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Research Article

MICROFINANCE AND POVERTY ALLEVIATION IN SOUTHWEST NIGERIA: EMPIRICAL EVIDENCE

J.N. Taiwo[1], M.E. Agwu [2, 3*], A.I. Aregan[4] and O.A. Ikpefan[4]

[1]Department of Banking & Finance, Covenant University, Ota, Ogun State.
[2]Strategic Management and Marketing, School of Business, Covenant University, Ogun State, Nigeria AND
[3]Adjunct Lecturer and External dissertation supervisor for Global MBA students at Manchester Business School, United Kingdom.
[4]Department of Banking and Finance, Covenant University, Ota, Ogun State, Nigeria

Corresponding author: email: edwinagwu@yahoo.co.uk or edwin.agwu@covenantuniversity.edu.ng

Abstract

In order to alleviate poverty and improve the living standard of the people of South-West Nigeria, it is imperative that micro/small financial services such as credit, insurance, money transfer, etc. are provided in order to engage them actively in productive activities. Globally, there are several failed policies by governments, particularly in Nigeria over the years aimed at poverty alleviation. This study examines microfinance scheme towards the dispersion of credit amongst the working poor; draws from the data collected from field survey and these were reported using tables, frequency counts and cross-tabulations to draw inferences and a loan demand model was specified and estimated using the Ordinary Least Squares (OLS) econometric technique.The study used cross-sectional data collected from selected respondents in selected areas of both the Lagos and Ogun States of Nigeria respectively. The study found that majority of the Microfinance banks in Nigeria are model after the Grameen Bank which is aimed at the poor and people with basic, little or no education and that loan demand is interest rate insensitive. Therefore, MFIs should design appropriate products that are flexible enough to meet the different needs of the poor for both production and consumption purposes. Besides, governments (local, state and Federal) should urgently tackle the infrastructural gaps such as electricity, water and efficient transportation system which impact greatly on the standard of living of the people.

Keywords: Microfinance; Poverty alleviation; Standard of living; Finance; Nigeria

Introduction

Microfinance deals with the provision of financial services, such as loans, savings, insurance, money transfers, and payments facilities to income groups in the lower cadre, (Awojobi, 2014). It could also be used for productive purposes such as investments, seeds or additional working capital for micro enterprises. On the other hand, it could be used to provide for immediate family expenditure such as food, education, housing and health. Microfinance is an effective tool for reduction of poverty and economic empowerment for poor people (Ayoade & Agwu, 2015). Microfinance is no longer an experiment or a wish, it is a proven success. It has worked successfully in many parts of the World – Africa, Asia, Latin-America, Europe and North America. It is safe and profitable; indeed it is the oldest and most resilient financial system in history. The key issues in Microfinance include the realization that the poor need a variety of financial services, including loans, savings, money transfer and insurance which Microfinance provides. It is a powerful tool to fight poverty through building of assets and serving as an absorber against external vagaries and financial shocks. Microfinance involves building of financial sub-system which serves the poor and its architecture could be easily integrated into the financial system of the nation (Ihyembe, 2000).

The other key issues of Microfinance are the fact that it can pay for itself and should do so if it is to reach a large number of poor people. Microfinance is not limited to only micro-credit; it is inclusive of other financial services, such as micro-insurance, money transfer and savings, (Olajide, 1999; Ayoade & Agwu 2015). Furthermore, donor funds are meant only to support and assist Microfinance institutions and not compete with them. In the developed world, leaders talk about the poor and how to alleviate poverty. One hears this often at political meetings and conferences all over the world. There are also talks of strategies of equitable trade, debt relief, subsidies and aid flows etc. It has become clear that the ultimate strategy for the world to meet the needs of the poor is through microfinance which gives them access to financial services to enable them make everyday decision on: payment of

children school fees; payment for food and shelter; meet health bills and meet unforeseen finance needs resulting from flood, fire, earthquake, etc.

Anyanwu (2004) stressed that Microfinance may not be able to solve all the problems of the poor, but it certainly puts resources in their hands in order for them to live an enhanced standard of life. Microfinance has shown that poor people can be viable customers if properly focused. No doubt Microfinance has strongly attracted the interest of private sector investors. However, the following challenges, among others, face Microfinance institutions: They scale of financial services to the poor should be increased by microfinance banks; they need to reach out and seek the poor wherever they are and give them access to finance. The Grameen Bank of Bangladesh has set a good example in this direction by allowing credit and other services to cost less for the poor and train staff to be uniquely suitable to Microfinance business. The latter enhances efficiency and sustainability of the sector; and develops tailored products to meet the needs of their clients – the poor, (Ayoade & Agwu, 2015).

