

TITLE PAGE

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

**(A CASE STUDY OF THE NIGERIAN AGRICULTURAL
COOPERATIVE AND RURAL DEVELOPMENT BANK (NACRDB)
LTD SOKOTO)**

BY

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CERTIFICATION

This project by Zubairu Ismail (0811204070) has been carefully read and approved as having satisfied part of the requirements for the award of Bachelor of Science (Hons) Degree in Economics, in the Faculty of Social Science, Usmanu Danfodiyo University, Sokoto and is approved for its contribution to knowledge.

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DEDICATION

This research project is dedicated to my beloved parents, who have dedicatedly seen me through the struggle of life as well as being behind the successful completion of my study. May Allah reward you here and the hereafter. Amen.

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All praises are due to Allah (SWT), whose Power and Mercy has spared my life and granted me the grace to produce this research project.

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Zubairu Ismail

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter contains the background to the study followed by the statement of the problem, the objectives of the study, the significance of the study, the scope and limitations of the study and lastly, the scheme of chapters.

1.2 BACKGROUND TO THE STUDY

Microfinance which is also referred to as Microcredit is the extension of loans to entrepreneurs whom are too poor to be qualified for the traditional bank loan especially in developing countries. It enables very people to engage in self-employment project that generate income.

The concept of microfinance was developed by Muhammad Yunus, a U.S educated professor of Economics, who first got in the business of fighting poverty during the 1973 famine in his homeland of Bangladesh, one of the poorest countries in the world. Yunus discovered that small loans could make a significant difference in a poor person's survival. His first loan consisted of 27 dollars from his own pocket, which he lent to a woman who made bamboo furniture, which she sold to support herself and her family. In 1976, Yunus founded the first microfinance bank called the Grameen Bank, which provides loan to the Bangladesh people. Since then it has issued more than a billion dollars in loan to some 2.4 million borrowers.

Today, microfinance has become a fashionable word with the World Bank, and Non-Governmental Organisations (NGOs) and is the key word for getting funds from funding agencies. While some consider microfinance as a panacea for poverty and all the ills of the society, others consider it as the mobilisation of groups for organizing the unorganised for social change. In Nigeria, there are approximately 119 million people representing 70.2% of the current population of over 170 million who live below the poverty line and majority of these people are not having the basic amenities of life. The most affected are the women and children. (Google 2012)

Thus, with the alarming rate of poverty in the country, the need to address this scourge is an urgent one. The government has come out with a number of schemes and programmes in a bid to alleviate poverty, prominent among them are the Nigerian Cooperative Bank (NACB), National Directorate of Employment (NDE), Nigerian Agricultural Cooperative Rural and Development Bank (NACRDB), Peoples Bank of Nigeria (PBN), National Poverty Eradication Program (NAPEP), Poverty Alleviation Program (PAP) etc. There are also Organisations like United Nations Development Program (UNDP), United Nations Children Education Fund (UNICEF), International Food Agricultural Development (IFAD) etc. Despite these schemes, little empirical work has been done to examine the extent to which they have led to improvement in the income and the standard of living of the masses.

It is in this light, that the researcher wishes to examine the role of microfinance in the eradication of poverty in Nigeria with a special reference to the Nigerian Agricultural Cooperative Rural and Development Bank (NACRDB) Limited, Sokoto.

1.3 STATEMENT OF THE PROBLEM

There is a strong argument in support of microfinance as an instrument of poverty alleviation. This has encouraged the Federal Government of Nigeria to establish the Nigerian Agricultural Cooperative Rural and Development Bank (NACRDB) with the purpose of providing microcredit to the poor. The problem of this research work is to examine the effects of the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) Microfinance on poverty alleviation of the beneficiaries in Sokoto state.

It is in view of this research problem that this research work set to ask the following questions;

- a) Does this microfinance increase the income of the beneficiaries?
- b) Does this microfinance increase the asset holding of the beneficiaries?
- c) Does this microfinance improve the standard of living of the beneficiaries?

1.4 OBJECTIVES OF THE STUDY

The general objectives of this research work is to examine the importance of microfinance in poverty eradication, how it helps to empower the poor people to move out of poverty and gives the gives the positive contribution of microfinance to the economy.

