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Microfinance and its Impact on Poverty Alleviation: A Case Study of some Microfinance Banks in Edo State, Nigeria

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This research examines the relationship microfinance and poverty alleviation in Nigeria, to understand the effectiveness of micro credit within the context of its current practice in Edo State in particular, and the nation as a whole as a tool for wealth creation and capital accumulation among the poverty stricken populace and low income earners. The study made use of primary data obtained through field survey from the selected microfinance banks in Edo State and utilized quantitative tools to analyze these data so as to bring out any existing relationship between microfinance and poverty alleviation. The results obtained showed that microfinance has the potential of alleviating poverty by ensuring wealth creation and its attendant self-sufficiency. From our result, about 70% of the sampled population agreed that there is a positive relationship between microfinance and improved standard of living of the recipients of these micro credits; 78% attested that they obtained some sort of credit from microfinance banks to set up their small scale businesses, without which it would be impossible to do so; about 67% said they have used loan collected to expand their business while 24% said they used the loan collected to invest on new technology for their business and the remaining 9% of the respondents obtained loans to facilitate the export of their products. Based on these findings, we could see that Microfinance has helped in alleviating poverty in the country by helping individuals to start up their business, expand their existing business, increase the level of employment and raise the standard of living in the country Focus of microfinance programmes in poor communities for it to be meaningful; a massive educational drive on the importance of microfinance in fighting widespread poverty should be launched in the country; etc were some of the recommendations made in this study.

Key Words: Microfinance, wealth creation, micro credit, capital accumulation, low income earners, poverty alleviation

Introduction

Healthy growth in any nation's economy cannot be attained without well centered agenda put in place to alleviate poverty by making the populace more powerful by boosting their right to use the production factors, especially micro credit. The dormant ability of the poverty stricken populace for private enterprise would be considerably improved by providing micro credit facilities to allow them to participate in various financial, profitable and money making actions and become more independent; add to employment openings, improve family earnings, generate riches and create wealth for the economy. Over the past thirty years, microfinance has been one of the impressive achievements in the less developed countries (LDCs) and is extensively acknowledged as an immediate and continuous way out in easing poverty worldwide (Ogwumike, 2001).

According to Bouman (1990), he propose that some of the roles of Microfinance in Nigeria includes the distribution of loans that are not much to small firms which should be repaid within a brief time phase, and is more often than not utilized by persons and families with little earnings and who have a small number of properties that can be used as securities. The intention of this by the federal government of Nigeria is to cover up the greater part of the poor, however, cost effectively dynamic populace by 2020 thus, generating much jobs and plummeting poverty; add to the portion of micro credit as proportion of total credit to the economy from 0.9 percent in 2005 to at least 20 percent in 2020; and the share of micro credit as percentage of GDP from 0.2 percent in 2005 to at least 5 percent in 2020; to support the contribution of at least two-thirds of state and local governments in micro credit financing by 2015; to get rid of gender differences by increasing women's right to use monetary and financial services by 5% yearly; and to raise the amount of connections among universal banks, development banks, specialized finance organizations and microfinance banks by 10% annually (Nsa, Pl, 2011).

A fundamental requirement for development is economic growth. This explains why the government in Nigeria constantly pursues polices meant to bring about economic growth. Such policies have been primarily directed at poverty reduction among the people. The efforts of the government notwithstanding, the low Gross National Product (GNP) reflects the existence of mass poverty. Indeed, it is an irony which still puzzles the world as the rate of poverty in the nation contradicts the country’s wealth generating from oil production as over 70% of the people still live in abject poverty with little food, clothing and housing (Obayelu, et al 2006). Although Nigeria is richly bestowed with human and natural resources coupled with the monetary fund accumulating from its natural resources including crude oil, yet it is still a very poor country because much of its potentials remain unexploited. She has not been also to harness these resources for the manufacturing of goods and services necessary for the improvement of the living standards of the people.

The major purpose of this article is to assess the effectiveness of micro-finance as an instrument for poverty alleviation in Nigeria using some selected micro finance banks in Edo State as a case study. However the setback therefore is that while the Federal Government of Nigeria continues to fund programmes aimed at poverty reduction, poverty levels continue to rise giving birth to a desire by the researcher to study and assess the impact of these programmes on poverty with specific reference to micro-finance.

Review of Related Literature

Microfinance practice in Nigeria can be traced back to several centuries. People on low incomes from the rural and urban areas can have access to credit from the microfinance institution which is culturally rooted. These Self-Help Organizations (SHOs) or Rotary Credit, Savings and Investment Unions (ROCSIUs) are informal and non-governmental. There are however, other non-governmental suppliers of micro credit facilities which comprises of collectors of funds and joint associations. Due to inadequacy of available funds, the informal financial institutions have limited outreach to those people

In the past, the Nigerian Government has tried to increase the flow of financial services to Nigerian rural areas by initiating a sequence of openly economic microfinance agenda and strategies aimed at the poverty stricken populace. Particularly, in the midst of such agenda; was the distribution of funds by the banking segment of the rural areas in Nigeria, a reduction in the rate of interest and the assurance plan of funds for farming. Also, there was the formation of several organizations such as; Family Economic Advancement Programme (FEAP), Peoples Bank of Nigeria (PBN), Nigeria Agricultural Insurance Corporation (NAIC), The Community Banks (CBs), National Directorate of Employment (NDE) and Nigeria Agricultural and Co-operative Bank (NACB). By the year 2000, there was an amalgamation of FEAP, PBN and NACB to form the Nigeria Agricultural Co-operative and Rural Development Bank (NACRDB) by the Federal Government of Nigeria with the responsibility of offering monetary and financial services to ease the level of poverty in the nation and to improve the National Poverty Eradication Programme (NAPEP).

