Impact of Micro-finance on welfare and poverty alleviation: A case study of Offa and Oyun Local Government Areas in Kwara state of Nigeria.

Ogunjimi, Samuel Olatunji

Federal Polytechnic Offa. Kwara State

ABSTRACT

This research work considered the topic "Impact of Microfinance on Welfare and Poverty Alleviation: A Case Study of Offa and Oyun Local Government Area (LGAs) Kwara State of Nigeria. The major objectives are to assess the extent to which microfinance banks have successfully helped the active poor to improve their standard of living and to assess the impact of the banks on the growth of small and medium –scale enterprises (SMEs) in the two LGAs. This study adopted survey research in sourcing for data and made use of both quantitative and qualitative methods of data collection; the research instrument used was questionnaire and considering sample size to be surveyed the Statistical Package for Social Sciences (SPSS) was adopted using the T-test. The findings from this research work are that microfinance banks have successfully helped rural dwellers to improve their living standard and positively impacted on the growth of SMEs in the two LGAs.

Keywords: (Microfinance, Welfare, Poverty, SMEs.)

INTRODUCTION

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Microfinance, also called microcredit is a type of banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services. While institutions participating in the area of micro finance most often provide lending, many banks offer additional services such as checking and savings accounts as well as micro insurance products, and some even provide financial and business education. The goal of microfinance is to ultimately give impoverished people an opportunity to become self-sufficient.

Microfinance services are provided to unemployed or low-income individuals because most of those trapped in poverty, or who have limited financial resources, do not have enough income to do business with traditional financial institutions. Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices unlike typical financing situations, in which the lender is primarily concerned with the borrower having enough collateral to cover the loan, many microfinance organizations focus on helping entrepreneurs succeed.

The World Bank (2015) estimated that more than 500 million people have directly or indirectly benefited from microfinance related operations. The Consultative Group to Assist the Poor (CGAP), a Washington – based global non-profit organization estimated that, as of 2021, more than 120 million people have directly benefited from microfinance – related operations (CGAP, 2022). The benefits of microfinance extend beyond the direct effects of giving people a source for capital. Entrepreneurs who create jobs, trade and overall economic improvement within a community.

Microfinance has been found to be an intervention to improve the livelihood of the active poor especially those in the rural areas. It is a response to the problems of economic crisis worldwide especially in most developing countries (Bassem, 2012). It might be seen as one of the tools which is able to reduce poverty and improve welfare. According to Hulme and mosely (1996), microfinance was first trumpeted as a way to unleash the productive capacities of poor people dependent on self – employment.

The idea was straight forward: microfinance would transform customers' businesses by providing capital that would increase borrowers' earnings, enhance their welfare and ultimately eliminate poverty (Yunus, 2016).

In Kwara State microfinance is spread in the financial market sector though operating formal, semi-formal and informal microfinance institution. There are over thirty microfinance institutions spread across the three senatorial zones of the state; more than half of this number operates in the southern zone of the state where Offa and Oyun Local Government Areas (LGAs) belong. It is thus, interesting to note that nine (9) of these are actively operational in the two LGAs under study. This study, therefore, presents empirical findings on the impact of microfinance on economic welfare and poverty alleviation in Offa and Oyun LGAs of Kwara state in Nigeria

1.2 STATEMENT OF RESEARCH PROBLEM

The poverty question is a global phenomenon. It is perhaps one of the greatest challenges facing Mankind today, especially in most parts of the developing world. This Perhaps explains why the eradication of poverty was listed as the first of the eight issues of the millennium development goals, The problem of poverty is more disturbing giving the fact that there is abundant and enormous wealth in the world to adequately meet the needs of every one.

Before the I 970s, the Nigerian experience in Microfinance was limited to Self IIelp Groups, Rotating Savings and Credit Associations, Cooperative Unions Community, Savings Collectors and Local Money Lenders. They were all informal and largely unregulated. They were mainly Micro-Credit savings mechanisms. Their strengths were associated with good repayment records due to peer pressure and other cultural mechanisms. However, their weaknesses lay in low• level access to capital and limited range due to informal non-structured frame work. Between 1970 and 1990, there were several government initiatives in the form of Rural Banking Programme (RBP); Sectoral Allocation of credit by Central Bank; Agricultural Credit Guarantee Scheme (ACGS); Nigerian Agricultural and Co-operative Bank (NACB) and the National Directorate of Employment (NDE) etc. These efforts were largely incoherent, and mainly targeted towards enhancing subsidized credit in agriculture and a few other sectors of the economy1 They were not sustainable as a result of poor repayment records and inefficient administrative structures. In the 1990s, the Federal Government embarked on other initiatives, such as the Peoples Bank, (1990-2002), Community Banks, Nigerian Agricultural Insurance Corporation and National Poverty Eradication Programmes and the Family Economic Advancement Programme. These were focused on rural and community small-scale financing. lucy were all short lived and unsustainable as a result of poor government policies and corporate governance.

Between 2000 to date, there have been other initiatives such as the merger of the Peoples Bank (P13), Family Economic Advancement Programmes(FEAP, and NACB into the National Agricultural, Cooperative and Rural Development Bank (NACRDB). Then came the National Economic Empowerment and Development Strategy (NEEDS), and the launch of Microfinance Policy in 2005. It is this new strategy that this research intends to explore to establish the relationship between microfinance, economic welfare and poverty alleviation, taking a queue from jurisdictions of the world.

Although many studies have examined the issue of poverty alleviation in Nigeria, not many of them have assessed the impact of Microfinance on welfare and poverty alleviation. This study seeks to fill this gap.

1.3 Research Question

The issues of welfare/poverty alleviation and Microfinance have become major issue of global concern. To this end, the research questions generated by this work include:

i. To what extent has the MFBs and MFIs served as instruments of credit mobilization and dispersion among the working poor in Offa and Oyun LGAs of Kwara State?
ii. How has Microfinance enhanced welfare and poverty alleviation in Offa and Oyun WAs of Kwara State?
iii.

