

**THE ROLE OF MICROFINANCE BANKS IN THE ALLEVIATION OF
POVERTY IN NIGERIA.**

**(A Case Study of Oha Microfinance Bank Ogui Road Branch,
Enugu State)**

BY

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BF/2008/109

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FACULTY OF MANAGEMENT AND SOCIAL SCIENCES,
CARITAS UNIVERSITY, AMORJI NIKE EMENE,
ENUGU STATE.**

AUGUST, 2012

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**BEING A RESEARCH PROJECT SUBMITTED IN PARTIAL
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**DEPARTMENT OF BANKING AND FINANCE,
FACULTY OF MANAGEMENT AND SOCIAL SCIENCES,
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AUGUST, 2012

APPROVAL PAGE

This research work has been read, received and approved for the Department of Banking and Finance.

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CERTIFICATION PAGE

I, Ubani Anthonia Chidinma an undergraduate student of Banking and Finance with Reg No BF/2008/109 have submitted this project report for the award of the degree of B.sc in Banking and Finance. This project report is my original work and has not been submitted in part or in full for any degree or diploma in this university or any other institution.

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DEDICATION

This project work is dedicated to God Almighty, for His wisdom, guidance, protection upon my life throughout the writing of this project and seeing me through in all my endeavours to him I owe all thanks.

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I express my profound gratitude to numerous people and scholars who have contributed in several ways to ensure my success in the university.

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ABSTRACT

This study explores the immense role of the microfinance banks in the alleviation of poverty in Nigeria. The researcher revealed that the rate at which rural dwellers deposit their money in their pillows rather than in microfinance banks is high. Data were collected through primary and secondary sources. As regarded to primary sources, questionnaires and interviewed were used. The chi-square (x^2) method was used for testing of hypotheses. Responses to the questionnaires were analyzed using percentage method of analysis. Based on the findings of this study, an attempt on the role of microfinancing as stimulus to poverty alleviation in Nigeria may lack adequate knowledge of various financial transactions available and how the rural dwellers can access them. In conclusion, it hoped that the recommendation will help the microfinance banks to strengthen its weakness for better and effective services in order to achieve its sets of goals and socio-economic advancement for the alleviation of poverty in Nigeria.

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CHAPTER ONE

INTRODUCTION

1.1: BACKGROUND OF THE STUDY

A robust economic growth cannot be achieved without putting in place well focused programme to reduce poverty through empowering the people by increasing their access to factors of production.

The latent capacity of the poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in economic activities and be more self-reliant, increase employment opportunities, enhance household income and create wealth. Micro-financing has existed for years before the introduction of conventional banking in Nigeria and the later part of nineteenth century. (Ekot, 2008)

The traditional Nigerian society has a system of group savings and assistance to one another. The practice was that a group of people who had needs for some form of capital or lump sum to execute a particular project which they could not raise adequate savings on their own, usually come together to form a savings group. The group may be named after the leader who is usually the initiator of the venture. The traditional microfinance institutions provide

access to credit for the rural and urban low-income earners. These are mainly the informal self-help groups such as *Isusu, women* association like one obtainable during popular August meetings, *Umu-ada progressive* women association. Other providers of microfinance services include savings collectors and co-operatives. (CBN brief, 2005)

The unwillingness and inability of the formal financial institutions is to provide financial services to the urban and rural poor, coupled with unsustainability of government sponsored development financial schemes, contributed to the increase in number of private sector led micro finance in Nigeria. Thus, before the emergence of microfinance institutions, informal microfinance activities flourished all over the country. The Central Bank of Nigeria (CBN) as at end of December 2009 gave an approval to 840 microfinance banks to begin operation in the country. (CBN briefs, 2008-2009)

Microfinance banking is about providing financial services to the economically active poor and low income household, who are traditionally not served by the conventional financial institutions. These services include credit savings, micro-leasing, micro-insurance and payment transfers to enable them engage in income generating activities. (Asemota, 2002)

However, the microfinance policy launched on 15th December 2005 defined the framework for the delivery of these financial services on a sustainable basis to the micro, small and medium enterprises (MSMES) through privately owned microfinance banks. The Non-governmental Organizations or Microfinance institutions (NGO-MFIS) are also expected to transform to microfinance banks. (Dinye, 2006)

Existing Community banks and NGO-MFIS that want to convert and transform respectively to a microfinance bank but do not have the required minimum capital base can increase the share capital by capital injection, merger and acquisition. These would not only enhance monetary stability but also expand the financial infrastructural development of the country to meet the national financial system and provide stimulus for growth and development (Benson, 1985). It would also harmonize operating standards and provide a strategic platform for the evolution of microfinance institution, promote appropriate regulation, supervision and adoption of best practices. The establishment of microfinance banks has become imperative to serve the following purposes: Improve, diversified and create a dependable financial service to the active poor, low-income earners in a timely and competitive manner that would enable them to undertake and develop long-

term, sustainable entrepreneurial activities, mobilize savings for intermediation, create employment opportunities and increase the productivity of active poor and income earners in the country. Thus increasing their individual household income and capacity standard of living, enhance organized and systematic but focused participation of the poor in the social-economic development and resource allocation process. It will also provide veritable avenues for the administration of the micro credit programme of government and high net worth individual on non-resource basis. This policy ensures that state government shall delegate an amount of not less than 10% of their annual budgets for on-lending activities of microfinance banks in favour of their residents and render payment services such as salaries, pension for various tiers of government (Luck,2011).

1.2: STATEMENT OF PROBLEM

Nigeria consists of different classes of individuals, who are either enterprising or industrial low class that account for over half of the population who do not have access to formal banking services. Savings have continued to grow at a very low rate particularly in the rural areas of Nigeria. One of the problems brought to bear is the inability of rural dwellers to channel their savings into banks. Most rural people keep their resources under their pillows. This

method of keeping savings is risky because it might be stolen, lost or wasted in extravagant spending. Moreover, returns which would have accrued to the depositors in form of interest are forfeited.

The contribution of government to alleviate poverty through the establishment of microfinance banks appears a little progress. In spite of the establishment of microfinance banks, it was observed that most people are not able to obtain loan. This is attributed to a number of challenges such as the high level of interest rate, lack of collaterals required by the commercial banks before loans can be granted which necessitated the establishment of Microfinance to address these economic imbalances. If the banking industry continue to meet the demands of Nigerians especially the rural poor, this shows that there is a gap which need to be filled and this can be done through the contribution of government by establishing more microfinance banks in Nigeria to help in alleviation of poverty.

