinance institutions were unable to appropriately mitigate the risk associated with lending to micro-clients.

- **The Existence of a Huge Un-Served Market**

The extent of the market that the current financial institutions don't serve is substantial. In its 2008 Access to Finance Survey in Nigeria, EFINA made reference to the fact that 86% of

Nigeria's rural residents—or 79% of the country's overall population—do not have access to banking services. The total amount of microcredit facilities in Nigeria in 2005 represented less than 1% of total credit to the economy and roughly 0.2% of the country's GDP. This showed there was a significant gap in the availability of financial services for many economically active low-income households. If this issue is not properly handled, it will only exacerbate poverty and delay growth and progress.

The microfinance initiative's main goal is to promote an inclusive financial system, which calls for sustaining financial awareness. The people who misunderstand microfinance and view banks and other sources of funding as merely suppliers of loans and advances rather than as partners in business are the target audience for change.

- **Economic Empowerment of the Poor**

Due to their potential to create jobs, micro, small, and medium-sized businesses (MSMEs) are known to help reduce poverty on a global scale. However, the inability of small firms to get financing to launch, grow, or upgrade their current range of economic operations has severely limited their ability to create jobs in Nigeria. A better microfinance framework should offer a variety of financial service channels to help MSMEs achieve their goals of creating jobs and reducing poverty.

- **The Need for Increased Savings Opportunity**

Contrary to common belief, poor individuals can and do save. Savings, particularly in Nigeria's rural areas, have continued to increase at a relatively low rate due to the lack of adequate chances and products for saving money. The microfinance policy creates a window of opportunity and encourages the development of suitable savings products that would appeal to rural customers and raise the level of savings in the economy. These products should be safe, affordable, and easily accessible.

- **The Increasing Interest of Local and International Investors in Microfinance**

The microfinance industry in the nation has drawn the interest of numerous domestic and foreign investors. As a result, the creation of a microfinance policy framework for Nigeria gives them the chance to take part in funding low-income households' and the economically active poor's economic activities.

- **Urban Bias in Banking Services**

The majority of already operating banks are situated in metropolitan regions, and previous initiatives to encourage them to establish branches in rural areas have not been successful. It has become essential to create an institutional framework to provide banking services to the previously unbanked people in Nigeria because a sizable section of the country's population still resides in rural areas.

## **2.9 POLICY OBJECTIVES**

The microfinance policy offers a framework for achieving the following particular goals:

- i. Creating job opportunities and raising the productivity and household income of the active poor in the nation will improve their standard of living.
- ii. Providing timely, diversified, affordable, and dependable financial services to them.
- iii. Promoting synergy and mainstreaming the informal Microfinance sub-sector into the formal financial system.
- iv. Improving service delivery to micro, small, and medium-sized businesses
- v. Promotion of linkage programmes between microfinance institutions (MFIs), Deposit Money Banks (DMBs), Development Finance Institutions (DFIs) and specialized funding institutions;
- vi. Mobilization of savings for intermediation and rural transformation;
- vii. Providing trustworthy channels for the non-recourse management of government and high net worth individuals' microcredit programs; and
- viii. Promotion of a platform for microfinance services

## **2.10 POLICY TARGETS**

The following are the goals of the microfinance policy based on the aforementioned objectives:

- i. To improve the economically active poor's access to financial services by 10% per year;
- ii. To increase the share of microcredit as a percentage of total credit to the economy from 0.9% in 2005 to at least 20% in 2020; and the share of microcredit as a percentage of GDP from 0.2% in 2005 to at least 5% in 2020;
- iii. To eliminate gender disparity by ensuring that women's access to financial services increases by 15% annually, which is 5% above the mandated minimum of 10% across the board, and
- iv. To ensure that all States, the FCT, and at least two-thirds of all Local Government Areas (LGAs) participate in microfinance activities by 2015.

## **2.11 OVERVIEW OF MICROFINANCE ACTIVITIES (2006 – 2010)**

Since the Microfinance Policy Framework was introduced in December 2005, the microfinance industry in Nigeria has faced a number of difficulties. Following the consolidation of the banking industry, many individuals who were negatively impacted turned to microfinance. As a result, a sizable portion of the recently licensed MFBs were founded or run similarly to "mini-commercial banks". Furthermore, the former community banks (CBs) that changed their status to become MFBs did not fare any better.

However, an analysis of the microfinance sector after the policy's introduction showed some progress. These include greater understanding of microfinance among stakeholders, including governments, regulatory bodies, investors, development partners, financial institutions, and service providers providing technical support.

In particular, 866 microfinance banks have received licenses, the Microfinance Certification Programme (MCP) for their operators has been established, and the promotional apparatus has been strengthened. In light of the potential presented by the rising demand for financial services such as credit, savings, payment services, financial counseling, and non-financial services, entrepreneurs are capitalizing on these prospects.

## **2.12 EMPIRICAL FINDINGS ON NEXUS BETWEEN MICROFINANCE BANKS AND POVERTY REDUCTION**

The relationship between microfinance organizations and poverty in Nigeria was examined by Tafamel (2019). The study specifically examined the effects of microfinancing on a sample of 200 SMEs in Nigeria's Edo State's Ikpoba Okha Local Government Area. A positive and significant relationship between microfinance banks and the reduction of poverty was discovered using Pearson correlation and multiple regression analysis.

In a similar vein, Mustapha, Yusuf, and Abdullahi (2019) investigated how the Rima Microfinance Bank affected income and poverty in the Goronyo Local Government Area of Sokoto State, Nigeria. A structured questionnaire was employed to collect data, and a multi-stage sample technique was used for the sampling. The findings revealed that as beneficiaries used the Rima Microfinance Bank's credit facility, their income increased while their level of poverty decreased by 6%.

Nwibo, Okonkwo, Eze, Mbam, and Odoh (2019) examined the impact of microfinance on reducing poverty among Nigerian rural farmers in a similar study. The study chose 200 farmers using a multi-stage random and purposeful sampling method. Data were mostly gathered by a structured questionnaire, and descriptive and inferential statistics were used to evaluate them. The findings confirmed that microcredit is a significant source of funding for Nigerian rural farm households.

The effect of microfinance banks on reducing poverty was looked into using the financial ratio (Obayagbona, 2018). The study's time frame was from 1992 to 2016. For the empirical investigation, the econometric methods of correlation and ordinary least squares (OLS) were used. The findings showed that while liquidity ratio and deposits were less important, gross earnings, the loan-to-deposit ratio, and the assets of microfinance organizations were major factors of poverty reduction in Nigeria.