Specifically, those Micro credit facilities supported by the Federal Government of Nigeria, took on the conventional method of supply-led financial supported credit, mostly concentrating on agro-processing, blacksmithing, transportation and hair-dressing. According to the Central Bank of Nigeria (CBN) article in 2005, these services gave an increase in credit expenditure and gains in agricultural production and other activities; however, this was short-lived as the natures of the programmes were unsustainable (Nsa Pl, 2011). From the 1980's to date, Non-governmental organizations (NGOs) have become apparent in Nigeria to support the foundations of the micro and rural businesspersons. According to CBN Report in 2005, a steep increase has been witnessed in recent times with the development of NGOs as a result of the failure of the official and recognized monetary sector to provide facilities and support to the deprived and poverty stricken populace Nsa, Pl, 2011)

Basically NGOs are charitable; credit only membership and capital lending based organizations. The NGOs are more often than not found listed under the Act of Trustees like a solitary bundle otherwise as a fraction of their charitable as well as communal program aimed at eradicating poverty. Interest on loans, contributions from members, fees and grants are some of the major fund raising process of these NGOs. Nevertheless the services of the NGOs are restrained primarily because of their inability to maintain the supply of adequate capital.

The intensity of poverty in Nigeria has persistently raised alarm from all sectors in the country and its allies. Both domestic and international organizations have been vigorously interested in tendering answers to the universal threat of poverty. Scholars and academics have individually carried out researches and investigations with the aim of resolving the causes of poverty which would serve as the foundation in tackling the problem and alleviate its objects. Numerous studies exclusively in Nigeria have revealed that poverty is common and some of these studies have also outlined the numerous attempts taken towards putting poverty in check. This research will involve a fundamental perceptive of the idea Poverty and furthermore also clarify the efficiency of the programs introduced by the administration and various international organizations focused at alleviating poverty. A reconsideration of some of related works is therefore given in the following sections.

Meaning of Poverty

Several definitions have been provided in several contexts for the term poverty. In the 1960s poverty was defined based on the level of income reflected in the macroeconomic markers like GDP per head although this changed overtime in the 1970s as the definition was directed to focus on redistribution of growth. Poverty was not only described in terms of shortage of income during the middle of the 70s but also as a deprivation of access to education, health and various services succeeding the international labour organization (ILO) original work. However the definition of poverty evolved into a more complex concept in the 1980s as it featured non financial features (World Bank Reports, 1996).

Chambers (1993) described poverty as a multidimensional occurrence with complicated origins. He furthermore went on to describe it as a living standard below the UNESCO accepted standard of living that should include the provision of the basic necessities of life (food, shelter and clothing). Yet poverty extends beyond expenditure or wages shortages; it also comprises of susceptibility, lack of confidence, segregation, rejection, be short of authority and control.

In addition, (Garuba 2001) stressed that being poor is a challenge between an individual's available income and his/her environmental demand. It is the inability of individuals to sustain a minimum level of reasonable living and individuals may also have the tendency to be constricted from socio-economic opportunities. (Onibokun & Kumuyi 1996) threw more highlight into this point when they described being poor as "a means of existence characterized by depleted ingestion of calorie, healthcare facilities that are not easily accessible, poor educational value or worth, isolation to a variety of accommodation and societal amenities" (P 3). The term poverty is also perceived by (Ogwumike 2001) like a domestic family occurrences; the incapability of affording adequate earnings to support daily essential things for survival including shelter, education, clothing and transportation. His specifications for minimum standard of living were based on the grounds of food and its required nutritional requirements in relations to protein and calories. Physical, emotional and moral pains are experienced by the poor (Obayelu et al, 2006), its victims live lacking primary liberties of activities and options in which the rich does not take seriously (Sen, 1999). According to the United Nations Development Program (UNDP, 1998), those who are poor are uneducated, untrained and cannot be employed. They are completely reliant on others in order to meet with their everyday requirements, due to inadequate earnings or income shortages. According to UNDP Report in 2001, poor and underprivileged countries are denoted generally by low level of productivity, disturbing high rate of population growth, high level of unemployment, low income levels, inadequate social and infrastructural amenities, inequitable distribution of income, poor economic growth etc (UNDP).

The consequences of poverty are enormous. Depriving those suffering from it of portable drinking water, sufficient food, clothing and shelter, but also proper health care and standard education are some of its defects. It robs people of their rights, freedom, dignity and peace of mind. Poverty also endangers the lives of those experiencing it hence killing all hopes for future. Poverty is, indeed, painful.

Definition of microfinance

There are various definitions of the term "microfinance" that have been provided by scholars, academics as well as various organizations. According to Opportunity International, Microfinance can be defined as the stipulation of monetary services such as credit, funds, assurance and guidance to persons dwelling in poverty.

In the view of Chad Brooks (2013), Microfinance refers to a collection of financial services, including credit, advance, money and insurance cover, accessible by poverty stricken industrialists and small commercial proprietors who have no security and wouldn't otherwise meet the requirements for an average bank loan. A non-governmental organization (The Consultative Group to assist the poor, CGAP), views the term "microfinance," as a wide range of products (including spending, disbursements, investments, and insurance cover) modified to meet the specific needs of low-income persons. In the view of the Central Bank of Nigeria, microfinance is about offering financial services to the poor who are usually not served by the typical financial and monetary institutions (CBN Report, 2005). According to the report, three characteristics differentiate microfinance from other official monetary and financial products. These are: the compactness of highly developed loans and or funds collected; the non-existence of asset-based securities; and ease of procedures.

The establishment of microfinance banks in less developed countries, particularly Nigeria, has become very important to provide the following aims, goals and objectives:

- Offer reasonable, reliable and expanded monetary services to the poor that are lively, energetic and full of life, in an appropriate and viable way that would allow them to embark on and advance lasting, continuous industrial activities.
- Organize funds for financial intermediation.
- Generate openings in employment of people and enhance the output of the lively poor in the nation, thus, adding to their personal domestic income and elevating their standard of living.
- Improve planned, orderly and concentrated contribution of the poor in the socio-economic progress and resource distribution procedure.
- Offer authentic opportunities for the management of the micro credit agenda of government and high net worth persons on a non-recourse case basis.