Another problem observed is the inability of prospective borrowers of most microfinance banks to repay their loans as at when due. This may be attributed to high rate of poverty in the country. The high rate of poverty is noticeable in such area such as unemployment, high rate of inflation, non-payment of salaries, mismanagement of loan granted to rural dwellers, infrastructural

deficiencies, such as power, road network, etc. and all kinds of political, economic and bureaucratic bottlenecks.. Also Nigerian economy consists of individuals who feed from hand to mouth. The loans when granted are channeled to other areas such as feeding, payment of bills, school fees, hospital bills and others instead of using it for the intended business purpose.

1.3: OBJECTIVES OF THE STUDY

The broad objective of this study is to find out the role of microfinance banks as a palliative in the alleviation of poverty in Nigeria. They are as follows:

1. To find out the rate at which rural dwellers deposit their money in microfinance banks rather than putting it under pillows.
2. To find the contribution of government in alleviation of poverty through the establishment of microfinance banks.
3. To find out the rate at which rural dwellers are able to repay their loans.

1.4: RESEARCH HYPOTHESIS

The following hypotheses have been developed around which this research would revolve:

H0: The rate at which rural dwellers deposit money in microfinance bank is low than they keep under their pillows.

H1: The rate at which rural dwellers deposit money in microfinance banks is high than they keep under their pillows.

H0: The government has not assisted microfinance meet the needs of rural dwellers and communities.

H1: The government has assisted microfinance meet the needs of rural dwellers and communities

H0: Microfinance borrowers react negatively towards loan repayment.

H1: Microfinance borrowers react positively towards loan repayment.

1.5: RESEARCH QUESTIONS

1. What is the rate at which rural dwellers deposit their money in microfinance banks rather than putting it under their pillow?
2. What is the contribution of government in alleviation of poverty through the establishment of microfinance banks in Nigeria?
3. Why do most Microfinance borrowers react negatively towards loan repayment?

1.6: SIGNIFICANCE OF THE STUDY

This study will benefit the following groups:

- a. Government; The findings of this study will be useful to government in that it will help them to know the importance of

MFI thereby knowing ways of improving the quality of their services. The result of the study will also bring out the areas that need improvement and make suggestions for improving on them.

- b. Owners; It will also be useful to those planning to open Microfinance banks to know the usefulness of microfinance banks as catalyst or stimulus for poverty alleviation in rural settings as way of developing rural banking.
- c. Scholars; Students also will find it very useful in some research work on project issues by boosting their knowledge about microfinance banks in the alleviation of poverty. Those who need referencing material materials on role of micro financing in alleviating poverty will find this study useful.

1.7: SCOPE OF THE STUDY

The research on the role of microfinance banks in poverty alleviation which requires a thorough analysis of the Oha Microfinance Bank, Ogui Road branch in Enugu State.

1.8: LIMITATIONS OF THE STUDY

In the course of this research work, the researcher encountered different problems such as:

1. Inadequate finance: As a student, financial difficulties limit the researcher from studying the activities of all banks and also limit

the volume of data collection; e.g. the funds available will not be enough in transporting and facts findings.

- 2.** Time constraint: There was no time to conduct an enormous research.
- 3.** Inability to get access to some Microfinance banks to get more information about their records and some other useful information about the work also limit the research data collections.
- 4.** Environmental constraint: The environment in which the research work was written restricted the researcher from going out and so the researcher was faced with the problems of how to reach out the field of research and coordinate activities as planned.

CHAPTER TWO

LITERATURE REVIEW

2.1 OVERVIEW OF MICROFINANCE ACTIVITIES IN NIGERIA

Understanding how to alleviate poverty is a central concern of developing economics, the study of poverty and its alleviation are not new, rather; what are the differences in levels of poverty among real unit. Poverty is a multi-dimensional phenomenon that affects many aspects of human condition ranging from the physical, moral to the psychological. It is defined as the state of being poor or deficient in money or means of subsistence. The concept of basic subsistence is measured by the availability of infrastructural services such as safe water, solid waste collection, healthcare, school and security.

Poverty can also be defined based on the concept of lack of access to opportunities and resources concern for human rights and environmental challenges. Other factors include exposure to violence, injustice, powerlessness and uncertainty in the face of unexpected situation like sickness, accidents and natural disaster. Poverty also is a global phenomenon which affects continents, nations and peoples differently. It affects people in various depths and levels at different times and phases of existence (Oyeyomi,

2003). The most commonly way to measure poverty is based on income and consumption level which falls below its countries currency per day, a level necessary to meet basic needs. This minimum is called poverty line (CBN briefs, 2007). The Central Bank of Nigeria views poverty as a state where an individual is not able to cater adequately for his or her basic needs of food, clothing and shelter, is unable to meet social and economics obligation, lack gainful employment skills, assets and self-esteem and limited access to social and economic infrastructure such as education, health, portable water and sanitation and consequently has limited chance of advancing his or her welfare to the limit of his or her capabilities. (Narayan, et. al, 2000) systematically defined poverty when he said that ‘don’t ask me what poverty is because you have met it outside my house, look at the house and count the number of holes, look at my utensils and clothes am wearing, look at everything and what you see. What you see is poverty.

The 2010 Global Monitoring Report (GMR) of the United Nation Education Scientific and Cultural Organization (UNESCO) revealed that about 92% of Nigerian population survives on less than \$2 daily while 71% survives on less than \$1daily. This is an embarrassment to the country regarded as the “Giant of Africa” that Nigeria with its enormous resources and potential is ranking 20th among the world’s poorest countries is to say the least

disgusting. The truth is that there is indeed indisposed poverty in the land and the consequences of this on the development of the nation have been pathetic. There is also this fact that the quality of life of most Nigerians has been on the downward trend while the generality of Nigerians continue to wallow in abject poverty a privileged few live in opulence. Poverty in Nigeria is characterized by hunger, homeless, diseases, malnutrition, high-child mortality rate, family disintegration, unemployment, human trafficking, child labour, kidnapping, killing, sexual assault, drugs abuse, prostitution and high mortality rate to mention but a few.

Microfinance is usually understood to entail the provision of financial services to micro entrepreneurs and small businesses which lack access to banking and related services due to high transaction costs associated with serving these clients categories. The two main mechanisms for the delivery of financial services to such clients are:

1. Relationship based banking for individuals, entrepreneurs and small businesses.
2. Group based models where several entrepreneurs come together to apply for loans and other services as a group.

In some regions, for example South African, microfinance is used to describe the supply of financial services to low-income

employees, which however is closer to the retail finance model prevalent in mainstream banking.

