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Micro-Financing and Poverty Alleviation in Nigeria

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Abstract
This study examined the effects of micro finance activities on poverty alleviation in Nigeria from 2000-2023. The objective was to examine the effectiveness of micro finance functions in alleviating poverty. Annual time series data were sourced from Central Bank of Nigeria statistical bulletin. Multiple regression models were specifically estimated with the aid of Software Package for Social Sciences. The study modelled Nigerian poverty rate as the function of Microfinance credit as percentage of domestic credit, Microfinance deposits as percentage of total assets, Microfinance services proxy by micro insurance and Microfinance growth proxy by growth of number of microfinance banks in Nigeria. The correlation coefficient showed 96.5 percent which means the relationship between the dependent and the independent variable is strong of the variables to the dependent. The R^2 proved that 93.1 percent variation in poverty rate can be explained by variation in the microfinance functions. The F-statistics and sig. T shows that the model is significant. The estimated regression model shows that with the positive value of 48.130 as constant and regression intercept, the independent variables in the study positively affects the dependent variable at constant. However, the negative coefficient of -354, -1.141, -.1.049 and -.955 as β coefficient for microfinance credit, deposits, services and microfinance growth proved that increase in the variables will reduce poverty rate by 354, 1.14,1.04 and 955 percent over the periods of the study. The t-significant for microfinance credit is .076 which is greater than the critical value of 0.05, the study conclude that there is no significant relationship between micro credit and poverty alleviation. The t-significant for microfinance credit is.000 which is less than the critical value of 0.05, the study conclude that there is significant relationship between micro deposit and poverty alleviation. The t-significant for microfinance credit is.000 which is less than the critical value of 0.05, the study conclude that there is significant relationship between microfinance services and poverty alleviation. The t-significant for microfinance credit is. .065 Which is less than the critical value of 0.05, the study concludes that there is no significant relationship between microfinance growth and poverty alleviation in Nigeria. We recommend that the study recommended that the banks should provide diversified, affordable and dependable financial services to the active poor to enable them develop sustainable entrepreneurial activities and the need to create employment opportunities and increase the productivity of the poor in Nigeria, thereby increasing their individual household income and uplifting their standard of living.

Keywords: Micro-Financing, Poverty Alleviation, Nigeria

INTRODUCTION

Poverty is a pandemic that has attracted policymakers and researchers to postulate channels of poverty alleviation which need an immediate address so that the societies' living standards can be improved (Bent 2019). According to the World Bank, 71 million-plus people on the continent have already been pushed into extreme poverty by the outbreak of COVID 19. Millions more are teetering on the brink. Research has shown that poverty can only be destroyed if societies are equipped with the necessary resources to quick jump-start their income economic activities such as small-scale farming, small business, and sole trading (Khan et al. 2020). According to the World Bank, poverty is pronounced deprivation in wellbeing and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice and insufficient capacity and opportunity to better one's life.

According to the World Bank, if a person lives on $1.90 a day or less, they are living in extreme poverty. Currently, it is estimated that 767 million people in the world fall under that category (NBS, 2022). The poverty rate in rural areas is comparatively higher than that in urban. Poverty alleviation is the set of steps taken in an economic and humanitarian way to eradicate poverty in a country (Manzoor et al. 2019). Poverty alleviation, poverty reduction or poverty relief is a set of measures that raise and are intended to raise ways of enabling the poor to create wealth for themselves as a conduit of ending poverty forever (Zainal et al. 2019). Poverty reduction occurs primarily as a result of overall economic growth. Takaruva (2016) theoretically illustrated that poverty alleviation involves improving the living conditions of already poor people. Given the diversity of causes and effects linked to poverty and its alleviation, the current study wishes to test if the microfinance institution loans impact poverty reduction in Nigeria. Access to micro credit has long been identifies as one of the solution to the growing rate of poverty in the rural communities. This is because provision of funds in forms of credit and microcredit empowered the poor to engage in productive economic activities which can help boost their income levels thus alleviating poverty in the society. Financial services from the microfinance institutions also enable the poor and the low income earners to take advantage of economic opportunities build assets and reduce their vulnerability to external shocks that adversely affect their living standard Akanji (2002).

The practice of microfinance banks in Nigeria is culturally rooted and dates back to several countries Olabode (2009). Traditionally, microfinance institutions provide access to credits for the rural and urban low income earners Shekari (2011). The emergence of microfinance as an alternative financial delivery mechanism is a response to the failure of past efforts by governments and international agencies to effectively provide financial services to the poor Arizon – Ogwu (2008). Anyanwu (2004) noted that microfinance is the provision of financial services to low income earners which does not meet the requirement of the conventional financial institutions. The policy objective is to enhance financial service delivery to the rural communities by bridging the savings –investment create self-employment, reduce poverty and leverage the rural-urban migration Chuks (2007).

Poverty is a global issue; eradicating poverty is a major policy thrust of government and nongovernmental organization at all level. This is because of the economics and social consequences. Countries with fewer poor grow faster than those with large number of poor people Alani (2003). Many household in Nigeria's rural communities live below the poverty

line despite various government policies to eradicate poverty, this can be traced to the inefficiencies and ill spread of the microfinance and other financial innovation and Access LFIA (2010) 39.2 million representing 46.3%. Nigerian adult have no access to financial service of any type including the microfinance out of the 53.7% that have access, 36.3% have access to formal financial service while 17.4 used the informal sector Alani, John (2014).
The failure of the formal institutions in poverty reduction accounted for a shift in the thinking related to the development and led to the emergence of microfinance institutions (MFIs) (Abrar and Javaid 2016). Microfinance institutions are designed to provide small businesses and entrepreneurs' access to capital. That is, it is a platform that businesses and individuals in which they can use to source financing for their recapitalizing. Also, it can be a vehicle that can be tailor-made to suit poorly economically active people (Gassner et al. 2019).
The poor-income households who cannot access the financial services provided by commercial banks can have access to finances through MFIs. MFIs serve a pivotal role in the economies by availing small packages that suit every economically active person (Zainal et al. 2019). The provision of micro-credit to the poor, especially to youth and women in the rural, is essential in poverty reduction through empowerment. One of the most popular new technical tools for economic development and poverty reduction is microloans, made famous in 1976 by the Grameen Bank in Bangladesh. The idea is to loan small amounts of money to farmers or villages so these people can obtain the things they need to improve their economic rewards. Addae-Korankye (2020) explained that access to food and income generating projects could make poor people self-sufficient. Access to land and inputs could improve the food security of the people. Microfinance evolved from an informal saving beginning in the eighteenth and nineteenth centuries when the theorist Lysander wrote about the benefits of small credits to entrepreneurs and farmers to alleviate people out of poverty. Thereafter, microfinance has become an essential tool for poverty reduction in many parts of the world and is found among the institutions which provide different financial services to the poor who are out of the conventional banking system, particularly in developing countries (Bent 2019).

Pham and Huynh (2020) documented that the availability of credit aids enterprises in purchasing superior technologies, employing competent workers, and applying new production methods to expand their business activities. With Africa's ever-increasing youth population projected to double by 2050, the need for innovative and sustainable ways to support youth employment grows in importance. While the challenge is daunting, it has also inspired many of Africa's creative and diligent young people to take charge of their own futures, coming up with innovative solutions to keep themselves employed and actively engaged played and actively engaged.
Sustainable economic growth and poverty alleviation has been the policy thrust of past administrations. This led to the introduction of poverty alleviation programmes such as the microfinance banks, National Poverty Eradication Programme (NAPEP), Small and Medium Entrepreneur Development Agency of Nigeria (SMEDAN). There are 866 microfinance banks in Nigeria, but the network service is only 3.8% of the adult population, this represent 3.2 million percent of over 120 million. Of these 3.2% million, 15% used savings products, 14% used credit products and 4% used ATM card, Toby & Akani (2014). This revealed the inability of the institutions to achieve the stated objective of poverty eradication in the rural communities. Significant proportion of the microfinance banks operate in the urban cities and have nothing to do with the rural communities.