Precisely, this course of action makes sure that state governments shall offer an amount of not less than 1% of their yearly financial plans for the on-lending actions of microfinance banks in support of their inhabitants; and provide disbursement services, such as wages and salaries, pensions and gratuities for various levels of government (CBN Report, 2005).

Microfinance and reduction of poverty: A conceptual framework

A complete debate on the subject topic of poverty, the common agreements put in place to come up with a lasting key to the tormenting occurrence. According to the CBN Report in 2005, the development of credit facilities to serve the poor has being a very beneficial method of eliminating or eradicating poverty (Nsa, Pl, 2011). Consequently the micro finance banks have being acknowledged as a poverty reduction tool which if well managed will reduce the level of poverty significantly.

Micro-finance" or "Micro-credit" can be simply described as a little monetary and financial advance given to poor people looking for ways to begin their establishment. By little money and financial advance, we mean it normally cannot go beyond some hundreds of American dollars, consequently a poor person cannot exclusively rely on this kind of little monetary and financial advance to finance their establishment Business Dictionary (2012). It is also called a micro loan.

Ukeje (2005), stressed micro-finance as the facilitating of loans to low-income earners with some assets that can be used as collateral and these loans are to be refunded within a short period of time, usually one year or less. Radwan (2008) views micro-credit or microfinance as rendering financial packages to low-income earners, sole proprietors and business entrepreneur. Some of these financial packages may include; credits, advances, disbursement services, transfer of cash and assurance services to the deprived, families with low earnings and small enterprise. It is basically in relations to giving financial services to the low-income earners and poor who have been refused financial services because they have failed to pass the formal credit check set out by the formal financial organizations and banks.

However Yunus (2007) went on to contribute to the topic by providing evident attributes of the micro credit scheme which can successfully liberate poverty-stricken individuals. Among other things, such a scheme should promote the provision of credit to those poverty-stricken individuals who are willing to utilize it in an efficient manner so as to increase their standard of living; the main task would be assisting the poor families and other poverty-stricken individuals to rise above poverty.

A research in 2001, by Aderibigbe shows the complexity of obtaining standard banking services downwards to the deprived or poverty stricken populace. In reality, these official monetary and financial organizations offer conventional services which are not modified to satisfy the requirements of small enterprises in Nigeria. This is due to the fact that these formal financial institutions do not see these small enterprises as money making bodies. Aderibigbe (2001) noticed that there has been a drop in the overall loans and advances to people with depleted earnings and this drop in loans and advances is an outcome of the incapacity of these people with depleted earnings to make available collateral that are standard and the fondness of financial institutions to create huge loans and advances to evade excessive expenditures of giving out a huge amount of small loans and advances. Abolo (2001) opined that actually the right to use standard services provided by monetary and financial organizations for the poverty stricken populace is not directly connected to poverty. Once an individual is more deprived, there are fewer possibilities of him/her approaching these financial organizations for loans and advances. Conversely, the odds are that the more deprived an individual is, the more costly or onerous an official monetary and financial preparations would likely be to him. At this junction, the idea is that because the poverty stricken, particularly the awfully deprived, does not possess some steady earnings-for instance the incredibly poor as well as those without a roof over their heads must not be offered loans and advances at all because they will be shoved more into owing money and hardship by loans and advances that they cannot pay back. These collections of persons are unintentionally, disqualified from receiving small loans, advances and credit the way it is presently planned. Fascinatingly, results from the National Poverty Alleviation Programme (NAPEP) research in 2009 revealed that once the underprivileged are appropriately sensitized about the advantages of micro-credit programmes (or several agenda that aims at decreasing the level of poverty at that), in addition that they also vigorously are engaged within the process of execution, the chances are they will be eager to put effort with regards it being a success.

Abolo (2001) observed that in an effort intended on decreasing poverty in its hopeless state, the idea of micro-credit design above, appears to fail in this objective since the intended populace might not function established on the assessment of their situation physically. An additional assuring method with the possibility of getting through to the most deprived in the society is the Grameen credit scheme which is a tradition in Bangladesh. The Grameen credit scheme is a representative scheme which accepts as true that loans and advances have to be agreed to as the rights of an individual's in addition to developing an organization where a single person who does not have something obtains the uppermost precedence in obtaining credit. Its focal point is on the possibility of an individual who is ready and willing to earn a living for himself/herself before his/her ownership of property (Yunus, 2007).

Politics in the macro-economy connected to changes in the structural procedures (revamping the economy by alleviating the level of poverty in the economy) favour the conventional method in which hardship or being poor is believed to be eased by high-low movement of funds by the government in the way of the deprived. Nevertheless, this method is similar to taking care of the signs whereas abandoning what brings about poverty. According to Abolo (2001), the breakthrough arrived as soon as attempt to attack poverty began to build up inside the social world. Whilst giving power to persons, as well as letting those to generate their own occupation and incomes were acknowledged as means in which poverty as well as segregation can be eased more efficiently. The recent bottom-up method widened the possibility of anti-poverty strategies as well as provided an extraordinary position to credit in the general procedure of poverty reduction. Loans and advances to pay for private earnings-generating actions started by the poverty stricken populace turned out to be an improbable new means in the fight against poverty in equivalent to the conventional movement of public finance. Funds assigned by governments and contributors to particular agents might be converted into small loans and advances reached out to the deprived, letting them to build up activities in the economy.

The Government and donor organizations have been looking at ways to develop the functions of loans and advances. However the developed function of loans and advances is checked by the problems of aiming as well as getting to the most deprived of the deprive and choosing the deprive that can benefit from such measures. To maximize the efficiency of this kind of aims, loans and advances have to be seen as a fraction of a well built procedure (process of monetary and financial intermediation), comprising of monetization as well as the mobilization of investments at the community level.