For some, microfinance is a movement whose objective is a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services including not just credits but savings, insurance and fund transfers. Many of those who promote microfinance generally believe that such access will help poor people out of poverty. For others, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small business. Microfinance is a broad category of services which include micro-credit. Micro-credit is provision of credit services to poor clients. Although microcredit is one of the aspects of microfinance, conflation of the two terms is in endemic in public nature. Critics often attack micro-credits while referring to it indiscriminately as either micro-credit or microfinance, due to the broad range of microfinance services. It is difficult to assess impact and very few studies have tried to assess its full impact.

Irobi, (2008) explained microfinance as a term used to refer to a different method for giving poor people access to financial services such as credits, micro-leasing, savings. Micro-insurance and payment transfers to economically active poor and low income

household to enable them engage in income generating activities expanding the small business.

Furthermore, Robinson (2001) explained the activities of microfinance in Nigeria as the supply of loans, savings and other basic financial services to the poor, microfinance evolved as an economic development approach intended to benefit the low-income part of a given society both men and women.

According to Robinson (2007), the term refers to the provision of financial services to the poor microfinance banks therefore are institutions that are established to provide financial services to the poor. The result of empirical evidence indicates that the poorest can benefit from the microfinance banks from an economic and social well-being point of view and that this can be done without jeopardizing the financial sustainability of the micro-financial institutions.(Zaman, 2000, Robinson 2001, Dahiru and Zubair 2008).

Also relating to the microfinance activities Adamu (2007)observed that microfinance institutions in Nigeria have grown phenomenally driven largely by expanding informal sector activities and reluctance of commercial banks to fund emerging micro-enterprises. But the number of beneficiaries of microfinance institution is an insignificant proportion of the people in need of micro-financial services. It has being estimated that formal

microfinance institutions only services less than one million clients in a country where over 70% of the country's population live below the poverty line (Dahiru and Zubair,2008). The results also suggested that micro-financing is unsuccessful at reaching the group most prone to destination the vulnerable poor. Microfinance institutions can be non-governmental organizations, savings and loans cooperatives, loan unions, government banks, commercial banks or non-bank financial institutions (Ledger Wood, 1997).

The microfinance industry in Nigeria had been confronted by numerous challenges since the launch of the microfinance policy framework in December 2005. Coming on the hills of the banking sector consolidation, many of those adversely affected found their way into microfinance. An assessment of the microfinance subsector, following the launching of the policy however revealed some improvement. These include increased awareness among stakeholders such as governments, regulatory authorities, investors, development partners, financial institutions are technical assistance providers on microfinance.

The major approaches in the microfinance continuously changing and described as triggered by credit of rural banks. In addition, the growing masses of Small and Medium Enterprises (SMEs) create an impact in the country's national economy. This design

and process of the micro-credit in most of the country resulted in improving the living status of the within the community is another criterion towards the effectiveness of the micro-financing, the feature included in the micro-credit policy of the rural banks are however affected by the effective management scheme in meeting the objectives of the country and can be used for the future.

2.2 JUSTIFICATON FOR THE ESTABLISHMENT OF MICROFINANCE INSTITUTION.

From the appraisal of existing microfinance oriented institution in Nigeria. The following facts have become evident:

1. Weak Institution Capacity: The prolonged sub-optimal performance of many existing community banks, microfinance and development finance institutions is due to unreliable management, weak-internal controls and lack of deposit insurance schemes. Other factors are poor corporate governance, lack of well-defined operations, restrictive regulatory and supervisory requirements among others.
2. Absence of Technology Platform: The absence of appropriate network platform for information communication technology to driven down cost and achieve economic of scale is a major impediment to profitable operations.

3. Weak Capital Base: The weak capital base of existing microfinance institution particularly present community banks cannot adequately provide a cushion for the risk of lending to microfinance and micro-entrepreneurs without collateral. This is supported by the fact that only 75% out of over two hundred communities banks whose financial statements of accounts were approved by the CBN Briefs 2008-2009 had up to ₦20million shareholders funds unimpaired by losses. Similarly, The National Agricultural Co-Operatives and Rural Development Bank Limited (NACRDB) with a proposed authorized share capital of ₦50.0billion, ₦10.0billion paid up capital and only ₦1.3billion shareholders funds unimpaired (Olagunju and Adeyemo, 2008).
4. The existence of a huge un-served market: The size of the un-served market by existing financial institution is large. The average banking density in Nigeria is one financial institution outlet to 32,700 inhabitants. In the areas, it is 1:5700 that is less than 2% of rural households have access to financial services. Furthermore the 8 leading microfinance institutions in Nigeria were reported to have mobilized a total savings of ₦22.26million in 2004 and advanced ₦2.624 billion credits with an average loan size of ₦8,206.90. This translates to about 320,000 membership based customers that enjoyed one form of credit or other from the eight NGO-MFLs. Their aggregate loans and deposits when

compared with those of community bank represented percentages of 23.02 and 1.04 respectively. Thus, reveal the existence of huge gap in the provision of financial services to a large number of active but poor and low income groups. The existing formal MFLs serve less than one million out of the over 40million people that need the services. Also the aggregate micro-credit facilities in Nigeria account for 0.2% of GDP and less than 1% of total credit to the economy.

5. Economic Empowerment of the poor, Employment Generation and Poverty Reduction: The baseline economic survey of small and medium industries (SMIs) in Nigeria conducted, indicted the 6498 industries covered currently employed a little over one million workers considering the facts that about 18.5million (28% of the available work force) Nigerians are unemployed, the Nigerians Employment and Development Strategy (NEEDS) is the empowerment of the poor and private sector through the provision of needed financial service to enable them engage or expand their present scope of economic activities and generate employment delivery needed services as contained in the strategy would be remarkably enhanced through additional channels which the microfinance bank framework would provide. It would also assist the SMLs raising their productive capacity and level of employment generation.

6. **The Need for Increased Savings Opportunity:** The microfinance institution would provide the needed window of opportunity and promote the development of appropriate (safe, less costly, less convenient and easy accessible) savings. Products that would be attractive to rural clients and improved the saving level of the economy.
7. **The Increasing Interest of Local and International Investors in Microfinance:** Many local and international investors have expressed interest in investing in the countries microfinance sub-sector. Thus, the establishment of microfinance policy framework for Nigerian provides an opportunity for them to participate in financing the economic activities of low income households and the economically active poor.
8. **Urban Bias in Banking Services:** Most of the existing banks are located in urban center and severally attempts in the past at encouraging them to open branches in the rural areas did not provide the desired results. With a high proportion of the Nigerian population still living in the rural areas. It has become imperative to develop an institutional framework to reach the hitherto unserved population with banking sector.