Usifoh and Ezeanyej (2017) looked examined how well microfinance banks worked in Nigeria from 1992 to 2016 to reduce poverty and boost the country's economy. For data analysis in the study, regression analysis was performed. According to the study's findings, microfinance assets had a significant impact on reducing poverty and boosting the economy, while loans and advances had a negative significant impact. Deposit liabilities of microfinance banks had a positive but insignificant impact on these two outcomes.

In a related study, Oluseye (2017) evaluated the contribution of microfinance banks to the reduction of poverty in the Nigerian state of Ekiti. In order to conduct the study, 150 employees from ten microfinance institutions in the state of Ekiti as well as some bank clients were given standardized questionnaires. The investigation, which used multiple regression, revealed that the efficiency of microfinance institutions and other independent factors had a positive and significant impact on reducing poverty in Ekiti State.

In Nigeria, Taiwo et al. (2016) used data gathered from field surveys in Lagos and Ogun State, Nigeria, and calculated using the Ordinary Least Squares (OLS) econometric technique to investigate the effectiveness of microfinance programs in dispersing credit among the economically active poor individuals. The study found that the Grameen Bank, which promotes microfinance banking as a key instrument for reducing poverty, served as the inspiration for the majority of the studied microfinance institutions.

Additionally, Opara (2010) conducted regression analysis on a quadratic equation model to concentrate on the role that microfinance organizations play in reducing poverty. The analysis's findings showed that microfinance had a two-phase effect on Nigeria's poverty rate. In the beginning, as microloans rose, poverty was seen to be slowly rising. The second phase, which began in 2001, saw a steady rise in microloans and a marked decline in poverty in Nigeria.

The Central Bank of Nigeria (CBN) opened its portal for Micro Small and Medium Enterprises (SMEs) and households affected by COVID-19 to access up to \$70,000 in an effort to assist household owners and Small and Medium Enterprises (SMEs) in Nigeria overcome the negative effects caused by the Corona virus.

As a result, the study came to the conclusion that microloans in Nigeria reduced poverty.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

Olakunori (2000) defines research methodology as the methodical process or procedure created for producing, gathering, and interpreting the data necessary for resolving a certain problem. The methods and tools used to conduct the study are covered in this chapter. Additionally, it includes information about the population of the study, the sampling method, and the research methodology. Other topics include the instrument used to collect data, the sources used to acquire the data, the validity and dependability of the instrument, the method used to collect the data, and the method used to analyze the data for the study.

#### **3.1 Research Design**

A descriptive survey design was used for this investigation. This design's objective is to gather accurate information that characterizes an existing phenomena in great detail (Ezeani 1998). Data were gathered using the concepts outlined in the research model (survey model), and hypotheses were tested using the answers from copies of the questionnaire given to the study's chosen sample.

#### **3.2 Area of the Study**

The study's focus is on the Trustfund Microfinance Bank Limited's Uselu branch and a small number of its patrons there as well as the UNIBEN Microfinance Bank in Ugbowo, Benin

City, Edo State. Benin is a bustling commercial, academic, and religious hub. Benin is one of the major cities in Edo state, hence the researcher took this region into consideration.

### **3.3 Population of the Study**

All elements or observations that could be made about a specific occurrence that interests the researcher make form a population. The workers of the Trustfund Microfinance Bank Limited branch in Uselu, Benin City, as well as a chosen group of customers made up the population for this study. 168 people make up the client population, whilst 32 people work for the bank. Overall, there are 200 participants in this research project.

### **3.4 Sample Size and Sampling Technique**

Since the entire population could not be studied, this study chose a sample size. Using the Taro Yamani formula, the sample size for this investigation was established (1967). However, the study's sample size is 133, made up of 21 bank employees and 112 microfinance bank customers in Uselu, Benin City, Edo State.

Hence the sample size determination is stated below:

$$n = \frac{N}{1+N(e)^2}$$

Where; N = Population of the study [200]

n = sample size

e = level of significance [0.05]

$$1 = \text{constant}$$

Therefore;

$$n = \frac{200}{1 + 200(5\%)^2}$$

$$n = \frac{200}{1 + 200(0.05)^2}$$

$$n = \frac{200}{1 + 200(0.0025)}$$

$$n = \frac{200}{1 + 0.5}$$

$$n = \frac{200}{1.5}$$

$$n = 133.33$$

$$n = 133$$

### **3.5 Instrument of Data Collection**

The majority of the time, research efforts aim to add to existing knowledge, which may be found in published works as well as in peoples' oral histories. This study uses data and other material that was gathered from primary and secondary sources in the form of earlier works

#### **3.5.1 Primary Data**

These were gathered by using well-structured questionnaires that were distributed to the Trustfund Microfinance Bank Limited's operation departments at the Uselu branch in Benin City, as well as to a select group of the bank's consumers.

### **3.5.2 Secondary Data**

Professional journals, newspapers, articles written by professionals in accounting and finance, textbooks, periodicals, research-based publications, etc. are examples of secondary data sources.

### **3.6 Method of Data collection**

Both primary and secondary sources were used to gather the data for the study. The primary source was primarily a questionnaire given to a small group of chosen bank employees and customers in Uselu, Benin City, which was supported by personal observations and interviews. The secondary source was information found in books, journals, magazines, newspapers, and other informative periodicals that were available in the field.

A Likert-type questionnaire was used.

A likert scale measures the extent to which a person agrees or disagrees with the question (information technology services, 2010). The scale ranges from (4) Strongly Agree (SA), (3) Agree (A), (2) Disagree (D), (1) Strongly Disagree (SD). The questionnaire was to the

respective banks staff and clients. Also, interviews and personal observations were conducted in order to help gather information.

### **3.7 Method of Data Analysis**

Tabular formats were used to present the questionnaire responses. Frequency and percentage conversions were made for the answers. The study's research question and findings served as the foundation for the interpretation. The chi-square approach, which illustrates the degree of the discrepancy between the variables, expectation, and observation, was used to test the hypothesis put out in this paper. The test was run with a significance level of 5%. Statistical Package for the Social Science (SPSS) version 23 was used to present and evaluate the acquired data.