The specific objectives of this study however, include the following;

- a) To examine the effects of microfinance on the income of the beneficiaries.
- b) To examine the effect of microfinance on the asset accumulation of the beneficiaries.
- c) To examine the effect of microfinance on the standard of living of the beneficiaries.

1.5 SIGNIFICANCE OF THE STUDY

This research work is expected to provide an insight in the use of microfinance as a means of poverty eradication.

It is also hoped that the findings of this research work will contribute in identifying how significant microfinance is to the poor people and also to explain some of the problems associated with this type of loan.

We also hope that this research work will serve as an encouragement to the Government, other agencies (NGOs) and banks to extend more of this loan to the poor in an attempt to eradicate poverty in Nigeria.

Hopefully, the findings of this study will pave way for future research work.

1.6 SCOPE AND LIMITATIONS OF THE STUDY

The study is restricted to the area of study, which is the role of microfinance in poverty alleviation in Nigeria and a particular reference to the Nigerian Agricultural Cooperative Rural and Development (NACRDB) Sokoto State.

In carrying out this researchwork, the major limitations of this study include;

- i. Illiteracy and lack of cooperation from the beneficiaries of the loan.
- ii. The officials of the bank might not be willing to give some of the records.
- iii. Finance also serves as a problem
- iv. Time constraint

1.7 SCHEME OF CHAPTERS

This project is divided into five chapters, chapter one which is the introduction contains the background to the study, statement of the problem,

objectives of the study, significance of the study, scope and limitations of the study and the scheme of chapters.

Chapter two contains the introduction, review of some literature works, the conceptual framework, types of microfinance model and the efforts of microfinance delivery to the poor and the effects of microfinance on poverty.

Chapter three contains the introduction, the historical background of the study, the sample size, the sampling techniques, method of data collection and data analysis.

Chapter four contains the data presentation and analysis. while, the last chapter is the summary, conclusions and recommendations.

CHAPTER TWO LITERATURE REVIEW

2.1 INTRODUCTION

This project therefore looks at the role of microfinance that is small or micro loan given to the poor so that it can empower them to start a microenterprise. So this chapter will constitute the historical background of microfinance, the meaning and concept of microfinance, the principal approaches of microfinance, the types of microfinance models, the efforts at microfinance delivery to the poor and finally, the effects of microfinance on poverty.

2.2 REVIEW OF SOME LITERATURE WORKS

At Independence in 1960, there were 8 million poor people in Nigeria they constitute approximately 15% of the pre independence population, 54 years later, this year the number of the poor ballooned to 119 million, going by the economic situation in the country 19 million are in absolute poverty, 100 million are moderately poor. The country has therefore acquired the unenviable of having one of the highest concentrations of people living in extreme poverty in the world according to the world development indicators of the world bank (July 25th, 2012). 70.2% of Nigerians live with less than 1 dollar (N150) per day.

In Africa and Nigeria in particular, the informal and small scale lending arrangements have long existed in many part of the world especially in the rural areas, and they still survive. Good examples arc schemes in Ghana, Kenya and Nigeria (Merrygo-round, Esusu, Adashee.t.c). They provide the rural population with access to savings within the local area and with certain cushion against fluctuations and they encourage a cooperative and community instruments for economic and social progress. (United Nation’s Secretary General Report on the role of Microfinance in poverty eradication, 18th December 1997:3).

The information system of advancing credit irrespective of the meager amount it generates remains the major source of finance for the poor who see the formal financial institution as being too bureaucratic, costly and cumbersome (Okpara 1990).

Adeyemi (2008) observes that across the globe, governments of various development countries have sought to provide finance to the poor through the creation of Agricultural Development Banks, special Lending Schemes and the support of the growth of cooperatives and other help self group (SHGs). Provision of credit to the less privileged has been a wonderful instrument for the reduction of poverty over the world.

Ehigramusoe (2008) observes that the improving condition of living in the Bangladesh is a good example of how to develop with small loans. The South East Asian nation was in mid 1970s branded a “basket case” by Henry

Kissinger (the US secretary of state at that time) on account of the nation's hopeless development prospects. Small loans are effective weapons for addressing mass poverty since most poor cannot afford any amount of expand or even initiative a small scale business.