However, findings in the relationship between microfinance and poverty alleviation in rural communities of developing countries is characterized with inconclusive and controversial results. Some ended with an existing relationship Amadi (2010), Akintoye & Owojori (2009), Skeari (2011). The MFIs are focused on the poor societies related to the informal sector through credit provision. Globally, Microfinance institutions have a special mandate to provide small loans and other financial services, including savings and insurance, to the poor, traditionally deprived of other formal sources of credit with the aim of poverty alleviation (Tafamel, 2019). Usually, their financial services are provided to small enterprises and self-employed people of the low-income groups (Iqbal et al. 2015). Microfinance institutions are posting exponential profits and increasing rapidly in Nigeria, while poverty rates are still escalating. This raises questions about the role of microfinance lending facilities. Hence the current study wishes to find the causalities between MFIs loan growth and poverty reduction. The poverty level, in which the people of Zimbabwe live, especially the marginalised societies, is increasing despite the abundance of poverty alleviators, including the increase in Micro financing that should help to alleviate poverty. The practical significance of microfinance institutions in poverty reduction is still contentious. This contradicting evidence is the main reason for this study to determine the impact of microfinance institutions on poverty reduction.

Poverty has remained a constant feature of the Nigerian society and presents itself in different dimensions. Despite relatively high economic growth rate, relative poverty18 in Nigeria has increased over the last three decades (NBS, 2022). This has continuously been followed with several anti-poverty initiatives with the aim of providing inclusive systems to cater for the poor. Among these, there has been a long history of financial initiatives aimed at increasing access to finance for the poor in Nigeria. Early indigenous microfinance activities is said to date back to the 16th century in the form of indigenous thrift and credit groups. More recently, with the commercialization of microfinance as well as the introduction of the Nigerian microfinance policy framework which provides a platform for MFIs to operate profitably, there has been a rapid rise in the operations of modern MFIs. From an initial licensing19 of 8 MFBs by the CBN in 2023, the number of MFBs grew to 820 in 2023(CBN, 2022). This study focused on the effect of microfinance in poverty alleviation in Nigeria.

LITERATURE REVIEW

Microfinance Banks in Nigeria

The Government and CBN recognized micro finance as an important tool for poverty alleviation through empowering the micro and small entrepreneurs. The CBN wanted to see sustainable financial services available to those who do not have access to formal financial resources hence the creation and establishments of microfinance banks. Microfinance banks are important in achieving this objective and are being promoted to be commercially viable through an appropriate policy and regulatory framework. Nigeria currently has 820 microfinance banks until recently when 224 of them were found to be terminally distressed or insolvent which led to the revocation of their licenses. However, 121 out of the 224 microfinance banks, whose licenses were initially withdrawn, have been granted provisional licenses.

Microfinance bank is any company licensed by the Central Bank of Nigeria (CBN) to carry on business of providing microfinance services such as savings, loans, domestic funds transfer, and other financial services that are needed by the economically active poor, micro, small and

medium enterprises to conduct or expand their businesses as defined in the guideline for MFB in Nigeria (CBN Publication, 2009). Microfinance Banks basically perform financial intermediation, that is servicing or financing the deficit economic unit through the resources derived from the surplus economic unit and at reduced interest rate. But, unlike the commercial banks, they are expected to provide financial services such as credits and financial advisory to small businesses that ordinarily would not have access to such services due to their perceived characteristic risks level. However, poor corporate governance and public risks aversion due to their previous experience(s) with failed related microfinance banks had therefore made their management more complicated and demanding than that of the commercial bank.

Roles of Microfinance in Micro, Small and Medium Enterprises

Some Innovative Ideas

Microfinance has several major roles in micro, small and medium enterprises. Kimotho (2008) submitted that Microfinance was often considered one of the most effective and flexible strategies 40 in the fight against global poverty. It is sustainable and can be implemented on a massive scale necessary to respond to the urgent needs of the world's poorest people. Microfinance has also filled up certain gaps which the main stream banking has neglected in serving the people, particularly the poor. The nature of the gaps and examples of how such gaps have been filled by the microfinance institutions has been well documented.

Provision of Seed Money

Malama Umma, a housewife from Bauchi State, Nigeria, as reported by Kimotho (2006) took a first loan from the Development Exchange Centre (DEC) microfinance institution and used it to buy a spaghetti making machine. She used the profit she made to buy a sewing machine and within one year, she was able to repay the loan. This is an example of microfinance institution providing seed money for an individual to start a successful enterprise.

Business Training and Social Rehabilitation

As reported in Units Innovative Solutions to Global Poverty Publication (2005), Susan, aged 30, single, with two children lived in Nairobi, Kenya. She grew up in a poor area of Kenya and got married, but the husband left her when he learnt that Susan contacted HIV. She ended up in prostitution as she was not able to find work, and had to support the two children and herself. Later she learnt about Jamii Bora, a Nairobi based microfinance institution from her neighbour in the slum. The microfinance institution provided Susan with some form of business training skills and gave her a loan to start a clothes mending and sales business. hardly provide. This indeed is filling a huge gap in the financial and economic landscape of the nation and of humanity in general.

Literacy Campaigns

Agboli (2007) also detailed out the contributions of the Anambra Self Help Organization (ASHO). The NGO, apart from providing micro-credit services to its members, it also conducts literary campaigns within its community with emphasis on boys' school enrolment.

Microfinance Performance in Nigeria

Despite the proliferation of microfinance banks in Nigeria, 53.6 per cent of Nigerian's 150 Million populations are still living below poverty line as persons earning below one US dollar per day. Of these figures about 78% of them are living in rural areas while about 67% are women World Bank (2005). As at end of August, 2009, according to the Central Bank Governor, 903 microfinance banks had been licensed but with all the regulatory incentives, the policy objectives, goals and targets of the banks have not been realized banks to "weak internal control measures, poor risk management procedures, huge investment in non-earning fixed

assets before attaining the minimum scale efficiency and level required to break even and wrong classification of items. Other challenges are non-performing inside credit, lack of innovation and creativity in microfinance product design and pricing. Though the banks were well capitalized above the prescribed minimum N20 million levels, the asset quality was generally poor, just as their corporate governance was also weak. Central Bank report (2008) showed that the total assets and liabilities of all the MFBs increased by 62.4 per cent to 122.8 billion in 2008. Their paid up capital increased by 152.7 per cent to N28.8 billion while their shareholders fund increased by 69.7 per cent to 37 billion. Activities of the microfinance banks in 2008 were characterized by short-term sources and application of funds CBN Report (2008). Other statistics reported by the Central Bank (2008) are that:
(i) Total assets of the MFBs is about N77.87 billion and Olufemi Fabanwo – Deputy Director CBN (2009). Fabanwo attributed the challenges of the (ii) Total liabilities amounted to N39.57 billion, while applauding the impact of about 900 MFBs on the economy as at March, 2009, Soludo in an interview shortly before he left office as the CBN Governor said "The impact on the rural economy, poverty reduction on the people is quite tremendous, we must mainstream microfinance in all the states and local governments in the country."

Past Micro-Credit Programmes in Nigeria

The presence of poverty in Nigeria necessitates an improvement in the life of the people to enhance their welfare, especially the poor (estimated to be about 40% of the country's population). Attempts have been made since the 1970s by various ruling governments to improve the welfare of the populace but these have shown little success as a large percentage of people still live below the poverty line. The government has put in place some form of micro-credit that can spur socio-economic growth through income generating activities of the poor Arizona- Ogwu (2008). The country has the Rural Banking Programme, Sectoral Allocation of Credits, the Agricultural Credit Guarantee Scheme, the Nigerian Agricultural and Co-operative Bank (NACB), National Directorate of Employment (NDE), Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria, Community Banks, the Family Economic Advancement Programme and the National Poverty Eradication Programme (NAPEP) (CBN, 2005).