Chi-square is represented as follows:

$$x^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

Where,  $\sum$  = Summation

$O_i$  = Observed frequency

$E_i$  = Expected frequency

### **3.8 Validity and Reliability of Instruments**

Content validity was modified to effectively evaluate coverage of the research topic in order to confirm that the structured questionnaire instrument designed for this study measures what it is anticipated to measure, which is to fulfill the requirement of validity. The instrument was submitted to the supervisor for criticisms and suggestions. The corrected copy was validated by the supervisor from which online survey was conducted.

## CHAPTER FOUR

### PRESENTATION AND ANALYSIS OF DATA

#### 4.1 PRESENTATION OF DATA

The data that the researcher gathered using structured questionnaires and oral interviews are analyzed in this chapter.

This table was presented tabularly and examined in accordance with case comprehension. The data was presented in tabular arrangement due to its relative simplicity and the capacity to accommodate large data responses.

##### 4.1.1 PRESENTATION OF DATA COLLECTED FROM BANK STAFF

| <b>TABLE 4.1.1.1: There is a positive relationship between Micro-credit and improved living standards of recipient of these micro credits in Nigeria.</b> |                 |           |         |               |                    |
|---|-----------------|-----------|---------|---------------|--------------------|
|   |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Strongly Agreed | 7         | 33.3    | 33.3          | 33.3               |
|   | Agreed          | 12        | 57.1    | 57.1          | 90.5               |
|   | Disagreed       | 2         | 9.5     | 9.5           | 100.0              |
|   | Total           | 21        | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

According to Table 4.1.1.1, 33.3% and 57.1% of respondents, respectively, strongly agreed and agreed that there is a link between microcredit and an increase in the living standards of recipients in Nigeria. 9.5% of respondents disagreed, nevertheless.

| <b>TABLE 4.1.1.2: Low income earners are able to obtain credit easily from the microfinance institutions in Nigeria.</b> |                 |           |         |               |                    |
|--|-----------------|-----------|---------|---------------|--------------------|
|  |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Strongly Agreed | 13        | 61.9    | 61.9          | 61.9               |
|  | Agreed          | 6         | 28.6    | 28.6          | 90.5               |
|  | Disagreed       | 2         | 9.5     | 9.5           | 100.0              |
|  | Total           | 21        | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

According to Table 4.1.1.2, 61.9% and 28.6% of respondents strongly agreed and agreed that low-income individuals in Nigeria can readily access credit from microfinance institutions, while 9.5% disagreed.

| <b>TABLE 4.1.1.3: Government contributes in the alleviation of poverty in Nigeria through establishment and monitoring of private</b> |  |  |  |  |  |
|---|--|--|--|--|--|
|---|--|--|--|--|--|

| <b>microfinance banks.</b> |                    |           |         |                  |                       |
|----------------------------|--------------------|-----------|---------|------------------|-----------------------|
|                            |                    | Frequency | Percent | Valid<br>Percent | Cumulative<br>Percent |
| Valid                      | Strongly<br>Agreed | 9         | 42.9    | 42.9             | 42.9                  |
|                            | Agreed             | 11        | 52.4    | 52.4             | 95.2                  |
|                            | Disagreed          | 1         | 4.8     | 4.8              | 100.0                 |
|                            | Total              | 21        | 100.0   | 100.0            |                       |

SOURCE: Field Survey, 2022.

Table 4.1.1.3 revealed 42.9% and 52.4% of the respondents strongly agreed and agreed that government contributes in the alleviation of poverty in Nigeria through establishment and monitoring of private microfinance banks respectively while 4.8% disagreed.

| <b>TABLE 4.1.1.4: There is difference in the interest rate your microfinance bank charge for loans given to small and medium scale investors and the interest rate charged by commercial banks.</b> |  |           |         |                  |                       |
|---|--|-----------|---------|------------------|-----------------------|
|   |  | Frequency | Percent | Valid<br>Percent | Cumulative<br>Percent |

|       |                 |    |       |       |       |
|-------|-----------------|----|-------|-------|-------|
| Valid | Strongly Agreed | 9  | 42.9  | 42.9  | 42.9  |
|       | Agreed          | 12 | 57.1  | 57.1  | 100.0 |
|       | Total           | 21 | 100.0 | 100.0 |       |

SOURCE: Field Survey, 2022.

Table 4.1.1.4 shows 42.9% and 57.1% of the respondents strongly agreed and agreed that there is difference in the interest rate your microfinance bank charge for loans given to small and medium scale investors and the interest rate charged by commercial banks respectively.

| <b>TABLE 4.1.1.5: Microfinance bank help structure the loan collected by small and medium scale investors so that they don't have difficulty in paying back.</b> |                 |           |         |               |                    |
|--|-----------------|-----------|---------|---------------|--------------------|
|  |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Strongly Agreed | 11        | 52.4    | 52.4          | 52.4               |
|  | Agreed          | 9         | 42.9    | 42.9          | 95.2               |

|  |           |    |       |       |       |
|--|-----------|----|-------|-------|-------|
|  | Disagreed | 1  | 4.8   | 4.8   | 100.0 |
|  | Total     | 21 | 100.0 | 100.0 |       |

SOURCE: Field Survey, 2022.

Table 4.1.1.5 shows 52.4% and 42.9% of the respondents strongly agreed and agreed that microfinance bank help structure the loan collected by small and medium scale investors so that they don't have difficulty in paying back respectively. However, 4.8% disagreed.

| <b>TABLE 4.1.1.6: Microfinance bank is effective in the alleviation of poverty in Nigeria.</b> |                 |           |         |               |                    |
|--|-----------------|-----------|---------|---------------|--------------------|
|  |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Strongly Agreed | 3         | 14.3    | 14.3          | 14.3               |
|  | Agreed          | 18        | 85.7    | 85.7          | 100.0              |
|  | Total           | 21        | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.1.6 shows 14.3% and 85.7% of the respondents strongly agreed and agreed that microfinance bank is effective in the alleviation of poverty in Nigeria respectively.

| <b>TABLE 4.1.1.7: Microfinance bank has significant impact in the alleviation of poverty in Nigeria.</b> |                 |           |         |               |                    |
|--|-----------------|-----------|---------|---------------|--------------------|
|  |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Strongly Agreed | 12        | 57.1    | 57.1          | 57.1               |
|  | Agreed          | 9         | 42.9    | 42.9          | 100.0              |
|  | Total           | 21        | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.1.7 shows 57.1% and 42.9% of the respondents strongly agreed and agreed that microfinance bank has significant impact in the alleviation of poverty in Nigeria respectively.

| <b>TABLE 4.1.1.8: Microfinance bank monitor the loan given to small and medium scale investors to see that the loan collected is used for the purpose it was collected.</b> |                 |           |         |               |                    |
|---|-----------------|-----------|---------|---------------|--------------------|
|   |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Strongly Agreed | 13        | 61.9    | 61.9          | 61.9               |

|  |        |    |       |       |       |
|--|--------|----|-------|-------|-------|
|  | Agreed | 8  | 38.1  | 38.1  | 100.0 |
|  | Total  | 21 | 100.0 | 100.0 |       |

SOURCE: Field Survey, 2022.