2.3 MICROFINANCE POLICIES AND GOALS

The microfinance policy provides a platform to achieve the following specific objectives:

1. Provision of timely, diversified, affordable and dependable financial services to the economically active poor.
2. Creation of employment opportunities and increase the productivity and household income of the active poor in the country, thereby enhancing their standard of living.
3. Promotion of synergy and mainstreaming of the informal microfinance sub-sector into the formal financial system.
4. Enhancement of service delivery to micro, small and medium enterprises (MSMEs).
5. Mobilization of savings for intermediation and rural transformation.
6. Promotion of linkage programme between Microfinance Institutions (MFIs), Deposit Money Banks (DMBs), Development Finance Institutions (DFIs) and specialized funding institutions.
7. Provision of dependable avenues for the administration of the micro-credit programme of government and high net worth individual on a non-recourse basis.
8. Promotion of a platform for microfinance service providers to network and exchange views and share experiences.

POLICY TARGET

Based on the objectives listed above, the targets of the microfinance policy are as follows:

1. To cover the majority of the poor but economically active population by 2020 thereby creating millions of jobs and reducing poverty.
2. To increase the share of micro-credit as percentage of total credit to the economy from 0.9% in 2005 to at least 20% in 2020 and the share of micro-credit as percentage of GDP from 0.2% in 2005 to at least 5% in 2020.
3. To promote the participation of all states and FCT as well as at least two third of the state and local government areas in microfinance activities by 2015.
4. To eliminate gender disparity by ensuring that women access to financial services increased by 15% annually that is 5% above the stipulated minimum of 10% access the broad.

POLICY STRATEGIES

A number of strategies were derived from the objectives and targets. They include:

1. Licensing and supervision: The bank shall license, regulate and supervise the activities of promoters and microfinance services provider that wish to become MFBs. In the light of experiences from the system thus, the banks shall ensure that all such

licensed MFBs are directly capitalized and operated in a safe and sound manner.

2. Continuous Professional Development: Professionalism, transparency and good governance shall be the bedrock of the microfinance sub-sector. Therefore efforts shall be made to strengthen the skills of regulators, operators and directors of the development and growth of microfinance services provides and clients would be encouraged.
3. Saving Mobilization: Attention will be paid to the promotion savings and banking culture among low income household through financial literacy and consumers protection programme.
4. Government Participation: The participation of federal, state and local government in the system shall be promoted. This is by encouraging the three tiers of government to devote at least 1% of their annual budgets to micro-credits initiatives through the combination of moral succession advocacy and enlightenment to be administered largely through MFBs.
5. NGO-based Microfinance Institution: Non-deposit taking microfinance institutions shall continue their support to micro-enterprises and will be encouraged to render regular returns on their operations to the bank primarily for statistical purpose. Those that attain the minimum regulatory capital requirements

and clients shall be encouraged and incentivized to transform the license MFBs.

6. Collaboration with Development Partners: There shall be collaboration and close monitoring assistance in the area of microfinance in line with the provision of the policy.
7. Definition of Stakeholders Role: The role of stakeholders in development of the microfinance sub-sectors are clearly defined in section 8 of the policy and efforts towards proper harmonization of these roles would be ensured.
8. Submission of Disaggregated Data: MFBs will be required to include disaggregated data in their period returns on the level of patronage of their products and services.
9. Institutional Linkages: The linkages around DMBs, DFIs, NGO-MFIs and MFBs as well as other micro-enterprise finance institutions would be institutionalized and strengthened the increase the flow of funds to clients.

2.4 CONTRIBUTION OF GOVERNMENT IN ALLEVIATION OF POVERTY THROUGH ESTABLISHMENT OF MICROFINANCE BANKS.

The new window of opportunity for the emerging microfinance banks in bringing financial services of people who never had access to such services before would require the support of

government and those of regulatory authorities. The CBN shall collaborate with the appropriate fiscal authorities in providing a favourable tax treatment of MFBs financial transactions such as reduction from value added tax (VAT) on lending or tax on interest income.

Similarly, the off exempting from profit tax shall be applied to any MFBs that does not distributes its net surplus to finance more economically beneficial micro, small and medium entrepreneurship. A rediscounting and re-financing facility providing liquidity assistance to support and promote microfinance programme. This would enable MFBs that have met the CBN prudential requirements to a sustainable basis provide and render micro-credit and other services to clients.

Furthermore, past Nigerian governments have made a lot of frantic efforts to alleviate poverty in the country. How effective these efforts have been and the sincerity in implementing them remains a re-occurring question like everything that is done in Nigeria, poverty alleviation programme have been largely handled with so much noise that they have yielded little or no result. The earliest efforts at poverty alleviation was made in 1972 by Gen. Yakubu Gowon, the then Head of State. But the Babangida era would arguably remain the only one who introduced the highest number of poverty alleviation programmes. His administration in 1986

established People Bank and empowered it to offer soft loans to prospective entrepreneurs without collaterals. Community banks were encouraged to exist as adjuncts to the Peoples Bank and the People Bank regulated their activities.

The Directorate of the Food Roads and Rural Infrastructure (DFRRI) was created in 1986 with a mandate to open up rural areas through massive construction of feeder roads and provision of basic amenities which would transform them into production centers for the national economy. The hinterland was to be opened and made more accessible so that farmers could transport their product to the markets easily at cheaper rates, thereby reducing the cost of food production. There was also an attempt to promote rural employment and the understanding being that if infrastructure such as electricity, for example was available in the rural area, there would be gainful employment for unskilled workers like welder. In that view, some roads were constructed and a number of other infrastructures were provided to reduce rural urban migration. However, the programme succeeded more as a beautiful dream than reality and it gulped more than #1.9billion. There were strong allegations of diversion of public funds to private pockets and growth of new class of millionaires.

Other examples of contributions of government in the past aimed at alleviating poverty were through Unemployment, Reduction

Strategies in Nigeria, Better Life Programme, Family Support Programme and Family Economic Advancement Programme Funding of Nigerian Poverty Alleviation Eradication Programme (NAPEP) etc.

2.5 THE RATE AT WHICH RURAL DWELLERS ARE NOT ABLE TO REPAY LOANS

Traditionally, banks have not provided financial service such as loans to clients with little or no cash income. Banks incur substantial cost to manage a client account, regardless of how small the sum of money involved. The fixed cost of processing loans of any size is considered as assessment of potential borrowers, their repayment prospects and security, administration of outstanding loans, collecting from delinquent borrowers etc has to be done in all cases. There is break-even point providing loans or deposit below which banks lose money on each transaction they make. Poor people usually fall below break-even point and a similar equation result efforts to deliver other financial services to poor people.

