

**THE IMPACT OF MICROFINANCE ON SMALL BUSINESS DEVELOPMENT IN
NIGERIA: A CASE STUDY OF LAPO MICROFINANCE BANK IN BENIN CITY**

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**A PROJECT SUBMITTED TO THE DEPARTMENT OF HISTORY AND
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**UNIVERSITY OF BENIN
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CERTIFICATION

This is to certify that this project was carried out by PHILIP – OMOKARO ADESUWA with matriculation number ART2100688 in the Department of International studies and Diplomacy, University of Benin, under my supervision.

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Date

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DEDICATION

This work is dedicated to God Almighty for His infinite grace and mercy upon my life. His loving kindness, protection and grace throughout my course of study.

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CHAPTER ONE

BACKGROUND TO THE STUDY

Introduction

The role of microfinance in enhancing small business development in Nigeria has attracted significant scholarly attention over the years. Microfinance emerged as a poverty reduction strategy designed to provide financial access to low-income earners and small entrepreneurs excluded from formal banking systems.¹ In Nigeria, institutions such as the Lift Above Poverty Organization (LAPO) have pioneered this movement, focusing on empowering small business owners with credit facilities, savings services, and capacity-building initiatives. According to Olili-Uhrorho, microfinance banks serve as critical tools for business sustainability in the 21st century, particularly by bridging the gap between entrepreneurs' financial needs and limited access to conventional credit.²

APO (Lift Above Poverty Organization) was established in 1987 in Benin City, Edo State, which has grown to become one of Nigeria's most prominent microfinance institutions. It plays a vital role in financing micro, small, and medium enterprises (MSMEs), which are widely acknowledged as the backbone of economic development. Eke, Ozabor, and Iriogbe, stress that microfinance banks enhance the growth of SMEs by providing not only credit but also technical support, which collectively improves business survival rates and expansion.³ In Benn, LAPO has significantly contributed to creating

self-employment opportunities, enhancing household income, and fostering local enterprise growth.

Several studies have examined the developmental impact of LAPO's services on poverty alleviation and business advancement in Benin City. Asikhia, Ogeah, and Iloka found that LAPO's financial schemes helped small business owners to increase productivity and expand their operations, thereby reducing unemployment in local communities.⁴ Similarly, Imoisi and Godstime, reported that microfinance interventions in Benin improved financial inclusion and reduced the economic vulnerability of micro-entrepreneurs.⁵ These findings highlight the institution's role as a major driver of community-level development in Nigeria.

An important dimension of LAPO's contribution lies in its impact on specific sectors and categories of entrepreneurs. For example, Ogieriakhi and Emokaro, documented how LAPO microcredit significantly improved the economic performance of cassava farmers, strengthening agricultural productivity in Edo State.⁶ Likewise, Quadri, Muibi, and Ukpere, demonstrated that LAPO programmes helped convert adult literacy training into functional entrepreneurship, particularly among women and informal sector participants. These sectoral impacts underscore the multidimensional ways microfinance fosters development.⁷

Local testimonies also reveal the real-world influence of LAPO's financial services on small businesses in Benin City. In an interview with Igbinovia Sunday, a 45-

year-old electronics dealer in New Benin, it was revealed that LAPO loans enabled him to expand his store inventory and withstand economic shocks. His experience aligns with Owenvbiugie and Igbinedion's work of 2017, showed that finance is a central determinant of SME growth in Edo State. Such firsthand accounts illustrate how access to microcredit translates into business resilience and improved livelihoods.⁸

Beyond credit provision, LAPO has been instrumental in empowering marginalized groups and enhancing socio-economic inclusion. However, LAPO significantly contributed to youth empowerment programmes in Benin City, Consequently, the wider role of NGOs in promoting community development. In Benin City, LAPO's interventions have targeted women and vulnerable groups, helping them gain financial independence and strengthening their role in the local economy. This aligns with the broader developmental narrative that microfinance promotes both poverty alleviation and social inclusion.⁹

Despite these achievements, criticisms remain regarding the limitations of microfinance models in Nigeria. Although some LAPO credit or loan facility suffers from high interest rates and sustainability challenges, raising questions about the long-term viability of certain credit schemes. Nonetheless, the institution's continued expansion and integration of capacity-building services have mitigated some of these concerns, as it evolves from purely financial services to broader developmental

programme. This adaptability reflects LAPO's resilience as a development actor in Benin.¹⁰

Also the impact of microfinance on small business development in Nigeria using LAPO as a case study reveals a complex but largely positive story. Evidence from both empirical studies and individual experiences demonstrates that LAPO has enhanced entrepreneurial growth, reduced poverty, and empowered vulnerable groups in Benin City and beyond. While concerns about sustainability and financial strain persist, the institution's efforts affirm that microfinance remains a pivotal driver of small business development and local economic transformation in Nigeria.

Aim and objectives of the study

The aim of this study is focus on the impact of microfinance on small business development in Nigeria, using a case study of LAPO Microfinance Bank in Benin City.

The objectives are:

1. How has access to microfinance from LAPO influenced the growth and performance of your small business?
2. What types of microfinance services (e.g., loans, savings, training) have you utilized, and how have they supported your business operations?
3. Can you describe any challenges you've encountered while accessing or repaying microfinance loans from LAPO

4. To what extent has LAPO's financial support improved your business sustainability and your household's standard of living
5. What recommendations would you offer LAPO to enhance the impact of its microfinance services on small business owners like yourself?

Scope of the Study

This research study will be centered on examining the impact of microfinance on small business development in Nigeria, with specific reference to LAPO Microfinance Bank in Benin City between 1993 and 2023. The period 1993 to 2023 is significant because it captures the major phases of LAPO Microfinance Bank's growth from its early development as a grassroots microcredit organization to its emergence as a nationally licensed microfinance bank allowing for a comprehensive assessment of its long-term impact on small business development in Benin City. Additionally, it will provide a critical assessment of the challenges encountered by entrepreneurs who have benefited from LAPO loan schemes in the area.

Methodology

In order to accomplish the primary objective of this study, the method used in this study is based on the analysis of the Impact of Microfinance on Small Business Development in Nigeria using LAPO Microfinance Bank, in Benin City. On the basis of both primary and secondary sources, a thorough analysis will be conducted for the study.

Primary Sources

The facts and discussions of this study will be based on primary sources, including oral information from oral interviews and archive resources. Personal interview will be done with business owners, in Mission Road, Oba Market, Ugbowo and LAPO staff.

Secondary Sources

Secondary sources that will be used include dissertations and seminary papers in addition to pertinent government organizations' documents. Internet materials, publications from public and private libraries, including books, journals, essays, semi-weekly newspapers, and private and public libraries.

Literature Review

This literature presents a comprehensive review of existing scholarly works, empirical studies, and theoretical perspectives related to microfinance and small business development, with a particular focus on the role of LAPO Microfinance Bank in Benin City. The literature review aims to provide a solid conceptual foundation for the study by examining how microfinance institutions contribute to poverty reduction, entrepreneurship growth, and income stability among low-income earners. It will provide both global and Nigerian perspectives on microfinance, highlighting key themes such as access to credit, women empowerment, business sustainability, and financial inclusion. Consequently, the review identifies gaps in previous research that this study seeks to

address particularly the long-term impact of LAPO's financial interventions on small-scale enterprises and local economic development in Benin City.

Richard I. Eke, Lucky O. Ozabor, and Charles B. Iriogbe examine how microfinance banks contribute to the growth of small and medium-scale enterprises (SMEs) in Nigeria.¹¹ Their study emphasizes that access to microcredit enables entrepreneurs to expand operations, improve productivity, and withstand financial shocks. The authors highlight the importance of financial literacy and monitoring mechanisms in ensuring that loans translate into measurable business growth. This research is particularly relevant because it directly links microfinance institutions to SME sustainability, echoing the central theme of small business development in Edo State. This study is directly relevant because it establishes a clear connection between microfinance services and the growth of small and medium enterprises (SMEs) in Nigeria.

Samson I. Omofonmwan and Lawrence O. Odia assessment on the role of non-governmental organizations (NGOs) in promoting community development, using Edo State as a case study.¹² They argue that NGOs often step in to provide essential services that the state fails to deliver, including microfinance, capacity building, and empowerment initiatives. Their findings underscore how organizations like LAPO fill critical gaps by providing credit and training to small entrepreneurs. This work situates microfinance within the broader framework of grassroots development, showing that

NGOs function not only as financial actors but also as social change agents. Their research is significant as it situates LAPO Microfinance Bank within the broader role of NGOs in community development. By emphasizing how NGOs provide microfinance, capacity building, and empowerment programs, their work highlights LAPO's dual function as both a financial provider and a social development agent, reinforcing the study's perspective on microfinance as a tool for grassroots transformation in Edo State.