Table 4.1.1.8 shows 61.9% and 38.1% of the respondents strongly agreed and agreed that Microfinance bank monitor the loan given to small and medium scale investors to see that the loan collected is used for the purpose it was collected respectively.

| <b>TABLE 4.1.1.9: Loan has a significant negative impact on poverty alleviation in Nigeria.</b> |                    |           |         |               |                    |
|---|--------------------|-----------|---------|---------------|--------------------|
|   |                    | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Strongly Agreed    | 4         | 19.0    | 19.0          | 19.0               |
|   | Agreed             | 3         | 14.3    | 14.3          | 33.3               |
|   | Disagreed          | 11        | 52.4    | 52.4          | 85.7               |
|   | Strongly Disagreed | 3         | 14.3    | 14.3          | 100.0              |

|  |       |    |       |       |  |
|--|-------|----|-------|-------|--|
|  | Total | 21 | 100.0 | 100.0 |  |
|--|-------|----|-------|-------|--|

SOURCE: Field Survey, 2022.

Table 4.1.1.9 shows 19.0% and 14.3% of the respondents strongly agreed and agreed that loan has a significant negative impact on poverty alleviation in Nigeria respectively. However, 52.4% and 14.3 disagreed and strongly disagreed respectively.

| <b>TABLE 4.1.1.10: Government policy is a factor limiting the development of microfinance banks in Nigeria.</b> |                    |           |         |               |                    |
|---|--------------------|-----------|---------|---------------|--------------------|
|   |                    | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Strongly Agreed    | 6         | 28.6    | 28.6          | 28.6               |
|   | Agreed             | 6         | 28.6    | 28.6          | 57.1               |
|   | Disagreed          | 8         | 38.1    | 38.1          | 95.2               |
|   | Strongly Disagreed | 1         | 4.8     | 4.8           | 100.0              |
|   | Total              | 21        | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.1.10 shows 28.6% and 28.6% of the respondents strongly agreed and agreed that government policy is a factor limiting the development of microfinance banks in Nigeria respectively. However, 38.1% and 4.8% disagreed and strongly disagreed respectively.

| <b>TABLE 4.1.1.11: Illiteracy is a factor limiting the development of microfinance banks in Nigeria.</b> |                 |           |         |               |                    |
|--|-----------------|-----------|---------|---------------|--------------------|
|  |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Strongly Agreed | 11        | 52.4    | 52.4          | 52.4               |
|  | Agreed          | 10        | 47.6    | 47.6          | 100.0              |
|  | Total           | 21        | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.1.11 shows 52.4% and 47.6% of the respondents strongly agreed and agreed that illiteracy is a factor limiting the development of microfinance banks in Nigeria respectively.

| <b>TABLE 4.1.1.12: Migration of clients after obtaining loan is a factor limiting the development of microfinance banks in Nigeria.</b> |  |           |         |               |                    |
|---|--|-----------|---------|---------------|--------------------|
|   |  | Frequency | Percent | Valid Percent | Cumulative Percent |

|       |                 |    |       |       |       |
|-------|-----------------|----|-------|-------|-------|
| Valid | Strongly Agreed | 18 | 85.7  | 85.7  | 85.7  |
|       | Agreed          | 3  | 14.3  | 14.3  | 100.0 |
|       | Total           | 21 | 100.0 | 100.0 |       |

SOURCE: Field Survey, 2022.

Table 4.1.1.12 shows 85.7% and 13.3% of the respondents strongly agreed and agreed that migration of clients after obtaining loan is a factor limiting the development of microfinance banks in Nigeria respectively.

| <b>TABLE 4.1.1.13: How often do people come to the bank to access loan?</b> |            |           |         |               |                    |
|---|------------|-----------|---------|---------------|--------------------|
|   |            | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Very Often | 10        | 47.6    | 47.6          | 47.6               |
|   | Often      | 11        | 52.4    | 52.4          | 100.0              |
|   | Total      | 21        | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.1.13 shows 47.6% and 52.4% of the respondents opined that people come to their bank to access loan very often and often respectively.

| <b>TABLE 4.1.1.14: Is the number of participants large?</b> |     |           |         |                  |                       |
|---|-----|-----------|---------|------------------|-----------------------|
|   |     | Frequency | Percent | Valid<br>Percent | Cumulative<br>Percent |
| Valid   | Yes | 21        | 100.0   | 100.0            | 100.0                 |

SOURCE: Field Survey, 2022.

Table 4.1.1.14 shows 100.0% of the respondents is of the opinion that the number of people who participate in obtaining credit for microfinance bank is large.

#### **4.1.2 PRESENTATION OF DATA COLLECTED FROM BANK CLIENTS**

| <b>TABLE 4.1.2.1: Gender</b> |        |           |         |                  |                       |
|------------------------------|--------|-----------|---------|------------------|-----------------------|
|                              |        | Frequency | Percent | Valid<br>Percent | Cumulative<br>Percent |
| Valid                        | Male   | 38        | 33.9    | 33.9             | 33.9                  |
|                              | Female | 74        | 66.1    | 66.1             | 100.0                 |
|                              | Total  | 112       | 100.0   | 100.0            |                       |

SOURCE: Field Survey, 2022.