In addition, most people have few assets that can be secured by a bank as collateral. As documented extensively by Hemando De Soto and others, even if they happen to own land in the developing world, they may not have effective title to it. This means that the

bank will have little recourse against defaulting borrowers because of these difficulties when people (poor) borrow them often rely on relatives or local moneylenders whose interest rates can be very high.

1. **Financial Needs and Financial Services:** In developing economic and particularly in the rural areas, many activities that would classify in the developed world as financial are not monetized that is money is not used to carry them out. Almost by definition, poor people have little money but circumstances often arise in their lives in which they need money can buy.

In Rutherford Stuart (2000) recent book the poor and their money; he cited several types of needs. They include:

- Lifecycle Needs: Such as weddings, funerals, childbirth, education, home building, widowhood, old age.
- Personal Emergencies: Such as sickness, injuries, unemployment theft, harassment or death.
- Disasters: Such as fires, floods, cyclones and man-made events like war or bulldozing of dwellings.
- Investment Opportunities: Expanding a business buying land or equipment, improving house, securing a job (which often requires paying a large bribe) etc.

Poor people find creative and often collaborative ways to meet these needs, primarily through creating and exchanging different forms of non-cash value. Common substitutes for cash vary from country to country but typically include livestock, grains, jewelries and precious metals.

2. Ways in Which Poor People Manage Their Money: Rutherford argues that the basic problem poor people as money managers face are to gather a usually large amount of money. Building a new home may involve saving and protecting diverse building materials for years until enough are available to proceed with construction. Children schooling may be funded by buying chickens and raising them for sale as needed for expenses, uniforms, bribes etc. because all the value is accumulated before it is needed, this money management is referred to as “saving up”.

Often people don't have enough money when they face a need so they borrow. A poor family might borrow from relatives to buy land from a moneylender to buy rice or from a microfinance institution to buy a sewing machine. Since these loans must be repaid by savings after the cost is incurred, this refers to “saving down”.

2.6 SUPERVISION OF MICROFINANCE INSTITUTIONS

The licensing and supervision of the microfinance banks shall be the responsibility of the Central Bank of Nigeria. A licensed

institution shall be required to add microfinance Bank” after its name.

All such names shall be registered with the Corporate Affairs Commission (CAC) in compliance with the companies and allied matters act (CAMA) 1990. The license issued by the CBN will indicate whether it is a unit; state or national MFB.

Supervision are carried out by the CBN through certain committees set up by:

- 1) Rating Agency: The CBN shall encourage the establishment of private rating agencies for the subsector to rate microfinance institutions, especially, those NGO –Mfls which intent to transform to MFBs.
- 2) Management certification process: In other to bridge the technical skill gap, especially among operators of microfinance banks, the policy recognizes the need to setup an appropriate capacity building programme for MFBs.
- 3) Apex Association of Microfinance institution: The establishment of an apex association of microfinance institution to promote uniform standards, transporting goods cooperate practice and full disclosures in the conduct of MFI business shall be encouraged.

- 4) Linkage programme: The CBN shall work out the modalities for fastening linkages between universal/developed banks, specialized finance institution's and microfinance banks to enable the latter source for wholesale fund and refinancing facilities for lending to their clients.
- 5) Disclosure of source of Fund: Licensed MFB's shall be required to disclose their source of funds, in compliance with the money laundering prohibition Act 2004.
- 6) Prudential Requirement: The CBN recognizes the peculiarities of microfinance practice and shall accordingly put in place appropriate regulatory prudential requirements to guide the operations and activities of the microfinance Bank.

2.7 ROLES AND RESPONSIBILITIES OF THE STAKEHOLDERS

The roles and responsibilities of stakeholders are as follows:

GOVERNMENT:

1. Ensuring a stable macro-economic environment, providing basic infrastructure (electricity, water, roads, telecommunications, political and social stability).
2. Creating an efficient land administration system to facilitate ease of transfer of land titles and other property rights to serve the collateral needs of borrowers and financial institutions.

3. Promoting policy in support of consumer protection and financial literacy of microfinance clients.
4. Setting aside an amount not less than one percent of its annual budget at federal, state and local government levels for micro-credit initiatives.

CENTRAL BANK OF NIGERIA (CBN):

1. Continue to oversee the operations of The National Microfinance Policy Consultative Committee.
2. Ensure the implementation of the microfinance policy framework to achieve the stated objectives, targets and strategies.
3. Develop and support appropriate capacity building programme for regulators directions, operators and practitioners in the sector in collaboration with other stakeholders.
4. Establish the microfinance development to provide wholesale funding for on-lending activities of microfinance institutions.
5. Ensures the emergence of sustainable microfinance sub-sector through appropriate institutional regulatory and supervisory framework.
6. Undertake periodic reviews of the microfinance policy and the regulatory guidelines to address emerging issues.

PUBLIC SECTOR POVERTY ALLEVIATION AGENCIES:

1. Provide non-commercial (social security), resources targeted at difficult to reach clients and the vulnerable group.
2. Support capacity building for stakeholders.
3. Nurture new MFIs to sustainable levels.
4. Collaborate or partner with other relevant stakeholder to achieve the objectives of this policy.

DONOR AGENCIES AND DEVELOPMENT PARTNERS:

Development partners that provide capital and support of the development of the microfinance industry in Nigeria shall be required to operate within the relevant provisions of this policy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

A research design is a plan which specifies how data relating to a given problems should be analyzed and collected. It provides the procedural outline for the conduct of any given investigation. For the purpose of this research, the documented financial operations of the Oha microfinance bank and its branch in Enugu have been considered. Some data are from the documented reports while others were gathered from the administration of questionnaires to the officials in Oha microfinance bank, Enugu State.

3.2 SOURCES OF DATA COLLECTION

The researcher employed the following research instruments in obtaining data from his primary source;

1. Oral interviews
2. Questionnaires

The interview is a conversation carried out with the aim of obtaining certain information. The information devout from the staffs and the accompanying questions attached at the end of this work are meant to elicit further comments to support commenting the exact service provided to dwellers.

The structured questionnaires were drafted for this study with a list of alternative answers provided out of which respondent were to freely and briefly express their opinion in the space provided. This method has greater reliability because of its flexibility.

3.3 METHOD OF DATA COLLECTION

Data collection can only be effective when a researcher knows the type and nature of data required to enable them test his hypothesis. For the purpose of this research work, the researcher administered the questionnaire on hand to hand basis to the staff of Oha microfinance bank.

In order to achieve the effectiveness of this research work, the researcher chose to use random sampling so as to give each person the equal opportunities. Majority of the discussion will be based on the result of the questionnaires designed and the literature written about the subject matter by many authors and the method of collection based on primary and secondary methods.