Emeni, (2008) stated that before the 1970s, the Nigerian experience in Microfinance was limited to Self Help 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 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 economy. They were not sustainable as a result of poor repayment records and inefficient administrative structures, (Ihyembe, 2000).

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. They were all short lived and unsustainable as a result of poor government policies and corporate governance. These are more interactive initiatives resulting from wider consultations with stakeholders with the hope of better success than their predecessors. Since the discovery that Microfinance can help the poor to access credit and other financial services that will ensure better life for them, a lot of works have been carried out. It is this new strategy that this research intends to explore to establish the developmental relationship between microfinance and poverty alleviation, taking a cue from jurisdictions all over the world, (Emeni, 2008).

Although many studies have examined the issue of poverty alleviation in Nigeria, not many of them have assessed the impact of MFIs on poverty alleviation. This study seeks to fill this gap. The objective of this study among others is to examine the roles of microfinance towards the dispersion of credit among the working poor and also helped to improve the standard of living in Nigeria.The associated research hypotheses stated in Null form states that MFBs have not been potent instruments in the dispersion of credit among the working poor in Nigeria.The study would help policy makers to review the severity of poverty in Nigeria with a view to assessing how microfinance institutions could help to reduce the incidence. It is also necessary to understand how microfinance institutions could contribute to economic development of the nation, by enhancing the productive capabilities and welfare of a largely distressed/vulnerable segment of the society.The study highlighted how certain countries such as India, Bangladesh, Nepal, Bolivia and the Philippines have used microfinance strategy to alleviate poverty. The study targets the customers of MFIs between the ages of 18 and 60 who are gainfully employed and can repay loans. It has been discovered that the ability of women to borrow, save and earn income has enhanced their confidence and they are more able to confront other systemic inequalities (Little Field *et al*., 2003).

The data analysis for this study was by the use of descriptive statistics such as frequency distributions, means, and percentages between the identified variables. Multiple regression analysis was employed to make tentative predictions concerning the outcome of variables. The outputs of the analysis were presented in tables and figures. The statistical tool used was the Statistical Package for the Social Sciences (SPSS). The study is divided into five sections. Section one above presents the introduction. Sectiontwo reviews the existing literature and theoretical framework on Microfinance, Poverty and strategy to alleviate poverty in developed and developing countries. Section three shows methodology adopted for the study. Section four presents the data analysis and interpretation of results while Section five which is the last part deals with the summary of the study, conclusion, and recommendations for policy decisions.

Literature Review/Theoretical Framework

Over the last three decades, the popularity of microfinance has steadily increased. Many in the West saw microfinance as a pivotal innovation in the fight against poverty in the

developing world. From Hennessey (2006) study, it is certain that microfinance, in its various adaptable models can assist the world to reduce and alleviate poverty and enhance economic development, particularly in developing economies. Emeni, (2008) submitted that micro-entrepreneurs have considerable difficulty in accessing capital from mainstream financial institutions. Coleman, (2007) observed that 21 per cent of borrowers within four years of participation in microfinance were able to lift their families out of poverty and extremely poor conditions declined from 33 percent to 10 percent. However, he opined that these programs should be carefully monitored by microfinance institutions and the donors, with awareness that micro credit poses both positive and negative impacts on recipients of loans. Globally, there are several models to microfinance movements from which entrepreneurs have emerged. Some are discussed below

The Grameen Bank Model

This model emerged from the work of Prof. Muhammad Yunus in Bangladesh in 1976. It focused on the poor and low-income households. The bank operates as a unit set up with a Field Manager and bankers overseeing a designated area of about 15 to 22 villages. Manager and workers visit villages in order to familiarize themselves with the environment and identify clientele and explain purpose, functions and mode of operation. Groups of five prospective borrowers are formed from which only two receive a loan in the first instance while others take their turns later. The Group is then observed for a month to see if members are conforming to the rules of the bank. If the two beneficiaries of a loan facility repay principal plus interest over a period of 52 weeks, others become eligible. As it is, there is substantial group pressure to make individual conform to the rules and regulations governing the operations of the bank, particularly with respect to repayment of loans. In the Grameen bank model, group formation is also used for other purposes such as educating the members, awareness building, and collective bargaining, (Anyanwu, 2004).