Previous researches concerning micro-financing have assessed if micro-finance programmes popular in Nigeria can reach the comparatively poverty stricken populace and susceptible in their actions. Modern researches have revealed proof of optimistic influence as it correlates to six Millennium Development Goals (Adamu, 2007; Irobi, 2008; Wrigth, 2000; Zaman, 2000; McCulloch and Baulch, 2000), all pledged to consider that microfinance is an efficient and dominant instrument for alleviating hardship. For instance, Amin, Rai, and Topai (2003) concentrated on the capability of microfinance to get to the underprivileged as well as asserted that microfinance has provided individuals under as well as over the line of poverty. Also, the outcomes of experimental proofs signifies that the most underprivileged can gain from microfinance together on financial and socio-economic welfare position, furthermore that this can be accomplished devoid of putting at risk the monetary and financial survival of Micro-credit organizations (Zaman, 2000; Robinson, 2001; Dahiru and Zubair,2008). For example, Khandker (2005), discovered that every additional 100 taka of loan and advances to females increase entire yearly family spending by over 20 taka. This research illustrates an awesome advantage of boost in earnings and a decrease of susceptibility.

The backing of micro credit as an efficient instrument for decreasing poverty may appear impressive although it goes off without articulating that lending in small amount presents an option to conventional types of economic growth and development. To a certain extent attempting to appeal to considerable employers of labour to societies experiencing a decline in economic activities, lending in small amount supports people to spend in their own neighborhood whilst supporting independence in people, (Abolo, 2001). For instance, in Nigeria, most communities are known for various productive activities such as fishing, farming, cattle rearing etc. When micro credit is given to residents of these communities, they tend to expand their productive activities and improve the economic conditions of these communities. Lending in small amounts gives power to persons as well as their relations, which consecutively have numerous outcomes on the society. The objective of growth and development of small enterprises is to support the financial independence people and to add to the financial and economic achievement of the society in which they reside.

The Nigerian government and micro service delivery

Efforts at micro credit provision at the Government level led to the initiation of a sequence of policy funding rural loans and advances agenda and polices aimed at the poverty stricken populace. Amongst such agenda were the Rural Banking Programme, distribution of loans and advances among the various sectors in the Nigerian economy, a reduction in the rate of interest, and the Farming Loans and Advances Assurance System (FLADS), meant to enhance the flow of financial services to Nigeria rural areas. Other institutions established include the Nigeria Agricultural and Co-operative Bank (NACB), Nigeria Industrial Development Bank (NIDB), People's Bank of Nigeria, Family Economic Advancement Programme (FEAP), Nigeria Agricultural Insurance Corporation (NAIC) and Community Banks. The Nigerian administration instigated in 2000, a merger between People's Bank of Nigeria, Family Economic Advancement Programme and Nigerian Agricultural and Co-operative Bank to form the Nigeria Agricultural Co-operative and Rural Development Bank Limited (NACRDB) with the aim of improving access of financial support to the farming sector in the economy. The National Poverty Eradication Programme (NAPEP), given the directive of giving monetary and financial services to ease the level of hardship in the economy was also another development by the administration. These institutions were to serve as the linkage between the informal/traditional micro credits organizations that gives right to use loans and advances for the rural and urban earners of insufficient income, and the formal organizations. The readiness of these banks to acquire more information about the informal sector, and their efforts at strengthening group schemes as Akanji (2001), puts it, encouraged the successful turnaround of micro credit programmes.

Government sponsored micro finance services typically tend towards the traditional supply-led, subsidised credit approach with its focus on the Agricultural sector and non-agricultural businesses including trading tailoring weaving, agro-processing and transportation. A policy framework prepared by the apex bank in Nigeria (CBN) for effective delivery of micro credit, justifies the establishment of separate micro finance banks (MFBs) based on observed loopholes in the existing system. These deficiencies include:

- Inadequate Institutional function which is as a results of unskilled administration', feeble in-house managements in addition to inadequate credit assurance systems. Other causes include inefficient communal governance, inadequate definite tactics and confined supervisory/supervisory needs.
- Inadequate capital foundation, especially community banks, making them unable to effectively provide loans to micro entrepreneurs without the idea of collateral request.
- The survival of an enormous market that is not assisted by the existing financial institutions. This paper revealed the presence of a massive space in the supply of monetary and financial services to a great amount of vibrant but poverty stricken populace and collection of insufficient income earners. The present official Micro Finance Institutions (MFIs) cater for not more than one million out of above forty million persons that require these facilities. Also, the total micro finance services in Nigeria make up approximately 0.2 per cent GDP in addition to below one per cent of the entire loans and advances in the nation. The consequence of not properly tackling this state of affairs would emphasize hardship further and reduce the rate of growth and development in the econmy; it concluded (CBN, 2005).

The Central Bank of Nigeria (CBN) in 2005 presented the National Micro Finance Policy framework and its aim is to improve the supply of expanded micro finance facilities on a lasting continuous foundation for the poverty stricken populace and collection of insufficient income earners. The strategy is expected to create a programme for the creation of MFBs; develop the CBN's monitory activities in making sure of financial steadiness in addition to liquidity organization; as well as offer suitable equipment for trailing the performance of growth associates within the micro finance sub-division in Nigeria. This initiative has potentials of addressing the problem of growth of outreach of micro credit enumerated by Yunus (2007), as:

- Inadequate plans in building monetary and financing organizations;
- Non existence lawful structures for building micro finance organizations;
- Difficulties in receiving deposit;
- Inadequate supervisory structures; and
- Inadequate theoretical lucidity.