3.3.1 Primary Data: For the purpose of the primary data, the researcher extracted its information from distribution among the officials of the microfinance banks and the questionnaires were designed with multiple choices requiring “Yes” or “No”.

3.3.2 Secondary Data: Data were extracted from relevant textbooks, seminar papers, internet and organizational records.

3.4 DETERMINATION OF POPULATION SIZE

Population refers to animate and inanimate things in the society on which the study is focused. Therefore population refers to number of people living in a given place performing activity individually.

The population of the study consists of both the 25 junior and 32 senior staff in the branch with a total number of 57 workers which made up the respondents to the questionnaires.

3.5 DETERMINATION OF SAMPLE SIZE

Based on the total population of 57 staff of Oha microfinance bank, sample size was determined using Yamani's (1964) formula thus;

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

Where

n = sample

N = population size

$e^2 =$ error limit (0.05)

1 = constant

$$n = \frac{57}{1+57(0.05)^2}$$

$$n = \frac{57}{1+57(0.0025)}$$

$$n = \frac{57}{1.1425}$$

$$n=49.8$$

$$n = 50$$

Analysis of data will be based on the respondents who returned their questionnaires and which conceded with the sample size.

3.6 SAMPLE PROCEDURE

There are two types of sampling techniques which are probability and non-probability sampling. Probability sampling is a procedure in which every unit of the universe is given an equal chance of being included in the sample. Non probability sampling does not operate within the process of randomization principle. Here, the researcher selects his sample with basis or interest.

In the course of this research work, the stratified sampling method of the probability sampling method has being adopted.

3.7 METHOD OF DATA ANALYSIS

For the appropriate techniques to be used in any analytical study, depends on the kind of statistical tools used. Therefore the use of tables, frequency and percentage will be of great help. The data will be presented and analyzed in tables and the view of majority will be taken as the dominant view. Also the hypothesis is tested by applying the responses to the question that is related to the formula hypothesis.

The formula for chi-square is;

$$X^2 = \sum \frac{(o - e)^2}{e}$$

Where

O= Observed Frequency

E= Expected Frequency

Σ = "Sum of"

The observed frequency O, said to be the number of times a set of event occurs while the expected frequency Σ , given to number of time and set of events is expected to occur.

Degree Of Freedom (DF) =(R-1) (C-1)

Where

R= Number of Row

C= Number of Column

1= Constant

3.8 DECISION RULES

The decision rule is that, where the calculated chi-square is less than the critical value or chi-square tabulated, the null hypothesis <H0> should be accepted and alternative hypothesis <H1> should be rejected. While, if the calculated value of chi-square is greater than the chi-square tabulated value at a given level of significance, the null hypothesis <H0> should be rejected and the alternative hypothesis <H1> should be accepted.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 DATA PRESENTATION

Data presentation means the various ways of carrying different forms of data obtained through various data collecting techniques to enable the researcher perform analysis and extract new meaning from it.

This chapter is concerned with the analysis of the result of data from sampled respondents through the use of questionnaires. The items on the questionnaire were treated and analyzed using percentages as shown on the tables below. Chi square will be used to state the hypotheses formulated in this research work. The total number of questionnaires distributed is 57, 50 were returned and 7 were not returned.

4.2 SUMMARY OF RESPONSES

Responses were received from the total of 50 respondents who were administered with questionnaires. Therefore, the analysis of the questionnaires was based on the returned questionnaires.

Question 1: Are you a male or a female?

Table 4.1: Responses to question 1

Responses	No of respondents	Percentages
Male	35	70
Female	15	30
Total	50	100

Sources: field survey,2012

The above table shows the sex distribution of the respondents of the bank staff. It can be seen that 70% of the respondents are male while 30% are female.

Question 2: How old are you?

Table 4.2: Responses to question 2

Responses	No of respondents	Percentages
0-21 years	8	16
21-30 years	30	60
30-50 years	10	20
50 and above	2	4
Total	50	100

Sources: field survey, 2012

The above table shows that the age distributions of the respondent that are 16% are within the ages of 0-21years, 60%are within the ages of 21-30years, 20% are within the ages of 30-50years and 4% are 50 and above.

Question 3: What is your highest educational qualification of the respondents?

Table 4.3: Response to question 3

Responses	No of respondents	Percentages
OND	5	10
M.SC	10	20
B.SC/HND	30	60
professional qualification	5	10
Total	50	100

Sources: field survey, 2012

The above table shows that 10% of the respondents have OND, 20% have M.SC, 60% have B.SC/HND and 10% have professional qualification.

Question 4: How often do people come to repay their loans?

Table 4.4: Response to question 4

Variables	No of respondents	Percentages
Always	24	48
Sometimes	12	24
Rarely	14	28

Total	50	100
-------	----	-----

Sources: field survey, 2012

The table shows that 48% of the respondents always deposit funds with the microfinance institutions while 24% and 28% are sometimes and rarely respectively.

Question 5: At what rate do the rural dwellers come to deposit their money in microfinance banks?

Table 4.5: Response to question 5

Reponses	No of respondents	Percentages
To a large extent	35	70
To a little extent	15	30
Not at all	-	-
Total	50	100

Sources; field survey, 2012

The above table indicates that 70% of the respondents said that the rural dwellers deposit money is to a large extent, 30% is to a little extent and none for not at all.

Question 6: Does the interest rate affect the rate of borrowings from the microfinance banks?

Table 4.6: Response to question 6

Responses	No of respondents	Percentages
Yes	38	76
No	12	24
Total	50	100

Sources: field survey, 2012

The table shows that 76% of the respondents are Yes to which the rate affect the borrowing from the microfinance while 24% of the respondents are No.

Question 7: Has there been much financial mismanagement of funds in the microfinance banks by staff of microfinance banks?

Table 4.7: Response to question 7

Responses	No of respondents	Percentages
Yes	10	20
No	40	80
Total	50	100

Sources: field survey, 2012

The table shows that 20% of the respondents believe that there has been financial mismanagement of funds in the microfinance institution due to lack of quality of staffs while 80% are to the response of No.

Question 8: Do microfinance borrowers react negatively towards loan repayment?

Table 4.8: Response to question 8

Response	No of respondents	Percentages
Yes	25	50
No	25	50
Total	50	100

Sources: field survey, 2012

The table shows that 50% of the respondents are Yes and No respectively does react negatively towards loan repayment.

Question 9: Has government assisted microfinance banks to meet the needs of rural dwellers and communities?