Another method of operation is through bank guarantees. Bank guarantee is used to obtain a loan from a bank and may be arranged externally through donors, government agency or within members of a savings group. The Community Banking methodology sees a whole community as one unit. Microfinance is dispensed through established semi-formal or formal institutions. Community members are trained by formed NGOs and other training organizations in various financial activities of the community banks. Cooperative Associations constitute another model of microfinance operation. They are autonomous associations of persons that are voluntarily united with the desire to meet their common economic, social and cultural needs as well as their aspirations. Credit Union model is also employed by members of a particular group or organization who agree to save their money together and make loans to members from the savings at reasonable rates of interest.

The Network known as Microfinance African Institition Network (MAIN) trains microfinance practitioners via group training and exchange visits and seminars.The story of BodilMaal (1997) who set up the Micro-Credit Project in Lofoten Island of Norway with the collaboration of Norwagian Government is ever told. It is primarily targeted at the young women (girls) of the islands in order for them to remove boredom and encourage them to stay on the islands so as not to depopulate them. Swain and Wallentine (2007) in their article submit that India increase the promotion of microfinance programs because of their positive economic impact and empowerment of women. Awojobi, (2014) observes that information asymmetry makes lending to small firms difficult. Also, The Managing Director of a microfinance institution named Lift Above Poverty Organization (LAPO) Ehigiamisoe (2005, 2007) in his contribution to a Central Bank workshop in 2007 via his article titled “Principles and Practices of Microfinance”(2007) narrated the story of WelesMomoh, one of the customers of his bank as follows: Weles Momoh is a member of LAPO, in Jattu Branch. She is about 40 years and has eight children. Her husband who is a driver has two wives. Weles has become somewhat very solid in her business as she plans to start to build her own house. Through her friend, she became a member of Egelesor LAPO group. In December 1970, she got a loan of N6,000; 1979-N10,000 and 2001 (Feb) N10,000; and 2001(Dec) N20,000. With these loans she diversified into selling tomatoes, peppers, onions, potatoes and has increased her capital more than tenfold, (Anyanwu, 2004).

Ayoade & Agwu (2015) provide an excellent analysis and discussion of the usage of credit scoring technology by large banks in lending to small businesses. “The technology is changing the relationship between the small business borrower and his bank, relying more on easy verifiable and quantifiable financial data rather than on information obtained via long-term relationships”. Anyanwu (2004) observes that microfinance borrowers have had to sell household assets or their own food supplies, or have to leave their homes in search of wage labour in urban areas to repay their loans. There are other cases to the effect that delinquent borrowers of microfinance institutions are ostracized by joint liability groups and communities while they become destitute in their communities. Emeni, (2008) examines the impacts of microfinance on poverty reduction with application to Peru. It is found that the Marr Group dynamics engendered by the joint-liability microcredit programme had negative impacts on the well-being of participants.

Anyanwu (2004) observes that access to microfinance services (credit, savings, insurance and pensions) is still

highly unequal between men and women. Of course there are abundant literature and empirical evidences that considerable efforts were made in the 1990s to increase women access to small loans and savings facilities. The author further observed that microfinance is being promoted as a key alleviation strategy to enable poor women and men to cope with the adverse economic and social impacts of structural adjustment policies and globalization (Mayoux 2001). While many express the opinion that microfinance is doing well for women empowerment, other researchers have questioned the benefits of microfinance for women (Coleman, (2007). Some are of the view that microfinance is a diversion for women from other forms of effective strategies for empowerment, (Ihyembe, 2000; Ayoade & Agwu, 2015). Such researchers also are of the view that attention and resources of donors have been drawn from possibly better alternative means of alleviating poverty (Ayoade & Agwu, 2015). However, Emeni (2008) observe 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 to for technical innovations, product refinements and strengthening of the capacity of African MFIs become imperative and there is a need to increase outreach in order to capture more clients so as to boost overall profitability.

According to Anyanwu (2004) the size of Nigeria, the insecurity, especially in the Niger Delta region, diverse cross cultural issues that define "acceptable business practices" and the lack of sufficient expertise in the microfinance industry in Nigeria have been identified as challenges affecting microfinance in the region. Littlefield (2003) listed the following as some of the challenges that are militating against microfinance: (i) The need to scale up the quality of microfinance services in order for it to serve large numbers of people (scale challenge); (ii) The need to reach increasingly poorer and more remote people (depth challenge); (iii) The need to lower costs, both to clients and financial service providers (cost challenge); (iv) Optimizing technology which will help to lower costs of operations and also expand the reach of financial services to the clients of microfinance; (v) Low level of leveraging Cross-border Remittances of funds and other remote rural transfers; (vi) Difficulty in reaching farmers and other remote rural clients; (vii) Inability to protect poor consumers. Many poor and vulnerable consumers fall prey to predatory lenders and many depositors are having problems accessing their deposits as a result of failure of many microfinance institutions; and (viii) Infrastructure inadequacy. Financial institutions in countries that lack strong communications and electric infrastructure may have a hard time implementing technology solutions which rely on internet connectivity.