Table 4.1.2.1 shows 33.9% of the respondents were male while 66.1% were females.

|       |              | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------------|-----------|---------|---------------|--------------------|
| Valid | 18-27        | 60        | 53.6    | 53.6          | 53.6               |
|       | 28-37        | 36        | 32.1    | 32.1          | 85.7               |
|       | 38-47        | 10        | 8.9     | 8.9           | 94.6               |
|       | 48 and above | 6         | 5.4     | 5.4           | 100.0              |
|       | Total        | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.2 shows 53.6%, 32.1% and 8.9% of the respondents were between the age range of 18-27years, 28-37years and 38-47years respectively. However, 5.4% were 48years and above.

|       |         | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------|-----------|---------|---------------|--------------------|
| Valid | Single  | 72        | 64.3    | 64.3          | 64.3               |
|       | Married | 40        | 35.7    | 35.7          | 100.0              |
|       | Total   | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.3 shows 64.3% of the respondents were single while 35.7% are married.

| <b>TABLE 4.1.2.4: Educational Qualification</b> |               |           |         |               |                    |
|---|---------------|-----------|---------|---------------|--------------------|
|   |               | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | SSCE          | 66        | 58.9    | 58.9          | 58.9               |
|   | ND/NC<br>E    | 34        | 30.4    | 30.4          | 89.3               |
|   | HND/B.<br>Sc. | 12        | 10.7    | 10.7          | 100.0              |
|   | Total         | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.4 shows 58.9% and 30.4% of the respondents hold SSCE and ND/NCE as their academic qualifications respectively. However, 10.7% hold HND/B.Sc. This implies that they were learned and approachable.

| <b>TABLE 4.1.2.5: Religion</b> |              |           |         |               |                    |
|--------------------------------|--------------|-----------|---------|---------------|--------------------|
|                                |              | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid                          | Christianity | 88        | 78.6    | 78.6          | 78.6               |
|                                | Islamic      | 24        | 21.4    | 21.4          | 100.0              |

|  |       |     |       |       |  |
|--|-------|-----|-------|-------|--|
|  | Total | 112 | 100.0 | 100.0 |  |
|--|-------|-----|-------|-------|--|

SOURCE: Field Survey, 2022.

Table 4.1.2.5 shoes 78.6% of the respondents' religion is Christianity while 21.4% were Islamic. This implies that majority of the respondents were Christians.

| <b>TABLE 4.1.2.6: Are you a student of University of Benin?</b> |       |           |         |               |                    |
|---|-------|-----------|---------|---------------|--------------------|
|   |       | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Yes   | 63        | 56.3    | 56.3          | 56.3               |
|   | No    | 49        | 43.8    | 43.8          | 100.0              |
|   | Total | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.6 shows 56.3% of the respondents are students of University of Benin while 43.8% are not.

| <b>TABLE 4.1.2.7: Employment status</b> |               |           |         |               |                    |
|---|---------------|-----------|---------|---------------|--------------------|
|   |               | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid                                   | Student       | 72        | 64.3    | 64.3          | 64.3               |
|   | Self-employed | 31        | 27.7    | 27.7          | 92.0               |
|   | Employed      | 9         | 8.0     | 8.0           | 100.0              |
|   | Total         | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.7 shows 64.3% and 27.7% of the respondents were students and self-employed respectively while 8.0% were employed.

| <b>TABLE 4.1.2.8: Microfinance banks have an effect in the alleviation of poverty in Nigeria.</b> |                 |           |         |               |                    |
|---|-----------------|-----------|---------|---------------|--------------------|
|   |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Strongly Agreed | 76        | 67.9    | 67.9          | 67.9               |
|   | Agreed          | 36        | 32.1    | 32.1          | 100.0              |
|   | Total           | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.8 shows 67.9% and 32.1% of the respondents strongly agreed and agreed that microfinance banks have an effect in the alleviation of poverty in Nigeria respectively.

|   |
|---|
| <b>TABLE 4.1.2.9: There is a positive relationship between Micro-credit</b> |
|---|

| <b>and improved living standards of recipient of these micro credits in Nigeria.</b> |                 |           |         |               |                    |
|--|-----------------|-----------|---------|---------------|--------------------|
|  |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Strongly Agreed | 58        | 51.8    | 51.8          | 51.8               |
|  | Agreed          | 44        | 39.3    | 39.3          | 91.1               |
|  | Neutral         | 5         | 4.5     | 4.5           | 95.5               |
|  | Disagreed       | 5         | 4.5     | 4.5           | 100.0              |
|  | Total           | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

According to Table 4.1.2.9, 51.8% and 39.3% of respondents, respectively, strongly agreed and agreed that microcredit recipients in Nigeria have higher living conditions as a result of receiving these loans. However, 4.5% and 4.5%, respectively, were neutral and disagreed.

| <b>TABLE 4.1.2.10: The loan collected lead to an expansion of your business.</b> |  |           |         |               |                    |
|--|--|-----------|---------|---------------|--------------------|
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |

|       |                 |     |       |       |       |
|-------|-----------------|-----|-------|-------|-------|
| Valid | Strongly Agreed | 93  | 83.0  | 83.0  | 83.0  |
|       | Agreed          | 19  | 17.0  | 17.0  | 100.0 |
|       | Total           | 112 | 100.0 | 100.0 |       |

SOURCE: Field Survey, 2022.

Table 4.1.2.10 shows 83.0% and 17.0% of the respondents strongly agreed and agreed that loan collected from microfinance bank lead to expansion of their businesses respectively.

| <b>TABLE 4.1.2.11: Employment opportunity increased after putting the loan into use.</b> |                 |           |         |               |                    |
|--|-----------------|-----------|---------|---------------|--------------------|
|  |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Strongly Agreed | 44        | 39.3    | 39.3          | 39.3               |
|  | Agreed          | 25        | 22.3    | 22.3          | 61.6               |
|  | Neutral         | 26        | 23.2    | 23.2          | 84.8               |
|  | Disagreed       | 17        | 15.2    | 15.2          | 100.0              |
|  | Total           | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.11 shows 39.3% and 22.3% of the respondents strongly agreed and agreed that employment opportunity increased after putting/investing the loan collected in the business respectively. However, 23.2% and 15.2% were neutral and disagreed respectively.

| <b>TABLE 4.1.2.12: Loan collected raised your standard of living and the standard of living of the people you employed.</b> |                 |           |         |               |                    |
|---|-----------------|-----------|---------|---------------|--------------------|
|   |                 | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Strongly Agreed | 34        | 30.4    | 30.4          | 30.4               |
|   | Agreed          | 78        | 69.6    | 69.6          | 100.0              |
|   | Total           | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.12 shows 30.4% and 69.6% of the respondents strongly agreed and agreed that loan collected raised the recipients' standard of living and that of the people working under him/her respectively.

| <b>TABLE 4.1.2.13: Loan has a significant negative impact on poverty alleviation in Nigeria.</b> |          |           |         |               |                    |
|--|----------|-----------|---------|---------------|--------------------|
|  |          | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Strongly | 36        | 32.1    | 32.1          | 32.1               |

|  |                    |     |       |       |       |
|--|--------------------|-----|-------|-------|-------|
|  | Agreed             |     |       |       |       |
|  | Agreed             | 6   | 5.4   | 5.4   | 37.5  |
|  | Neutral            | 20  | 17.9  | 17.9  | 55.4  |
|  | Disagreed          | 31  | 27.7  | 27.7  | 83.0  |
|  | Strongly Disagreed | 19  | 17.0  | 17.0  | 100.0 |
|  | Total              | 112 | 100.0 | 100.0 |       |

SOURCE: Field Survey, 2022.