1.4 OBJECTIVES OF THE STUDY

The main objective of this study is to examine the impact of Microfinance on the welfare of the poor and poverty alleviation in Nigeria. The specific objectives include the following:

I. To examine the roles of microfinance towards the dispersion of credit among the working poor in Kwara State.

2. To assess the extent to which microfinance institutions have successfully helped the active poor iii Offa and Oyun LOAs to improve their standard of living.

3. To assess the impact of microfinance on the growth of small and medium scale enterprises in Offa and Oyun LGAs of Kwara State Nigeria.

1.5 STATEMENT OF RESEARCH HYPOTHESES

The associated research hypotheses are as follow:

(a)

Ho:: MFBs have not been potent instruments in the mobilization and dispersion of credit among the working poor in Offa and Oyun LGAs of Kwara State Nigeria.

Hi: MFBs have been potent instruments in the mobilization and dispersion of credit among the working poor in Offa and Oyun LOAs of Kwara State Nigeria.

(b)

Ho: Microfinance Institutions have not successfully helped rural dwellers in Offa and Oyun LGAs ol'Kwara State Nigeria to improve their living standard.

Hi: Microfinance Institutions have successfully helped rural dwellers in 0111 and Oyun LOAs of Kwara State Nigeria to improve their living standard.

(c)

Ho: Microfinance Institutions have not impacted on the growth of small and medium scale enterprises in Offa and Oyun LGAs of Kwara State Nigeria,

Hi: Microfinance Institutions have impacted on the growth of small and medium scale enterprises in Offa and Oyun LGAs of Kwara State Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

Considering how serious the problem of poverty is to a nation, this study becomes of great significance.

This study will help to reveal the applicability of the influential economic theory that linked productive inefficiencies to credit market failure. It will equally x-ray the contributions that microfinance has made to the enhancement of welfare and alleviation of poverty in our rural economy.

Finally, it will expose ways through which the government can assist providers of microfinance services to boost their performances.

CHAPTER TWO

2.0 Literature Review

2.1 Evolution of Microfinance

Societies the world over have different ways of addressing financial needs of the poor. In Nigeria, the thrift or Esusus system is well known; it provides instruments for small savings, revolving loans and credit facilities. However, the pioneering work of professor Yunus has opened a new dimension to micro credit financing. He introduced the practice that has come to be known as microfinance in which small scale loans are made available mainly to women with little or no access to traditional sources of financial capital.

According to Hennessey (2006), Yunus founded the Gramen Bank In 1983, now widely popular and seen as a model being replicated by many including leaders, NGOs, and advocacy groups in dozens of countries. By challenging traditional banking system about the credit worthiness of borrowers and often giving uncollaterized loans, microfinance has unlocked the entrepreneurial ambitions of some of the world's poorest people.

In addition, it is responsible for creating and sustaining new income-generating activities in poor areas traditionally dependent on subsistence farming. Over the last three decades, the popularity of microfinance has steadily increased. Many people in the Western part of the globe saw microfinance as a pivotal innovation in the fight against poverty in the developing world.

One reason for this upsurge in popularity is that in Bangladesh, as in other places where microfinance has taken root, the overwhelming majority of borrowers have been women. This gender policy is by design. Women in developing world whether due to cultural factors or pure poverty are frequently excluded from participating in economic activity outside of the home; but in the case of microfinance, they tend to be more financially responsible than men, and more integrated with the peer groups that mutually borrow and re-enforce loan repayment. It is on record that Grameen Bank boasts of a repayment rate on loans that often carry high interest rates, including that microfinance is not a form of charity. The borrowers use their loans to produce marketable products and make enough profit on the sale to payback their lender in full.

Considering Hennessey (2006) study, it is certain that microfinance in its various adaptable models can assists the world to reduce and alleviate poverty and enhance economic development, particularly in developing economies. Pollinger and Cordero-Guzman (2007) submitted that micro-entrepreneurs have considerable difficulty in accessing capital from mainstream financial institutions.

In their view, this is because the costs of information about the characteristics and risk levels of borrowers are high. In order to understand the implications for providers of microfinance in pursuing the strategy of relationship based financing of micro-entrepreneurs the authors study the relationship based financing as practiced by MFIs in United States of America and the lending process. In the process, they were able to determine the break-even price of a microcredit product. When they compared the results obtained with the actual prices offered by existing institutions, they came to the conclusion that "credit is generally being offered at a range of subsidized rates to microenterprises".

The question implied from the conclusion in the preceding paragraph is: Will MFIs have to raise additional resources from grants or other funds each year in order to sustain their operations, as few are able to survive on the income generated from their lending and related operations? The authors finally observed that such subsidization of credit to microenterprises by microfinance institutions has implications for the long-term sustainability of the institutions.

What has come out clearly in this review by the authors is that it is costly for microfinance institutions to finance microenterprises. They are unable to do so profitably relying only on their normal operations, and they need to subsidize by additional funding raised from donors in the form of grants and other sources. This explains why many microfinance institutions have not been able to assist the microenterprises as much as it is desirable.

United Nations Secretary General's Report (1998) on the "role of microcredit in the eradication of poverty" suggests the need to strengthen their operations and also makes particular plea for ensuring that microcredit projects are established in a broader contextin order to support the small enterprise sector of the economy. The report highlights the activities of the United Nations System, and NGOs in support of Microcredit, giving special emphasis to the World Bank-Led Consultative Group to assist the poorest. The specific detail relating to micro-credit practice mentioned in the report is the prominence given to the matter, as it relates the recent success of small scale lending programmes such as the Grameen Bank of Bangladesh.