However, the successes of these programmes have been minimal Anyanwu (2004), Arizona-Ogwu (2008), Mohammed and Hasan (2008), Iganiga (2008). These initiatives have largely failed not because the people refuse to use them but because of the inability on the part of government and operators of such programs to meet the demands of the people Anyanwu (2004) Iheduru (2002). Sometimes government appointments to the boards of directors of the aforementioned programmes are politically motivated when such services demand qualified personnel. The consequence of such appointment is that the credit scheme would be run inefficiently and decisions may not reflect the goals of the scheme but inspired by political interest. Similarly, those in power have influenced the process by granting credits to those who did not qualify for credit facilities, thereby giving them undue advantage. For instance, the use of quota system which was to redress inequality in distribution of national resources but misapplied lowering the criteria for some northern geopolitical zone and increasing it for the southern zone. There are instances where the location of such programs is politicized. For example, the Peoples Bank, had 279 branches in 2001 with 71 mobile Banks, but some of these branches were established purely for political reasons and not because they were viable in the localities. The economic factors for localization of business enterprise are ignored for political factor that eventually made such ventures a dead weight to the government. Though it is a

government sponsored microcredit institution, its usefulness has been short-lived because of frequent changes in the board of the bank. There is a history of poor loan recovery rate with government sponsored credit schemes in the past because borrowers assumed that such money was a way of distribution of national revenue and it would be written off with time as nobody was prosecuted for failing to repay his/her loan. The overhead cost was in excess of earning from the schemes necessitating government bailout Iheduru (2002), Arizona-Ogwu (2008).

Present State of Microfinance in Nigeria

According to Gaul, 2011, the number of MFIs in the south is more than those in Northern part of the country. The number of microfinance institutions in Lagos (24.8%) of the total MFIs in the country. The population in Kano state is higher than that of Lagos state (181 MFIs) but Kano has only 6 MFIs. Abuja having the least population has (48) the third highest number of MFIs coming behind Anambra state with 68. The implication of this is that population density has nothing to do with the number of MFIs but revealed the extent of unbanked population Kolawole (2006). The North West has the highest percentage (68%) of unbanked people, followed by North East (60%), South East (48%) and South West the least 45%.The reasons for the higher rate of unbanked people in the Northern zone is partly due to cultural, educational and reluctance to change from Islamic mode of living to modern ways in which there is no gender discrimination in access to socio – economic and political resources.

The banked are more in the southern zone where the number of the literate higher and there is less stress on religious discrimination based on gender or acceptance of modern ways of life. There is likelihood of strong correlation between literacy rate and access to finance as could be observed that the states with the least literacy rate area also with the least access to finance. For instance, Lagos state with 95% literacy rate, 97%, 7.7% of mobile phone and internet users respectively have above 180 MFIs as compare to Katsina state having MFIs,29.6%, 36.0% and 1.5% literacy rate, mobile phone and internet users respectively. Therefore, microfinance operators and clients are concentrated in the southern zone of the country.

The emergence of micro credit in Nigeria cannot be pinned down to a particular date as people have some form of credit system rooted in their culture. There is the informal self-help group or rotating savings and credit associations (ROSCAs). Among the people in the South West there is Esusu, the Hausas in the Northern part of the country have Adashi and the Igbos in the Eastern part have the Etoto Gujarati (2009); NBS, 2005; CBN, 2000; Etoto Gujarati (2009). The scope of the informal credit system has not been ascertained in the country. An informal credit system has thrived in the country because the formal banking system is beyond the reach of many who therefore patronize informal financial institutions (from south south -27%, south west - 20%, south east – 24%, north east -23%, north west 21%, north central- 30%). The informal credit system that has been with the people could not be properly developed to formal institutions as the Northern part data shows the low readiness for modernization. Though some people are advocating for microfinance that follows the tenets of Islam as that will give more room for its penetration in the zone where the religion is dominant Marr (2002).

In order to streamline the activities of the informal financial sector the government initiated several programs and incentives to inject funds into rural areas. Formal credit systems began for the poor with the inauguration of the Nigeria Agricultural Cooperative Bank (NACB) in 1973, and the Agricultural Credit Guarantee Scheme (ACGS) in 1977. Others include the Rural

Banking Programme, the National Directorate of Employment (NDE), the Peoples Bank of Nigeria (PBN), the Community Banks (CBs), the Family Economic Advancement Programme (FEAP) and the National Poverty Eradication Programme (NAPEP), CBN (2005). The ACGS was under the apex bank and the conventional banks were outlets for its loans to farmers. Marr (2002) said the involvement of the formal banks and microfinance institution has not dramatically change its low impact on the economy. The NACB (now NACRDB -Nigeria Agricultural cooperative and Rural Development Bank) was established to provide credit to farmers, cooperative societies and other rural entrepreneurs. They said further that as at 2004, 11 out of 25 universal banks in the country are already participating in this scheme, while 669 eligible micro credit institutions have joined the scheme.

The share of commercial banks loans to agricultural sector was below 10% 1998 to 2007, which indicates the substantial participation of institutions have not change the loans pattern to favour the farmers or the poor. The notable vulnerability of the rural sector of the economy to adverse economic situations led to the setting up of the Nigerian Agricultural Insurance Corporation in 1993 but not much change in response to such safety valve provided. Literature on the role of microfinance institutions (MFIs) in the reduction of poverty abounds - including both theoretical and empirical studies. However, in Nigeria the actual poverty reduction impact of these institutions has not been examined, and studies have only documented the number of people reached CBN (2000), USAID (2007). The objectives of the CBN's policy on microfinance, formulated in 2005 are to: Make financial services accessible to a large segment of the potentially productive Nigerian population who otherwise would have little or no access to financial services; promote mainstreaming of the informal sub-sector into the national financial system; Enhance service delivery by microfinance institutions to micro, small and medium entrepreneurs.
Contribute to rural transformation; and Promote linkage programmes between universal/development banks, specialized institutions and microfinance banks. Findings have shown that the number of MFIs does not correspond to population. If MFIs' mission is outreach, one would expect that more MFIs should be in Kano with the highest population. Lagos state with second highest population has the highest number of MFIs as well as internet, mobile users and literacy rate. Therefore, the access to finance is beyond ordinary number of people but also who they are- educated, internet and mobile phone users with willingness to borrow. Both demand and supply forces are responsible for the low rate of microfinance banks in the Northern areas of the country. The operators are mindful of the demand expectation from the zone, hence the minimal number of institutions operating compare to the southern area. The type of financial credit needed in the zone is such that meet their socio- cultural and political orientation. Majority of the people in the area would prefer microfinance that operates on Islamic tenets Ogunrinde (2009).

Increased Savings and Empowerment for Poverty Reduction

Ahmed, Naveed and Ghafor (2004) asserted that community micro lending operations contribute significantly to empowerment for poverty reduction:
1) It empowers the rural women to establish their own rights.
2) Improves the living standard of the rural people through additional income
3) It makes easy access to institutional credit facilities and resources
4) Mobilizing rural savings Akerele (2000) stressed that micro lending significantly moderates poverty. It is the practice of providing financial services such as micro-credit, micro-saving

and micro-insurance to poor people. Akerele stated that through the work of micro-financial institutions such individuals are able to access credit, accumulate usably large sums of money, invest in their entrepreneurial vision, work towards financial stability and build a better future for the entire community. This expands their choices and reduces the risk they face. Bayes (2005) commented that micro-lending is recognized worldwide as a powerful economic development enabler and an important tool in alleviating rural poverty. It increases the average savings for households.

In a study carried out by Ndubi (2008) a micro lending scheme and women empowerment in rural communities of Enugu North Senatorial District, he found out that a significant association exists between micro lending scheme and empowerment.