Method of Study

This section will discuss the following approaches used for this research in terms of research design, area of study, sources of data and statistical method of analysis

Research design

The plan for a research take care of the essential problems of how topics were continued, in addition to how they were utilized in the research background to generate the necessary information (Baridam, 1990)
Our data for the work is based on both primary and secondary sources. Primary data denotes information been brought together or acquired from direct or personal experience while secondary data denotes information that have been collected a long time ago or gotten from other party. The source of our primary data is a mainly from fieldwork. Vadum et al (1998) acknowledged that the data collection approach might be by means of the utilization survey, opinion pool, letters, personal interviews, mobile phone interviews, telephone interviews or it might be straight scrutiny of previous record for the objective of getting relevant data from the respondents.

The primary source is direct interview through the essence of questionnaires and personal observations that are distributed to the employees of these microfinance banks and also to some selected customers of these microfinance banks through the use of the simple random sampling technique. Through the use of the simple random sampling method, respondents are drawn out randomly of the population both on the employees' angle and customers alike; these respondents drawn now becomes our sample for the study. The questionnaire consists mostly of multiple choices close ended and/or open-ended questions. The questionnaire for this study is drawn into sections; the first section goes to the randomly selected customers of these microfinance banks and the second section goes to the customers of microfinance that are randomly selected.

A total of 400 questionnaires were randomly distributed in Edo States, Nigeria. 200 questionnaires were randomly distributed selected employees of these microfinance banks and the other 200 questionnaires were randomly distributed to selected customers of these microfinance banks. The secondary source of data collection will be through library research, published works on microfinance banks within and outside Nigeria, reliable internet web pages and newspapers.

Data required

The data required for this work is the answers from the questionnaire that shall in form be used to analyze and arrive at conclusion as it relates to the subject of study. Hence, the questionnaire will be distributed to the respondents and their responses shall be retrieved, collated and analyzed in order to provide answers to our research questions.

Sources of data

For this study, we shall equally utilize primary and secondary sources of data. The primary sources will come from the questionnaire and oral interview from employees and customers of these microfinance banks operating in Edo State, Nigeria. Whereas the secondary data will be gathered from relevant literatures on the subject matter by academics, scholars, magazines, newspapers and relevant government publications.

Method of statistical analysis

Chi-square statistic would be utilized to compare the observed data with the data we would expect to obtain according to the hypothesis specified for this study. Specifically, it examines the statistical important disparities between the ratios for two or more factions in a set of data. It is also used to assist in finding out the degree of association between microfinance and alleviation of poverty in Nigeria. Pie-charts, percentages and tables will be used in examining the information due to the evocative characteristics of this research.

Data Presentation and Analysis

As Baridam (1990), puts it, no set of data is meaningful until it is presented and interpreted by the researcher(s). Raw data from the field will be meaningless for decisions unless it is arranged in a form that will be understood for decision making.

This section is on the quantitative or empirical analysis of the data (information) collected from the field through the use of questionnaires and interviews for the purpose of this work. The data collected were analyzed according to the questions formulated and questionnaires administered. In this chapter, we hope to determine the role of micro-finance on poverty alleviation in Nigeria; a case study of Edo State by looking at small and medium scale entrepreneurs awareness of the scheme, their access to credit from government sponsored micro-finance programmes and likely problems associated with the scheme. Our target population is randomly selected from the micro-finance banks and small and medium scale entrepreneurs in Edo State. The result will be generalized for the entire state and conclusions drawn could be helpful for the Nation as a whole.

Questionnaires distribution and collection

In this study, 200 questionnaires were distributed to the customers and staffs of these micro-finance banks in Edo State, Nigeria, each bank having a set of 50 questionnaires. As the questionnaires were returned for the purpose of analysis and ease of computation, the researcher lumps the data of all the microfinance banks together given their similar circumstances and responses.

Testing of research questions

The data presented in this chapter are analyzed according to the questions used in this study and the questionnaires administered for the research. In analyzing the research questions, the chi-square (x^2) test is used at 95 percent confidence interval or 5 percent level of significance. The decision rule is to accept the null hypothesis (H_0) and reject the alternative hypothesis (H_1), if the calculated chi-square is less than the critical value of the chi-square using the requisite degree of freedom. The reverse holds, i.e. reject H_0 and accept H_1 if the calculated chi square value is more than the critical chi square value. Other important formations from the questionnaire are to be analyzed with the aid of percentages and pie charts.

Research Question 1: *Is there a positive relationship between Micro-credit and improved living standards of recipient of these micro credits in Nigeria?*

This research question will be answered by analyzing questions 18, 19 and 20 of the section A (for customers) survey questionnaire. Question 18: Did the loan collected lead to an expansion of your business? Question 19: Has employment opportunity increased after putting the loan into use? And Question 20: Has this loan collected raised your standard of living and the standard of living of the people you employed? From the responses, the computation and analysis are shown in tables l and 2 below:

Tables l: Computation of expected frequencies

RESPONDENTS	OPTION			Total
	Yes	No	Unsure	
Agriculture	24 (15.75)	6 (11.25)	15 (18)	45
Manufacturing	11 (14.7)	9 (10.5)	22 (16.8)	42
Service	20 (25.55)	30 (18.25)	23 (29.2)	73
Distribution	15 (14)	5 (10)	20 (16)	40
	70	50	80	200

The values in parenthesis are the expected frequencies.

$$\frac{45x70}{200}=15.75, \qquad \frac{45x50}{200}=15.25 \qquad \frac{45x80}{200}18.00$$

$$\frac{42x70}{200}=14.70, \qquad \frac{42x50}{200}=10.50, \qquad \frac{42x80}{200}=16.00$$

$$\frac{73x70}{200}=25.55, \qquad \frac{73x50}{200}=18.25, \qquad \frac{73x80}{200}=29.20$$

$$\frac{40x70}{200}=14.00, \qquad \frac{40X50}{200}=10.00, \qquad \frac{40x80}{200}=16.00$$

The chi-square (x^2) is computed using the formula below:

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

Table 2. Computation of chi-square (x^2)