Hulme and Mosley (1996) examine the impact of microfinance programmes on income and poverty via the effects on productivity and employment. Other researchers who made similar observations are Khandker (1998), Cohen and Sebstd (2000). These other researchers include the effects on seasonality of consumption, labour, children's nutrition, schooling, fertility and contraception. The result of these research efforts shows that microfinance can have the potentials to help the poor improve their lives.

In particular, Hulme (2000) observed that 21 per cent of borrowers managed to lift their families out of poverty within four years of participation in microfinance and extremely poor condition declined from 33 per cent to 10 per cent among participants. However, he contends that there is the need for a much careful monitoring of these programmes by microfinance institutions and the donors, with awareness that micro credit could have both positive and negative imports on loan recipients. These observations are guide for improved performance in the future but do confirm that the poor can and should benefit from the services of microfinance.

Based on historical literature, informal saving and credit unions have operated for centuries across the world. In the Middle Ages, for example, the Italian monks had created the first official pawn shop (1462 AD) to counter usury practices.in 1515 Pope Leon X authorized pawn shops to charge interest to cover their operating costs. In the 1700s, Jonathan Swift initiated the Irish Loan Fund system which provided small loans to poor farmers who had no securities. In the 1800s, the concept of the financial cooperative was developed by Friedric Wilheim in Germany. By 1865, the cooperative movement had expanded rapidly within Germany and other European countries, North America and some developing countries.

In early 1900s, adaptations of the models developed in the preceding century appeared in some parts of rural Latin America (Bright and Helms, 2006); by early 1950-1970, experimental programmes were on stream to extend small loans to groups of poor women to enable them invest in micro business. These experiments were initiated by the Grameen Bank of Bangladesh, ACCION International in Latin America and the Self Employed Women's Association Bank in India (Little Field, Morduch and Hashemi, 2004).

The term 'Microcredit' began to be replaced by 'Microfinance' began to be replaced by 'Microfinance' in the early 1990; By that time the term had started to include savings, and other services such as insurance and money transfers. In between 1970 and 2004, there were several government initiatives in the form of Rural Banking Programme (RBP), Sectoral Allocation of

Credit by Central Bank, Agricultural Credit Guarantee Scheme (ACGS), Nigerian Agricultural and Cooperative Bank (NACB), and Community Banking. They were all short-lived and unsustainable as a result of poor government policies and corporate governance.

In order to put microfinance in proper perspective, the Federal Government of Nigeria launched the Microfinance Policy Regulatory and Supervisory Framework for Nigeria on 15th December, 2005. This policy framework heralded the birth of Microfinance Banks in Nigeria which replaced the existing Community Banks.

2.2 REVIEW OF EMPIRICAL STUDIES

The popularity of microfinance institutions is not limited to Bangladesh only. All over the world, the experience of MFIs are being propagated. This is seen in Asia, Latin America, and Africa.

2.2.1 Microfinance Experience in the United States of America

America has shown little interest in the Grameen type of microfinance and contributed to it as donors only initially. In general, early reaction to microcredit was rather negative. There was doubt and pessimism about whether anything or policy would actually raise people out of their poverty, rather than merely alleviating it. Many Americans argue that their welfare state has created a lazy under class of dysfunctional individuals who would never be interested or be capable of starting their own business or supporting themselves (Yunus, 2003). By 1985, when Bill Clinton was Governor of Arkansans Stat he sought ways to create new economic opportunities for the low-income people of the State.

A group of bankers in Chicago area advised Clinton to adopt a Grameen type programme as answer to the poverty problem in the state. This advice gave birth to the Grameen Pilot Project in Pin Bluff, Arkansas, manned by Julia Vindasius. The project was originally named Grameen Fund but later renamed Good Faith Fund (GFF), suggesting that the bank does not rely on collateral but rather on the good faith of its borrowers.

The bank in Arkansans slowly grew and reached hundreds of low-income people. The Arkansans experience according to Yunus (2003) has been repeated in many parts of the USA, example is in South Dakata where Lakota Fund was created. Lakota Fund is a leading micro credit project which has assisted native Americans. Other microfinance projects are in Oklahoma and Chicago, both of which have assisted native Americans who hitherto had no economic opportunities.

Typically, the project – Women Self Employment Project (WSEP), a non-profit making organization has implemented a variety of innovative anti-poverty programmes. Another project, Full Circle Fund (FCF). Since 1988 has offered low-income women access to investment capital of between $300 and $500, provided such women are able to join a group of fivepeersand are able to present sound business plans and proposals. Other places where Grameen Foundation USA (GF-USA) operates are Washington DC, Tulsa,Oklahoma, Dallas, Texas and Harlem in New York City.

Also, there are other programmes in the USA which have adopted micro credit ideas, some do not require borrowers to form groups, others do not target the poor but focus on women only. Some offer business training as opposed to credit. There are over 250 of these organizations which have formed a network called Association of Enterprises Opportunity (AEO) in order to coordinate their activities (Yunus, 2003).

2.2.2 Microfinance Experience in Europe

Like in the USA, the following are the initial challenges as observed by Yunus (2003) to the take-offof microfinance in both the wealthy Western Europe and the poor Eastern Europe.

i. Grameen, as a non-European idea upset many Europeans;
ii. The social welfare system does not actually encourage self-development. People go on monthly basis to collect money from government for their minimum up keep;
iii. Many cannot reconcile the amount of welfare money and insurance coverage they would lose, to what may accrue to them in self-employment; and
iv. Self-employed poor must file documents, keep books of account, etc.

These are too much for their poor and uneducated who ordinarily should embrace the microfinance system in order to help themselves. The situation is changingin Europe presently as many of them now look up to the private sector initiative as answer to poverty alleviation rather than the little they receive from government as social welfare.