There are other challenges confronting microfinance institutions. However, from region to region peculiar challenges and those that are global are being tackled by the day and hopefully the challenges will give way for microfinance to make its mark in poverty alleviation and economic development of nations around the globe. Awojobi (2014) stated that Africa has received billions of dollars in foreign aid for four decades but has failed to develop. He affirms that foreign aid goes with "dependency syndrome" and therefore people remain underpowered to escape poverty. 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".

Kimotho (2007) opines that microfinance industry is still young compared to the universal banks, and we should not readily conclude with certainly, its real contribution to poverty reduction, improvement in real purchasing power of the poor and the poor's asset accumulation. There are, however, evidences of success stories of microfinance in Nigeria. Kefas (2006) submitted that microfinance was often considered one of the most effective and flexible strategies in the fight against global poverty. It is sustainable and can be implemented on a massive scale necessary to respond to the urgent needs of the world's poorest people. Microfinance services provided by the Development Exchange Centre (DEC), Bauchi, Nigeria, (a microfinance institution) consists of small loans, usually less than N30,000 granted to individual women groups to establish or expand small self-sustaining business. Other services include weekly savings mobilization, business management advice, counseling and entrepreneurial skill acquisition programme. "Borrowers also provide peer support for one another through solidarity groups". If a borrower encounters a failure in her ability to pay back a loan, members of the group assist in defraying the loan. This contributes substantially to the high repayment rate of loans achieved by the microfinance institution (DEC).

As at end of August, 2009, according to the Central Bank Governor, 903 microfinance banks had been licensed but with all the regulatory incentives, the policy objectives, goals and targets of the banks have not been realized. Fabanwo attributed the challenges of the banks to "weak internal control measures, poor risk management procedures, huge investment in non-earning fixed assets before attaining the minimum scale efficiency and level required to breakeven and wrong classification of items (Fabanwo, 2008). Other challenges are non-performing inside credit, lack of innovation and creativity in microfinance product design and pricing". The studies carried out by Hennessey (2006) confirmed that microfinance in its various models do assist the world to

reduce and alleviate poverty and enhance economic development, particularly in developing economies.

Micro-entrepreneurs have difficulty in accessing capital from mainstream financial institutions for various reasons ranging from non-availability of appropriate and adequate collateral and inability of the entrepreneurs to provide acceptable accounting records of their businesses. All microfinance institutions operate with the objective of overall success. In other words, being able to make loans available to customers and delivery of other services are not enough. Kimotho (2007) identified maintaining minimum portfolio at risk, adequate provisioning, capacity building: zero tolerance for loan default, and product packaging as the critical and key success factors to microfinance operations.

The Finish Micro Credit Ltd was set up to remove boredom among the young women and encourage them to stay in Northen Finland and the nearby region of Northern Russia. The microfinance institution mainly finances production of sweaters, paper weights, postcards and wooden troll statues and also serves to preserve social integration. From the study reviewed, it has been observed that microfinance through its services to the poor and lowly has filled certain gaps which the mainstream financial institutions – the conventional banks have neglected. Such gaps include provision of start-up finance, rehabilitation of the destitute, provision of business training skills etc.

Conceptual Framework

Microfinance structure and superstructure hinges on the following framework. The study examines few theories that shape anti-poverty strategies.

Bradshaw (2006) opined that theories of poverty may originate from five sources including 1) individual deficiencies, 2) cultural belief systems that support subcultures in poverty, 3) political-economic distortions 4) geographical disparities or 5) cumulative and circumstantial origins. However, this study examines another strand of poverty classification/theories. There are two poverty and two finance theories that are germane to this study. These are vicious cycle theory of poverty, power theory of poverty, demand following and supply leading hypothesis and financial liberalization or repression hypothesis. In the following paragraphs, the study looks in these theories.

The Vicious Cycle of Poverty

Jhingan (2003) and Bradshaw (2006) are front runners of the poverty theory. They posited that there are circular relationships known as the "vicious cycle of poverty" that tend to perpetuate the low level of development in less developed countries (LDCs). The trajectory is that poverty is caused by low income. Low income engenders low savings and this in turn leads to low investment. The latter provokes low productivity and the cycle continues. According to Jhingan (2003), the basic vicious cycle stems from the facts that in low developing countries (LDCs) total productivity is low due to deficiency of capital, market imperfections, economic backwardness and underdevelopment.