Raphael O. Owenbiugie and Victor I. Igbinedion, analyze the role of finance in the growth of SMEs in Edo State.¹³ Their study demonstrates that adequate financial resources are a key determinant of business expansion, innovation, and competitiveness. They note that the lack of access to affordable finance remains a major challenge for small businesses, thereby justifying the existence of microfinance banks. This article is valuable because it confirms that without microfinance interventions, many SMEs in Edo State would remain stagnant or collapse due to insufficient capital. This study underlines the importance of financial accessibility for SME growth, showing that lack of affordable finance constrains innovation and competitiveness. It is relevant to this research because it justifies the necessity of microfinance institutions like LAPO in addressing the capital deficiencies that hinder small business development in Benin City.

Augustine I. Imoisi and Isaac O. Godstime, investigate the impact of microfinance on poverty alleviation in Edo State.¹⁴ Their findings reveal that microfinance institutions not only improve access to credit but also enhance household income, business

diversification, and overall quality of life. However, they also point out issues such as high interest rates and loan repayment difficulties, which sometimes undermine the benefits of microfinance. This dual perspective strengthens the debate on the sustainability of microfinance models and their actual long-term effectiveness in reducing poverty. Their work contributes a balanced view by showing that microfinance institutions improve household income and business sustainability while also noting the challenges of high interest rates and repayment issues. This makes it relevant for this study's discussion of both the benefits and limitations of LAPO's operations, providing a nuanced understanding of microfinance's long-term effectiveness.

Raphael O. Owenubi and Eghosa Iyamu, specifically assess the contributions of LAPO Microfinance Bank to improving lives in Edo State.¹⁵ Their study positions LAPO as a transformative institution, one that not only provides credit facilities but also empowers marginalized groups such as women and rural dwellers. They argue that LAPO serves as a harbinger of socio-economic upliftment through targeted financial services. This work is highly significant as it provides a localized, institution-specific analysis of LAPO's impact within Edo State, reinforcing the case study dimension of microfinance research. This research is highly relevant because it focuses specifically on LAPO Microfinance Bank and its socio-economic impact in Edo State. It reinforces your study's case study dimension by providing evidence that LAPO's credit facilities and

empowerment programs uplift women, rural dwellers, and low-income entrepreneurs, directly aligning with your research objective.

Michael O. Ogieriakhi and Christopher O. Emokaro, Ogieriakhi and Emokaro examine the effect of LAPO's microcredit on the economic performance of cassava farmers in Edo State.¹⁶ They find that LAPO loans significantly increased farmers' productivity, income levels, and market participation. By focusing on agriculture, this study reveals how microfinance supports sector-specific development, particularly in rural communities. It adds a practical dimension to the discourse by showing how microcredit contributes to food security and rural livelihood improvement, thereby broadening the scope of LAPO's impact beyond urban-based enterprises. This study expands the understanding of LAPO's impact beyond general business development to sector-specific outcomes, particularly in agriculture. It is relevant to this study because it demonstrates how LAPO's microcredit enhances farmers' productivity and income, offering concrete evidence of microfinance as a catalyst for rural economic growth and food security key aspects that strengthen the broader economic relevance of your research.

Godwin Ehigiamusoe, the founder of LAPO, provides a foundational understanding of the role of NGOs in development through his work *Understanding NGOs*.¹⁷ The book outlines the philosophy, strategies, and functions of NGOs in Nigeria, with particular attention to poverty alleviation and empowerment. As one of the earliest

texts on LAPO and NGO development in Nigeria, it offers historical and conceptual grounding, explaining why organizations like LAPO emerged as vital actors in the socio-economic landscape. This work remains a cornerstone reference for understanding the institutional roots of microfinance in Nigeria.

Chukwuemeka U. Onugu and Tunde A. Olabisi, investigate NGOs as agents of development in Benin Metropolis, using LAPO as a case study.¹⁸ Their research demonstrates that LAPO's interventions extend beyond financial services to include health, education, and capacity-building initiatives. The authors emphasize that NGOs act as catalysts for grassroots development by combining economic empowerment with social welfare. This perspective reinforces the multidimensional role of LAPO, highlighting its evolution from a microcredit provider to a comprehensive community development actor. This work is particularly significant because it provides the historical and conceptual foundation for understanding how LAPO and similar NGOs emerged as critical players in Nigeria's socio-economic development. Ehigiamusoe's insights clarify the philosophy, strategies, and institutional evolution of NGOs in poverty alleviation and empowerment, which directly underpins this study's examination of LAPO's role in small business growth. His analysis helps explain why microfinance became a central strategy for community-based economic transformation in Edo State and beyond.

These studies and texts highlight that microfinance, particularly through LAPO, plays a pivotal role in SME growth, poverty alleviation, agricultural productivity, and

community empowerment in Edo State. While access to finance is shown to be crucial, challenges such as loan repayment, interest rates, and sustainability concerns remain recurring themes. Together, the reviewed works provide both theoretical and empirical evidence that microfinance when embedded in broader NGO and community development strategies has a transformative impact on small business development in Nigeria. This study is highly relevant because it explores LAPO's multidimensional contributions to development within Benin City. It demonstrates that LAPO's activities go beyond microcredit provision to include health, education, and capacity-building initiatives, reflecting a holistic approach to grassroots empowerment. This aligns closely with research objective of evaluating how LAPO's financial and non-financial services collectively influence small business development and community well-being in Benin City.

In addressing the gap in literature, while numerous studies have explored the relationship between microfinance and economic development in Nigeria, gaps still exist particularly in the context of how LAPO Microfinance Bank has assisted business growth in Benin City. Consequently, few studies have traced the evolution of LAPO's and its impact since inception in the 1990s and its present-day operations as a licensed microfinance bank. These gaps limit the understanding of how institutional growth, policy changes, and technological innovations have shaped LAPO's influence on small business development between 1993 and 2023. In essence, the literature reveals rich

insights into microfinance development in Nigeria but lacks localized, multidimensional, and analyses of LAPO's sustained contribution to small business development in Benin City. This research, therefore, seeks to fill these gaps by providing an in-depth, context-specific examination of LAPO's impact on small businesses in the period of this study.

Chapterization

Chapter One: Background to the Study

This chapter as introductory to the main objective of the study explains basic idea of the study. The chapter is also divided into aims and objective of the study, scope of the study, methodology of study, literature review and chapterization.

Chapter Two: Background History of (LAPO) Microfinance Bank in Benin City

This chapter entails the background history of LAPO Microfinance Bank in Benin City centers on its establishment in 1987 by Dr. Godwin Ehigiamusoe as a response to rising poverty and financial exclusion, evolving from a small NGO providing microcredit and empowerment programs to low-income earners into a nationally licensed microfinance bank dedicated to promoting entrepreneurship, women's empowerment, and sustainable community development across Nigeria.

Chapter Three: The Role of LAPO Microfinance In The Development Of Small Businesses.

This chapter focuses on examining the vital role of LAPO Microfinance Bank in promoting small business development and enhancing income stability among low-

income earners in Benin City. It also examines how LAPO's financial services particularly microcredit, savings schemes, and business training serve as instruments for entrepreneurship growth, poverty reduction, and economic empowerment.

Chapter Four: The Impact of Microfinance on Business Growth and challenges faced by beneficiaries of LAPO loans in Benin City.

This chapter focuses on assessing the impact of LAPO Microfinance Bank on the growth and sustainability of small businesses in Benin City, as well as identifying the major challenges faced by its loan beneficiaries. The discussion evaluates how LAPO's financial interventions influence business expansion, income generation, and entrepreneurial capacity among clients.

Chapter Five: Conclusion

This chapter presents a comprehensive summary of the findings from the study on the impact of microfinance on small business development in Benin City, with specific reference to LAPO Microfinance Bank. It synthesizes the key insights derived from the analysis of how LAPO's financial interventions have contributed to business growth, income stability, and poverty alleviation among its beneficiaries.