Rosalind Copisarow, a polish graduate of Oxford University left a high profile employment in J.P. Morgan Bank to establish the FundusMikro in Poland. The microfinance institution has a record of 98.5 per cent loan repayment. It is a Grameen Bank prototype project, and its success has encouraged hundreds of other microfinance initiatives in Poland. The story of Bodil Maal (1997) who set up the Micro-credit project in Lofoten Island of Norway with the collaboration of

Norwegian Government is ever fold. It was primarily targeted at the young women of the Island so as not to depopulate them.

The Finnish Micro Credit Limited was set up to meet similar needs as in Norway. A similar depopulation problem was also occurring in Northern Finland and the nearby region of Northern Russia. The finish microcredit Ltd. has started operations in the Helsinki District, the co-operative Eho-Osuusraha gives microloans to people for ecological and social needs, while four other Micro-credit organizations operate in rural Finland. The Finnish Microfinance organizations mainly finance production of the following items: sweaters, paper weights, post cards and wooden to old statues. They also serve in the area of social integration (Yunus, 2003).

2.3.3 Microfinance Experience in Asia/Latin America

Marr (2002) examines the impact of microfinance on poverty reduction with application of Peru. It was discovered that the Marr Group dynamics engendered by the joint liability microcredit programme had negative impacts on the wellbeing of part icipants. The results show that tension was observed between financial and organization sustainability of the system to the extent that led to fracturing of the groups and the exclusion of the poor who should really benefit from the system.

The author further noticed that microfinance programmes that were established and organized inn haste tend to exploit existing social hierarchical structures inorder to achieve their financial sustainability, resulting in the erosion of social fabric of the communities they are expected to serve. These observations prove that in order for microfinance to serve the poor properly, all factors such as social fabric of the community, capabilities of borrower and the lender.

The Asian Development Bank (ADB) Report (2000)on microfinance development observed that the interest in microfinance has increased during the last two decades with multilateral lending agencies, developing and developed nations, governments and non-government organizations, all in support of the development of microfinance. The Report further observed that microfinance services have grown rapidly during the decades, "although from an initial low level, and have come to the forefront of development discussions concerning poverty reduction". The study, however, was of the view that rural financial markets in Asia are ill prepared for the twenty first century. About 95 percent of the 180 million poor households in the Asian and Pacific

Region still have little access to institutional financial services. Development practitioners, policy makers, multilateral and bilateral lenders, however, recognized that providing efficient microfinance services for this segment of the population is important for a variety of reasons.

Among others, the ADB Report (2000) recognizes the use of microfinance as follows:

i. Microfinance can be a critical element of an effective poverty reduction strategy;
ii. Improved access and efficient provision of savings, credit and insurance facilities (products of microfinance) can enable the poor to smoothen their consumption, manage their risks better, build their assets gradually and develop their micro enterprises;
iii. Can contribute to the improvement of resource allocation, promotion of markets and adoption of a better technology, thus, microfinance helps to promote economic growth and development;
iv. It can provide an effective way to assist and empower poor women, who make up a significant proportion of the poor and suffer disproportionately from poverty;
v. It can contribute to the development of the overall financial system through integration of financial markets; and
vi. Without permanent access to institutional microfinance, most poor households will continue to depend on meager self finance.

The ADB (2000) Report, no doubt represents the widely accepted contribution of microfinance the world over. Of course, in practice there may be a few hitches here and there, but generally, microfinance when efficiently practiced contributes immensely to poverty alleviation and economic development as discussed in that Report.

Lack of sustainable access to microfinance is a key constraint faced by micro and small enterprises (MSEs) in countries emerging from armed conflict. Such countries are characterized by massive poverty and unemployment. Nagaran (2008) observed that “micro and small enterprises alone have the potential to provide income and employment for large parts of the population while at the same time laying the basis for economic development and poverty alleviation”. Creating sustainable microfinance institutions helps MSEs fulfill their potentials; as of date, microfinance programmes have been set up in a number of conflict affected countries by donor organizations, United Nations agencies and international NGOs.

Among the ones set up, few are considered to be self sufficient. The types in operation range from village banks and solidarity group, revolving funds and guarantee funds to major on-lending schemes which involve public banks. Their out-reach and sustainability are, with a few exceptions far from satisfactory. It was observed that conflicts affect the financial sector severally at the macro level (disturbance of macroeconomic and financial stability), and micro level (demonetization and related phenomena as well as disruption of social bonds and relationships based on trust).

Certainly, this study has brought a completely new dimension to microfinance development. Most other studies have examined microfinance contribution to non war/conflict scenarios. Here we are considering an after conflict situation where there had been destructions of resources belonging to borrowers and lenders, demonetization, chaos etc. no doubt, microfinance will go a long way to restore enterprises and individual households.

Wome (2003) observes thatexcitement is building up about a set of unusual financial institutions prospering in distant corners of the world, especially, Bolivia, Bangladesh and Indonesia. The hope is that much poverty can be alleviated and that economic and social structures can be transformed fundamentally by providing financial services to the low-income households. Morduch (1999) also stated that these institutions, united under the banner of microfinance share a commitment to serving clients that have been excluded from formal banking sector. Wome observed that the aim of microfinance may have been misinterpreted by different people, while some see it as prospering the practitioners others may have seen it as a commitment to serve formal banking sector. The difference in expectations underlines the lack of clarity surrounding the term empowerment.

What has become apparent over the last two decades is that microfinance has, succeeded in bringing out poor men and women all over the world such as in Bolivia, Bangladesh and Indonesia as cite by this author from a state of abject poverty to a better economic status. This is achieved by giving the access to financial services from which the formal banking sector has excluded them. This is financial empowerment for better life.