Table 4.1.2.13 shows 32.1% and 5.4% of the respondents strongly agreed and agreed that loan has a significant negative impact on poverty alleviation in Nigeria respectively. However, 17.9%, 27.7% and 17.0% were neutral, disagreed and strongly disagreed respectively.

| <b>TABLE 4.1.2.14: Microfinance is a source of fund to finance your business.</b> |          |           |         |               |                    |
|---|----------|-----------|---------|---------------|--------------------|
|   |          | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Strongly | 9         | 8.0     | 8.0           | 8.0                |

|  |        |     |       |       |       |
|--|--------|-----|-------|-------|-------|
|  | Agreed |     |       |       |       |
|  | Agreed | 103 | 92.0  | 92.0  | 100.0 |
|  | Total  | 112 | 100.0 | 100.0 |       |

SOURCE: Field Survey, 2022.

Table 4.1.2.14 shows 8.0% and 92.0% of the respondents strongly agreed and agreed that microfinance is a source of fund to finance small entrepreneur and low-income earners' business respectively.

| <b>TABLE 4.1.2.15: Government contributes in the alleviation of poverty in Nigeria through establishment and monitoring of private microfinance banks.</b> |          |           |         |               |                    |
|--|----------|-----------|---------|---------------|--------------------|
|  |          | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Strongly | 32        | 28.6    | 28.6          | 28.6               |
|  | Agreed   |           |         |               |                    |
|  | Agreed   | 38        | 33.9    | 33.9          | 62.5               |

|  |                    |     |       |       |       |
|--|--------------------|-----|-------|-------|-------|
|  | Neutral            | 18  | 16.1  | 16.1  | 78.6  |
|  | Disagreed          | 15  | 13.4  | 13.4  | 92.0  |
|  | Strongly Disagreed | 9   | 8.0   | 8.0   | 100.0 |
|  | Total              | 112 | 100.0 | 100.0 |       |

SOURCE: Field Survey, 2022.

Table 4.1.2.15 shows 28.6% and 33.9% of the respondents strongly agreed and agreed that government contributes in the alleviation of poverty in Nigeria through establishment and monitoring of private microfinance banks respectively. However, 16.1%, 13.4% and 8.0% were neutral, disagreed and strongly disagreed respectively.

| <b>TABLE 4.1.2.16: Have you received any loan from a microfinance bank to fund your business?</b> |       |           |         |               |                    |
|---|-------|-----------|---------|---------------|--------------------|
|   |       | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | Yes   | 75        | 67.0    | 67.0          | 67.0               |
|   | No    | 37        | 33.0    | 33.0          | 100.0              |
|   | Total | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.16 shows 67.0% of the respondents have received loan from a microfinance bank to fund their businesses while 33.0% disagreed.

| <b>TABLE 4.1.2.17: Why did you take the loan?</b> |                               |           |         |               |                    |
|---|-------------------------------|-----------|---------|---------------|--------------------|
|   |                               | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid   | To expand my business         | 78        | 69.6    | 69.6          | 69.6               |
|   | To invest in new technologies | 18        | 16.1    | 16.1          | 85.7               |
|   | To start my business          | 16        | 14.3    | 14.3          | 100.0              |
|   | Total                         | 112       | 100.0   | 100.0         |                    |

SOURCE: Field Survey, 2022.

Table 4.1.2.17 shows 69.6%, 16.1% and 14.3% of the respondents collected loan from a microfinance bank for expansion of businesses, invest in new technologies and to start a new business respectively.

| <b>TABLE 4.1.2.18: What is the level of awareness of micro credit facilities programmes among the poor or low income earners?</b> |  |           |         |               |                    |
|---|--|-----------|---------|---------------|--------------------|
|   |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|   |  |           |         |               |                    |

|       |           |     |       |       |       |
|-------|-----------|-----|-------|-------|-------|
| Valid | Very high | 33  | 29.5  | 29.5  | 29.5  |
|       | High      | 31  | 27.7  | 27.7  | 57.1  |
|       | Moderate  | 18  | 16.1  | 16.1  | 73.2  |
|       | Low       | 21  | 18.8  | 18.8  | 92.0  |
|       | Very Low  | 9   | 8.0   | 8.0   | 100.0 |
|       | Total     | 112 | 100.0 | 100.0 |       |

SOURCE: Field Survey, 2022.

Table 4.1.2.18 shows 29.5% and 27.7% of the respondents are of the opinion that the level of awareness of micro credit facilities programme among the poor or low income earners were very high and high respectively. However, 16.1%, 18.8% and 8.0% were moderate, low and very low respectively.

**TABLE 4.1.2.19: Is there any difference in the interest rate your microfinance bank charge for loans given to small and**

| <b>medium scale investors and the interest rate charged by commercial banks?</b> |     |           |         |               |                    |
|--|-----|-----------|---------|---------------|--------------------|
|  |     | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid  | Yes | 112       | 100.0   | 100.0         | 100.0              |

SOURCE: Field Survey, 2022.

Table 4.1.2.19 shows 100.0% of the respondents opined that there is difference in interest rate of microfinance banks compare to commercial banks.

## **4.2 ANALYSIS OF THE DATA**

This section examines microfinance as a useful technique for reducing poverty in Nigeria and in relation to the research issues the researcher wants to address.

### **4.2.1 Socio-economic characteristics of the respondents**

#### **Gender**

Table 4.1.2.1 reveals that whereas 66.18% of respondents were women, 33.9% of respondents were men.

## **Marital Status**

64.3% of respondents were single, while 35.7% were married, according to table 4.1.2.3.

## **Educational Qualification**

Table 4.1.2.4 shows that 58.9% and 30.4% of the respondents hold SSCE and ND/NCE as their academic qualifications respectively while 10.7% hold HND/B.Sc. This implies that they were learned and approachable.