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CHAPTER TWO

HISTORY OF ESTABLISHMENT OF (LAPO) MICROFINANCE BANK IN BENIN CITY

Background History of LAPO Microfinance Bank

The establishment of the Lift Above Poverty Organization (LAPO) took place in 1987 as a community-based non-governmental initiative in response to the growing incidence of poverty and economic marginalization in Nigeria, particularly among women and rural dwellers. It was conceived by Dr. Godwin Ehigiamusoe, a development economist with a strong passion for grassroots empowerment and poverty eradication. Initially, LAPO operated informally in Ogwashi-Uku, Delta State, providing soft loans to low-income earners and informal sector entrepreneurs who lacked access to conventional banking facilities.¹

By 1991, LAPO had extended its reach into Benin City, Edo State, where it began to formalize its structure and operational model. The increasing demand for microcredit and its notable impact on clients' livelihoods prompted LAPO to officially register as a non-governmental organization (NGO) in 1993. This marked a significant milestone in its institutional evolution, positioning LAPO as a leading actor in grassroots development. Throughout the 1990s and early 2000s, LAPO expanded its financial and non-financial services. It introduced programs such as financial literacy training, business advisory services, health education, and women empowerment workshops. These holistic services

complemented its micro-lending activities and strengthened its reputation as a socially responsible organization.²

Driven by its success and the desire to scale its operations sustainably, LAPO began the process of transforming into a formal financial institution. This culminated in the establishment of LAPO Microfinance Bank Limited in 2010, after securing a national microfinance banking license from the Central Bank of Nigeria (CBN). This transition marked a critical phase in LAPO's growth, enabling it to expand its operations across all six geopolitical zones in Nigeria and offer a wider range of products and services under regulatory supervision. As of the mid-2010s, LAPO Microfinance Bank had grown to become one of the largest and most impactful microfinance institutions in Nigeria, with millions of clients, especially women, benefiting from its loan schemes, savings programs, and capacity-building initiatives. The institution's headquarters remains in Benin City, Edo State, symbolizing its grassroots origins and deep connection to the local community.³

In 1987: LAPO's informal operations began in Ogwashi-Uku, Delta State; the origins of the Lift Above Poverty Organization (LAPO) can be traced back to 1987, when Dr. Godwin Ehigiamusoe initiated an informal microcredit scheme in Ogwashi-Uku, Delta State. Motivated by the widespread poverty and financial exclusion faced by economically active but marginalized groups particularly rural women, Dr. Ehigiamusoe began offering small, interest-free loans to help them start or sustain petty trading and

microenterprises. This grassroots initiative laid the foundation for what would later become a structured and nationally recognized microfinance institution. In 1991: LAPO's expansion to Benin City, Edo State; By 1991, the success and growing demand for LAPO's services prompted an expansion to Benin City, Edo State. The move was strategic, as Benin City offered a more urban and populous environment where the needs for accessible financial services were also pronounced. This period marked the transition from a purely community-based intervention to a broader organizational framework, allowing LAPO to reach more clients while experimenting with structured microcredit models and rudimentary institutional systems.⁴

In 1993: LAPO's official registration as a non-governmental organization (NGO); In 1993, LAPO was officially registered as a non-governmental organization (NGO), a significant milestone that granted it legal recognition and operational legitimacy. The registration enabled LAPO to formalize its structure, attract donor support, and expand its social and economic empowerment programs. As an NGO, LAPO diversified its activities beyond microcredit, incorporating training, health awareness campaigns, and advocacy on women's rights furthering its mission of holistic poverty alleviation.

In 2010: LAPO's transition to LAPO Microfinance Bank with a national license from the CBN; the most transformative point in LAPO's history came in 2010, when it received a national microfinance banking license from the Central Bank of Nigeria (CBN). This marked its official transition from an NGO to a fully regulated microfinance

bank as LAPO Microfinance Bank Limited. With this license, LAPO could now operate across Nigeria, offer a broader range of financial products (including savings and insurance), and adhere to regulatory standards. This institutional shift enhanced its credibility, scalability, and ability to attract investment, firmly establishing LAPO as one of the leading microfinance banks in West Africa. From its base in Benin City, LAPO developed a client-centric model that includes not just credit facilities but also non-financial services such as: financial literacy training; health awareness campaigns; agricultural support and enterprise development services as discussed below.⁵

Financial Literacy Training: In 2003, LAPO formally introduced financial literacy training as a structured part of its microfinance services in Benin City, Edo State. Recognizing that many clients lacked formal education and financial management skills, LAPO integrated financial literacy into its loan onboarding process. The training covered essential topics such as budgeting, saving, loan utilization, business planning, and debt management. These sessions, often held in community centers and LAPO branches in Benin City, have empowered thousands of market women, petty traders, and artisans to better manage their businesses and avoid financial pitfalls. Today, financial education remains a pre-loan requirement in all LAPO branches across the city, contributing to improved repayment rates and business sustainability.

Health Awareness Campaigns: In 2005, LAPO launched its first major Community Health Awareness Campaign in Benin City through its Health Intervention Program. The

campaign targeted women and children in low-income neighborhoods, raising awareness about maternal and child health, malaria prevention, HIV/AIDS, and sanitation. With support from health professionals and local health workers, LAPO organized health talks, distributed mosquito nets, conducted blood pressure and diabetes screenings, and referred clients to healthcare providers. Over the years, LAPO's Benin City health outreach has expanded to include cervical cancer screenings and wellness education for adolescent girls and expectant mothers, reinforcing the organization's commitment to holistic empowerment.⁶

Agricultural Support: Although Benin City is largely urban, LAPO extended its agricultural support services to semi-urban and nearby rural communities around the city starting in 2012. Through the LAPO Agricultural and Rural Development Initiative (LARDI), the organization provided smallholder farmers in areas like Ugbowo, Egor, and Ikpoba-Okha with seasonal loans, access to quality inputs (seeds, fertilizer), and basic training in sustainable farming practices. The initiative aimed to boost food security and improve rural incomes. Farmers in these areas have also benefitted from LAPO's partnership with agribusiness development programs, allowing them to access improved market channels and increase their productivity.

Enterprise Development Services: In 2007, LAPO rolled out its Enterprise Development Services (EDS) in Benin City, targeting micro and small business owners who needed more than credit. Through its training centers and business support units,

LAPO offered entrepreneurship workshops, mentoring, business clinics, and skills acquisition programs. The EDS focused on helping clients in Benin City expand their ventures by learning modern business practices, marketing strategies, and record-keeping. Tailored training was offered to hairdressers, food vendors, tailors, and traders in popular markets such as Oba Market and New Benin Market. This intervention not only improved clients' business acumen but also enhanced their access to larger financing and broader customer bases. Its emergence filled a critical gap in the financial inclusion agenda in Nigeria by providing sustainable access to finance for the poor and micro-entrepreneurs. LAPO's operations in Benin City served as a model of community-based microfinance that has since been replicated in other regions.⁷ Currently, LAPO Microfinance Bank stands out for its strong grassroots presence, extensive client base, and commitment to social impact. Its growth from a community-focused NGO into a regulated microfinance bank reflects the broader trend of institutionalizing poverty reduction efforts through financial services.

Objectives of Lift Above Poverty Organization (LAPO) Microfinance Bank

The Lift Above Poverty Organization (LAPO) Microfinance Bank was established with clear developmental goals aimed at reducing poverty, fostering financial inclusion, and empowering disadvantaged populations. The core objectives of LAPO can be categorized into economic, social, and institutional development aims:

LAPO and Poverty Alleviation in Benin

The Lift Above Poverty Organization (LAPO) has played a significant role in alleviating poverty in Benin City through its targeted interventions aimed at empowering low-income households, especially women. Established in Benin City in the early 1990s and transformed into a fully licensed microfinance bank by 2010, LAPO has worked tirelessly to combat poverty by promoting financial inclusion and socio-economic development in urban and semi-urban areas of Edo State. One of LAPO's core strategies is providing access to microcredit and financial services that enable economically disadvantaged individuals to start or grow small-scale businesses. Women, who often face cultural and structural barriers to formal employment and credit, form the majority of LAPO's clientele. In Benin City, thousands of market women, petty traders, and home-based entrepreneurs have received small, collateral-free loans to boost their businesses in sectors like agriculture, trading, tailoring, and food processing. These interventions have contributed to improved household incomes, increased school enrollment for children, better healthcare access, and greater financial independence for women.⁸

In addition to offering microloans, LAPO has also actively reduced reliance on informal and exploitative lending sources, such as local moneylenders known for high-interest rates and harsh recovery practices. Before LAPO's expansion, many residents in Benin City's low-income communities depended on these informal lenders, which often

trapped them in cycles of debt. By offering affordable and flexible credit facilities coupled with financial education, LAPO has enabled its clients to make informed borrowing decisions, maintain sustainable repayment plans, and ultimately improve their economic status without falling into financial distress. Through these combined efforts, LAPO has not only fostered a culture of entrepreneurship in Benin City but also played a transformative role in lifting thousands of households out of poverty, empowering them with the tools and confidence to build a better future.

LAPO and Financial Inclusion in Benin

One of the cornerstone missions of the Lift Above Poverty Organization (LAPO) in Benin City has been the promotion of financial inclusion ensuring that individuals and groups traditionally excluded from the formal banking system have access to affordable, accessible, and sustainable financial services. In a city where many low-income earners and informal sector workers lack access to traditional banking due to stringent requirements like collateral, high minimum deposits, or poor financial literacy, LAPO bridges this gap by offering user-friendly services tailored to the needs of the underserved.⁹

Through its microfinance model, LAPO provides a wide range of financial products, including microloans, savings accounts, and micro-insurance schemes, to support daily survival, business expansion, and financial security. These services are delivered through LAPO's network of branches and mobile agents spread across various

neighborhoods in Benin City, including New Benin, Ikpoba Hill, and Ugbowo. Clients, many of whom are women involved in trading, food vending, and services, can easily open accounts, make regular savings, and access credit without the traditional bureaucratic bottlenecks.