2.3.4 Microfinance Experience in Africa

Microfinance Institutions (MFIs) in Sub-Saharan African include a broad range of diverse and geographically dispersed institutions that offer financial services to low-income clients: non-governmental organizations, non-bank financial institutions, cooperatives, rural banks, savings and postal financial institutions, and an increasing number of commercial banks [Lafourcade, Isern, Mwange and Brown (2005)]. Overall, the prospect and process of MFIs in Africa are dynamic and growing. Africa's MFIs appear to serve broad financial needs of their clients by offering savings as a core financial service for clients and use it as an important source of funds for lending. MFIs in Africa tend to report lower levels of profitability, as measured by return on assets, than MFIs in other regions of the world. Among the African MFIs that provide information for Lafourcade et al, (2005) research, 47 per cent posted positive unadjusted returns; regulated MFIs reported the highest return on assts of all MFIs types, averaging 2.6 per cent.

The microfinance sector in Africa is expanding rapidly and the institutions have increased their activities; African MFIs are among the most productive globally as measured by the number of borrowers and savers. It is also reported that MFIs in Africa demonstrate higher levels of portfolio at risk of over 30 days of only 4.0 per cent. However, Lafourade et al (2005) observed that African MFIs face many challenges including the fact that operating and financial expenses are high on average and revenues remain lower than in other regions of the world; efficiency in terms of cost per borrower is lowest for African MFIs bringing in the need for technical innovations, product refinements and strengthening of the capacity of African MFIs to increase outreach in order to capture more clients for boosting overall profitability.

Overall, African MFIs are important actors in the financial sector and they are well positioned to grow and reach the millions of potential clients who do not currently have access to the main stream financial services. The authors observations and conclusions shows a bright future for Africa MFIs, thus enhancing the hope that microfinance sector in Africa and in deed anywhere in the world is capable of poverty alleviation and economic development.

2.3.5 Microfinance Experience in Nigeria

Several researchers have turned their attention to the operations of MFIs in Nigeria. Akintoye and Owoyori (2009) opined that micro-financing has been accepted as a major sub-sector in the finance sector of the Nigerian economy. The authors are concerned with the performance of the microfinance banks in order that both the clients (the poor in the society) and the owners (shareholders) may attain the objectives of the banks. The authors lay emphasis on corporate governance, training of operators, satisfactory regulatory framework and monitoring on the part of policy makers. This contribution is considered extremely relevant as the mentioned phenomena were the bane of earlier programmes aimed at alleviating poverty and enhanced economic development.

In a paper on "Microfinance and Developing the Nigerian Economy", Onwumere (2009) appraised Nigeria's current microfinance policy within the context of the country's aspiration to join the league of twenty largest economies of the world by the year 2020. After reviewing the number of microfinance banks relative to the population of the country, the author concluded that more microfinance banks and branches would have to be put in place and be more widely spread across the country in order to ensure that their services reach more clients and in more places. He further reasoned that the microfinance policy till date remains the most wholesome approach ever adopted by the country to reach financially unserved segments of the economy and inject a process of poverty alleviation.

Mago and Mago (2009) stated that Africa received billions of dollars in foreign aid for four decades but failed to develop. They affirmed that foreign aid goes with "dependency syndrome" and therefore people remain underpowered to escape poverty. Access to financial services by the poor is one strategy for increasing their incomes and productivity for poverty alleviation. This study based on rural microfinance concludes that microfinance can reduce aid dependency.

According to Mago and Mago (2009), microfinance is the provision of a broad range of financial services to poor and low income households and their enterprises. The services are provided by formal, semi-formal and informal organizations. SMEs which arecontributors to economic growth and development have grown in developing countries, and they require financial support. The authors submit that SMEs lack access to capital which is detrimental to their development and that microfinance intervention could be used to develop small-scale enterprises, especially in the rural areas; with the assistance of microfinance, SMEs can be made competitive and then graduate into the formal sector of the economy. They can grow from their small status into bigger organizations thereby graduating into the formal ad large scale sector of the economy through access to funds which the larger financial institutions would not provide.

While it is agreed that provision of finance by microfinance institutions do enhance the operations of SMEs and therefore make them profitable and relevant in the process of economic development, it may not be entirely correct to assume that SMEs may graduate into the formal and larger scale sector of the economy. Ogunrinde (2009) highlighted some of the teething problems in microfinance practice, including "putting the necessary infrastructure like buildings in place, non-availability of public power supply, non-payment of loans taken by the customers as well as lack of financial support from the three tiers of government". Millions of naira is being spent in providing electricity. Ogunrinde went on to suggest that microfinance banks should be exempted from tax payment because of the challenges enumerated above.

The author also submits that the CBN has played a vital role in the process but wonders if it can do more. He suggested the need for firm guidelines to make microfinance banks more effective in their daily operations. However, there are some constraints that the author pointed out which include:

(i) Non availability of adequate infrastructural development; (ii) customer delinquency and (iii) inadequate and inefficient manpower and training.

According to Kimotho (2007), there has been a high level of mushrooming of microfinance institutions worldwide. He observes that microfinance practitioners and donors "have continued to see it as the panacea/silver bullet and the sole answer to poverty reduction, with little regard to practitioners' management skills, professionalism, good governance, clients' readiness, capacity and ability to undertake long-term sustainable business activities". He opines that microfinance industry is still young compared to the universal banks, and we should not readily conclude with certainty, its real contribution to poverty reduction, improvement in real purchasing power of improvement in real purchasing power of the poor and the poor's asset accumulation.

Kimotho observes further that despite the growth of the sector over the last couple of years the overall outreach of MFIs remains relatively low. IN effect, the entire microfinance activities in Nigeria contribute a meagre 0.2 per cent to the GDP and account for only 0.9 per cent of the total credit, compared with about 22 per cent in South Africa. Current efforts are geared towards making micro enterprise activities the engine of growth and economic development in Nigeria as in Indonesia and Bolivia where vibrant microfinance sector and SME programmes have led to significant, noticeable and measurable improvement in the financial well-being of the lives of the poor and has also resulted in sustainable increase in employment generation.