We can infer from the socioeconomic traits of the respondents in this study that the organization's workforce can contribute to its development.

- **How effective are microfinance banks in Nigeria at reducing poverty?**

According to the researcher's findings, microfinance banks are effective at reducing poverty in Nigeria. This may be observed in table 4.1.1.6, which suggests that, respectively, 14.3% and 85.7% of respondents agreed and strongly agreed that microfinance banks are beneficial in reducing poverty in Nigeria.

- **What role does the government play in reducing poverty in Nigeria through establishing microfinance institutions?**

According to the researcher's results, the formation and supervision of private microfinance banks by the government helps to reduce poverty in Nigeria. This can be inferred from table 4.1.1.3, which suggests that 42.9% and 52.4% of respondents, respectively, strongly agreed and agreed that government involvement in the formation and supervision of private microfinance institutions helps to alleviate poverty in Nigeria, whereas 4.8% disagreed.

- **What are the factors limiting the microfinance banks in Nigeria?**

From the findings done by the researcher, Government policy is a factor limiting the development of microfinance banks in Nigeria. This can be seen in table 4.1.1.10, which implies that 28.6% and 28.6% of the respondents strongly agreed and agreed that government policy is a factor limiting the development of microfinance banks in Nigeria respectively. However, 38.1% and 4.8% disagreed and strongly disagreed respectively. Illiteracy is a factor limiting the development of microfinance banks in Nigeria. This can be seen in table 4.1.1.11, which implies that 52.4% and 47.6% of the respondents strongly agreed and agreed that illiteracy is a factor limiting the development of microfinance banks in Nigeria respectively.

- **What are the obstacles facing Nigeria's microfinance institutions?**

According to the researcher's findings, government policy is a barrier to the growth of microfinance institutions in Nigeria. This is evident from table 4.1.1.10, which suggests that

28.6% and 28.6% of the respondents, respectively, strongly agreed and agreed that government policy is a barrier to the growth of microfinance institutions in Nigeria. Nevertheless, 38.1% and 4.8%, respectively, disapproved and strongly disagreed. One obstacle to the growth of microfinance institutions in Nigeria is illiteracy. Table 4.1.1.11 suggests that 52.4% and 47.6% of respondents, respectively, strongly agreed and agreed that illiteracy is a problem impeding the development of microfinance institutions in Nigeria. The expansion of microfinance banks in Nigeria is being constrained by the migration of customers after receiving loans. Table 4.1.1.12 suggests that 85.7% and 13.3% of respondents, respectively, strongly agreed and agreed that client movement after obtaining a loan is a problem limiting the expansion of microfinance banks in Nigeria.

#### **4.2.2 Testing of Hypothesis**

H0: Microfinance banks have no effect in the alleviation of poverty in Nigeria.

H1: Microfinance banks have an effect in the alleviation of poverty in Nigeria.

| <b>Chi-Square Tests</b>   |                    |    |   |                          |                          |
|---|--------------------|----|---|--------------------------|--------------------------|
|   | Value              | df | Asymptotic<br>Significance<br>(2-sided) | Exact Sig. (2-<br>sided) | Exact Sig. (1-<br>sided) |
| Pearson Chi-Square  | 1.417 <sup>a</sup> | 1  | .234                                    |                          |                          |
| Continuity Correction <sup>b</sup>  | .954               | 1  | .329                                    |                          |                          |
| Likelihood Ratio  | 1.396              | 1  | .237                                    |                          |                          |
| Fisher's Exact Test   |                    |    |   | .287                     | .164                     |
| Linear-by-Linear<br>Association   | 1.404              | 1  | .236                                    |                          |                          |
| N of Valid Cases  | 112                |    |   |                          |                          |
| a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 12.21. |                    |    |   |                          |                          |
| b. Computed only for a 2x2 table  |                    |    |   |                          |                          |

**DECISION:** The calculated chi-square value 1.417<sup>a</sup> obtained in the study at probability level of 0.05 significant level is greater than the computed value of .234 observed. Hence, reject the null hypothesis and accept the alternative hypothesis which states that microfinance banks have an effect in the alleviation of poverty in Nigeria.

**H<sub>0</sub>:** Microfinance banks have no effect in the alleviation of poverty in Nigeria.

**H<sub>1</sub>:** Microfinance banks have an effect in the alleviation of poverty in Nigeria.

**Independent Samples Test**

|   |                             | Levene's Test for Equality of |      | t-test for Equality of Means |        |                 |                 |                       |   |       |
|---|-----------------------------|-------------------------------|------|------------------------------|--------|-----------------|-----------------|-----------------------|---|-------|
|   |                             | Variances                     |      | t-test for Equality of Means |        |                 |                 |                       |   |       |
|   |                             | F                             | Sig. | t                            | Df     | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference |       |
|   |                             |                               |      |                              |        |                 |                 |                       | Lower                                     | Upper |
| Microfinance banks have an effect in the alleviation of poverty in Nigeria. | Equal variances assumed     |                               |      | 6.268                        | 110    | .000            | .500            | .080                  | .342                                      | .658  |
|   | Equal variances not assumed |                               |      | 8.426                        | 71.000 | .000            | .500            | .059                  | .382                                      | .618  |

To investigate the claims that microfinance banks do not have an impact on reducing poverty in Nigeria and the opposite claim that they do. The independent sample t-test was connected to a statistically significant effect, as shown in the above table:  $t(6.268) = 110, p = .000$ . Therefore, microfinance banks have an influence in the alleviation of poverty in Nigeria was related with an estimated .658 that was statistically substantially bigger than microfinance banks have no effect in the alleviation of poverty in Nigeria. The averages and the 95% confidence interval for the difference were displayed graphically.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 SUMMARY OF MAJOR FINDINGS**

Using UNIBEN Microfinance Bank Ltd & Trust fund Microfinance Bank Plc as a case study, this research was able to examine microfinance as an efficient strategy for reducing poverty in Nigeria.

Microcredit recipients in Nigeria have higher living standards as a result of receiving microcredit, which is a good thing. Loan earners in Nigeria can readily receive credit from microfinance institutions. The interest rates that microfinance banks charge differ from those of traditional banks.

In Nigeria, microfinance institutions have a big impact on reducing poverty. To ensure that the loans provided to small business owners and those with low incomes were used for their intended purposes, microfinance institutions keep an eye on them. In Nigeria, a number of government laws restrict the growth of microfinance institutions.