Ndubi's findings indicated that micro credit has implications for women's economic and social empowerment which in turn has implications for the overall empowerment and improvement in their children's wellbeing. This finding supported Chuk's (2007) study of rural communities in Nemte, Bayelsa state that micro lending improves savings, strengthens human capital by bringing about investment in health. Existing literature indicates a correlation between micro lending and empowerment for poverty alleviation through enhancement of financial capital. Develtere, Pollet and Wunyama (2007) in their study found out that micro lending operation increases asset holding and is a significant determinant of total household expenditure.

Birchall (2004), Birchall (2003) and Kabeer (1998) discovered that micro lending operation leads to increased physical mobility, ownership of productive assets, increased involvement in community decision making and self-worth. Amadi (2010) reported from his study that micro lending operation increases household income, changes or improves diet patterns, improves status of rural dwellers and participation in public life. The World Summit for Social Development, held in Copenhagen in 1995 underlined the importance of improving access to credit for small rural or urban producers, landless farmers and help to build on existing networks, expand financial networks, promote attractive opportunities for savings and ensure equitable access to credit at the local level.

Opportunity for Self-Employment and Empowerment for Poverty Reduction

Micro-lending for sustainable livelihood has been able to facilitate vocational and skills training, it has been able to create opportunities for self-employment, improve the income of people among whom women constitute the majority Chuks (2007). Micro-lending has enhanced empowerment for poverty reduction. According to Olabode and Ebegbede (2009) participants in the micro lending programmes have gained greater control over the sources of power, especially by disadvantaged groups and communities. People have received opportunity for self-employment.

Akpabio (2005) stated that micro-lending as operated in rural areas have resulted to the sprouting of small scale enterprises because of accessibility to financial resource. This provides opportunities for the talented, enterprising individuals of limited financial means to participate actively in the development of the rural economy. The development of small and medium enterprises through micro-lending has helped to reduce rural poverty Schwetman (2009). This has significantly empowered the rural dwellers to take part in efforts to improve their socio economic life. According to Ndubi (2022) micro lending scheme promotes self-employment through the development of small scale enterprises in rural communities. Such enterprises act also as major source of capital formation via the mobilization and productive channeling of private savings.

Ndubi (2022) argued that small scale enterprises absorbs a still rapidly growing labour supply in rural areas thus micro lending is an economic strategy for self-employment. Availability of opportunities for self-employment through micro lending has positively affected the lives of the rural dwellers. According to Makombe, Temba and Kihomb (2001) reported that micro lending has facilitated the development of small businesses. It has enhanced the emergence and consolidation of new entrants to businesses.

Promotion of local cooperative society and empowerment for poverty reduction

Ihejiamaizu (2012) asserted that to tackle the increasing problems of rural neglect, poverty and deprivation, rural people are resorting to micro lending operations to alleviate their poverty: The formation and management of cooperative societies is one of such responses. Micro lending through cooperative societies is very important in addressing the problem of persistent rural poverty in Nigeria. Ere (2001) stated that modern cooperative associations contribute to rural poverty eradication through its micro lending activities. Ere argued that local cooperative societies could be regarded as voluntary organizations of persons with a common interest, formed and operated along democratic lines for the purpose of supplying service at minimum cost to its members who contribute both capital and business. Ere stressed that the promotion of local cooperative societies and empowerment for poverty reduction in rural areas.

Girigiri (2002) reported that a signification association exists between promotion of local cooperative societies and empowerment for poverty reduction in rural areas. Cooperatives help members out of their economic predicaments. Ihejiamaizu (2002) observed that many communities have provided basic social amenities through credit facilities issued to members. Chaven, Pallavi and Kumar (2002) argued that rural cooperatives enhance rural poverty reduction by making capital available to rural dwellers. These have become widespread owing to the substantial capital needs of most cooperatives. Okaba (2005) commented that local cooperative societies have tremendously assisted the rural dwellers empowerment for poverty reduction as indicated by improved living standard of rural dwellers. Okaba stated that cooperatives in recent times have become one of the most efficient vehicles for the effective mobilization of rural productive resources and accelerated rural transformation. The empirical contributions of micro lending through local cooperatives to rural poverty eradication have been documented in the literature. Ndubi (2022) reported from his study that micro lending through local cooperative societies help in employment creation and income generation thereby promoting accessibility to financial capital.

Ndubi (2022) found out that local cooperatives create employment opportunities for rural dwellers. Lukpata (2009) found out that local cooperatives offer self- employment to members whose participation in the economic that they make possible substantially guarantees their empowerment for poverty reduction through the possibility of a decent income. Wanyama, Develfere and Pollet (2008) argued that by promoting financial capital cooperatives reduce rural poverty. By creating employment opportunities, generating income and facilitating financial flow for the members and non- members Local cooperatives through their measure of micro-lending make available to the individual and household financial resources that are utilized to participate in activities through which a living is earned.

Efforts at Micro-Credit Delivery to the Poor:

Nigerian Government efforts and problems To enhance the flow of credit and financial services to the informal sectors, successive governments, initiated services of public financial micro/rural credit programmes and policies targeted at the poor. Examples of these among

other were: the rural banking programme, sectoral allocation of credit, concessionary interest rates, the Agricultural Credit Guarantee Scheme (ACGS) and various schemes for non-oil and export tree crops. Andu and Achegbulu (2011) observed that several efforts were made in the past by various past administrations in Nigeria to eradicate and alleviate the poverty level of the majority of rural dwellers. Indeed, poverty alleviation has spawn a broad array of initiatives including Operation Feed the Nation (OFN), Green Revolution, Directorate of Foods, Roads and Rural Infrastructural (DFRRI), National Directorate of Employment (NDE), Peoples Bank of Nigeria (PBN), Better Life programme, Family Support programme and a host of others. However, it is sad to note that all these laudable efforts of the government towards micro-credit delivery to the poor have not yielded the expected result. The problems associated with this among other include: poor capitalization, restrictive regulatory and supervisory procedures, undue government interferences and mismanagement of these programmes and institutions. Akanji (2001) observed that most of the efforts at purveying micro credit to alleviate poverty were largely irrelevant, urban structured from the standpoint of the realities of (who is the poor) understanding the poor.

The programmes in terms of resource endowment were dominated by government who gave paternalistic in trickles. The way the programs had functioned over the years was such that credit system was essentially directed at meeting the needs of elites whereas the program is largely for small peasant poor group.

i. Lack of targeting mechanism for the poor and the fact that most of the programmes do not focus directly on the poor.
ii. (ii) Inadequate coordination of the various programmes has resulted in each institution carrying out its own activities with resultant duplication of effort and inefficient use of limited resources. Overlapping functions ultimately led to institutional rivalry and conflicts.
iii. (iii) Lack of accountability and transparency thereby making the programmes to serve as conduct pipes for draining national resources.
iv. (iv) Absence of agreed poverty reduction agenda that can be used by all concerned Federal Government, State Governments, Local Governments, NGOS, and the International Donor Community.

Relevance of Microfinance in Reducing Poverty

Considering the various activities of the microfinance institutions, they are relevant in poverty reduction in the following ways:

(i) Provision of credit and financial services to the poor, low income group and MSMES especially those located in the rural areas by the MFIs enhances accessibility funding thereby reducing unemployment, increase their income, build viable business and reduce their vulnerability to external shocks.

ii) Yunus (2003) advocates that microfinance is a human right. One this right is established, the entitlement to other rights for leading a dignified life becomes easier. It empowers to break the vicious cycle of poverty by instantaneously creating and generating income.

(iii) Microfinance has proved to be a powerful instrument for poverty reduction that enables the poor to build assets, increase incomes and reduce their vulnerability to economic stress. But if it is combined with others, it is definitely more empowering (Appah,2012). (iv) According to Littlefield, Murduch and Hashemi (2003) various studies on microfinance

and poverty reduction have recorded increases in income and assets, and decreases in vulnerability of microfinance clients.

(v) Microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergences (Maj oux, 2001).

(vi) Microfinance organizations can alleviate liquidity constraints, stabilize consumption, and enhance both income and consumption for the poor, thereby, augmenting the poor's welfare (Khandker, 2003).