Adeyemi (2008) however, documents that despite decades of public provision and direction of provision of microcredit, policy reorientation, and the entry of new players, the supply of microfinance in Nigeria is still inadequate in relation to demand. This suggests that there is some inefficiency in microfinance operation in Nigeria due to some institutional inadequacies such as undercapitalization inefficient management and regulatory and supervisory loopholes.

Okpala (2009) empirically identified four major critical factors inhibiting the performance of banks in Nigeria as undue interference from board members, political crisis, undercapitalization and fraudulent practices. Microfinance is not an exception to the victim of these factors. One of the most important roles of access to credit is that it enables the poor who normally do not have one source of income or livelihood, but resort to a mixture of activities depending on season prices, their health and other contingencies to acquire capital for the financing of multiple petty projects.

2.3 MEANING AND CONCEPT OF MICROFINANCE

Microfinance is defined in an ordinary parlance to be small loans given to those who could not otherwise receive loans (the poverty stricken) to setup microenterprise from formal financial establishment. Thus, enabling the people to better their lives and the lives of their families, empowering them financially, socially and giving them access to better educational facilities for their children.

There are recent literatures as to the definitions of the concept of microfinance in general this body of literature define microfinance to be a program that extends small loans to the very poor for self-employment projects that generate income, allowing them to care for themselves and families.

According to Hari (1997:1), the definitions differ of course from country to country. Some of the definition criteria used includes:

SIZE: This means the loans are micro or very small in size

TARGET USERS: this means the microentrepreneurs and low income households.

UTILIZATION: This means the use of funds for income generation and enterprises development, but also for community use (health and education)

TERMS AND CONDITION: This means most terms and conditions for microcredit loans are flexible and easy to understand and suited to the local condition of the community (microfinance summit February 1997, so what “microfinance”.1)

According to Hari (1997:1) “Microfinance is the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans”. It has proven an effective and popular measure in the on-going struggle against poverty, enabling those without access to lending institutions to borrow at bank rates and start small business. (Microfinance summit February, 1997 So, what is “microfinance”.1)

V. Srinivanson sees microcredit as “making available credit to the rural poor is crucial in development chain” (Koota 2005).

According to Sen as cited by Koota (2005:2) “the absence of microfinance will make big participation in globalizing world much more difficult, these are problems that require domestic cure”.

On the part of Harris as cited by Koota (2005:2) he sees “microfinance not as a miracle cure that can eliminate poverty in one full swoop, but it can end poverty for many and reduce its severity for others combined with other innovative programmes that unleash people’s potentials”.

Peoples Bank of Nigeria Head of Planning and Development, OlusegunOgidan said we are investing in people not just giving them funds to set up cottage industries and help themselves. He added, “we help them articulate their needs, help them access what they need and use it profitably. This way they will enjoy more people”.

Indeed, microcredit is an essential tool in our search for a poverty free Nigeria. (Baisky and Baerson, 1991).

It is not easy to distinguish microfinance from similar activities as poor people borrow from informal money lenders and are with informal collectors. They receive loans and grants from charities. They buy insurance from state owned companies. They receive funds transfer through formal or informal remittance networks. Therefore, it is difficult to distinguish microfinance from other activities. It could be claimed that a government that orders states banks to open deposit accounts for poor customers, or a money lender that engages in usury or charity that runs a heiferpool are engaged in microfinance. Ensuring financial services to poor people is best done by expanding the number of financial institutions available to them, as well as by strengthening the capacity of those institutions. In recent years there has also been increasing emphasis on expanding the diversity of institutions, since different institutions serve different needs.

Some principles that summarize a century and a half of development practices of microfinance were encapsulated in 2004 by Consultative Group to Assist the Poor (CGAP) and just loans but savings, insurance and money transfer services.

Microfinance must be useful to poor households: helping them raise income, build up assets and/or cushion themselves against external shocks.

Microfinance can pay for itself subsidies from donors and government are scarce and uncertain, and so to reach large numbers of poor people.

Microfinance means building permanent local institutions.

Microfinance also means integrating the financial needs of poor people into a country's mainstream financial system.

The job of government is to enable financial services, not to provide them.

Donor funds should complement private capital, not compete with it". The key bottleneck is the shortage of strong institutions and managers. Donors should focus on capacity building.

Interest ceilings hurt poor people by preventing microfinance institutions from covering their costs which chokes off the supply of credit.