In order to make microfinance more relevant to the Nigerian economy, there is the need to address issue of professionalism. NGOs are known to have taken a keen interest in microfinance in Nigeria. Some of them include, according to Agbobli, Kekar, Togo and Garba (2007) the following: Farmers Development Union (FADU) Nationwide; Community Women and Development (COWAD) in Oyo State; Lift Above Poverty Organization (LAPO) in Edo State; Women Development Initiative (WDI) in Kano State; and Anambra Self-Help Organization (ASHO) in Anambra State. The general, they provide credit facilities to members to assist them in income generating activities through general loans or emergency loans. In some cases, the finances of these organizations are provided by international institutions such as UNDP-WIP programme.

2.4.1 Definition and Meaning of Poverty

One of the most contentious and serious issues facing humanity today is that of poverty. Poverty may include inability to meet one's physical needs and other kinds of deprivations ranging from people's lack of housing/ shelter, medical care, education, including clothing and physical well-being (Shillington Et al, 2009; O'Boyle, 1991; Jitsuchon, 2001). Defining the concept of poverty in absolute terms is in fact difficult because there is no consensus measure or single meaning of poverty and defining who is poor (Rosenfield, 2010; Spicker, 1999; Akindola, 2009).

However, some definitions are worth nothing. According to O'Boyle (1991), poverty is a problem in unmet human physical needs, that is persons and families in poverty lack the goods and services needed to sustain and support life and the income to purchase the goods or services which would meet those needs. Weisfeld and Andrzejewski (2008) distinguished between two types of poverty, namely, income poverty and human poverty. According to them, income poverty is based on the understanding or defining of poverty in monetary income terms, this measure popularly used by the World. Bank and the United Nations (UN) s regarded as the poverty lie method. According to World Bank, this means that people living on less than &1.25 per day are in extreme poverty, while those living on less than $2 per day are in moderate poverty. On the other hand, human poverty includes material deprivation of people. This include lack of basic needs of life like housing/shelter, clothing, proper diet and other social deprivations such as denial of employment, participation in social institutions and education.

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

Townsend (2010) defined poverty as an inadequate resources of people which fall seriously short of the resources commanded by the average individual or family in the community in which they live, whether that community is local, national or international one. According to World Health Organization (2012 "poverty is associated with the undermining of a range of key human attributes including health. The poor are exposed to greater personal and environmental health risks; they are not well nourished, have les information and are less able to access health care. They, thus, have a higher risk of illness and disability…, the poorest of the poor around the world have the worst health". This definition explains succinctly the devastating health consequences and risks associated with poverty.

In a similar vein, the United Nations (1999) defines poverty as "a condition characterized by severe deprivation of basic human needs including food, health, shelter, education and information; it depends not only on income but also on access to services".

Shillington, et al (2009) defined poverty as "a human condition characterized by sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights". In summary, poverty is defined in this study as a condition of acute deprivation preventing a person from living a life of adequate wellbeing.

2.4.2 Measurement of Poverty

The international poverty line is set of $2.15 per person per day using 2017 prices. This means that anyone living on less than $2.15 a day is in extreme poverty. About 648 million people were in this situation in 2019. The COVID-19 pandemic dealt the biggest setback to global poverty reduction efforts since 1990, increasing the number of people in extreme poverty by about 70 million, to 719 million people. Rising energy and food crises, caused in part by the war in Ukraine, and the effects of climate chance contribute to an uneven recovery (IBRD -IDA, 2022).

By measuring poverty, we learn which poverty reduction strategies work, and, which do not. Poverty measurement also helps developing countries gauge programme effectiveness and guide their development strategy in a rapidly changing economic environment.

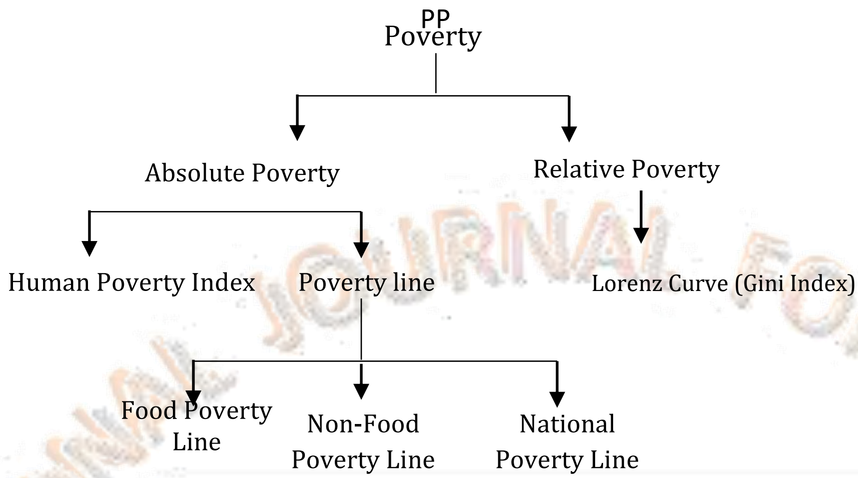

Figure 1: Measurement of Poverty

Absolute poverty is a level of poverty as defined in terms of the minimal requirements necessary to afford minimal standards of food, clothing, health care and shelter; while relative poverty defines people are relatively impoverished if the customary (average) standard of living in their society requires more spending than the income they have available.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Methodology Design

This study employed survey research in sourcing for data and made use of both qualitative and quantitative methods of data collection. Survey research is the process of collecting data from a large sample of people determined from a population of interest that a researcher has chosen for a particular study and the researcher for a particular study and the researcher uses the information from the sample to make some inference about the wider population.

The choice of a survey research for this study is predicated on the fact that it allows for the collection of data from relatively large population and also to allow the use of diverse methods of data collection.

3.1 The Area of Study

Offa and Oyun Local Government Areas (LGAs) form the area of study for this research. Offa LGA was carved out of Oyun LGA a few decades ago. The two LGAs are made up of several towns and villages like Offa, Erin-ile, Ijagbo, Ipee, Igosun, Ojoku, Irra etc.