(vii) Kurmanalieva, Montgomery and Weiss (2003) argued that if access to microfinance can be approved, the poor can finance productive activities that will allow income growth, provided there are no other binding constraints. This is a route out for poverty for the non-destutute chronic poor.

(viii) The result of empirical evidence indicates that the poorest can benefit from microfinance from both an economic and socio 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).

(ix) In an updated study using panel data in Bangladesh, Khandker (2005), found out that each additional 100 taka of credit women increase total annual household expenditures by more than 20 taka. These studies showed over whelming benefit of increase in income and reduction of vulnerability.

(x) With good management MFIs is capable of building permanent local financial institutions which will be adequately integrated into the main stream of the national financial system and provide the necessary stimulus for growth and development.

(xi) UNDP (2001) identified microfinance as a major effective tool in alleviating poverty. It empowers the financially disadvantaged ones.

(xii) According to Morduch and Littlefield (2003) and Alegiemo and Attah (2005), microfinance is the financial empowerment of economically active poor through the provision of micro credit as well as other productive asset; it enhances the latent capacity of the poor for entrepreneurship, enabling them engage in economic activities, be self-reliant and also enhancing the household income as well as creating wealth.

(xiii) Iyanga (2007) in Osuala (2009) stressed that 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.

Poverty Alleviation

Poverty is defined as lack of command over basic consumption needs, that is, a situation of inadequate level of consumption; giving rise to insufficient food, clothing and shelter (Ravillion & Bodani, 1994; Lucky & Achebelema, 2018).The phenomenon of poverty may also be defined as lack of certain capabilities, such as being able to participate with dignity in societal endeavors (Aluko, 1975). Poverty is as old and as rife in humankind. A majority of the human race has always suffered intermittent.

Poverty has remained a recurring factor in the Nigerian society. A look into the history of poverty in Nigeria suggests that the country might have experienced better days with lower poverty rates in the past. Particularly with gaining her independence in 1960 and the crude oil boom in the 1970s, this era up until 1980 is said to have been categorized as years of plenty with relatively low poverty rates of less than per cent of the population. However, with a

growing dependence on crude oil revenue in the 1970s, the sudden decline in oil prices in 1982 led to a major collapse of the economy. The neglect of the manufacturing and agricultural industry created high levels of unemployment. By 1989, the World Bank ranked Nigeria as a low income country and poor enough to be eligible for concessional aid from the international development association (IDA) (NBS, 2012).

Although the country has made some progress over the years and is now ranked as a lower-middle income country with relatively high growth rates, poverty rates remain high at over 60 percent (NBS, 2023). The coexistence of abundance of natural resources with high poverty rates, often experienced in some developing countries depicts a situation of 'poverty in the midst of plenty'. Particularly, economists refer to the situation where the abundance of resources fuels or breeds corruption among government officials as a 'resource curse'. This is the case in Nigeria where the World Bank estimates that 80 percent of oil revenues accrue to just 1 percent of the population, due to corruption (Obadan, 2003). Hunger what is not old is the fact that people all over the world are beginning to demand a betterment of their economic lot. It is this revolution in expectations‟ that is creating such ferment in the underdeveloped world. And these new attitudes are a political force that cannot be ignored (Enke, 2007).

Microfinance and Poverty Alleviation

There is a debate about whether impact assessment of microfinance projects is necessary or not. The argument is if the market gives sufficient proxies for impact, such that customers are pleased to pay for a service, then assessments are a waste of resources. However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFIs. Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning with MFIs so that they can improve their services and the impact of their projects (Mayoux and Simanowitz, 2001; Lucky, 2018).

Poverty is beyond a lack of income. Wright and Rowe (1999) drew attention to the shortcomings of seeing increased income as the sole measure of the effect of microfinance on poverty. He argues that a significant difference exist between increased income and poverty alleviation. He argues further that by growing the incomes of the poor, microfinance institutions are not necessarily alleviating poverty. It is all a function of what these low-income people do with the money: often it is spent on gambling or on alcohol. Thus focusing merely on growing incomes is not adequate. The focus needs to be on helping the poor to have a particular quantum of well-being (Wright and Rowe, 1999) by offering them a variety of financial services tailored to their needs so that their net worth and income security can be improved. Dichter (1999) states that microfinance is a tool for poverty reduction and while arguing that the record of MFIs in microfinance is "generally well below expectation" he does concede that some positive impact do take place. After a study of a number of microfinance institutions, the findings show that redistribution of wealth and consumption smoothing effects within the household are the commonest impacts of microfinance.

The Vicious Cycle of Poverty

The vicious cycle of poverty states that the poor man is poor because he is poor or a country is underdeveloped because it is underdeveloped. The vicious cycle of poverty is a kind of curse which is feared by individuals and countries because it is said that an individual/country is poor because it is poor. The theory states that there are circular relationships known as the "vicious cycle of poverty" that tend to perpetuate the low level of development in less developed countries (LDCs). The trajectory is that poverty is caused by low income. Low income

engenders low savings and this in turn leads to low investment. The latter provokes low productivity and the cycle continues. According to Jhingan (2003), the basic vicious cycle stems from the facts that in LDCs total productivity is low due to deficiency of capital, market perfections, economic backwardness and underdevelopment. Jhingan (2004) stressed that vicious cycle operates both on the demand side and supply side. On the demand side of the vicious cycle, the low level of real income leads to a low level of demand which in turn leads to a low rate of investment and hence back to deficiency of capital, low productivity and low income. On the supply side, low productivity is reflected in low real income. The low level of savings leads to low investment and to deficiency of capital. The deficiency of capital in turn leads to a low level of productivity and back to a low income. Accordingly, this theory views poverty as being self-perpetuating.

Power Theory of Poverty

The power theory of poverty is similar to the Maxists theory of poverty. This theory sees power in terms of who controls what and how in the political and economic structures of the system. In this context, the structure of political and economic power in the society is the determinant of the extent of poverty among the populace. This is basically the Maxian theory of historical materialism. According to this theory, the system of poverty determines the basic division of the society into two classes: they have and the have-nots (the property owners and the non-property owners). This view constitutes the fundamental nature of government, religion and culture in any given society.

This theory further stated that the society has been dominated by the ruling class owners of properties who exploit the non-property owners, made possible by their ownership of the means of production. According to the proponents of this theory, the individual's position in the society depends on whether he owns the means of production or work for someone else. They held religion responsible for sustaining this power structure between the rich and the poor by denying the poor of any initiative to fight to improve their condition which prevails and subject them to poverty Nyong (1995). Thus, an effective poverty reduction programme should have exploitative property that could be addressed and dislodged.

Financial Intermediation Theory

Financial intermediation theory was developed by Gurley and Shaw (1960) and it argues that financial intermediaries exist so as to mobilize savings and deposits that are loaned out to those people in need. The theory raises a number of issues that explain the existence of financial intermediaries; these include high transaction costs and availability of inadequate information (Cai, 2018). Financial intermediaries play a key role in the economy through reduction of the costs that customers incur as they channel funds (Molnár, 2018). The key contribution of the intermediaries is their ability to facilitate steady flow of funds from units with deficit to those having surplus (Okello, Munene, Mpeera and Akol 2018).

The key role of the financial intermediary is the creation of specialized financial instruments and commodities (Drissi & Angade, 2019). They are the imperfections in the market that results into existence of financial intermediaries in a financial system (Ratnawati, 2020). In markets that are highly perfect characterized by in absence of transaction and information costs, financial intermediaries would be nonexistent (Havrylchyk & Verdier, 2018). There is high pronouncement of information asymmetry in financial markets. At the same time, there exists asymmetry of information between lenders and the borrowers. Those lending funds may not have accurate information on collaterals and integrity of the borrowers (Greenbaum, Thakor & Boot, 2019). Thus, the moral hazards in financial markets act as hindrances towards effective

and proper transfer and sharing of information between the people participating in financial markets which would in turn affect the financing of suitable projects (Boot, Hoffmann, Laeven & Ratnovski, 2020).