In Nigeria, microfinance institutions are efficient at reducing poverty. Central Bank of Nigeria monitors microfinance institutions on behalf of the government (CBN). There are

many people who participate in microfinance, which refers to the vast number of people who patronize microfinance banks due to the various operations set up in the bank and the frequent loan access by customers.

The study's findings demonstrate that microfinance initiatives can help alleviate poverty, particularly by raising income levels and lowering vulnerability. Reducing poverty raises people's standards of living and gives them the resources to meet and maintain their basic requirements. In turn, this will encourage people's economic potential and lead to sustainable development.

The manner by which they are run is among the main causes of the failure of government-sponsored microfinance programs. The Local Government Authorities, government-owned organizations like the People's Bank of Nigeria, etc., are the main operators. People haven't quite gotten used to how Community Banks work despite their presence. They continue to believe that these programs are far away from them and that they serve only the interests of individuals with political ties to members of the government, rather than their own. The population living in poverty has a low level of awareness. Most often, persons who live nearby to where these institutions are located are the only ones who are aware of these programs.

The public's lack of enthusiasm for these programs is a result of the government-sponsored microcredit schemes' inability to adequately address the issue of the poor's access to financial services.

### **5.3 RECOMMENDATIONS**

The researcher suggests the following in light of the study's findings;

- Since "knowledge is power," a huge informational and educational campaign on the value of microlending in battling pervasive poverty should be undertaken in the nation. The opportunity to prove their capacity for taking calculated risks and building wealth for themselves must be provided to the impoverished if they are to ever emerge from their poverty.
- Credit facilities should be provided at the door steps.
- The right information should be provided to bank officials by their clients in order for loans to be used more effectively.
- Having a thorough list of effective microfinance organizations will allow priority to be given to those who have set the tone for the required support.
- To accommodate the needs of the customers, the loan amount should be increased.
- To lower the interest rates so that more people can access lending options.

- To orient clients, a training program must be set up.
- The government should make sure to reach the intended audience

## REFERENCES

Akindola, R. B., (2009). Towards a Definition of Poverty: Poor people's Perspective and Implication for Poverty Reduction. *Journal of Developing Societies*. ISSN: 0169-796X

Anyanwu, C.M. (2004), "Microfinance Institutions in Nigeria: Policy, Practice and Potential. Nigeria." Central Bank of Nigeria Research Paper pg 1-31.

CBN Briefs (2005). Microfinance Policy, Regulatory and Supervision. Framework for Nigeria. Lagos: CBN.

CBN Briefs (2008-2009). Research department 2009.

Ekot, H. (2008). The Economic of Microfinance. *The Nigeria Journal of Economics and Development Studies*. 4 (6).

Ezeani, A. (1998). Human Resources Management in the Local Government System in Nigeria. AP Express Publisher, Nsukka.

Hulme, D. and Mosley, P. (1996) Finance against Poverty. London, Routledge. *Journal of International Development* 10(6), 837-838.

Information Technology Services, 2010). Management and Opportunities for Information System Curricula. International Journal of Information System in the Social Section 1(2): 58-68.

Jitsuchon, (2001) “Micro-finance and Poverty: Evidence Using Panel Data from Bangladesh”. World Bank Economic Review.

Mustapha, Yusuf, and Abdullahi (2019) Micro-financing and rural poverty reduction: A Case Study of Rima Microfinance Bank in Goronyo Local Government Area, Sokoto State, Nigeria. Journal of Development and Agricultural Economics.

Nwibo, S.U., Okonkwo, T., Eze, A.V., Mbam, B.N. & Odoh, N.E. (2019). Effect of Microcredit on Poverty Reduction among Rural Farm Households in Northeast, Nigeria. Asian Journal of Agricultural Extension, Economic and Sociology.

Obayagbona, J. (2018). Microfinance Bank and Poverty Alleviation in Nigeria: An Impact Assessment. Amity Journal of Finance 3(2), 1-12.

Okpara, G. C. (2010). Microfinance Banks and Poverty Alleviation in Nigeria. Journal of Sustainable Development in Africa, 19(6), 177-191.

Oladele, O. (1988). The Challenges of Nigeria's Economic Reform: Perspective on Finance, Banking and Economic Policy in Nigeria. Heinemann Educational Books Ltd.

Olakunori (2000) "Microfinance Impact Report". Trihcirappalli, India: The Activists for Social Alternatives

Oluseye, O. (2017) Determinants of Inclusive Growth in Nigeria: An ARDL Approach. American Journal of Economics

Rosenfield, R.. (2010) "Sociology: A View from the Diaspora" The British Journal of Sociology. 61 (4), 666-670.

Rutherford, S. (1996). The Poor and their Money. Oxford University Press, Delhi.

Shillington, E.R., Ross, D.P. & Lochhead, C., (2009). The Canadian Fact Book on Poverty. Canadian Council on Social Development, Ottawa, ON, Canada.

Spicker, P. (1999) "Definition of Poverty: Twelve Clusters of Meaning". London: Routledge. Pp 229-243.

Tafamel, E.A. (2019)/ Analysis of the Effect of Microfinance Institutions on Poverty Reduction in Nigeria. Academic Journal of Economic Studies from faculty of Finance,

Banking and Accountancy Bucharest, “Dimitrie Cantemir” Christian University  
Bucharest.

Taiwo, J.N., Falohun, T.O. & Agwu, M.E. (2016) SME financing and its effect on Nigerian economic growth. *European Journal of Business, Economics and Accountancy*. 4(4). 37-54.

Taro Yamani formula (1967). *Statistics, an Introductory Analysis*, 2nd Ed. New York: Harper and Row.

Ucha, C. (2010). Poverty in Nigeria: Some Dimensions and Contributing Factors. *Global Majority E-Journal*, 1 (1), 46-56.

United Nations (1999) *The Copenhagen Declaration and Programme of Action*, New York: United Nations.

UNDP (1997) *Human Development report 1997*. New York: United Nations Development Programme (UNDP).

Usifoh and Ezeanyejì (2017) Impact of Microfinance Banks on Poverty Alleviation and Economic Growth in Nigeria. *Journal of Social Development* 6(5), 22-34

World Bank (2000) Comprehensive Development Framework. Washington D.C.: The World Bank Group. (<http://www.worldbank.org/edf/>).

World Bank (2008). World Development report: Agriculture for Development. World Bank Policy Research Report, New York: Oxford University Press.

World Health Organization, (2012) World Health Statistics. Washington D.C.