Consequently, LAPO actively promotes a savings culture and financial discipline among its clients. By encouraging regular contributions to savings accounts and group savings plans, LAPO helps clients build financial resilience, plan for the future, and reduce overreliance on credit. Clients are also trained on how to manage funds wisely, keep business records, and reinvest profits for growth. These practices contribute not only to individual financial stability but also to broader economic empowerment and poverty reduction in Benin City. By demystifying banking for the unbanked and under-banked populations, LAPO continues to serve as a powerful agent of financial inclusion, enabling low-income residents of Benin City to participate meaningfully in the formal economy and achieve long-term financial sustainability.¹⁰

LAPO Role on Women and Youth Empowerment

In its mission to combat poverty and drive inclusive development, the Lift Above Poverty Organization (LAPO) has made women and youth empowerment a strategic priority, particularly in Benin City, Edo State. Recognizing the systemic challenges that prevent women from achieving economic independence such as limited access to credit, education, and income-generating opportunities LAPO has developed robust programs

that provide financial tools, skills training, and capacity building to thousands of women in the region. Through its microcredit schemes, women in markets such as Oba Market and New Benin have been able to start or expand businesses in trading, catering, tailoring, and agriculture. These women are also enrolled in training on business management, record-keeping, and customer service, which enhances their entrepreneurial skills and boosts their self-reliance.¹¹ For youths, LAPO's initiatives target the twin challenges of unemployment and social vices by promoting vocational training, entrepreneurship, and financial literacy. The organization collaborates with local technical institutions and skill acquisition centers in Benin City to train young people in trades such as fashion design, welding, ICT, barbing, and beauty services. Upon completion, many beneficiaries receive starter packs or soft loans to establish their own enterprises.

In addition, LAPO organizes financial literacy sessions for youths, helping them understand budgeting, savings, and responsible borrowing skills that are vital in fostering a generation of self-sufficient and economically productive young citizens. By empowering women and youths in Benin City through tailored financial and educational support, LAPO not only enhances household incomes but also strengthens community development and contributes to a more equitable and resilient local economy.

LAPO's Capacity Building and Enterprise Development

The Lift Above Poverty Organization (LAPO) has played a pivotal role in enhancing the capacity and enterprise development of its clients in Benin City, recognizing that access to finance alone is not sufficient for business success. LAPO integrates business training, advisory services, and skill development into its microfinance programs to strengthen the management capacity of micro and small business owners. Clients especially market women, artisans, and small-scale farmers are trained in essential business skills such as inventory management, bookkeeping, customer relations, and strategic planning. These training sessions, often held at LAPO's branch offices and community centers across Benin City, are tailored to the specific needs of each client group to ensure practical relevance and immediate applicability.¹²

In addition to business education, LAPO promoted enterprise sustainability and productivity by offering skill acquisition programs, agricultural extension services, and health education. For clients engaged in farming activities around the outskirts of Benin City such as in Uselu, Egor, and Ikpoba-Okha LAPO provided training on improved farming techniques, access to quality inputs, and climate-smart practices that enhance crop yields and food security. Furthermore, recognizing the link between health and productivity, LAPO integrated health sensitization programs into its enterprise development initiatives, educating clients on topics like hygiene, maternal health, and disease prevention. Through this comprehensive approach to capacity building, LAPO

ensured that its clients not only receive the capital needed to start or expand their businesses but also acquired the knowledge and skills to sustain and grow those enterprises over the long term, fostering inclusive economic growth in Benin City.¹³

LAPO and Community Development

Beyond financial services, the Lift Above Poverty Organization (LAPO) has actively championed community development in Benin City through a multifaceted approach that integrates social services, partnerships, and advocacy. LAPO understands that true poverty alleviation goes beyond individual empowerment it requires the transformation of entire communities. As such, the organization engages in initiatives that improve healthcare access, educational support, and civic awareness in underserved neighborhoods such as Ikpoba Hill, Evbuotubu, and Upper Sakponba. LAPO has partnered with local health institutions and NGOs to organize free health outreaches, cancer screening programs, and maternal health education campaigns. These efforts are aimed at improving the wellbeing of vulnerable populations and enhancing their capacity to contribute meaningfully to society.¹⁴

In the education sector, LAPO supported school-based sensitization programmes, scholarship schemes, and literacy projects that target both out-of-school youth and women with limited formal education. Through community Town hall meetings and radio advocacy in Benin City, LAPO also promotes ethical financial practices, discouraging exploitative lending and encouraging responsible borrowing and savings

culture among micro-entrepreneurs. Furthermore, LAPO fosters a sense of social responsibility by engaging beneficiaries in volunteer activities and community improvement projects, such as market sanitation drives and local infrastructure upgrades. These initiatives strengthen communal bonds, encourage grassroots participation, and create a more resilient and inclusive environment where economic empowerment can thrive. By weaving financial inclusion with social transformation, LAPO continues to play a key role in the holistic development of communities across Benin City.¹⁵

LAPO and Institutional Sustainability

A critical pillar of Lift Above Poverty Organization (LAPO)'s long-term success, particularly in Benin City, is its commitment to institutional sustainability ensuring that its services remain both socially impactful and financially viable. From its transformation into a licensed microfinance bank in 2010, LAPO has prioritized building an institution that operates with efficiency, transparency, and innovation. Its headquarters in Benin City serves as the nerve center for strategy development, operational coordination, and continuous improvement of service delivery models. LAPO has implemented robust internal control systems, staff training programs, and client monitoring tools to ensure the effective management of resources and compliance with regulatory standards set by the Central Bank of Nigeria (CBN).¹⁶

Financially, LAPO maintains sustainability by balancing affordable interest rates with strong loan recovery mechanisms and diversified income streams, including savings

products, micro-insurance, and health-focused financial services. At the same time, it reinvested profits into expanding outreach and upgrading service infrastructure evident in the growing number of branches and mobile banking platforms accessible to clients in and around Benin City. Technological innovation also plays a key role in LAPO's sustainability strategy, with digital platforms facilitating faster loan processing, real-time monitoring, and financial education tools for clients. By embedding institutional resilience into its framework, LAPO ensures that it can continue to support low-income populations in Benin City and beyond not just in the short term, but as a lasting force for poverty alleviation and community upliftment.

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CHAPTER THREE

THE ROLE OF LAPO MICROFINANCE IN THE DEVELOPMENT OF SMALL BUSINESSES

Microfinance institutions play a critical role in economic empowerment and poverty alleviation in Nigeria. Among the most prominent of these is the Lift Above Poverty Organization (LAPO) Microfinance Bank, headquartered in Benin City, which has emerged as a vital financial lifeline for small business owners, particularly those excluded from conventional banking services. LAPO Microfinance Bank provided accessible credit facilities to micro and small enterprises, helping them overcome traditional barriers to capital. These loans, often collateral-free, have enabled entrepreneurs to expand inventory, invest in equipment, and scale operations. For example, Igbinovia Sunday, a small electronics trader in New Benin, attributed his business growth and inventory diversification to consistent access to LAPO's microcredit services.¹

According to Igbinovia Sunday LAPO's loan schemes are directly correlated with increased income stability and business resilience among its beneficiaries. Additionally, studies have shown that LAPO's financial support mechanisms reduce the vulnerability of small business owners to economic shocks, providing a stable income base that supports household welfare. Furthermore, LAPO supports clients through financial literacy programs, equipping them with budgeting, saving, and debt management skills. This holistic approach ensures that borrowers not only receive funding but also develop the capacity to manage resources effectively, further enhancing

income security LAPO Microfinance Bank has played a transformative role in the economic landscape of Benin City by empowering small businesses and promoting income stability. Its inclusive financial model remains crucial to the broader goals of grassroots development and poverty reduction in Nigeria.²

Key roles LAPO Microfinance Bank plays in funding small businesses and improving income stability, especially in Benin City:

Provision of Microcredit Facilities

In Benin City, Edo State, access to formal financial services remains a significant challenge for many small-scale entrepreneurs, particularly those operating in the informal sector. LAPO Microfinance Bank has emerged as a game changer in addressing this gap by offering microcredit solutions to individuals who are traditionally excluded from the banking system. These include market women, artisans, smallholder farmers, and petty traders who often lack the required collateral or formal credit history to access loans from conventional banks. Through a simplified and inclusive lending process, LAPO provides affordable loans that enable beneficiaries to invest in their businesses. These investments often cover essential needs such as purchasing raw materials, increasing stock, or acquiring basic equipment. The bank's focus on removing bureaucratic hurdles and offering client-friendly repayment terms makes microcredit truly accessible for those at the grassroots.