Microfinance Theory

Fisher and Maitreesh(2010) were the early theorists who formulated the first wave of microfinance theory which is basically based on joint liability. By joint liability, if a member of the group defaults in the repayment of the loan, the group members are contractually required to repay in her stead. Such repayment can be enforced through the threat of common punishment, typically of the denial of future credit to all the members of the group. Ghatak andGuinnane (1999) cited in Adewusi (2015), reviewed the critical mechanisms proposed by the various theories which joint liabilities could improve repayment rates and the welfare of the creditconstrained borrowers. They all have the perception that joint liability can help alleviate the major problems facing lenders, among which are screening, monitoring, auditing and enforcement by utilizing the local information and social capital that exist among borrowers. Joint liability can do better than conventional banks for two reasons:

i. Members of a close-knit community have more information about one another than an outsider.
ii. A bank has limited scope for financial sanctions against the poor people who default on a loan since, by definition, they are poor.

However, their neighbour may be able to impose powerful non-financial sanctions at a low cost. Other microfinance theories have gone off in other directions aside from the joint liability among which are: frequent repayments and sequential lending. Infrequent repayment approach, borrowers are allowed to repay their loans in regular instalments beginning soon after the loan is given out. This aspect of the repayment schedule is usually explained as inducing fiscal discipline among borrowers. Jain and Manuri (2003) also cited in Adeusi (2015) argue that an alternative rationale for this loan repayment structure lies in difficulty in monitoring borrower's action.

The potential for moral hazard leads microfinance institution to use innovative mechanisms such as regular scheduled repayment which indirectly co-opt the better informed informal lenders. Conversely, this instalment repayment structure allows informal lenders to survive. Another mechanism of microfinance is the sequential lending; loans are not given out to all borrowers simultaneously until a particular borrower repays them before it can be extended to another. This creates an additional stake for the member who comes in later to monitor the previous one.

Empirical Review

Wike, Kpekpe and Amadi (2024) examined the effect of microfinance credit on poverty alleviation in Nigeria. The objective was to ascertain the extent to which micro financing have affected the rate of poverty in Nigeria. Poverty rate was proxy by absolute poverty rate and is used as dependent variable while microfinance loans to agricultural sector, manufacturing sector, real estate, transport and communication and other sectors not classified above was used as predictor variables. The study adopted the ordinary least square method of data analysis using econometrics view. Cointegration test, Granger causality test, unit root test and vector error correction estimate were used to determine the dynamic relationship between micro financing and poverty rate in Nigeria. It was found that microfinance loans to agricultural sector, manufacturing sector and real estate reduced poverty rate in Nigeria while increase in microfinance loans to transport and communication and other sectors will increase poverty rate

in Nigeria. Findings also proved that the variables are stationary at first difference and a presence of long run relationship between the dependent and the independent variables. The Granger causality test detected a univariate relationship between poverty rate to microfinance loans to transport and communication and from microfinance loans to other sectors to poverty rate. They concluded weak relationship between micro financing and poverty rate in Nigeria.

Obadire (2022) critically evaluate the impact of microfinance banks as a strategy for poverty alleviation in Nigeria. The Standard of living of the respondents was examined and the extents to which microloans are available to develop small and medium enterprises were also evaluated. Evaluation of the strategies was carried out through direct administration of questionnaires on the microfinance banks' customers. Primary data were analysed using Chi-square Test, Pearson correlation and Analysis of Variance (ANOVA) test. The results revealed that the relationship between the standard of living of the respondents and the impact of microfinance banks on their household was positive and significant with $p < 0.05$ and $r = 0.212$, the result also revealed that the poor have good access to credit facilities from microfinance bank for the development of micro-enterprises as the t-statistic test showed a value of 16.383 with $p < 0.05$. Given the result of the evaluation of the impact, a conclusion was drawn that microfinance banks have the potential to alleviate poverty especially by improving the standard of living of the poor and making available microloans for micro-enterprise. Hence, a persistent increase in microfinance credit led to a drastic reduction in poverty in Nigeria.

Onyebinama and Onyebinama (2010) investigated the activities of Microfinance banks as a veritable tool for reducing poverty and unemployment in developing economies. He made use of both theoretical and empirical literature review. He identified the needs for the establishment of Microfinance Banks, microfinance policies and goals, policy strategies, frameworks for the supervision of microfinance banks and the challenges of MFBs in Nigeria. From the findings, the study recommended that the banks should provide diversified, affordable and dependable financial services to the active poor to enable them develop sustainable entrepreneurial activities. He further suggested the need to create employment opportunities and increase the productivity of the poor in Nigeria, thereby increasing their individual household income and uplifting their standard of living.

Oyedele, Ogunlade and Adeleke (2018) investigated the flow of microcredits and its accessibility to customers especially women entrepreneurs in Kwara State, Nigeria. The study established that majority of financial products/services, such as local purchase order, assets financing, hire purchase, emergency loan and cheque discounting, that were made available to customers were not accessible by women entrepreneurs in Kwara State. Descriptive cross-sectional research design was employed to collect data by means of structured questionnaire from total number of forty (40) microfinance managers and forty (65) registered women entrepreneurs through purposive technique as a sample size for the study. Data were analyzed using descriptive statistics. Results revealed that majority of financial products/services, such as local purchase order, assets financing, hire purchase, emergency loan and cheque discounting, that were made available to customers were not accessible by women entrepreneurs in Kwara State. Results also revealed that diversion of loan, delay in loan repayment, patriarchal culture and lack of business plan were most challenging issues faced by microfinance institutions in financing women entrepreneurs, while interest rate charged by MFBs, conditions of loans, frauds and forgeries, payback period, regulatory and supervisory loopholes and non-\availability of microfinance banks in rural areas of Kwara State were major obstacles preventing women entrepreneurs from being financially inclusive. The study

therefore recommended that Central Bank of Nigeria should recapitalized microfinance banks and encourages them to relax the conditions of loans, reduce interest rate, to bring MFBs to closer to the people and to sensitize more women about its products / services.

Rich (2018) examined the socioeconomic impact of the largest microfinance institution, from the perspective of the borrower, in a rural community in Puerto Princesa City, Palawan, Philippines. Thirty members from the center for agriculture and rural development were interviewed to better understand their motivation to join a microfinance institution, and the spending and savings habits after receiving micro-credit loans. The paper examined the most common reasons for participating: life insurance; a savings account; education; and, the cycle of perpetual debt. It also examines the most successful borrowers, the more common types of businesses members engage in, and why some women borrow money for their husbands. Although a few members have achieved financial success through micro-credit loans to grow their business, most members interpret these loans as another opportunity to borrow to makes ends meet and for consumption smoothing.

Chiazor, Jegede, Ozoya, and Adebayo (2018) assessed the impact made by Covenant Microfinance Bank on Small Scale Businesses in Ota and its environs since inception. Survey method was employed in this study. Copies of questionnaire were administered to respondents systematically selected from the list of CMFB loan beneficiaries. CMFB Microcredit beneficiaries were selected for the purpose of this study. A total of 160 of the respondents returned their questionnaire. The data collected which were essentially descriptive in nature, were coded, and processed into percentages and frequency tables. Findings from this study show that majority of the respondents have been empowered and lifted from poverty, as they were able to utilize the microcredit, they obtained from the Bank in expanding their businesses and thus, establishing the fact that micro-financing is a powerful tool for poverty alleviation. It is the view of the researchers that further studies be undertaken to assess CMFB impact on other categories of the bank's customers not covered by this study.