Microfinance institutions should measure and disclose their performance both financially and socially.

Microfinance is considered as a tool for socio-economic development and can be clearly distinguished from charity. Families who are destitute, or so poor they are unlikely to be able to generate cash flow required to repay loan, should be recipients of charity. Others are best served by financial institutions.

2.4 TYPES OF MICROFINANCE MODEL

There are basically four models of surveying microfinance to the target group (the poor people) they are as follows:

The Informal Model: the informal model is built around group concept; the model works in a situation where groups whose commitment to saving and credit are weak and look up to donor sponsor credit, these donor sponsors usually develop managerial problems where the groups are not cohesive and not

voluntary (BesleyCoate and Loury 1993) as cited by Akanji (2002:9). The informal model include:

a) **Grameen Bank:** Experience started with the group concept, informal lending to the poor. It started to assist landless people in Bangladesh to obtain credit, which could not be obtained through the formal commercial bank's credit facilities. The programme was successful because the groups were cohesive (landless) and voluntary formed.

b) **Non-Government Organization (NGO):** Non-governmental organization also grouped as informal model; as it tends to adopt the Grameen principles and usually gender specific and sectorally motivated. They are women groups, farmers union, traders union and e.t.c.

c) **ESUSU/ADASHE:** This is a very strong programme that assist the target groups to eradicate poverty in Nigeria. It is a revolving loan scheme and entrenched in most West African countries operating as an informal microfinance programme. The group formed, operates the revolving schemes and its voluntary members; they make fixed contribution of moving at regular interval, at each interval, one member collects he entire contribution from all. Every member takes a turn until the cycle is completed and then it starts again for people who take their turn late, the Esusu/Adashe functions as a saving mechanism.

The Informal Model: this formal microfinance model is built around formal financial institutions such as supplying credit to the poor had not been

successful. The reason adduced for their failure had been limited knowledge of the poor, no closer relationship between the formal instruction and the informal institutions and the collateral requirements are high, and also high interest rates.

The linkage Model: The framework for linking informal saving collectors to the formal instructions formed the basis of the breakthrough. In view of the banks readiness to acquire more information about the informal sector and making serious efforts as strengthening group scheme, encourage the successful turnaround of microfinance programme, for example, the recent merger of the Nigerian Agricultural and Cooperative Bank (NACB), Peoples Bank of Nigeria (PBN) and Family Economic Development Bank (FEDB) to form the new Nigeria Agricultural Cooperative Rural and Development Bank (NACRDB). And also the CBN committee initiative for all banks to set aside 10% of their profit before tax for equity investment in small-scale industries will be tangential to eradicating poverty through lending to the people or through joint ventures.

The linkage that has been made, with the new institution Nigerian Agricultural Cooperative Rural and Development Bank (NACRDB) should be enhanced by designing policy to overcome about informal agent and prejudice, all which create a risky environment for formal banks living up with microfinance.

Understanding how to eradicate poverty is a central concern of development economic. Bruno, Squire and Radvollion (1995) as cited by

Akanji(2002-4) indicated that there are ample evidence that policies designed to foster economic growth significantly reduce poverty, but that policies aim specifically at eradicating poverty are also important.

Basley (1997) as cited by Akanji (2002:4) took a start run perceptive on program at eradicating poverty, assuming that income earning abilities are fixed. He took two disparate approaches to program design, which he called the technocratic and the institutional approach. The technocratic approach usually associates with economist, focusing on targeting exploring the theoretical and empirical application of trying to direct limited resource to people with the greatest need. Those difficulties of identifying target groups and used creative approaches to design program that substitute for detail information required to achieve the best.

The institutional approach is more common among non-economist, for them the question of why programmes for the poor who do or do not work? Has much to do with social institution than with policy design? In this view anti-poverty policies fail because the poor lack political power, away from delivering services. Thus, improving the lives of the poor requires development institutions, improving government and changing political structures and attitude towards the poor.

A commonly accepted model of programmes design is the cost-minimizing approach, it addresses a number of salient features, in current debates about transfer to the poor, and moreover, it is consisted with desire for

targeting. It is also useful first step towards developing a positive theory of transfer to the poor. The model by Beasley (1992) and Caote (1995) as cited by Aknji (2002:5) make no pretense at reality, the model view society as composed of two group, those who make transfer (the rich) and those receive (the poor).