LAPO's group lending approach in Benin City has proven particularly effective. Under this system, borrowers formed cooperative groups and share collective responsibility for loan repayment. This model not only reduces the risk of default but also encourages community bonding, trust-building, and financial accountability. Many beneficiaries credit this system for helping them maintain consistency in loan servicing and business growth. The ripple effects of LAPO's microcredit services in Benin City are increasingly evident. Entrepreneurs who previously operated at subsistence levels have expanded their businesses, leading to increased household income and improved living conditions. Access to steady capital also helps reduce reliance on informal moneylenders who often charge exploitative interest rates.³

By facilitating access to microcredit, LAPO plays a vital role in the local economic fabric of Benin City. It empowers entrepreneurs to become financially independent, sustain their businesses, and contribute meaningfully to the local economy. In doing so, the organization not only alleviates poverty but also strengthens the resilience of vulnerable populations. LAPO's approach to microcredit in Benin City is more than a financial intervention; it is a catalyst for inclusive economic development, enabling disadvantaged individuals to become self-reliant and active contributors to their community's prosperity.⁴

Empowering Women Entrepreneurs

In many Nigerian communities, including Benin City, women faced systemic barriers that limit their ability to access credit and grow their businesses. These challenges ranged from restrictive gender norms to lack of formal collateral and limited financial literacy. LAPO has intentionally positioned itself to dismantle these barriers by prioritizing women in its microfinance operations. LAPO's microcredit schemes for women in Benin City were tailored to meet their unique socio-economic realities. By offering flexible loan products and supportive repayment structures, the institution makes it possible for women to start or grow small businesses in areas such as hairdressing, food vending, tailoring, and trading. These ventures not only enhance their financial autonomy but also uplift entire households through improved spending on children's education, healthcare, and nutrition.

Beyond access to capital, LAPO offered women-focused capacity-building initiatives. Regular training sessions on bookkeeping, customer management, and business development are conducted to equip women with the necessary skills to run their businesses effectively. This dual approach financial and educational ensured that women are not only given the means to start a business but are also equipped to sustain and expand it. Group lending also provided additional layer of support and accountability for women borrowers. In Benin City, many women form close-knit borrowing groups that serve as both financial and emotional support systems. These groups foster peer

mentoring and encourage financial discipline, while also reinforcing social cohesion within neighborhoods.⁵

Over time, many of LAPO's women beneficiaries in Benin City have grown to become employers in their own right, mentoring other women and contributing to broader economic development. These women often become respected figures in their communities, proving that economic empowerment is closely linked with increased social status and voice. LAPO's commitment to women's empowerment is not only a financial strategy but a social one. By empowering women in Benin City, the organization fosters more inclusive growth and promotes gender equity, which are essential pillars for sustainable development.

Promoting Income-Generating Activities

Benin City, like many urban centers in Nigeria, faces rising unemployment and underemployment rates. Many households rely on small-scale, informal businesses to make ends meet. LAPO's microfinance intervention has played a crucial role in supporting such income-generating activities across multiple sectors, including retail, agriculture, services, and manufacturing. Through accessible credit and financial advisory services, LAPO helped individuals in Benin City to launch and expand a wide range of microenterprises. These include tailoring shops, grocery kiosks, mobile food businesses, and poultry farms. With small but impactful loans, these entrepreneurs are able to secure equipment, buy supplies in bulk, and increase their operational capacity.⁶

The economic stimulation from these activities is not limited to the individual. As businesses grow, they began to create employment for others often hiring apprentices, shop assistants, or laborers. This created a multiplier effect in the local economy, contributing to job creation, increased household incomes, and reduced social vices associated with unemployment, such as crime and drug abuse. LAPO's support also plays a transformative role in promoting youth and gender inclusivity in business. Many of the microenterprises supported in Benin City are operated by young people and women, groups that are typically marginalized in the formal job market. By offering tailored financial services to these groups, LAPO not only empowers them economically but also fosters greater social inclusion.⁶

Income from these ventures allows families to invest in other areas of well-being, such as better nutrition, education for children, and savings for future emergencies. This stability helps break the cycle of poverty and opens up new opportunities for social mobility within the community. In essence, LAPO's promotion of income-generating activities in Benin City transcends financial transactions. It is an integrated approach to local development, providing individuals with the tools, resources, and confidence they need to build productive, self-sustaining lives.

Capacity Building and Business Training

LAPO Microfinance Bank recognizes that access to financial capital alone is not sufficient for the long-term sustainability of microenterprises. In response, the institution

has implemented robust capacity-building and business training initiatives in Benin City to complement its lending services. These programs are tailored to the realities of local entrepreneurs, many of whom operate within the informal sector with limited formal education or business experience. LAPO organizes regular workshops covering financial literacy, business planning, customer service, bookkeeping, and marketing. The content is simplified and delivered in local languages when necessary, ensuring inclusivity and practical understanding.⁷

Through these trainings, small-scale traders, artisans, food vendors, and other micro-entrepreneurs learn vital skills such as how to manage cash flow, budget effectively, monitor profit and loss, and make sound investment decisions. These lessons reduce the risk of loan mismanagement and increase the likelihood of business success. Importantly, LAPO's programs also emphasize reinvestment, savings habits, and risk management, enabling clients to respond more effectively to unexpected economic shocks. Training modules on leadership and group dynamics are also provided to beneficiaries participating in cooperative loan schemes, fostering transparency, trust, and accountability within lending groups. In Benin City, where many entrepreneurs lack access to formal business education, LAPO's capacity-building efforts have become a transformative force. Beneficiaries emerge from the programs not just as loan recipients, but as empowered business owners capable of strategic growth and long-term sustainability.⁸

Promoting a Culture of Savings Among Micro-Entrepreneurs

One of LAPO's most impactful contributions to economic resilience in Benin City is the promotion of a strong and consistent savings culture. Recognizing the vulnerability of many small-scale entrepreneurs to financial shocks, LAPO integrates both compulsory and voluntary savings mechanisms into its microfinance model. Many of LAPO's clients in Benin City operate on thin profit margins and often lack the discipline or opportunity to save regularly. By incorporating mandatory savings contributions into loan repayment schedules, LAPO instilled financial discipline and ensures that clients build a financial cushion over time. These savings can later serve as emergency funds or collateral for future loans.

LAPO also offers voluntary savings accounts, providing clients with safe, accessible, and interest-bearing alternatives to informal saving methods, such as storing money at home or relying on unreliable thrift collectors. These formalized savings options give clients greater control over their finances and the confidence to plan for the future. Encouraging a culture of savings not only strengthens individual financial stability but also promotes broader community economic health. In Benin City, this shift has enabled many micro-entrepreneurs to invest in their businesses, support their families through difficult times, and gradually transition from subsistence to surplus.⁹

Reducing Economic Vulnerability through Inclusive Financial Services

LAPO Microfinance Bank plays a crucial role in reducing the economic vulnerability of low-income households and informal workers in Benin City. Many of these individuals faced daily uncertainty due to unstable income sources, lack of formal employment, and minimal access to social safety nets. Through its accessible financial services, LAPO provided clients with the resources to stabilize and grow their businesses. Microloans help them purchase inventory, invest in productive assets, and manage day-to-day operations without resorting to harmful coping mechanisms like selling essential household items or taking exploitative loans.

According to Madam Adesuwa Abigail Aibangbe LAPO's loan structures are thoughtfully aligned with the cash flow patterns of small scale enterprises. Flexible repayment schedules, options for refinancing, and top-up facilities ensure that borrowers in Benin City can navigate semiods of low revenue or personal hardship without falling into debt traps. Consequently, LAPO's outreach programs incorporate awareness and education on topics such as health insurance, social protection, and economic rights. These efforts enhance clients' ability to build resilience against personal and market-related shocks. In neighborhoods across Benin City, LAPO has emerged as more than a financial institution it serves as a stabilizing force for families striving to escape poverty. By reducing economic vulnerability, LAPO enables individuals to move from crisis management to sustained livelihood improvement and financial independence.¹⁰

Fostering Local Economic Development

LAPO plays a critical role in stimulating local economic development by supporting micro and small enterprises (MSEs), which form the backbone of many rural and urban communities in Nigeria. By injecting capital into these grassroots businesses, LAPO enables entrepreneurs to scale their operations, increase output, and meet rising local demand for goods and services. This injection of financial support serves as a catalyst for community-level economic vibrancy. The expansion of MSEs supported by LAPO naturally increases demand for labor, creating employment opportunities, particularly in areas where job options are limited. Artisans, youth, and other unemployed or underemployed individuals benefit from the growth of businesses that now require additional workforce. This labor absorption helps reduce unemployment and promotes inclusive economic growth.¹¹

It led to increased economic activity spurs more commercial exchanges within localities. As businesses grow, they not only supply local goods and services but also stimulate ancillary enterprises such as logistics, storage, and retail. This interdependence among businesses fosters a self-sustaining cycle of growth and prosperity. Local governments also indirectly benefit from these improvements. Heightened business activity leads to higher revenues from taxes, levies, and registrations, which can then be reinvested in public infrastructure—further enhancing the local business environment.