Table 4.9: Response to question 9

Response	No of respondents	Percentages
Yes	43	86
No	7	14
Total	50	100

Sources: field survey, 2012

The table shows that 86% of the respondents agreed to Yes to the positive effort of the government contributions in alleviating of poverty through the establishment of the microfinance banks while 14% are to the response of No to its contributions.

Question 10: Do corporate bodies invest their funds in microfinance banks?

Table 4.10: Response to question 10

Response	No of respondents	Percentages
Yes	31	62
No	19	38
Total	50	100

Sources: field survey, 2012

The table shows that 62% of the respondents agreed to Yes to which the corporate bodies invest their funds in microfinance bank while 38% are to the response of No to its investment.

Question 11: Has the communities benefited from your services?

Table 4.11: Response to question 11

Response	No of respondents	Percentages
Yes	40	80
No	10	20
Total	50	100

Sources: field survey, 2012

The table shows the extent to which microfinance banks have assisted the community to boost the production of its natural resources by 80% of the respondents are Yes while 20% are to the response of No.

Question 12: Are you satisfied with the patronage of customers to your microfinance banks?

Table 4.12: Response to question 12

Response	No of respondents	Percentages
Yes	36	72
No	14	28
Total	50	100

Sources: field survey, 2012

The table shows that 36 respondents amounting to 72% are Yes and satisfied with the patronage of customers while 14 respondents amounting to 28% are to the response of No to its satisfaction.

Question 13: Are some customers given preferential treatments because of their position?

Table 4.13: Response to question 13

Response	No of respondents	Percentages
Yes	30	60
No	20	40
Total	50	100

Sources: field survey, 2012

The table shows that 60% of the respondents agreed to Yes to customers who are given preferential treatment because of their position while 40% are to the response of No.

Question 14: Does the customers achieve their aims any time they visit?

Table 4.14: Response to question 14

Response	No of respondents	Percentages
Yes	42	84
No	8	16
Total	50	100

Sources: field survey, 2012

The table shows that 42 respondents amounting to 84% are Yes to the customers achieving their aim anytime they visit while 8 respondents amounting to 16% are to the response of No.

4.3 TEST OF HYPOTHESIS

The data collected were analysed by use of tabulation, percentage and chi-square (X^2).

In calculating chi-square, the level of significance is given as 0.05 or 5% with degree of freedom in the contingency table given by DF

$$= (R-1) (C-1)$$

Where

R= Number of Row

C= Number of Column

1= Constant

To get the expected value T, the following formula is used

$$E = \frac{RT \times CT}{GT}$$

Where

E = expected value

RT = row total

CT = column total

GT = grand total

To calculate chi-square (X^2) formula:

$$X^2 = \sum \frac{(o - e)^2}{e}$$

Where

O= Observed Frequency and the cell number

E= Expected Frequency

Σ = Summation

DECISION RULE

In accepting or rejecting the hypothesis, H0 (null hypothesis) is accepted when critical value is greater than the calculated value. Otherwise, the H0 is rejected

Hypothesis one

H0: The rate at which rural dwellers deposit money in microfinance bank is low than they keep under their pillows

H1: The rate at which rural dwellers deposit money in microfinance banks is high than they keep under their pillows.

Table 1: Responses to hypothesis one

Response	No of respondents	Percentages
To a large extent	35	70
To a little extent	15	30
Not at all	-	-
Total	50	100

Sources; field survey 2012

The above table indicates that 70% of the respondents believe that the rural dwellers deposit money is to a large extent, 30% is to a little extent and none for not at all.

Computation of Chi-Square

$$\begin{array}{l}
 \text{Row1} \quad \text{Cell 35} = 50 \times \frac{35}{50} = 35 \\
 \text{Cell 15} = 50 \times \frac{15}{50} = 15 \\
 \text{Cell 0} = 50 \times \frac{0}{50} = 0
 \end{array}$$

Table 1b: computation of chi-square for hypothesis one

Response	O	e	(o-e) ²	(o - e) ²	
				e	
To a large extent	35	35	0	0	
To a little extent	15	15	0	0	
Not at all	-	-	-	-	
Total	50	50	-	0	

Source: field survey, 2012

Degree of freedom = (R-1) (C-1)

$$= (2-1) (3-1)$$

$$= 2$$

With reference to the chi-square table degree of freedom of 2 under 0.05 is 5.991

Decision rule: Since the critical value 5.991 is greater than the calculated value 0, reject H1 and accept H0 which means the rate at which rural dwellers deposit money in microfinance banks is low than they keep under their pillows.

Hypothesis two

H0: The government has not contributed positively in the alleviation of poverty through establishment of microfinance bank.

H1: The government has contributed positively in the alleviation of poverty through establishment of microfinance bank.

TEST INSTRUMENT

Chi-square formula:

$$X^2 = \sum \frac{(o - e)^2}{E}$$

Where

X² = chi-square

O= Observed Frequency

E= Expected Frequency

Σ= Summation

ASSUMPTION

Level of significance = 0.05

Degree Of Freedom (DF) =(R-1) (C-1)

Where

R= Number of Row

C= Number of Column

1= Constant

DECISION RULE

When the calculated chi-square value is below the critical value, then the H0 should be accepted otherwise reject.

Table 2: Responses to hypothesis two

Response	No of respondents	Percentages
Yes	43	86
No	7	14
Total	50	100

Sources: field survey 2012

The table shows that 86% of the respondents agreed to Yes to the positive effort of the government contributions in alleviating of poverty through the establishment of the microfinance banks while 14% are to the response of No to its contributions.

Computation of Chi-Square

$$\begin{array}{l} \text{Row1} \quad \text{Cell 43} = \frac{50 \times 43}{50} = 43 \\ \text{Cell 7} = \frac{50 \times 7}{50} = 7 \end{array}$$

Table 2b: computation of chi-square for hypothesis two

Response	O	E	(o-e) ²	(o - e) ²
				E
Yes	43	43	0	0
No	7	7	0	0
Total	50	50	-	0

Source: field survey, 2012

$$\begin{aligned}
 \text{Degree of freedom} &= (R-1) (C-1) \\
 &= (2-1) (2-1) \\
 &= 1
 \end{aligned}$$

With reference to the chi-square table degree of freedom of 1 under 0.05 is 3.841

Decision rule: Since the critical value 3.841 is greater than the calculated value 0, reject H1 and accept H0 which means the government has not contributed positively in the alleviation of poverty through establishment of microfinance bank.

Hypothesis three

H0: Microfinance borrowers react negatively towards loan repayment.

H1: Microfinance borrowers react positively towards loan repayment.

Table 3: Response to hypothesis three

Response	No of respondents	Percentages
Yes	25	50
No	25	50
Total	50	100

Sources: field survey 2012

The table shows that 50% of the respondents are Yes and No respectively react positively towards loan repayment.