The literature on economic theory of credit market and saving decision in economic is characterized by incomplete marked and imperfect information and is still growing. The most current literature after Stieglitz and Lociss (1981) are Alderman and Poxson (1992) as cited by Akanji (2002) who provide a new theoretical foundation for policy intervention to current market failure. By studying the institutional arrangement through which financial transaction takes place shows that credit transaction reflect the economic environment in which they occur. In Nigeria, the economic environment is largely characterized by risks, with unpredictable variable income as a result of weather and other exogenous process. In the absence of complete insurance market, credit transactions takes on a special role in allowing resource transfer in response to income shocks.

The conceptual framework therefore, considered the concept discussed so far to proffer the basic principles for using credit market, and microfinance in particular as a strategy for eradicating poverty, (CBN Economic and Finance Review 30th March, 2002).

The Donor Model: Donors have played a very strong role in the micro-financial programme, particularly international donors such as the United

Development Programme (UNDP), through the NGOs. The alternatives micro financial delivery model proposed by Gabriel and Ibanga (1997) as cited by Akanji (2002:12) called “the Ekuk (family) model worked perfectly well within an extended family structure particularly has proven successful in some village in AkwaIbom State. However, this system of credit delivery need to be encouraged to work through formal credit institution as much as possible, such as the community banks and the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB). It will help to support the development of strong non-bank institution with less risk of default (CBN Economic and Financial Review 30th March, 2002).

2.5 MICROFINANCE AND POVERTY ERADICATION

Since the world summit for social development, the priority given to poverty eradication has grown. As stated in the previous report of the Secretary-General on the eradication of poverty (A/52/573) 'It is now broadly accepted that robust economic growth, that is labor intensive and equitable combined with larger outlays of social expenditures, especially, directed towards the poor now is estimated at 1.3 million people are winning combination in the fight against poverty'.

Several factors have been led to increased interest in micro-finance in promoting growth with greater equity. Therefore has been a growth in the recognition of the importance of empowering all people by increasing their access to all factors of production, including credit.

In addition, the value of the role of non-governmental organization in development is receiving more attention. Therefore it is in this context that microfinance has recently assumed a certain degrees of prominence, it is based on the recognition that the latent capacity of the entrepreneurship would be encouraged with the availability of small scale loans and would introduce them to the opportunities and not least engage women in economically productive activities.

Currently, there are estimated to be about or more than 3,000 micro institutions in developing countries. These institutions also help to create deeper and more widespread financial market in the developing countries (United Nation Secretary General Report, 18 Dec 1997).

2.6 EFFORT AT MICRO-FINANCE DELIVERY TO THE POOR

With the present level of poverty in Nigeria, the Nigeria government has attempted with several microfinance programmes to eradicate poverty. Programmes such as Agriculture Development Programme (ADP) National Directorate of Employment (NDE), Better life for Rural Dwellers (later named family support Programme), the Directorate of Food, Road and Rural Infrastructure (DFRRI) were pursued during 1986 to 1996, other institutions that have also attempted purveying Microfinance Bank were the rural banking scheme (1987-1990), People Bank of Nigeria (1987-1990), Community Bank (1999 to date), The Nigerian Agricultural, Cooperative and Rural Development Bank (2000- date). In addition, the Central Bank of Nigeria Agricultural,

Cooperative and Agricultural credit guarantee scheme which came into existence since 1977.

Although, all the programme were directed at providing the productive base for sustainable growth, the effort at purveying microcredit in eradicating poverty were largely in relevance, urban structured from the stand point of the realities of (who is the poor?) understanding the poor. The programs in term of resources endowment were dominated by government who gave paternalist subvention in trickles. This way the program had function over the years was such that credit system was essentially directed at meeting the needs of the elites whereas the programme is largely far small peasant poor group.

The most serious problems in the agencies set to provide credit was the fact that they lack adequate professional staff. For example, the CBN (1986) credit study showed that some 64% the NACB personnel were administrative staff, lending illiterate farmers and the target group who are basically seeking relatively small loans. (CBN Economic and Financial Review 30thMarch, 2002:12).