Moreover, LAPO's community-based interventions ensure that development benefits are equitably distributed among residents. The presence of thriving enterprises inspires other community members to pursue their own ventures, fostering a culture of entrepreneurship and reducing reliance on external aid or migration for economic survival. Ultimately, LAPO's role in fostering local economic development transforms communities. What began as micro-level support translates into macro-level outcomes, including enhanced employment, improved infrastructure, and a higher standard of living.¹²

Tailored Loan Products

Recognizing the diversity of client needs, LAPO offered loan products that are flexible, targeted, and responsive to the specific conditions of various business types. This adaptability ensures that a broad spectrum of entrepreneurs from market women to rural farmers can access financial support that aligns with their unique operational realities. Group loans, for example, are ideal for clients lacking formal collateral or credit history. These loans are based on group guarantees, fostering collective responsibility and reducing default risk. They are especially useful for community-based traders and cooperatives pursuing shared economic goals.

According to Diagbonya Edoghogho Edebiri pointed that individual loans can cater to more established business owners seeking larger capital injections for expansion. These loans often include personalized repayment schedules and closer

monitoring, ensuring that funds are effectively utilized while promoting financial discipline. Agricultural loans are specially tailored to accommodate the seasonal income cycles of rural farmers and agro-entrepreneurs. By structuring repayment plans around planting and harvesting semiods, LAPO reduces the financial stress on clients while enabling investments in seeds, equipment, and post-harvest handling.¹³

In addition, LAPO provided specialized loan products for health and education needs, reflecting a holistic approach to development. These loans assisted clients in addressing non-business-related challenges, such as paying school fees or covering medical expenses, thereby strengthening household resilience. Through this diverse range of customized loan products, LAPO ensures that no viable business idea or critical family need is left unsupported due to rigid lending practices. This tailored approach enhanced the likelihood of client success and promotes sustainable economic empowerment.

Support for Agribusiness

To Agbonzee Anslem Asemota LAPO's is committed to supporting agribusiness is particularly vital in Nigeria, where agriculture remains a central livelihood for rural populations. Through its agricultural loan products, LAPO empowers farmers and agro-processors by providing access to credit that enables productivity improvements and innovation. Farmers often grapple with challenges such as limited access to improved seeds, fertilizers, and modern equipment. LAPO's credit facilities address these barriers by enabling investment in high-quality inputs, leading to increased yields and better-quality produce. This not only enhances household incomes but also contributes to national food security.¹⁴

Beyond crop production, LAPO supports critical post-harvest activities like storage, processing, and packaging areas that traditionally suffer from high levels of loss

due to poor infrastructure. Financing in this area reduces post-harvest waste and improves farmers' profit margins through value-added activities such as rice milling or cassava processing. Moreover, agribusiness loans spur rural enterprise development beyond farming. As agricultural productivity rises, associated sectors such as transportation, warehousing, and retail also grow, thereby diversifying income sources and strengthening rural economies.

LAPO also integrates financial literacy and agricultural extension services into its agribusiness support. Clients receive training in risk management, climate-smart farming, and basic record-keeping, which enhances their ability to operate sustainably and adapt to environmental and market changes. LAPO's support for agribusiness plays a strategic role in transforming rural economies, reducing poverty, and promoting food self-sufficiency. By strengthening agricultural value chains, LAPO helps transition farming from subsistence to a commercially viable and resilient sector.¹⁵

Improved Standard of Living

One of the most profound impacts of LAPO's microfinance interventions in Benin City is the tangible improvement in the standard of living among its beneficiaries. By supporting small-scale entrepreneurs with accessible credit and business support services, LAPO has enabled many households to break free from cycles of poverty and economic vulnerability. Increased household income, derived from LAPO-backed business ventures such as petty trading, tailoring, hairdressing, and food processing,

allows beneficiaries to better meet their families' basic needs including food, clothing, and shelter. In areas such as Uselu, New Benin, and Ogida, many clients have reported a notable shift from subsistence living to relative financial stability.

A key area of transformation is in education. Stable income streams have empowered parents to invest in their children's education by covering school fees, books, uniforms, and transportation. This has led to improved school attendance and retention, particularly among girls, who are traditionally the first to be withdrawn from school during semiods of financial strain. In communities like Oregbeni and Ikpoba Hill, local primary and secondary schools have seen rising enrollment numbers among children of LAPO clients.¹⁶

According to Chidalu Deberechi Chinweike, LAPO funding enables healthcare access to entrepreneurs has similarly improved. With better income, clients can afford to seek early medical attention and purchase essential medications, leading to healthier families and reduced vulnerability to preventable illnesses. Clinics in areas like Evbuotubu and Sapele Road have recorded increased patronage from LAPO-supported households, as beneficiaries now prioritize preventive and curative health services. Housing conditions in low-income neighborhoods have also seen positive change. Clients who once lived in makeshift wooden shacks or overcrowded rented rooms are gradually upgrading to more secure, permanent structures. Improvements such as new roofing, concrete flooring, sanitation facilities, and access to borehole water are increasingly common among beneficiaries in areas like Upper Sakponba and Aduwawa.¹⁷

Beyond material benefits, LAPO's microfinance support has led to significant psychological and social empowerment. Beneficiaries report lower levels of financial stress, greater confidence, and improved decision-making capacity. Women in particular experience enhanced social status and influence within their households and communities. The growth of female-led businesses in New Benin Market and Ekiosa Market is a testament to this shift in empowerment and agency. Overall, LAPO's integrated approach to microfinance combining capital access with training and community engagement has contributed to a measurable uplift in living standards in Benin City. This transformation is not only evident at the household level but is also fostering healthier, more resilient, and economically active communities across the city.

Endnotes

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CHAPTER FOUR

THE IMPACT OF MICROFINANCE ON BUSINESS GROWTH IN BENIN CITY

Introduction

Microfinance has become a potent instrument for economic growth and poverty reduction, especially in emerging nations like Nigeria. Microfinance enables entrepreneurs to launch, maintain, or grow their enterprises by offering small loans and financial services to those who are typically shut out of the official banking system. In urban centers such as Benin City, microfinance institutions (MFIs) like Lift Above Poverty Organization (LAPO) have played a significant role in sustaining the informal sector by giving credit to small-scale traders, craftsmen, and low-income earners. Even while microfinance has had a generally favorable effect on Benin City's economic growth as shown by enhanced financial inclusion, job creation, business expansion, and better access to capital many beneficiaries still have a difficult time getting and managing these loans.¹ High interest rates, short repayment periods, group lending pressures, and inadequate business support services often hinder the effectiveness of these loans. This study therefore explores the dual reality of microfinance in Benin City by examining both the positive contributions to business development and the operational and personal challenges encountered by beneficiaries of LAPO loans.

The Impact of Microfinance on Business Growth

Increased Access to Capital: Microfinance institutions in Benin City have played a pivotal role in improving access to financial resources for small and medium-scale entrepreneurs. Traditional banking systems often impose stringent collateral requirements and complex documentation that many informal sector operators cannot meet. Microfinance bridges this gap by providing relatively easier access to loans, enabling local artisans, traders, and service providers to get the start-up or operational capital they need. According to Chidalu Deberechi Chinweike, this access to capital is particularly vital for women and youth, who often face additional barriers in the formal financial system.² Through microloans, many of them are able to launch home-based businesses, petty trading ventures, and agriculture-based enterprises. This empowerment through capital fosters economic independence and creates a ripple effect of prosperity within families and communities.

Business Expansion: Once businesses have access to microfinance, they are better positioned to scale their operations. In Benin City, entrepreneurs who previously operated from roadside stalls can invest in renting shops, increasing stock, or acquiring machinery that improves output and quality. This leads to improved visibility and a better customer experience. Expansion also means increased competitiveness in the local market. Businesses that grow through microfinance are able to diversify their client base, take

advantage of market trends, and even move beyond local markets into regional supply chains. These transformations contribute to the vibrancy and resilience of the small business ecosystem in the city.

Employment Generation: Microfinance has a multiplier effect on employment in Benin City. As small businesses expand, there is a natural demand for labor. Entrepreneurs often begin by hiring family members, but with further growth, they create opportunities for others in the community, especially youths and women with limited formal education or job experience. This job creation is particularly important in reducing urban unemployment and poverty. With the informal sector employing a significant portion of the working population in Benin City, microfinance-induced employment offers a path to sustainable livelihoods and helps reduce dependency on government jobs or social aid.³

Improved Productivity: Access to credit enables small business owners in Benin City to acquire better tools, raw materials, and modern machinery, all of which improve production efficiency. Instead of relying on outdated methods or substandard equipment, microfinance clients can now scale operations to meet higher demand. Improved productivity not only means higher output but also better quality products and services, leading to increased customer satisfaction. Over time, this allows businesses to command better prices and expand their customer base. As productivity improves, so does competitiveness, enabling Benin City entrepreneurs to compete with larger firms or imported products.