Power Theory of Poverty

This theory further stated that the society has been dominated by the ruling class owners of properties who exploit the non-property owners, made possible by their ownership of the means of production. According to the proponents of this theory, the individual's position in the society depends on whether he owns the means of production or work for someone else. They held religion responsible for sustaining this power structure between the rich and the poor by denying the poor of any initiative to fight to improve their condition which prevails and subject them to poverty. Thus, an effective poverty reduction programme should have exploitative property that could be addressed and dislodged.

The Demand-Following and Supply-Leading Hypothesis

The demand following financial theory refers to a kind of finance development that reacts positively to economic activities. The supply-leading finance on the other hand refers to the establishment of financial institution in some areas before the demand for their service is considered. Demand-following and supply-leading financial theory are rooted in the fact that the financial system may be simultaneously growth inducing and growth induced. Kimotho (2007) emphasized that the most relevant issues for development is the efficiency with which the financial system provides financial institutions. They linked the supply of initiatives, enterprise and finance by financial institution to be the creation, transformation and expansion of industries and other development oriented ventures.

Financial Liberalization or Repression Hypothesis

In the 1960s and 1970s, government intervention in the financial sector was rampant. It was done through setting of interest rates, imposition of high reserves requirements as well as quantitative restrictions on credit allocation. Some authors observed that position explained the low savings, credit rationing and hence low investment: the so called financial repression. These authors then proposed the financial liberalization thesis which essentially involves the freeing of financial markets from government intervention and allowing the market determine the price and allocation of credit. This theory is based on the assumptions of perfect information, profit maximizing competitive behaviour by financial institutions. However, the theoretical background of this study is rooted in the demand-following hypothesis and the vicious cycle of poverty. This is because most microfinance banks are sited in the urban areas or semi-urban areas where there already exists the demand for financial services. Thus, for these MFIs to function

efficiently and effectively to break the poverty cycle, they are demand driven and not supply leading.

Methodology

The target population and sample design for this study consists of the microfinance banks (MFBs) in Lagos and Ogun States as well as the micro entrepreneurs patronizing the MFBs in the two states. According to CBN (2009), there are three hundred and five (305) MFBs in the South West part of Nigeria. These banks are categorized into those with final licenses (169) and those with Provisional Licenses (136). Out of the total, Lagos State controls the lion share of 147 MFBs with 74 in the licensed category while 73 have provisional licenses. Ogun State, on the other hand has a total of 51 MFBs with 29 licensed while the remaining 22 have provisional licenses. In total, the two States have 198 MFBs, with 123 of them in the licensed category while the remaining 95 have provisional licenses. The rationale for the choice of the two States is that most of the MFBs in Nigeria are concentrated there. In this respect, of a total of 253 MFIs in the SouthWest, 243 are located in Lagos and Ogun States respectively. It follows that sample drawn from the States are, all things being equal, more likely to reveal the characteristics of the MFBs and their customers. Both secondary and primary data are being used in this research work. The primary data were collected through the use of well-structured questionnaires, and administered by well-trained enumerators in the study area. The questionnaire employed for the primary data in this study was pilot-tested and found very reliable. The Sampling Technique is on two levels including the MFIs in the first level and the micro-entrepreneur customers in the second level. In each level, the sampling is multistage. In the first level, there are two stages of selection. At the first stage, the Local Government Areas are purposively selected in which case four LGAs were selected from Lagos State (Ifako-Ijaiye, Ikeja, Mushin and Isolo LGAs) and four were also purposively selected in Ogun State (Ado-Odo Ota, Ifo, Owode and Itori/Ewekoro LGAs). At the second stage, the locations of the MFIs in each LGA were also purposively selected. In this case, the target population is the total entrepreneur-customer base of the selected banks. From the books of the banks, a sampling frame of these classes of customers has been generated from which 10 per cent of these customers has been selected, using the stratified random sampling approach. The micro-entrepreneur-customers were stratified by the average size of last loan taken and divided into three categories: (a) Low loan volume, (b) Medium Loan volume, and (c) High Loan volume customers. Each of the categories (a) through (c) were translated to actual Naira value. Low loan volume was bench-marked at a ceiling of N27,579, medium loan volume at a ceiling of N35,602 and the last category at any amount above N58,227

Model Specification

The study uses data collected from the field survey. These were reported using tables, frequency counts to draw inferences. A loan demand model was also specified and estimated using the Ordinary Least Squares (OLS) econometric technique. Also, a linear Probability model was specified and estimated to measure the log of odds of obtaining loans from the microfinance banks by the customers.