2.7 THE EFFECT OF MICROFINANCE ON POVERTY

Within the strata of the poor people there are so many categories, Ogidan (1999:2) explained “some have ideas and skill but have no money, then there are the poorest of the poor that cannot even dream, and finally there are those who were once rich but because of economic downturn have fallen into

poverty”, the effects of microfinance on poverty can be seen from these categories of the poor and it has both negative effects and positive effects.

The positive effect of Microfinance on Poverty: The positive effect of microfinance fall under the category of those who have the skills in start a business but no money and those who have fallen into poverty as a result of economic downturn. It can be understood that if poverty is seen as low level of annual income per households, downturn, reducing poverty is all about raising the average income level. If a particular level of annual income per head is used as poverty line. Then poverty reduction could be measured by counting the number of people who cross such line has focused on credit in a particular microcredit for small enterprise, tailoring and agricultural production.

Thus, microcredit is proving to be an effective tool for uplifting millions of the world poor, particularly women, out of extreme poverty. The year 2005 which is said to be the advent of saving and lending services to small and micro businesses, the self-employed and women had enabled those previously under groups to take control of their lives and finances. By 2011, 26,8 million people, including 21million women had become borrowers more than triple the number in 1997, according to the report of the United Nation Development Programme (UNDP).

In Bangladesh, microcredit programme attached poverty as its source by increasing participant’s household consumption expenditures. Through microfinance borrowers 5% of programme participant were breaking free of

poverty's shackle every year. The 1997 microcredit summit in Washington D.C had brought lending services to low income communities throughout the developing world. As at December 2001, a total of 2,186 microfinance institutions had serviced 54.9 million clients of whom 26.8 million were first time borrowers.

Regarding the international years of microcredit 2005, the report by UNDP notes the role of microcredit and microfinance institutions to make credit and related services for self-employment and income generation available to more people. Major United Nations Conference and Summits have emphasized the positive effects of microfinance on the poor, the UNDP report states, observing that it leads to increased household income, asset building and safeguards against economic and other crises.

The UNDP 2005, report says that the number of people benefiting from microcredit programmes grew from 7.6 million in 1997 to 28.8 by the end of 2001, helping to empower women and rural communities in particular and leading to improvements in health, nutrition, education and school employment. Perhaps, the international year of microcredit provides and significant opportunity to raise awareness of microcredit merits, share good practices, and enhance proper financial programme worldwide (Press release, under Secretary General lauds effectiveness of microfinance, 2003:13).

Also experience and studies carried out by Hulme and Mosley (1996) have demonstrated that availability of credit for micro enterprise has positive

effect. A recent survey, collected data from the government, NGOs and banks involving providing financial services to the people. Twelve programs were selected from seven countries households which had received credit and were compared with those households which did not received credits. The results demonstrated that credit provision could enable household income to rise.

However, taking the analysis further, Hulme and Mosley that the better off the borrower, the greater the increase in income from microenterprise loan. Borrowers also who already have assets and skills are able to make a better use of microfinance. (Johnson and Rogally 1997:11)

Therefore it can be seen that the process of microfinance has helped to create an infrastructure where the poor previously seen as isolated and without accountable capital can now be organized in large numbers and provide credit to participate effectively in economic and social initiatives.

The process has helped poor women in particular to invest in opportunities for income and growth. It has also assisted them to manage risks and reduce their vulnerability by protecting them against emergencies, education for their children, funerals and other ceremonies. This in turn, has provided women with increased self-esteem and also gained them increased respect from extended families, in-laws and friends,

Another important aspect of the multiplier effect has been the greater attention that is given by participating women to better nutrition, reproductive health and educating of children. these have been seen in numerous studies

carried out not only in Nigeria but also in diverse countries like Bangladesh, Gambia, Ghana, Uganda, and Columbia. (Zamir 2004).