Income Stability and Growth: Microfinance plays a critical role in ensuring that entrepreneurs in Benin City enjoy more consistent income flows. With stable capital and improved business operations, daily and weekly earnings become more predictable, helping families plan for education, healthcare, and other essentials. Consequently, as businesses grow, so does their profitability. This income growth supports better standards of living, increased savings, and investments in long-term assets. Stable income also cushions families against economic shocks, such as inflation or health emergencies, fostering resilience and long-term well-being.⁴

Financial Inclusion: Microfinance programs help to bring unbanked and under banked populations in Benin City into the formal financial system. Many entrepreneurs who previously operated solely on cash now have savings accounts, participate in cooperative savings schemes, and even build credit profiles. This inclusion opens doors to more sophisticated financial services in the future, such as insurance, pensions, or larger-scale commercial loans. It also instills a culture of saving and accountability, essential for building long-term wealth and financial security in low-income areas.

Entrepreneurial Confidence and Empowerment: One of the less tangible but highly impactful effects of microfinance in Benin City is the psychological boost it gives to entrepreneurs, particularly women. Having access to capital instills confidence, allowing them to take calculated risks, assert themselves in the marketplace, and believe in their vision. This sense of empowerment leads to greater innovation and ambition.

Entrepreneurs are more likely to reinvest profits, explore new markets, or adopt technology when they feel supported. Microfinance thus goes beyond money it builds self-esteem, independence, and the courage to lead in a competitive economy.⁵

Better Financial Management Practices: Microfinance institutions like LAPO often incorporate financial literacy and business training into their programs. In Benin City, this has led to a gradual shift in how small business owners manage their operations, with many now practicing budgeting, savings, and record-keeping. These skills are crucial for business sustainability. Entrepreneurs who understand how to manage cash flow, plan for loan repayments, and track expenses are more likely to succeed long-term. Better financial management also improves their chances of accessing larger loans or investment in the future.

Diversification of Businesses: With the capital gained from microfinance, many entrepreneurs in Benin City choose to diversify their business offerings. A food vendor might add beverage sales, or a fashion designer might start selling accessories. This not only increases income potential but also buffers them against market fluctuations. Diversification is especially important in a volatile economy. By spreading risk across different products or services, businesses are less likely to collapse due to a dip in one sector. This strategic expansion enhances resilience and opens up new market opportunities.⁶

Contribution to Local Economic Development: Collectively, microfinance-driven businesses significantly contribute to the local economy in Benin City. As these enterprises grow, they increase trade volume, create jobs, and pay local taxes or levies. This generates revenue for local government and boosts the vibrancy of commercial areas. Moreover, successful microenterprises often invest back into their communities through philanthropy, support for community projects, or mentoring younger entrepreneurs. The ripple effect of microfinance thus goes beyond individual success; it fosters grassroots development, reduces poverty, and builds inclusive economic systems in urban and semi-urban areas of Benin City.⁷

Challenges

High Interest Rates: LAPO microfinance loans are widely accessible but come with relatively high interest rates compared to traditional banks. This poses a significant burden for small-scale traders and low-income earners who form the bulk of LAPO's clientele in Benin City. These high rates mean that a substantial portion of their modest profits goes toward servicing the debt, leaving little for reinvestment or savings.

According to Azubuike Obiora Kaitochukwu, for many, this creates a vicious cycle of borrowing and repayment with minimal business growth. The high cost of borrowing is often justified by LAPO due to the administrative expenses of servicing many small loans and the risk involved. However, for borrowers already

operating at the margin of profitability, these interest rates can be stifling. The pressure to meet weekly repayments, inclusive of interest, forces some borrowers to take drastic measures such as cutting back on personal or business expenditures, which could in turn impact their standard of living and business sustainability⁸.

Short Repayment Semiod: One of the most pressing issues with LAPO loans is the short repayment schedule often weekly or bi-weekly. While this helps LAPO minimize default risks and monitor borrower behavior, it puts borrowers under continuous financial stress. For businesses that do not have daily cash flow or that experience sales fluctuations, these rigid repayment terms may not align with their income patterns, especially for those in seasonal trades like fashion, agriculture, or school supplies. The short repayment cycle can also hinder reinvestment. Instead of using profits to expand or stabilize their operations, borrowers often prioritize immediate repayments. This prevents the business from gaining the financial traction needed for growth and forces many beneficiaries into a cycle where they depend on taking additional loans just to keep up with repayment schedules ultimately perpetuating financial instability rather than alleviating poverty.⁹

Compulsory Group Lending (Joint Liability): LAPO employs a group lending model, where small groups of borrowers are formed, and each member is jointly liable for loan repayment. While this structure is designed to enhance accountability and peer support, it

has significant drawbacks. If one member defaults, the rest are expected to cover the balance, which can create tension and mistrust within the group. For more responsible members, this can feel unjust and demotivating, especially when they are penalized for another person's financial missteps. The pressure of joint liability can lead to social strain. In closely-knit communities like those in Benin City, failed repayments can result in public conflicts, broken relationships, and even physical altercations. Some borrowers have reported withdrawing from groups due to repeated defaults by others, which can disqualify them from future loans or delay disbursement processes. Thus, instead of fostering cooperation, this model can sometimes foster resentment and division among beneficiaries.¹⁰

Inadequate Loan Amount: Although LAPO is known for making loans accessible to underserved populations, the initial loan amounts are often too small to make a transformative impact on a business. For first-time borrowers, the sums offered may only cover petty trading stock or very minimal inventory. This limited capital restricts the scale at which a business can operate, particularly in urban centers like Benin City, where overhead costs and market competition are high. Consequently, while LAPO does increase loan limits for borrowers with good repayment histories, this incremental approach takes time. For business owners needing urgent capital to seize a time-sensitive opportunity or expand operations, the slow scaling of loan amounts is frustrating. It limits

their ability to compete effectively or diversify their business offerings, and can discourage ambitious entrepreneurs from sticking with the program long-term.¹¹

Frequent and Rigid Meetings: As part of its loan management model, LAPO requires borrowers to attend regular group meetings, usually held weekly. These meetings are intended for monitoring loan use, providing guidance, and encouraging peer accountability. However, for many traders and artisans in Benin City, the timing and frequency of these sessions are inconvenient and disruptive.

According to Diagbonya Edoghogho Edebiri, those with market stalls or mobile businesses often lose valuable hours of trade just to attend these gatherings. Moreover, the rigid attendance policy can create anxiety among borrowers. Missing a meeting even for a legitimate reason such as illness or urgent family matters can lead to penalties or affect loan eligibility. This inflexibility often adds emotional stress to the financial strain beneficiaries already face. Over time, some borrowers come to see the meetings as burdensome obligations rather than supportive platforms, which diminishes the intended benefits of community and guidance.¹²

Lack of Business Support Services: While LAPO provides access to credit, it often falls short in offering comprehensive support services such as business development training, financial literacy programs, or mentorship. Many beneficiaries, particularly first-time entrepreneurs, lack the necessary skills to effectively manage their finances or make

strategic business decisions. As a result, they are vulnerable to mismanaging funds or investing in unprofitable ventures. The absence of such support is particularly concerning given that many LAPO clients in Benin City are women with limited formal education or prior business experience. Without access to training or advisory services, they may fail to budget properly, price goods competitively, or navigate challenges like inflation. Consequently, even with access to capital, many of these micro-businesses remain stagnant or collapse under poor management.

Loan Mismanagement: Loan misuse is a common issue among beneficiaries who lack financial discipline or education. Instead of channeling the funds into productive ventures, some use the money to address immediate personal or household needs such as school fees, rent, or healthcare. While understandable, this diversion undermines the purpose of the loan and leads to repayment difficulties when no income is generated from the borrowed funds. In many cases, this mismanagement is not due to recklessness but rather a result of economic pressure. In a city like Benin, where many families live from hand to mouth, any incoming funds even loans are often redirected to the most urgent need. Unfortunately, this reactive approach traps borrowers in cycles of debt and contributes to high default rates. LAPO's lack of strict post-disbursement monitoring also makes it difficult to ensure proper loan utilization.¹³

Harsh Recovery Measure: Some LAPO loan officers employ aggressive tactics to recover debts, including verbal abuse, public embarrassment, or visiting borrowers'

homes unannounced. These methods, while perhaps effective in the short term, can be damaging both psychologically and socially. Borrowers report feeling humiliated or degraded, particularly when recovery efforts are made in the presence of family members, neighbors, or customers. Such harsh recovery approaches can lead to serious emotional distress, affecting borrowers' mental well-being and further discouraging them from future engagement with financial institutions. In extreme cases, some beneficiaries withdraw from the program out of fear of reprisal or shame, even when they are willing to repay. This creates a negative perception of microfinance institutions in general and undermines the trust necessary for sustainable financial inclusion.