O	E	(0 - E)	$(0 - E)^2$	$(O - E)^2/E$	Total
5	10	5	25	25/10	2.5
6	11.25	5.25	27.56	27.56/11.25	2.45
9	10.5	1.5	2.25	2.25/10.5	0.21
11	14.7	3.7	13.69	13.69/14.7	0.93
15	18	3	9	9/18	0.5
15	14	1	1	1/14	0.07
20	25.35	5.44	30.80	30.80/25.55	1.20
20	16	4	16	16/16	1.0
22	16.8	5.2	27.04	27.04/16.8	1.61
23	29.2	6.2	38.44	38.44/29.2	1.32
24	15.75	8.25	68.06	68.06/15.75	4.32
30	18.25	11.75	138.06	138.06/18.25	7.56

Calculated Chi Square (X^2) = 23.63
Degree of freedom (df) = (r – 1) (c- 1) where;
r = Number of rows = 4
c = Number of columns = 3
df = (4-1) (3-1)
df = (3) x (2) = 6
Critical value of x^2 at 5% = 12.59

From our decision rule, we reject H_0 and accept H_1 if the computed x^2 is more than the critical value or vice versa. Thus, our computed x^2 (23.67) is greater that the critical value of (12.59), thus, we accept the alternative hypothesis H_1. This shows that micro-credit availability has a positive impact on living standards of recipient of these micro credits in Nigeria. The reason for this assertion is that when people with micro enterprises have access to credit, they are able to expand their businesses, employ more people and also not only improve their living standards, but also, improve the living standards of people they employ. Also, the credit they obtain imposes on them responsibilities of repayment which forces them to save and thus, forms part of accumulated capital.

Researcher Question 2: *Are low income earners able to obtain credit easily from the Government owned micro finance institutions in Nigeria?*

The answer to this question is provided by analyzing Questions 8 of the section A (for customers) survey questionnaire. Question 8: If yes was it easy to obtain the loan from the microfinance bank? Yes ( ) No ( ) Unsure. From the responses, the calculations and analysis are shown in tables 3 and 4 below

Table 3: Computation of expected Frequencies

Respondents	Yes	No	Unsure	Total
Agriculture	33(29.4)	3(2.1)	6(10.5)	42
Manufacturing	40(38.5)	1(2.75)	14(13.75)	55
Service	35(30.1)	2(2.15)	5(10.75)	43
Distribution	32(42)	4(3)	24(15)	60
	140	10	50	200

The values in parenthesis are the expected frequencies.

$$\frac{42x140}{200} = 29.4 \quad \frac{42x10}{200} = 2.1, \quad \frac{42x50}{200} = 10.5.$$

$$\frac{55x140}{200} = 38.5, \quad \frac{55x10}{200} = 2.75. \quad \frac{55x50}{200} = 13.75$$

$$\frac{60x140}{200} = 42, \quad \frac{60x10}{200} = 3.00 \quad \frac{60x50}{200} = 15.00.$$

The chi-square (x^2) is computed using the formula below:

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

Table 4. Computation of Chi Square (X^2)

O	E	(O - E)	$(O - E)^2$	$(O - E)^2/E$	TOTAL
1	2.75	-1.75	3.06	3.06/2.75	1.11
2	2.15	-0.15	0.02	0.0004/2.15	0.0002
3	2.1	0.9	0.81	0.81/2.1	0.39
4	3	1	1	1/3	0.33
6	10.5	-4.5	20.25	20.25/10.5	1.93
6	10.75	-4.75	22.56	22.56/10.75	2.10
14	13.75	0.25	0.06	0.06/13.75	0.004
24	15	9	81	81/15	5.4
32	42	-10	100	100/42	2.38
33	29.4	3.6	12.96	12.96/29.4	0.44
35	30.1	4.9	24.01	24.01/30.1	0.80
40	38.5	1.5	2025	2.25/38.5	0.06

The calculated value of Chi-Square $x^2 = 14.94$
Degree of freedom (df) = (r-1) (c-1) where:
r = Number of Rows = 4; c = Number of Columns = 3; df = (4 – 1) x (3 – 1) = (3) x (2) = 6;
Critical Value of x^2 at 5% = 12.59
Decision:
Calculated $x^2 = 14.94$; Critical $x^2 = 12.59$

Thus, the critical value of x^2 (12.59) is less than the calculated value (14.94), thus, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1). The implication of this decision is that there are difficulties encountered by the poor or low income earners in obtaining loans from micro credit institutions. This maybe as a result of these microfinance banks not having confidence on these low income earners in repaying back the loan collected; or these low income earners not being able to meet the requirements of these microfinance banks in getting a loan, etc.

Research Question 3: *What is the level of awareness of Government Micro Credit schemes among low income earners in Nigeria?*

The question is answered from the responses to question 5 of section A (for customers) of the survey questionnaires. Question 5: Is there any microfinance – credit bank near you? Yes ( ) No ( )Unsure ( )

From the responses gathered, the computation and analysis are shown in table 5 and 6. Below:

Step 1: Computing the expected frequencies

E = Row Total x Column Total Grand Total

Table 5. Computation of Expected Frequencies

Respondents	No	Yes	Unsure	Total
Agriculture	38(42.7)	9(6.71)	4(11.59)	61
Manufacturing	36(37.1)	6(5.83)	11(10.07)	53
Service	21(18.9)	3(2.97)	3(5.13)	27
Distribution	45(41.3)	4(6.49)	10(11.21)	59
	140	22	38	200

The values in parenthesis are the expected frequencies.

$$\frac{61x140}{200} = 42.7, \quad \frac{61x22}{200} = 6.71, \quad \frac{61x38}{200} = 11.59$$

$$\frac{53x140}{200} = 37.1, \quad \frac{53x22}{200} = 5.83, \quad \frac{53x38}{200} = 10.07,$$

$$\frac{27x140}{200} = 18.9, \quad \frac{27x22}{200} = 2.97, \quad \frac{27x38}{200} = 5.13$$

$$\frac{59x140}{200} = 41.3, \quad \frac{59x22}{200} = 6.49, \quad \frac{59x38}{200} = 11.21$$