The Negative Effects of Microfinance on Poverty: It is quite obvious that poverty is arguably both a cause and an effect; one of many are international degradation, over population, illiteracy, civil strife, economic stagnation, prostitution, armed conflict. These issues in addition to being detrimental by themselves can also be the cause of other threat terror and terrorism. The international community understands today, that if these factors are not addressed effectively and soon there will be spillover in every sphere of our lives wherever we may be. It is a global developmental challenge in which we are all stakeholders. (Zamir 2004:1 – 2)

The negative effects of microfinance fall directly under the categories of the poorest of the poor; these are people that cannot even dream and have no skills to start a business. The poorest are not even able to take risks or use credit to increase their income, some of the poorest become loose offs as a result of micro enterprise credit which exposes these vulnerable people to high risks. For them business failure was more likely to promote a livelihood crisis than it was for borrowers who own a more secure asset and unofficial pledging of assets to other members of a borrowing group. There also have been reports of suicide due to pressure to repay loans. (Hulme and Mosley 1996).

Thus, it can be noted that these negative effects of microfinance can be corrected when financial institutions that give credit to these poorest of poor

organizes enlightenment and training programs on how to make the best out of loans and also the financial institutions involved should supervise how such loans are being put into productive activities. (Johnson and Rogalty 1997)

And also, for the microfinance to be a success, there are still areas in the microfinance sector that needs to be seriously addressed. Some of these areas are:

- Automatizing the microfinance process through improved use of communication technology. This will also reduce the scope for errors and fraud among loan officers, it will also be vital for the future growth of this sector.
- Making available technology for the creation of more profitable business for those participating in the microfinance process.
- Encouraging private capital market to increase investment in microfinance on commercial bases, such incremental funding will enhance prospects of sustainability.
- Improving the regulatory environment; while microfinance institution need to be regulated by the same regulations applicable for commercial banks and other financial institutions, they should nevertheless be accountable for stringent audit
- Creating insurance services as a form of support for those available for loans. (Zamir 2004:2)

It is therefore, true that if these points listed above are addressed and put into consideration, the microfinance is an effective tool in empowering the poor and experience from the SEWA bank had shown that the poor were bankable clients. The poor do not default on payment, for if they do so they might not get another loan again (SEWA Bank 2005). It is from this experience that the Central Bank of Nigeria is planning to achieve the Asian miracle, which set approve the microfinance policy which would empower over 70% of Nigerians to carryout and operate their own businesses. The apex bank is looking at this options the way the Asian Tigers of Singapore, Bangladesh and Indonesia did recently to turn around their economy. (Daily Sun, 7thSeptember, 2005)

CHAPTER THREE

HISTORICAL BACKGROUND OF THE CASE STUDY/ RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter discusses about the historical background of the study and also the procedure adopted; in general the chapter is divided into five parts. The first part which is the historical background to the study tells us the origin or history of microfinance, while the second part which is the research design states the research method adopted by the researcher. The third part of this chapter tells us the population of the study, which spells out the number of respondents. The fourth part is the sampling techniques, which explains the type of sampling technique used by the researcher. The fifth part is the method of data collection which indicates how the data used are collected while the last part of this chapter is the data analysis, which indicates the method used in analysing the data.

3.2 HISTORICAL BACKGROUND OF MICROFINANCE

The microfinance industry, which was pioneered in Bangladesh in 1976, was as a response to the terrible famine in Bangladesh in 1974, it has come a long way. During the pilot phase (1976-1 983), outreach grew from fewer than 100 clients to more than 45, 000. Once the Grameen Bank was launched, a

period of sustained growth resulted in outreach of 850,000 by 1990. By 2000 it has reached 2.4 million.

Thus, the prominence given to microfinance scheme reflects the success of the small scale lending programmes such as the Grameen Bank of Bangladesh. They rely on lending usually few hundred dollars to small enterprise in Agriculture distribution, craft trading and similar activities.

However, microfinance in Nigeria, though on the informal setting is as old as the nation itself. Though, the informal system is a rural unregulated and unofficial financial arrangement, it has highly respected modus operandi by which individuals or groups relate in their various capacities as debtors and creditors outside the regimented and regulated markets. The informal financial market is classified into the institutional and non-institutional markets. In the non-institutional market, the activities of savings and acquisition of creditors are done by individual on their own or through person to person arrangement. The market includes self-financing, financing by relations, friends and well-wishers, professional money lenders, jackpot, raffle and pool winnings and trust system of credit transactions. Institutional market on the other hand, refers to any organization or institutional arrangement that aims at mobilizing savings and credits found in this market are the rotating savings and credit association (ROSCAs), thrift associations, savings mobilization groups (which are traditionally called Esusu, Bambam, Ajo and adashi by different communities),

Daily savings or contribution organizations, cooperative societies, religious organizations, social clubs and village/town unions.