Economic Instability and Inflation: Nigeria's economic volatility and rising inflation rates have a direct impact on small business owners in Benin City. When the cost of goods and services increases unpredictably, business expenses rise while customer purchasing power declines. This squeezes profit margins and makes it difficult for borrowers to generate enough revenue to meet their loan obligations. Even businesses that were once thriving may experience downturns due to price hikes or supply chain disruptions. The value of the naira continues to fall, affecting the cost of imports and raw materials. For micro-entrepreneurs operating on tight margins, this economic instability adds an extra layer of uncertainty. They are forced to choose between restocking inventory or meeting repayment deadlines, a choice that can have long-term consequences for their survival.¹⁴

Over-Indebtedness: In an effort to meet urgent financial needs, some borrowers take out multiple loans from different microfinance institutions simultaneously a practice known as loan stacking. While this may offer temporary relief, it often leads to over-indebtedness. Managing repayments across several lenders becomes overwhelming, and defaulting on one loan can trigger a cascade of financial difficulties. This phenomenon is common in urban centers like Benin City, where loan agents from multiple institutions operate in close proximity. The lack of a centralized credit-check system allows borrowers to access funds from multiple sources without proper vetting. When repayment becomes unsustainable, businesses collapse under the weight of debt, and the borrower's creditworthiness is severely damaged. This undermines the core objective of financial empowerment that microfinance aims to achieve.¹⁵

I can categorically say, the impact of microfinance on business growth in Benin City is significant, as access to microloans and financial services has enabled many small and medium-scale entrepreneurs to expand their operations. It also improved productivity, and increase income levels of entrepreneurs. Microfinance institutions (MFIs) such as LAPO have provided vital financial support to individuals who are often excluded from traditional banking systems, allowing them to invest in inventory, equipment, and skill development. This has led to job creation, poverty reduction, and enhanced economic activity within Benin City and environs. However, challenges such as high interest rates, limited financial literacy, and loan repayment difficulties still

hinder the full potential of microfinance in fostering sustainable business growth.

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CHAPTER FIVE

CONCLUSION

This study has examined the impact of microfinance on small business development in Nigeria, using the Lift Above Poverty Organization (LAPO) Microfinance Bank in Benin City as a case study. Microfinance institutions like LAPO have emerged as key drivers of economic empowerment, particularly for low-income earners and micro-entrepreneurs who are often excluded from traditional financial systems. The study has revealed that LAPO's financial services primarily is in the form of small loans, savings schemes, and financial training have played a vital role in supporting business start-ups and enhancing the growth of existing enterprises. Beneficiaries of LAPO loans in Benin City reported increased access to working capital, which enabled them to purchase inventory, improve service delivery, and expand their business operations. Many small business owners also experienced an improvement in their income levels and overall financial stability. Additionally, LAPO's support has helped promote a culture of savings and improved financial discipline among its clients.

Despite these benefits, the study has identified challenges such as high interest rates, short loan repayment cycles, and limited access to larger credit facilities, which can hinder long-term growth and sustainability. Nonetheless, LAPO Microfinance Bank continues to play a significant role in reducing poverty, promoting self-employment, and driving grassroots economic development. The case study demonstrates that

microfinance, when effectively implemented, can be a powerful tool for small business development and economic inclusion in Nigeria. LAPO's model in Benin City serves as an example of how microfinance institutions can contribute meaningfully to national development goals by empowering underserved populations.

The study has traced the history of the established of Lift Above Poverty Organization (LAPO) Microfinance Bank in Benin City, as a grassroots response to widespread poverty, economic exclusion, and the lack of financial services for low-income individuals. Created in the late 1980s as a non-governmental organization, LAPO initially focused on empowering rural women through group-based savings and credit schemes. Its formation was driven by the need to create sustainable livelihoods for marginalized populations, particularly women and micro-entrepreneurs who were often overlooked by conventional financial institutions. As its outreach and impact grew, LAPO transitioned into a licensed microfinance bank to expand its capacity and offer a broader range of financial services. In 2010, LAPO was formally licensed by the Central Bank of Nigeria (CBN) as a national microfinance bank, marking a significant milestone in its institutional development. This transition allowed LAPO to operate with greater structure, regulatory backing, and financial capability to reach more clients.

LAPO Microfinance Bank's presence in Benin City has since become a cornerstone of local economic empowerment. Through small business loans, savings programs, and financial literacy training, it has supported thousands of small-scale

entrepreneurs in starting and growing their businesses. The bank's emphasis on social impact, especially among women and rural populations, continues to shape its services and operations. The emergence of LAPO in Benin City highlights the transformative power of community-driven financial solutions in addressing poverty and promoting inclusive development. Its evolution from a small NGO to a national microfinance institution reflects the growing recognition of microfinance as a strategic tool for sustainable development in Nigeria.

This study has analyzed the role of the Lift Above Poverty Organization (LAPO) microfinance in funding small businesses and improving income stability among low-income entrepreneurs. LAPO has played a crucial role in providing accessible financial services to individuals who are often excluded from traditional banking systems, especially women and small-scale traders in Benin City, Nigeria. The chapter indicates that LAPO microfinance has significantly contributed to the growth and sustainability of small businesses. Through the provision of loans, many entrepreneurs have been able to start or expand their businesses, purchase inventory, and invest in tools or infrastructure that enhance productivity. As a result, beneficiaries have experienced increased income levels, improved savings habits, and better financial planning.

Consequently, the study found that regular cash flow supported by LAPO loans has helped stabilize household income, reducing vulnerability to economic shocks and enhancing the general welfare of recipients. In many cases, this financial stability has led

to improved access to education, healthcare, and better living conditions for families. However, the study also notes challenges such as the burden of high interest rates and the need for more flexible repayment options. Despite these limitations, LAPO microfinance remains an essential tool for promoting entrepreneurship and economic resilience among small business owners. LAPO's microfinance services play a vital role in funding small businesses and ensuring income stability, thereby fostering economic empowerment and poverty reduction in the community.

This study has shown that LAPO loans have had a positive influence on beneficiaries by enhancing their business capital, improving overall productivity, increasing income levels, and enabling the expansion of their businesses. Despite these benefits, the study also identifies several challenges faced by loan recipients. These include high interest rates, short repayment periods, limited loan amounts, and pressure from loan officers to meet repayment deadlines. Additionally, many beneficiaries lack adequate business training and financial literacy, which hinders their ability to effectively manage and grow their enterprises. LAPO microfinance loans have significantly contributed to business development in Benin City, addressing the challenges experienced by beneficiaries especially those related to loan conditions and support services would further strengthen the role of microfinance in promoting sustainable economic growth.

The study has established that microfinance institutions, particularly LAPO Microfinance Bank, played a crucial role in fostering the development of small businesses in Nigeria. In Benin City, LAPO has significantly contributed to the growth of micro and small-scale enterprises by offering accessible financial services such as microloans, savings programs, and entrepreneurial training. These services had empowered individuals especially those from low-income backgrounds to start or scale up their businesses, resulting in improved income generation, increased business sustainability, and a reduction in poverty levels. Through its tailored interventions, LAPO has not only provided financial capital but also enhanced the financial inclusion of marginalized groups, enabling them to participate more actively in the local economy.

The study also acknowledged that despite these positive contributions, several challenges continue to hinder the effectiveness of microfinance in achieving its full potential. Challenges such as interest rates often burden borrowers, reducing their profit margins and affecting their ability to repay loans on time. In addition, short loan repayment periods do not always align with the income cycles of small businesses, especially those in seasonal or informal markets. Limited loan amounts can also restrict the scope of business expansion, thereby slowing down the growth trajectory of many microenterprises. Other issues, such as pressure from loan officers and the lack of proper business or financial training, further complicate the experience for beneficiaries and increase the risk of business failure or loan default.

Addressing these issues is essential to maximizing the impact of microfinance on small business development. There is a pressing need for microfinance institutions like LAPO to adopt more flexible and client-centered loan terms that consider the specific needs and circumstances of small-scale entrepreneurs. This includes reducing interest rates, extending repayment periods, and offering larger loan amounts where appropriate. In addition, incorporating financial literacy programs and personalized business support services can help equip beneficiaries with the skills and knowledge needed to manage their finances more effectively, make informed decisions, and build resilient, sustainable businesses.

The LAPO as case study has provided a compelling example of how microfinance can drive grassroots economic development and entrepreneurship in Nigeria when properly implemented. It highlights the potential of financial inclusion as a catalyst for poverty alleviation, self-employment, and local economic empowerment. To build on this success, policymakers, development agencies, and financial stakeholders must work collaboratively to scale up and refine microfinance models across the country. By addressing existing challenges and promoting innovation in microfinance delivery, Nigeria can harness the full potential of small businesses to contribute meaningfully to national development and economic sustainability.

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