Model for the study – Volume of Loan Demanded Function

Drawing from the theory of demand in Economics, the demand for loan is a function of the rate of interest, the personal characteristics of the borrower, as well as the enterprise characteristics of the borrower-entrepreneur. Thus, the demand of a customer for loan volume D^L can be expressed as:

$$D^L = f(i, \boldsymbol{B}, \boldsymbol{P}) \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots . (1)$$

Where i is the rate of interest and it is expected to be negatively related to the dependent variable D^L; B is a vector or enterprise-related variables such as the year of establishment, location, nature of business, among others; while P is a vector of personal characteristics of the loanee such as age, formal educational attainment, and so on. Each of these explanatory variables is assumed to be linearly related to the dependent variable. However, interest rate will be descriptively and separately determined.

Data Analysis

Age Distribution of Respondents

The analysis on Table 1 shows that about 88 % of the total respondents are between age 25 and 49 years. This implies that most of the customers are in their prime age of life which falls in the economic activity rate group. However, only 7.5% of the total respondents belonging to age group 50 and above were captured. The proportion in age group 35-39 years is 23.4% and this also takes the highest proportion out of all other age groups.

The result on Table 2 shows that more than half of the population have attained secondary education and below as at the time of this study. This is immediately followed by ordinary National Diploma and National Certificate of Education (NCE) with 22% and primary education (18.7%). Respondents with bachelor and Higher National Diploma are up to 8.7% while other higher educational levels such as Master's and Doctorate degree are about 3.7%.

The occupational distribution of the respondents shows that those that are in wage employment are 18.4% while majority (about 79%) are self-employed or own account holders. In terms of marital status, more than two-third of the respondents were married as at the time of this survey.

Only 17.1% are single while the separated, widowed and divorced are 0.6%, 2.8% and 3.7% respectively.

Table 1: Distribution of respondents by age group

Age Group	Frequency	Valid Per cent
15-19 years	2	.6
20-24 years	12	3.7
25-29 years	50	15.6
30-34 years	61	19.0
35-39 years	75	23.4
40-44 years	59	18.4
45-49 years	38	11.8
50-54 years	15	4.7
55-59 years	5	1.6
60-64 years	3	.9
65 year +	1	.3
Total	321	100.0

Source: Authors Field Survey

Table 2: Distribution of Respondents by Highest Education Qualification

Education Qualification	Frequency	Valid Per cent
No Schooling	19	5.9
Primary	60	18.7
Secondary	125	38.9
OND/NCE	71	22.1
B.Sc/HND	28	8.7
Masters	11	3.4
Ph.D	1	.3
Others	6	1.9
Total	321	100.0

Source: Authors Field Survey

Sustainability of Microfinance Institutions

In the publication "Unitus Innovative Solutions to Global Poverty" (2007) the matter of interest rate charge which sustains the microfinance institutions was aptly presented as follows "for a financial institution to scale and remain sustainable, at a bare minimum, it has to cover its costs". In the example below, a large bank (big lender) can charge interest rate of about 14 per cent to recoup its cost, whereas the microfinance institution (MFIs) has to charge a rate of at least 31 per cent to cover its cost. The details of input to sustainable interest charge are as shown in Table 3 below.

Table 3: Total Cost of Administering Loan

Big Lenders (Commercial Banks)	(%)	Microfinance Institutions. (%)
Cost of capital	10	10
Loan loss	10	10
Total cost of capital	11	11
Total amount of loan disbursed	$1,000,000	$1,000,000
Loan size	$1,000,000	
Number of loans	1	10,000
Cost of administering loan	3	20
Total cost to Institution	14	31

Source: Unitus, Innovative, Solutions to Global Poverty. Year 2007

The author further submitted that though price regulators may desire that ceiling to interest rates is observed for microcredit loans, in reality such ceilings can cause a fatal blow to the MFIs. As a result, those whom the MFIs would have served are left without access to any financial services. That type of regulation, often is a disservice to the very people it is meant to protect. The relevance of this data to our research study is that it takes many transactions for microfinance institutions compared to the large banks to secure enough turnovers for profitable operations and each transaction has its separate administrative cost. Hence the need for high interest charges of 31% for MFIs as against 14% for commercial money banks.