3.2 Population of Study

The population of this study is all microfinance institutions in Oyun and Offa LGAs of Kwara State, Nigeria, as well as the people that have previously accessed loan/microcredit from them or have savings accounts with these institutions.

3.3 Sampling Technique

The sampling technique is in three phases which includes the Microfinance institutions (MFIs) in the first phase, the micro-entrepreneur customers in the second phase and individual clients of the MFIs, constitute the third phase. Respondents were randomly selected from the population under study.

3.4 Data Collection and Sources of Data

Both primary and secondary data were used in this research work. The primary data were collected through the use of well-structured questionnaires and effectively administered in the study area. The study covers two local government areas of Kwara State in Nigeria. Secondary data were obtained from the records of those microfinance banks surveyed as well as the records of the micro-businesses being studied. Other secondary data were obtained from the relevant government publications, textbooks and publications of Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC).

3.6 Instrument of Hypothesis Testing

Considering the sample size to be surveyed, the Statistical Package for Social Sciences (SPSS) was adopted using the T-test.

3.7 Questionnaire

The questionnaire was structured to bring out maximum information about the lending activities of microfinance banks to the individual household and small-scale business customers. The questionnaire contained a combination of closed and open-ended questions. It sought information about the personal data of respondents, credit activities of the banks, the use of which such loans are put, length of time for repayment, etc. The questionnaires were administered directly to respondents and responses were collected immediately, except where respondents asked for more time. This ensures collection of a high percentage of responses, for analysis and results presentation.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.0 Results and Discussion

4.8 Results of Hypothesis Testing

Hypothesis One

H_0: MFBs have not been potent instruments in the mobilization and dispersion of credit among the working poor in Offa and Oyun LGAs of Kwara State, Nigeria.

H_1: MFBs have been potent instruments in the mobilization and dispersion of credit among the working poor in Offa and Oyun LGAs of Kwara State, Nigeria.

Model Summary

Table 1:

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.974	.949[a]	.949	.31807

a. Predictors: (constant), MFBs

ANOVA[a]

Table 2:

Model	Sum of Squares	Df	Mean Square	F	Sig
1 Regression	214.133	1	214.133	2116.584	.000[b]
Residual	11.432	113	.101		
Total	225.565	114			

a. Dependent Variable: dispersion of credit

b. Predictors: (Constant), MFBs

Coefficients [a]

Table 3:

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
1 (Constant)	-1.436	.117		-12.251	.000
MFBs	1.328	.029	974	46.006	.000

a. Dependent Variable: Dispersion of credit

4.2 Test Statistic: T test

Result: The t calculated value 46.006 showed significant values because it was greater than t tabulated value of 1.98. the F calculated value is 2116.584 which is greater than the F tabulated value indicating significant relationship between variables of hypothesis one. The null hypothesis is rejected while the alternative hypothesis is accepted meaning that MFBs have been potent instrument in the mobilization and dispersion of credit among the working poor in Offa and Oyun LGAs of Kwara State, Nigeria.

Hypothesis Two

H_0: Microfinance institutions have not successfully helped rural dwellers in Offa and Oyun LGA of Kwara State, Nigeria, to improve their living standard.

H_1: Microfinance institutions have successfully helped rural dwellers in Offa and Oyun LGAs of Kwara State, Nigeria, to improve their living standard.

Model Summary

Table 4:

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.932[a]	.869	.868	.36751

a. Predictors: (constant), Microfinance institutions

ANOVA[a]

Table 5:

Model	Sum of Squares	Df	Mean Square	F	Sig
1 Regression	101.033	1	101.033	748.027	.000[b]
Residual	15.262	113	.135		
Total	116.295	114			

a. Dependent Variable: Standard of living

b. Predictors: (Constant), Microfinance institutions

Coefficients [a]

Table 6:

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
1. (Constant)	.371	.134	.932	2.759	.007
Microfinance institutions	.863	.032		27.350	.000

a. Dependent Variable: Standard of living

4.3 Test Statistic: T test

Result: The t calculated value 27.350 showed significant values because it was greater than t tabulated value of 1.98. the F calculated value is 748.027 which is greater than the F tabulated value indicating significant relationship between variable of hypothesis two. The alternative hypothesis is rejected while the alternative hypothesis is accepted meaning that microfinance institutions have successfully helped rural dwellers in Offa and Oyun LGAs of Kwara State, Nigeria to improve their living standard.

Hypothesis Three:

H_0: Microfinance institutions have not impacted on the growth of small and medium scale enterprises in Offa and Oyun LGAs of Kwara State, Nigeria.

H_1: Microfinance institutions have impacted on the growth of small and medium scale enterprises in Offa and Oyun LGAs of Kwara State, Nigeria.

Model Summary

Table 7:

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.904[a]	.818	.810	.37179

a. Predictors: (constant), Microfinance institutions

ANOVA[a]

Table 8:

Model	Sum of Squares	Df	Mean Square	F	Sig
1. Regression	14.261	1	14.261	103.165	.000[b]
Residual	3.179	23	.138		
Total	17.440	24			

a. Dependent Variable: Small scale

b. Predictors: (Constant), Microfinance institutions

Coefficients [a]

Table 9:

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta		
1	(Constant)	1.679	.211	.904	7.976	.000
	Microfinance institutions	.582	.057		10.157	.000

a. Dependent Variable: Small scale

4.4 Test Statistic: T test

Result: The t calculated value 10.16 showed significant values because it wasgreater than t tabulated value of 1.98. The F calculated value is 103.165 which is greater than the F tabulated value indicating significant relationship between variables of hypothesis three. The null hypothesis is rejected while the alternative hypothesis is accepted which states that microfinance institutions have impacted on the growth of small and medium scale enterprises in Offa and Oyun LGAs of Kwara State, Nigeria.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Findings

The followings are the findings from the research work: One, microfinance institutions have been patent instrument in the mobilization and dispersion of credit among the working poor in Offa and Oyun LGAs of Kwara State, Nigeria; two, microfinance institutions have successfully helped rural dwellers in Offa and Oyun LGAs to improve their living standard; and three, microfinance institutions have impacted on the growth of small and medium scale enterprises in both LGAs.