Murad and Idewele (2017) examined the impact of microfinance institution on economic growth in Nigeria. The study employs the multiple regression analysis given that the data are cross-sectional and time series in nature. Secondary data of all commercial banks were extracted from the Central Bank of Nigeria statistical Bulletin and Annual Reports. Data used in this model are time series secondary data for the period 1992 to 2012.The findings of the study show that microfinance loans have a significant positive impact on the short run economic performance in Nigeria. Microfinance loans enhanced consumption per capita in short runs with an impressive coefficient, although these bank loans do not have a significant impact on economic growth in the long run. Microfinance investment however, has a significant impact on economic performance in Nigeria in the long run. Although micro finance loans are relevant in growth process in Nigeria, other measures such as boosting agricultural production and taking appropriate steps to enhance per capita income are equally important in boosting the Nigerian economic growth. We recommend that, microfinance institutions should loan to improve consumption in the short run, while the long run goal should be to improve investment and other capital accumulation.

Doçi (2017) analyzed empirically the relationship between the gross portfolio of MFIs and macroeconomic factors in Albania over a period of 1999 to 2014. Specifically, the study analyzed whether a country with high level of credit portfolio provided by micro financial institutions has low poverty and macroeconomic factors taken into analysis, considering the endogeneity of the gross portfolio of Micro Financial Institutions. The study employs the

Autoregressive Distributive Lag Model. The empirical evaluation and analysis is carried out through econometric evaluation using the E-Views program. The study observes that the supposed model is an important model and macroeconomic factors have an impact on gross loan portfolio's performance.

Ekpete and Iwedi (2017) examined financial intermediation functions of microfinance banks in Nigeria from 1992-2014, econometrically it measures the relationship between the total funds mobilized by MFBS and the allocation of funds to deficits sectors of the economy. In analyzing the data, the researchers applied the Vector Autoregressive and Multivariate Econometrics tools. The result of the analysis of the correlation showed a clear indication of a weak relationship between the ratio of loans and advances to GDP, ratio of total fund mobilized to GDP, as against the negative nexus between the ratios of total investments to GDP. Furthermore, the result shows no evidence of long run equilibrium relationship between the variables under study. The causality test reveals the presence of a unidirectional causality running from RGDP to microfinance bank intermediation variables. Finally, the study recommends that there need to deepen the capacity building strides of NDIC by include both staff and directors of microfinance banks to help bridge the skills gap, the government should provide the infrastructure needed such as power and telecommunications to boost financial inclusion, because technology drives financial innovation, multilateral and bilateral funds be sourced to support the development of microfinance sector, the regulation of microfinance banks in Nigeria be strengthened.
Zaidi (2017) explored the impact of Akhuwat Foundation's microfinance on socio-economic conditions of the borrowers. This research has a sample size of 105 borrowers from 13 branches out of 29 branches of Akhuwat Foundation in Lahore. Cross-sectional study with two groups of borrowers, with a sample size of 60 for old borrowers and 45 for new borrowers is been used in this research. Based on primary data collected from old and new borrowers, the study analyzes the impact of microfinance on wellbeing of the borrowers' households in terms of their housing conditions, food security, children's education, poverty status, monthly income and expenditures of the borrowers before and after the loan with the help with or without approach". Moreover, a non-parametric approach is used to test the difference between old and new borrowers in terms of their consumption expenditure, income, poverty status, housing improvement, access to education, and access to medical facilities. The results showed that Akhuwat's loans have significantly improved the conditions of the borrowers in terms of their monthly income, expenditures, access to education/ health, and household assets. The impact was much larger for old borrowers than new borrowers. In the end we concluded that Akhuwat's non-traditional approach of lending to the poor and its model of mutual brotherhood between lenders and borrowers presents great lessons to bring positive change in the society.
Apalia (2017) estimated the role of micro fiancé institutions in the Kenyan Economy- a case of Kisii, Nyanza. The research used a survey method to assist the researcher achieve the objective of the study. The population of the study comprised of all operational Micro Finance Institutions registered in Kisii, Kenya. Convenient sampling technique was used to select the sample. The study also used secondary data that was obtained from the financial statements of individual MFIs in Kisii. The results showed that profit before tax depended mainly on interest income, interest expense, shareholders' funds, loans and advances to customers. Other significant determinants on profitability of microfinance institutions include provision for bad and doubtful debts and deposits and balances due from other financial institutions. The

measures that were considered very important in determination of financial performance by the participants included operational costs, debt equity portfolio at risk and labour productivity. Financing costs was reported to be a major proportion of cost in the organization. The factors that were rated as highly significant by the respondents in determining financial sustainability include: repayment, average loan size, saving deposits and operational costs. Loan size, average size of saving deposits and number of branches were rated moderately significant in determination of financial stability which resulted to economic growth.
Mishra and Singh (2017) examined the impact of microfinance on growth of the state economy over a period of ten years from 2006-07 to 2015-16. Secondary data has been used which has been analyzed by multiple regression model as a main statistical tool. Results of the study found negative and insignificant impact of total client outreach and credit growth of microfinance on the GSDP of the Bihar, whereas Total savings growth was found to have positive and significant impact on the GSDP of Bihar. So, to make microfinance impact visible on the state economy all suggestion previously recommended by NABARD should be taken as well as proper regulation should be brought to give other forms of MFIs like NGOs, Trust, Societies (except NBFCs) a greater role to play. It will also be interesting to see the role of small payment banks and small finance banks in the growth of microfinance in the state like Bihar.
Joseph, Innocent and Kenneth (2017) investigated the role of microfinance banks on employment generation in Karu Local Government Area (L.G.A) of Nasarawa State, Nigeria. The aim is to ascertain the extent to which microfinance banks have discharged their responsibilities of transforming the rural areas and making financial services accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services. The study adopted a survey research design. The instrument for data collection was a structured questionnaire. One Hundred and Twenty customers of MFBs and two MFBs were randomly and purposively selected for the study. A total of 120 copies of the questionnaires were administered out of which 100 copies were properly completed and retrieved while 20 copies were not retrieved. Descriptive statistic was employed to analyze data for the study; the tools are simple percentage and frequency distribution. The study showed among others that creation of jobs was the greatest effect of financial intermediation of MFBs in the Grassroots. However, it also showed that lack of entrepreneurial skills was the major problem confronting the MFBs in the area financial intermediation for employment generation in the grassroots. The study therefore recommends among others that The Central Bank of Nigeria should evolve a credit policy that ensures that a certain percentage of the loan portfolio of the MFBs go for the transformation of the grassroots.

METHODOLOGY

Research design is the specification of methods and procedures for generating information needed to solve problems. They observed that it is an overall pattern or framework that stipulates sources and by what procedures information was generated for the study. Research design is concerned with fundamental questions of how the study subjects will be brought into scope. It is concerned with fundamental questions of how they employed within the research setting to yield the required result. This study made use of econometric methods designed for time series modeling. It is analytical and empirical in nature and made use of secondary data. The rationale behind the use of secondary data mainly is to facilitate the descriptive content of the research and presentation of good comparative analysis. This research which are sets out to

investigate microfinance banks and growth of small and medium enterprises demands a quasi-experimental research approach which is concerned with objective measurement and analysis in order to establish the effect of the independent variables over the dependent variable.

Data Collection Methods

Data collection for any research work comes from two main sources, including primary and secondary sources. Examples of primary sources of data are observations, interviews, and use of questionnaires. However, owing to the investigative nature of this study, the researcher does not intend to rely on primary data. Therefore, secondary sources will be utilized. The secondary sources of data as used in this study include: Central Bank of Nigeria (CBN) Publications and the federal office of statistics.

Model Specification

The formulation of the model used in this study is based on theories, an empirical studies, and conceptual analysis of the effect of microfinance on poverty alleviation.

$$PR = f(MFC, MFD, MFS, MFG) \quad (1)$$

$$PR = \beta_0 + \beta_1 MFC + \beta_2 MFD + \beta_3 MFS + \beta_4 MFG + \mu \quad (2)$$

Where

PR = Poverty rate in Nigeria

MFC = Microfinance credit as percentage of domestic credit

MFD = Microfinance deposits as percentage of total assets

MFS = Microfinance services proxy by micro insurance

MFG = Microfinance growth proxy by growth of number of microfinance banks in Nigeria.