Table 4: Distribution of MFIs by the Average and Total Loan Advanced to Customers

Name of the Microfinance Bank patronised		Amount approved & paid on 3rd loan	Amount requested for 3rd Loan	Amount requested for 2nd Loan	Amount approved & paid on 2nd loan	Amount requested for 1st Loan	Amount approved & paid on 1st loan
LAPO	Mean	58,227.27	61,029.41	38,529.41	35,602.41	31,360.00	27,578.86
	N	66	68	85	83	125	123
	Std. Deviation	26,343.760	31,957.981	12,578.883	8,882.622	18,364.324	15,038.155
	Sum	3,843,000	4,150,000	3,275,000	2,955,000	3,920,000	3,392,200

Table 4: Distribution of MFIs by the Average and Total Loan Advanced to Customers

Name of the Microfinance Bank patronised		Amount approved & paid on 3rd loan	Amount requested for 3rd Loan	Amount requested for 2nd Loan	Amount approved & paid on 2nd loan	Amount requested for 1st Loan	Amount approved & paid on 1st loan
CMFB	Mean			437,500.00	423,333.33	140,000.00	140,000.00
	N			4	3	3	3
	Std. Deviation			400,780.489	499,633.199	138,924.440	138,924.440
	Sum			1,750,000	1,270,000	420,000	420,000
GATEWAY	Mean	45,000.00	45,000.00	25,000.00	25,000.00	116,250.00	103,750.00
	N	2	2	2	2	4	4
	Std. Deviation	21,213.203	21,213.203	7,071.068	7,071.068	189,269.429	164,285.067
	Sum	90,000	90,000	50,000	50,000	465,000	415,000
UBA	Mean	250,000.00	250,000.00	200,000.00	200,000.00	475,000.00	425,000.00
	N	1	1	1	1	4	4
	Std. Deviation	.	.	.	.	386,221.008	298,607.881
	Sum	250,000	250,000	200,000	200,000	1,900,000	1,700,000
IMFB	Mean	18,000.00	18,000.00	40,000.00	40,000.00	25,000.00	25,000.00
	N	1	1	2	2	2	2
	Std. Deviation	.	.	14,142.136	14,142.136	7,071.068	7,071.068
	Sum	18,000	18,000	80,000	80,000	50,000	50,000
OJOKORO	Mean	50,000.00	50,000.00	407,500.00	405,000.00	163,750.00	147,500.00
	N	1	1	4	4	8	8
	Std. Deviation	.	.	728,348.589	730,045.661	209,621.257	190,169.098
	Sum	50,000	50,000	1,630,000	1,620,000	1,310,000	1,180,000
POWA	Mean	50,000.00	50,000.00	40,000.00	40,000.00	85,000.00	60,000.00
	N	1	1	1	1	2	2
	Std. Deviation	.	.	.	.	91,923.882	56,568.542
	Sum	50,000	50,000	40,000	40,000	170,000	120,000
PHB	Mean	47,500.00	50,000.00	42,000.00	31,000.00	26,666.67	21,333.33
	N	4	4	5	5	6	6
	Std. Deviation	5,000.000	.000	8,366.600	10,246.951	8,164.966	4,320.494
	Sum	190,000	200,000	210,000	155,000	160,000	128,000
VINING	Mean	140,000.00	200,000.00	30,000.00	30,000.00	410,000.00	385,000.00
	N	1	1	1	1	2	2
	Std. Deviation	.	.	.	.	551,543.289	516,187.950
	Sum	140,000	200,000	30,000	30,000	820,000	770,000
LASU	Mean					203,333.33	186,666.67
	N					3	3
	Std. Deviation					186,100.331	160,104.133
	Sum					610,000	560,000
GROOMING	Mean	70,000.00	70,000.00	40,000.00	30,000.00	30,000.00	20,000.00
	N	1	1	1	1	1	1
	Std. Deviation	.	.	.	.	.	.
	Sum	70,000	70,000	40,000	30,000	30,000	20,000
OLIVE	Mean	30,000.00	30,000.00			40,000.00	40,000.00
	N	1	1			2	2

Table 4: Distribution of MFIs by the Average and Total Loan Advanced to Customers

Name of the Microfinance Bank patronised		Amount approved & paid on 3rd loan	Amount requested for 3rd Loan	Amount requested for 2nd Loan	Amount approved & paid on 2nd loan	Amount requested for 1st Loan	Amount approved & paid on 1st loan
	Std. Deviation	.	.			14,142.136	14,142.136
	Sum	30,000	30,000			80,000	80,000
1STBANK	Mean	40,000.00	40,000.00	30,000.00	30,000.00	15,000.00	15,000.00
	N	1	1	1	1	1	1
	Std. Deviation	.	.	.	.	.	.
	Sum	40,000	40,000	30,000	30,000	15,000	15,000
FORESIGHT	Mean					50,000.00	50,000.00
	N					1	1
	Std. Deviation					.	.
	Sum					50,000	50,000
NEWLIFE	Mean					50,000.00	40,000.00
	N					1	1
	Std. Deviation					.	.
	Sum					50,000	40,000
UNAAB	Mean					100,000.00	50,000.00
	N					1	1
	Std. Deviation					.	.
	Sum					100,000	50,000
Total	Mean	59,637.50	62,780.49	68,551.40	62,115.38	61,144.58	54,818.29
	N	80	82	107	104	166	164
	Std. Deviation	34,268.21	39,788.03	173,712.26	172,264.60	124,491.27	111,068.14
	Sum	4,771,000	5,148,000	7,335,000	6,460,000	10,150,000	8,990,200