The chi-square (x^2) is computed using the formula below:

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

Table 6: Computation of Chi Square (X^2)

O	E	(O - E)	$(O - E)^2$	$(O - E)^{2/}/E$	Total
3	2.97	0.03	0.0009	01.0009/2.97	0.0003
3	5.13	-2.13	4.54	4.54/5.13	0.88
4	6.49	-2.49	6.20	6.20/6.49	0.96
6	5.83	0.17	0.03	0.03/5.83	0.005
9	6.71	2.29	5.24	5.24/6.71	0.78
10	11.21	-1.21	1.46	1.46/11.21	0.13
11	10.07	0.93	0.86	0.86/10.07	0.09
14	11.59	2.41	5.81	5.81/11.59	0.50
21	18.9	2.1	4.41	4.41/18.9	0.23
36	37.1	-1.1	1.21	1.21/37.1	0.03
38	42.7	-4.7	22.09	22.09/42.7	0.52
45	41.3	3.7	13.69	13.69/41.3	0.33

Degree of freedom = (r-1) (c-1); r = Number of Rows = 4; c = Number of Columns = 3: (3) x (2)

df = 6

Critical Value of x^2 at 5% = 12.59

Calculated value of x^2 = 4.46

Decision: Given that the computed x^2 value (4.46) is less than the critical value of x^2 (12.59), we are led to accept the null hypothesis (H_0) and reject the alternative hypothesis (H_1). This shows that the level of awareness of micro credit facilities programmes among the poor or low income earners is very low.

In the next section, we will analyze some of the responses received from questions in the questionnaire that will help us draw some inference for the work. The simple percentage analysis will be used to judge and make decisions.

Simple Percentage Analysis

Section A: Question 6*: Have you received any loan from a microfinance bank to fund your business?*

Table 7. Responses to Question 6

Options	Frequency	Percentage
Yes	155	77.5%
No	45	22.5%
Total	200	100%

From the above table 77.5% of the respondents agreed to have obtained loan at one time or the other from microfinance banks for the purposes of improving their businesses.

Section A: Question 11: *Why did you take the loan?*

Table 8. Responses to Question 11

Options	Frequency	Percentage
To expand my business	125	66.7%
To invest on new technologies	50	24.2%
To facilitate the exports of my products	25	9.1%
Total	200	100%

The breakdown of those who agreed to have received credit from microfinance banks to fund their business in table 4.3.1 above shows that about 66.7 or 67% of the respondents used the loan to expand their business, While 24.2% used the loan collected to invest on new technologies in their business, the remaining 9.1% of the respondents indicated to have used the loan to facilitate the export of their products.

Section B: Question 15: *Is there any difference in the interest rate your microfinance bank charge for loans given to small and medium scale investors and the interest rate charged by commercial banks?*

Table 9. Responses to Question 15

Options	Frequency	Percentage
No	25	12.5%.
Yes	175	87.5%
TOTAL	200	100%

The table above shows that 87.5% of the respondents indicated that there is a difference in the interest rate their microfinance bank charge for loans given to small and medium scale investors and the interest rate charged by commercial banks, while the remaining 12.5% indicated that there is no difference in the interest rate charged for loans by their microfinance banks and commercial banks.

Section B: Question 20: *Has this loan collected raised your standard of living and the standard of living of the people you employed?*

Table 10. Responses to Question 20.

Options	Frequency	Percentage
Yes	25	12.5%
No	175	87.5%
Total	200	100%

The table above shows that 87.5% of the respondents indicated that the loan collected from their microfinance banks has increased their standard of living and the standard of living of the people they have employed; while 12.5% of the respondents indicated that the loan collected from their microfinance banks has not increased their standard of living and the standard of living of the people they have employed.

Pie Chart Analysis

In the next section, we will analyze some of the responses received from questions in the questionnaire that will help us draw some inference for the work. The sample pie chart analysis will be used to judge and make decision.

Section B: *Question 18: Does your microfinance bank help structure the loan collected by these small and medium scale investors so that they don't have difficulty in paying back?*

Table 11. Response to Question 18.

Options	Frequency	Pie chart
No	40	$40/200 \times 360/1 = 72^0$
Yes	130	$130/200 \times 360/1 = 234^0$
Unsure	30	$30/200 \times 360/1 = 54^0$
TOTAL	200	360^0

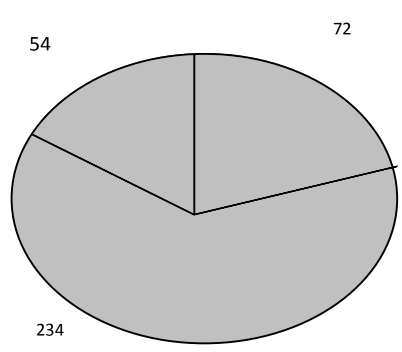

Figure 1: Showing how microfinance banks help to structure the loans collected by small and medium scale investors

The table 11 shows that 234^0 of the respondents indicated that their microfinance banks help in structuring the loans collected by small and medium scale investors so that they don't have difficulty in paying back, while 72^0 indicated that their microfinance banks do not help to structure the loans collected by small and medium scale investors so that they don't have difficulty in paying back. The remaining 54^0 of the respondents were not sure if their microfinance banks help in structuring loans collected by small and medium scale investors.

Section B: *Question 19: Does your microfinance bank monitor the loan given to these small and medium scale investors to see that it is used for the purpose it was collected?*

Table 12. Response to Question 19.