μ = Error term

β_0 = Regression Intercept

β_1 - $\beta 5$ = Coefficient of the Independent variables to the Dependent variable

Data Analysis Method

The method of data analysis to be used in this study is the multiple linear regressions using ordinary least square method. This approach, which is a quantitative technique, includes tables and the test for the hypotheses formulated by using ordinary least square with Econometric View regression analysis at 5% level of significance. Moreover, in order to undertake a statistical evaluation of our analytical model, so as to determine the reliability of the result obtained and the coefficient of correlation (r) of the regression, the coefficient of determination (r^2), the student T-test and F-test where employed.

Prior Expectation of the Result

The a-priori expectation of the variables proposes that an increase in the explanatory variables lead to increase in the dependent variables reduce poverty rate. Therefore it can be mathematical stated as follows:- $a_1, a_2, a_3\ a_4 > 0$.

ANALYSIS AND DISCUSSION OF FINDINGS

Table 1: Regression Results

Source: SPSS 22.0

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	48.130	6.235		7.719	.000	34.237	62.022					
MFC	-.354	.179	-.267	-1.979	.076	-.753	.045	-.100	-.530	-.165	.381	2.624
MFD	-1.141	.152	-1.189	-7.512	.000	-1.480	-.803	-.625	-.922	-.625	.276	3.619
MFS	-1.049	.159	-.609	-6.605	.000	-1.403	-.695	-.361	-.902	-.550	.815	1.227
MFG	-.955	.461	-.305	-2.071	.065	-1.982	.073	-.423	-.548	-.172	.319	3.131

The estimated regression model shows that with the positive value of 48.130 as constant and regression intercept, the independent variables in the study positively affects the dependent variable at constant. However, the negative coefficient of -354, -1.141, -.1.049 and -.955 as β coefficient for microfinance credit, deposits, services and microfinance growth proved that increase in the variables will reduce poverty rate by 354, 1.14,1.04 and 955 percent over the periods of the study.

Table 2: Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965[a]	.931	.896	2.97123

Change Statistics					Durbin-Watson
R Square Change	F Change	df1	df2	Sig. F Change	
.931	26.894	5	10	.000	2.380

Source: SPSS print out 22.0 (2024)

The correlation coefficient shows 96.5 percent which means the relationship between the dependent and the independent variable is strong of the variables to the dependent. The R^2 proved that 93.1 percent variation in poverty rate can be explained by variation in the microfinance functions. The F-statistics and sig. T shows that the model is significant.

Discussion of Findings

The model formulated found that with the positive value of 48.130 as constant and regression intercept, the independent variables in the study positively affects the dependent variable at

constant. However, the negative coefficient of -354, -1.141, -.1.049 and -.955 as β coefficient for microfinance credit, deposits, services and microfinance growth proved that increase in the variables will reduce poverty rate by 354, 1.14,1.04 and 955 percent over the periods of the study. The negative coefficient of the variables indicates that microfinance reduced poverty over the periods of the study which is in line with the expectation of the study and the objective of microfinance banks. The findings of this study id in line with the findings of Wike, Kpekpe and Amadi (2024) that microfinance loans to agricultural sector, manufacturing sector and real estate reduced poverty rate in Nigeria while increase in microfinance loans to transport and communication and other sectors will increase poverty rate in Nigeria, Obadire (2022) that the poor have good access to credit facilities from microfinance bank for the development of micro-enterprises as the t-statistic test showed a value of 16.383 with $p < 0.05$ and that microfinance banks have the potential to alleviate poverty especially by improving the standard of living of the poor and making available microloans for micro-enterprise, the findings of Onyebinama and Onyebinama (2010) identified the needs for the establishment of Microfinance Banks, microfinance policies and goals, policy strategies, frameworks for the supervision of microfinance banks and the challenges of MFBs in Nigeria, Oyedele, Ogunlade and Adeleke (2018) that majority of financial products/services, such as local purchase order, assets financing, hire purchase, emergency loan and cheque discounting, that were made available to customers were not accessible by women entrepreneurs in Kwara State that diversion of loan, delay in loan repayment, patriarchal culture and lack of business plan were most challenging issues faced by microfinance institutions in financing women entrepreneurs, while interest rate charged by MFBs, conditions of loans, frauds and forgeries, payback period, regulatory and supervisory loopholes and non-\availability of microfinance banks in rural areas of Kwara State were major obstacles preventing women entrepreneurs from being financially inclusive, Rich (2018), Chiazor, Jegede, Ozoya, and Adebayo (2018) that majority of the respondents have been empowered and lifted from poverty, as they were able to utilize the microcredit, they obtained from the Bank in expanding their businesses and thus, establishing the fact that micro-financing is a powerful tool for poverty alleviation, the findings of Murad and Idewele (2017) that microfinance loans have a significant positive impact on the short run economic performance in Nigeria. Microfinance loans enhanced consumption per capita in short runs with an impressive coefficient, although these bank loans do not have a significant impact on economic growth in the long run. Microfinance investment however, has a significant impact on economic performance in Nigeria in the long run, the findings of Doçi (2017) that the supposed model is an important model and macroeconomic factors have an impact on gross loan portfolio's performance, Ekpete and Iwedi (2017) clear indication of a weak relationship between the ratio of loans and advances to GDP, ratio of total fund mobilized to GDP, as against the negative nexus between the ratios of total investments to GDP and the findings of Zaidi (2017 that Akhuwat's loans have significantly improved the conditions of the borrowers in terms of their monthly income, expenditures, access to education/ health, and household assets. The impact was much larger for old borrowers than new borrowers. In the end we concluded that Akhuwat's non-traditional approach of lending to the poor and its model of mutual brotherhood between lenders and borrowers presents great lessons to bring positive change in the society.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study investigates the relationship between microfinance banks and poverty alleviation in Nigeria. The study found that with the positive value of 48.130 as constant and regression intercept, the independent variables in the study positively affects the dependent variable at constant. However, the negative coefficient of -354, -1.141, -.1.049 and -.955 as β coefficient for microfinance credit, deposits, services and microfinance growth proved that increase in the variables will reduce poverty rate by 354, 1.14,1.04 and 955 percent over the periods of the study. The correlation coefficient shows 96.5 percent which means the relationship between the dependent and the independent variable is strong of the variables to the dependent. The R^2 proved that 93.1 percent variation in poverty rate can be explained by variation in the microfinance functions. The F-statistics and sig. T shows that the model is significant.

The t-significant for microfinance credit is .076 which is greater than the critical value of 0.05, the study conclude that there is no significant relationship between micro credit and poverty alleviation in Nigeria. The t-significant for microfinance credit is.000 which is less than the critical value of 0.05, the study conclude that there is significant relationship between micro deposit and poverty alleviation in Nigeria

The t-significant for microfinance credit is.000 which is less than the critical value of 0.05, the study conclude that there is significant relationship between microfinance services and poverty alleviation in Nigeria. The t-significant for microfinance credit is. .065 Which is less than the critical value of 0.05, the study conclude that there is no significant relationship between microfinance growth and poverty alleviation in Nigeria

Recommendations

i. From the findings, the study recommended that the banks should provide diversified, affordable and dependable financial services to the active poor to enable them develop sustainable entrepreneurial activities. He further suggested the need to create employment opportunities and increase the productivity of the poor in Nigeria, thereby increasing their individual household income and uplifting their standard of living.

ii. The study recommended that Central Bank of Nigeria should recapitalized microfinance banks and encourages them to relax the conditions of loans, reduce interest rate, to bring MFBs to closer to the people and to sensitize more women about its products / services.

iii. The study recommend that, microfinance institutions should loan to improve consumption in the short run, while the long run goal should be to improve investment and other capital accumulation tha increase credit allocation and savings mobilizations.

iv. Government should through the CBN, regulate, monitor the activities of MFBs, and redress the constraints affecting them in the area of financial intermediation for employment generation through favourable credit policy which can lead to entrepreneurial development in the rural areas. We further recommended policies that will enhance the operational efficiency of the microfinance banks in Nigeria.

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