Source: Authors Field Survey

However, it should be noted that the number of customers that received loan facilities decreased with time. In contrast to Lapo, CMFB granted average higher volume of loan facilities (N140,000 and N423,000 for the first and second loans, respectively) but the reach was not as high. In general, the sampled customers were able to secure loan facilities from MFIs to the tune of about N9m for the first loan for an average of 164 persons, about N6.5m for the second loan for 104 persons and N4.77m for the third loan for 80 persons.

Findings, Conclusion and Recommendation

Findings

1) The study found out that most of the Microfinance Institutions in Nigeria are rather too young to have made a very remarkable long term impact. Most of the micro-entrepreneur-customers are in their prime age of life which falls in the economic activity group.
2) The study confirmed that majority of the Micro-entrepreneur-customers have only primary and secondary education. Only very few of them possess post-secondary education. This however confirms that most of the MFIs in Nigeria is built after Grameen Bank model which focuses on poor people with little or no education
3) It was also established, that loan demand is interest rate insensitive. Hence, it is the availability rather than the cost of loan (as measured by the magnitude of interest rate) that influences the volume of loan demanded and received by the customers of MFIs.
4) On this aspect of the study, the result obtained showed that all the MFIs have granted N9.1 million, N6.5 million and N4.9 million in each of the three loan categories respectively. The result also shows that the first loan received by the respondents was utilized for business development related issues; the second loan was utilized for business expansion by most of the respondents, while the third loan followed the same trend.

Conclusion

Microfinance should not be seen as a universal remedy for poverty and other developmental challenges that springs up as a result of this poverty, but should be used as a veritable tool in alleviating poverty in Nigeria. Poverty is a problem that is multidimensional in its sphere and is grounded in an interconnected and complex system of politics, economic, culture and ecology. Hence, poverty cannot be totally eradicated or alleviated with a singular approach. As a result, many causes and solutions have been proffered in literature. The causes and solutions are not isolated but occur within this interconnected system in which the actors and actions have reciprocal consequences. As people and nations accept microfinance more widely and it becomes a household name, the supply of financial services to the poor will likewise increase thereby improving efficiency while lowering costs. In turn, there will be a multiplier effect on people's income sustainability and standard of living. The potential of microfinance in alleviating poverty goes beyond the micro-level but extends to address macro-problems of poverty also.

The study establishes that higher education increases the income of the Micro-Finance Institutions (MFIs) Clients. It is therefore expected that the MFIs will encourage their clients to improve on the current level their education via such medium such as life-long learning and adult education programs. This has the ability to increase their level of income and economic sustainability. This study suggests that Micro-finance institutions should be more sensitive about the financial services they provide to their clients. By this study, microfinance institutions would realize that loan demand is interest rate sensitive. This study shows evidence that Microfinance institutions are major contributors to small and medium enterprises growth and also provide some evidence of microfinance impact on welfare of their clients and income growth in the country. No doubt, this study would serve as a potent instrument in the mobilization and dispersion of credit to the working poor in Nigeria.

Recommendations

I. The MFIs clients should be encouraged by the institutions to improve on their current level of education by engaging in adult education or life-long learning as this will have the potency to increase their level of income;

II. MFIs should ensure and strive to put in place procedures, policies and products that will enhance the participation of both men and women in their various programmes in order to achieve gender responsiveness and equity; and

III. Appropriate flexible products that is capable of meeting the special needs of the micro customers should be designed and developed by the MFIs for both production and consumption purposes.

IV. Infrastructural problem facing our nation Nigeria should be tackled by the government for stable business and economic activities' flow. These infrastructure include first and foremost electricity and then water and efficient transportation system which could impact greatly on business survival and economic growth.

Declaration & Conflict of Interest

Authors declare that the present paper was presented in 23rd IBIMA Conference, Valencia, Spain 13-14 May 2014 and its full text paper was not published in the proceeding. We also declare that there is no any conflict of interest among authors regarding present publication.

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