Computation of Chi-Square

$$\begin{aligned} \text{Row1} \quad \text{Cell } 25 &= \frac{50 \times 25}{50} = 25 \\ \text{Cell } 25 &= \frac{50 \times 25}{50} = 25 \end{aligned}$$

Table 3b: computation of chi square for hypothesis three

Response	o	E	(o-e) ²	(o - e) ²
				E
Yes	25	25	0	0
No	25	25	0	0
Total	50	50	-	0

Source: field survey, 2012

$$\begin{aligned}\text{Degree of freedom} &= (R-1) (C-1) \\ &= (2-1) (2-1) \\ &= 1\end{aligned}$$

With reference to the chi-square table degree of freedom of 1 under 0.05 is 3.841

Decision rule: Since the critical value 3.841 is greater than the calculated value 0, reject H1 and accept H0 which means the Microfinance borrowers react positively towards loan repayment.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

In this chapter, the researcher has studied in details what people say concerning microfinance banks operation in the economy of Nigerian.

This section of the project summarizes the important findings of this research and found out that they exist huge untapped potentials for financial intermediation at the micro and rural level of the Nigerian economy.

Attempt by the government in the past to fill this gap through supply driven creation of financial institutions and instruments have failed due to the poor capitalization of such schemes and restrictive regulatory and supervisory procedures among other factors.

The microfinance bank financial resources have been considered as a tool for economic development in Nigeria through the provision of affordable to citizens in the country in other to enhance their standard of living with minimum interest rates.

The attribute of beneficiaries towards repayment has made it difficult for microfinance banks in carrying out their roles effectively in the development of the nation.

Finally, the establishments of microfinance banks is primarily to meet the unsatisfied demand created by the inability or unwillingness of the more formal institution to offer to small enterprises and poor household adequate access of their deposit and credit facilities as well as other financial products and services.

5.2 CONCLUSION

Based on the findings of this study, the attempt to explain the role of microfinance banks in poverty alleviation in Nigeria may lack adequate knowledge of various financial transactions available and how to access them. High opening and minimum account balance, high travelling time and transportation cost involved in making deposit and withdrawals by small entrepreneurs and poor households at bank branches.

5.3 RECOMMENDATIONS

Microfinance bank should be careful in management styles since it comprises of hard earned investors funds as it was observed that most of the microfinance banks traditional role involving receiving of deposits and giving out of loans to credible customers. The following recommendations were made:

1. The high reserve ratio by the Central Bank of Nigeria should be made low in order to encourage micro-financing in Nigeria.
2. The microfinance banks should make sure that inexperienced management is not applied on their funds for projects because they may mismanage funds instead of putting them into a better project.
3. There should be adequate supervision and regulation by the Central Bank of Nigeria so as to ensure the survival of microfinance banks.
4. Finally, the attitude of directors towards investors funds should be monitored by the governing bodies as this will encourage the public on the operation of microfinance banks.

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APPENDIX A

Department of Banking and Finance,
Faculty of Management,
Caritas University,
P.M.B 01784,
Amorji-Nike, Enugu.
13th July, 2012

Dear Respondent,

REQUEST FOR FILING OF QUESTIONNAIRES

I am a final year student of the above named department, faculty and institution. This research work on a topic “The Role of Microfinance Banks in the Alleviation of Poverty in Nigeria” as part of the requirement of the award of Bachelor Degree in Banking and Finance.

I will greatly appreciate it, if you provide me information needed in the questionnaires. The information supplied will be used solely for academic purpose and will be treated in close confidence.

Thanks for your co-operation

Yours faithfully

Ubani Anthonia Chidinma

APPENDIX B

QUESTIONNAIRES

The following are questions to microfinance bank staffers.

1. What is the sex distribution of the respondents?
 - a. Male [] b. Female []
2. What is the age distribution of the respondents?
 - a. 0-21yrs [] b. 21-30 [] c. 30-50 [] d. 50 and above []
3. What is the highest educational qualification of the respondents?
 - a. OND [] b. M.SC [] c. B.SC/HND [] d. professional qualification []
4. How often do people come to repay their loans?
 - a. Always [] b. sometimes [] c. rarely []
5. At what rate do the rural dwellers come to deposit their money in microfinance banks?
 - a. To a large extent [] b. to a little extent [] c. not at all []
6. Does the interest rate affect the rate of borrowings from the microfinance banks?
 - a. Yes [] b. No []
7. Has there been much financial mismanagement of funds in the microfinance banks by staff of microfinance banks?
 - a. Yes [] b. No []

8. Do microfinance borrowers react negatively towards loan repayment?
a. Yes [] b. No []
9. Has government assisted microfinance banks positively to meet the needs of rural dwellers and communities?
a. Yes [] b. No []
10. Do corporate bodies investment in their microfinance institution?
a. Yes [] b. No []
11. Has the community benefited from your services?
a. Yes [] b. No []
12. Are you satisfied with the patronage of customers to your microfinance bank?
a. Yes [] b. No []
13. Are some customers given preferential treatments because of their position?
a. Yes [] b. No []
14. Does the customers achieve their aims any time they visit?
a. Yes [] b. No []

APPENDIX C

CHI-SQUARE DISTRIBUTION TABLE

Degree of freedom (df)	PROBABILITY(P)											
	0.95	0.90	0.80	0.70	0.50	0.30	0.20	0.10	0.05	0.01	0.001	
1	0.004	0.7102	0.06	0.15	0.46	1.07	1.64	2.71	3.84	6.64	10.83	
2	0.10	0.21	0.45	0.71	1.39	2.41	3.22	4.60	5.99	9.21	13.82	
3	0.35	0.58	1.01	1.42	2.37	3.66	4.64	6.25	7.82	11.34	16.27	
4	0.71	1.06	1.65	2.20	3.36	4.88	5.99	7.78	9.49	13.28	18.47	
5	1.14	1.61	2.34	3.00	4.35	6.06	7.29	9.24	11.07	15.09	20.52	
6	1.63	2.20	3.07	3.83	5.35	7.23	8.56	10.64	12.59	16.81	22.46	
7	2.17	2.83	3.82	4.67	6.35	8.38	9.80	12.02	14.07	18.48	24.32	
8	2.73	3.49	4.59	5.53	7.34	9.52	11.03	13.36	15.51	20.09	26.12	
9	3.32	4.17	5.38	6.39	8.34	10.66	12.24	14.68	16.92	21.67	27.88	
10	3.94	4.86	6.18	7.27	9.34	11.78	13.44	15.99	18.31	23.21	29.59	
	Non significance								Significance			