5.2 Conclusion

Based on the findings of this research work, it is a known fact that poverty is prevalent in the developing world; many developing countries are bedeviled by this problem. Following the success of several countries, e.g. Kenya in using microfinance to improve the welfare of their citizens, Nigeria has equally keyed into the vision which has yielded same level of positive results going by the findings of this research. However, a lot still need to be done to improve the lot of MFIs to be able to do more than what they are currently doing.

5.3 Recommendations

Following the findings from this research work, the researcher hereby recommends the following for greater impact of microfinance on welfare and poverty alleviation of majority of Nigerians:

One, the Federal government through the National Assembly should enact a bill to legalize provisions of the framework for microfinance policy which seeks to make one per cent (1%) of monthly state revenue allocation available for microfinance banks, this will reduce cost of funds for credit beneficiaries.

Two, considering the potency of microfinance institutions in rural credit dispersion, government should channel alleviating poverty through MFIs for efficiency and effectiveness.

Three, he working poor and small and medium – scale enterprises (SMEs) should embrace the lending windows and other products and services offered by microfinance institutions to fund their businesses and improve standard of living.

REFERENCES

Agboble, F.M., Kekar and Garba, A. (2007). Support to the Development of Sustainable Microfinance Sector in Nigeria. Diamond Development Initiatives, Nigeria, UNDP/UNCDF Mid-Term Evaluation Report

Akintoye, I.R., and Owojori, K. (2009). Microfinance Banking System: A Counsel to the Nigerian Populace. A Paper Presented at the 6th African Finance Journal Conference, Cape Town, South Africa. 16th -17th July.

Andrezejewski, Microfinance and Poverty Reduction in Asia. www.researchgente.net.

Bassem, B. (2012). Social and Financial performance of microfinance Institutions: Is there a Trade-off? Journal of Economics and International Finance. www.semanticsholar.org.

Cohen, M., and Sebstad, J. (2001). Microfinance, Risk Management and Poverty. Washington D.C. CGAP, World Bank.

Consultative Group to Assist the Poor (2002). Small but Mighty : CGAP and the future of financial Inclusion. *https:/www.cgap.org/blog/small-mighty-cgap-and-future-financial-inclusion.* Accessed may 4,2022.

Hennessey, M. (2006). The microfinance Moment. The Punch (Newspaper), December 4, pp.16.

Hulme, David(2000). Impact Assessment Methodologies for Microfinance : Theory, Experience and Better Practice. World Development, Elsevier, Vol.28(1), Pages 78-79, January.

Hulme, D. and Mosley, P. (1996). Finance Against Poverty. Vol.2 Ruthledge, London and New York.

IBRD-IDA(2022). Measuring Poverty: Iriveras @worldbankgroup.org.updated : Nov. 30, 2022.

Khandker, Shahidur (1998). Fighting poverty with Micro-credit : Experience in Bangladesh oxford University Press for the World Bank, New York

Kimothos, M.W. (2007). The Key Success Factors in Microfinance : Wide outreach and Long-Term Sustainablility. The Nigerian Microfinance Vol. 4 January Newsletter Magazine.

Littlefield, E., Murduch, J. and Hashemi, S. (2003). Is Microfinance an Effective strategy to Reach the Millenium Development Goals? Focus Note Series No. 24. CGAP, Washington D.C

Mago, Stephen and Mago, Shamison(2009). Ryral Microfinance : A Strategy for Reducing Aid Depndency for poverty Alleviation in Sub-Saharan African. A prayer Presented at the 6th African Finance Journal Conference, Cape Town, South Africa, 16th-17th July.

Ogunrinde, (2009). Microfinance and poverty Alleviation in Southwest Nigeria: Empirical Evidence. www.researchgate.net

Onwumere, J.U.J (2009). Microfinance and developing the Nigerian Economy. Department of Banking and finance University of Nigeria, Enugu Campus, Enugu.

Pollinger, Outhuiaite and Cordero Guzman (2007). The question of Sustianbaility for microfinance institutions. Journal of small Business Management, 45(1), pp.23-41.

Shillington et al, 2009; O'Bayle, 1991; Jisuchon, 2001. Microfinance and Poverty Reduction : An Empirical Evidence from Benin Metropolis South-South m.anchor-publishing.com

Townsend M.C (2010). Diagnosis Eperaivation Psikiatre Rencana Asuhan Medikase Psikotrapick. Jakarta : EGC

United Nations (1998). Role of microcredit in the Eradication of Poverty. Secretary General's Report. www.un.org/esa/socdev/document/resolution/2008/microfinance.pdf

United Nations (1999) can Microfinance Reduce Economic insecurity and poverty? By How much and How? www.un.org>esa>desa>papers DESA working paper No. 82

UN Secretary General (1998). Role of Mircocredit in the Eradication of Poverty. United Nations Digital Library Digital library un.org>record.

World Health Organization (2012). Microfinance and Poverty – A Macro Perspective World Development, Elsevier

Yunus, Muhammed (2003). Banker to the Poor – Micro Lending and the battle Against World Poverty. New York, Perseves Books Group, Public Affairs, USA.

Yunus, Muhammed (2016). Mircofinance Barometer 2016 convergences. The Edition. www.convergencirs.org>2016/09

Haruna, David(2007). The Financial System that Works for the Majority. The Nigerian Microfinance, vol.4, January Newsletter Magazine.