Options	Frequency	Pie Chart
No	55	$55/200 \times 360/1 = 99^0$
Yes	115	$115/200 \times 360/1 = 207^0$
Unsure	30	$30/200 \times 360/1 = 54^0$
	200	360^0

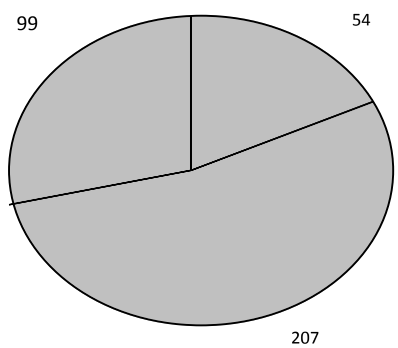

Figure.2: Showing if microfinance banks monitor the loan given to small and medium scale investors to see that it is used for the purpose it was collected

The table above shows that 207^0 of the respondents indicated that their microfinance monitor the loans given to small and medium scale investor to see that it is used for the purpose it was collected, while 99^0 of the respondents indicated that their microfinance banks do not monitor the loans given to small and medium scale investors. The other 54^0 were not sure if their microfinance banks monitor the loans given to small and medium scale investors or not. From this result, we can now see why most small businesses in the country fail despite loans they collect from microfinance institutions. If these microfinance institutions monitor the loans and advances they give out to these small businesses in the country effectively, total productive activities in the economy will increase, employment opportunities would be created and total income in the economy will also increase, thus, inevitably leading to an increase in the living standard of the people in the economy.

Discussion

This section deals with the explanations of the results obtained from the analysis of the research questions tested in the previous section and discussion of responses from the administered questionnaires to the sampled population for the study in order to answer the questions raised for the work. The chi-square (x^2) statistic was used in analyzing all the three hypotheses and required decisions made. In summary, our findings are as follows;

i. The result of the test in research question one under section 4.2.1, using the chi-square (x^2) test and comparing the calculated x^2 with the critical value of the x^2 for a two tail test at 95% confidence interval or 5% level of significance resulted in our rejecting the null hypothesis (H_0) and accepting the alternative hypothesis (H_1). The economic interpretation to this is that Micro credit availability has a positive relationship with improved living standards of the recipients of these micro credits. If the poor have access to micro credit and it is efficiently utilized, no matter how small it is, it will significantly increase their productive activity and as such make their living standard better. If they cannot have access to these micro credit, they would not be able to expand their business, increase their productive activities and improve on their standard of living

ii. From the test in question two, which was also carried out using the chi-square statistic in sub section 4.2.2, we came up with a decision to reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1). Its economic implication is that the low income earners find it comparatively difficult to obtain credit from Government micro finance institutions. This might be as a result of the high level of corruption and nepotism in the Nigerian economy. According to report by a local media in Nigeria (Channels Television), the notion of most Nigerians especially the poor, is that once you don't have anyone in a government owned microfinance institution, it is almost if not impossible for you to obtain loans and advances from these government owned microfinance institutions

iii. Finally, the result obtained from the test of research in question three in sub-section 4.2.3, led to our accepting the null hypothesis (H_0) and rejecting the alternative hypothesis (H_1). The economic implication of this is that the levels of awareness of Government micro credit institutions among the low income earners are really quite low. This shows that the federal government of Nigeria is not doing enough on the awareness of its microfinance programmes to the poor. This is evident in the Nigerian economy as most rural areas in the economy don't have enough effective microfinance institutions operating in those areas. When most poverty stricken persons want to apply for loans and advances from these microfinance institutions, they have to travel far distances to urban centers to apply for such loans and advances.

Conclusion and Recommendations

Micro finance as provided by the government has not adequately impacted on people's lives rather; the private lenders who are closer to the people have filed the gap of savings mobilization and credit delivery. The predominance of the Rotary Credit, Savings and Investment Unions (ROCSIUs) is an indication of the bank inability to give out credit to low income earners. Chief among the reasons for the failure of Government sponsored micro finance scheme is the model through which they are operated. The major operators are the Local Government Authorities, Government owned agencies like the People's Bank of Nigeria, etc. Even with the presence of Community Banks, people are yet to come to grips with their operations. They still consider these programmes as being far removed from them and not actually serving their purpose except the urpose of those who are politically connected to people in government. The level of awareness among the poverty stricken populace is low. In most case, those who know about these schemes are those just within the area where these institutions are located. The inadequacy of Government sponsored Micro Credit Schemes to ease the problem of accessibility of the poor to financial services has resulted in a sense apathy among the populace towards these programmes.

From the research results, the people's preferences tended towards privately operated micro finance services basically because of their proximity and lack of administrative hitches before loans can be obtained. In designing a model for micro credit, local participation should be encouraged. The benefit lies in the prospect of cost reduction. As Hoddinott (2002) puts it, this benefit is likely to occur where knowledge of local condition is especially important, where moral hazard or adverse selection concerns play a part, or where verification of actions is needed. Communities may also have ways of lowering costs that are not available to outsiders. A further benefit is that beneficiary participation offers the potential for the design and implementation of interviews that more closely reflect the preferences of the population that they are designed to serve. The point here is that since micro finance has a greater potential of alleviating poverty by promoting the economic activities of the poor, engendering employment of resources, raising their income levels, the right approach should be pursued. The Government should ensure that the targeted population is reached, there should be adequate sensitization, the model of operation should be divorced from all political interests whatsoever and the government should put the right machinery in place to ensure proper regulation/ control. Specifically, the following recommendations are important:

1) Focus of micro finance programmes in poor communities for it to be meaningful;

2) Having a comprehensive inventory of successful micro finance institutions so that priority can be given to those who have set the pace for the needed support.

3) A massive information / educational drive on the importance of micro finance in fighting widespread poverty should be launched in the country, for, as the saying goes, "knowledge is power". If the poor are to ever come out for their poverty, they need to be adequately informed and given the chance to demonstrate their risk taking/4) abilities and create wealth for themselves.

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