The government of Nigeria on its own has made several efforts at redressing the inadequate supply of financial services to the poor. In 1936 government in support of the cooperatives promulgated the cooperative societies ordinance. This made the cooperatives have regular/compulsory savings as one of their goals while thrift and regular savings of members with lending. The Commercial Bill Financing Scheme in 1962 and the Regional Commodity Boards (later called National Commodity Boards in 1977) were among the efforts made by government to improve the poor's access to lending. The Nigerian Agricultural and Cooperative Bank (NACB) was established in 1972 to act as development finance institution extending loans to both small and large scale farmers. A similar institution the Agricultural Credit Guarantee Scheme Fund (ACGSF) was established in 1978 for the purpose of Agricultural risk reduction. The Bank guarantees up to 75% of the principle in case of default due to natural events beyond the control of the farmers. Others are the Rural Banking System of 1977, where banks were required to establish a specific number of branches in identified rural areas. Export Financing Rediscount Facility in 1987, measured rural areas to be lent to in such areas concessional interest and grace periods on Agricultural loans. However, some of the measures were abolished with the introduction of liberal economic policies

in 1989. The Peoples Bank was established in 1989 for the same purpose, was charged with the responsibility of taking deposits and lending to the poor.

Nevertheless, in Nigeria formally the microfinance institutions such as the Peoples Bank of Nigeria (PBN) which was founded by the Federal Government had its initial role as to counter the negative effect of the International Monetary Fund (IME), Structural Adjustment Programme (SAP) offering people with no collateral and opportunity to raise capital.

The Nigerian Agricultural Cooperative and Rural Development Bank is the largest African micro credit institution in terms of branch network, outreach and Fund Mobilized. Its mission statement is to provide people centred, community based affordable microfinance service of conventional banks'. In the last decade it has reached out to some 603,000 customers providing an estimated 1.8 million dollars in funds. For NACRDB, Microfinance is more than just small scale financing it is about providing people with a "measure of comfort' (Baisky and Haason 1999).

Today, PBN which is merged with the defunct Nigeria Agricultural and Cooperative Bank (NACB) Ltd, and the risk assets of the Family Economic Advancement Programme (FEAP) in October 2000, which is now called the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB). The bank is a registered limited liability company that is wholly owned by the government of the Federal Republic of Nigeria with the share capital fully

subscribed by the Feral Ministry of Finance incorporated 60% and the Central Bank of Nigeria with 40%. This Bank's broad man late encompasses savings mobilization and the timely delis cry of micro and affordable credit to meet the funding requirement of the teeming Nigerian Population in the Agricultural and non-Agricultural sectors of the National Economy. (NACRDB Brochure: 1).

Moreover, after the establishment of the Peoples Bank in 1989 there was also the licensing of community banks in the 1990s for the provision of non-sophisticated loans to the community.

These community Banks metamorphosed into the recent Microfinance Bank in 2005. Some of these efforts were frustrated by lack of managerial wherewithal, lack of supervision, mischannelling of credit facilities, bribery and corruption (Olaitan 2008; Adeyemi 2008).

3.3 RESEARCH DESIGN

There are numerous research methods available to researchers. However, the method adopted by the researcher depends on the problem and the situation that he is confronted with, (Abdulkadir 2009). For the purpose of this study, the standard event study (i.e. survey research design) was used, asit had been tested in the preceding section. This type of research is undertaken after the event has taken place and the data is already in existence and also the researcher does not in any way control or manipulates the independent variables because the

situation for the study already exists or has already taken place. The independent variable here, is the microfinance institution while the dependent variables are the beneficiaries the microfinance loan.

3.4 POPULATION OF THE STUDY

The population of this research work would be a minimum sample size of seventy (70) respondents, which will be among the beneficiaries of microfinance from the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) limited, Sokoto State.

3.5 SIMPLIFIED AND SAMPLING TECHNIQUE

Since the production of this study is large and thus, difficult to cover, only a small sample size of seventy (70) was taken. In doing this, the researcher has adopted the simple random sampling technique in selecting the research respondents. This is aimed at giving each respondent the chance of being selected. This simple random sampling technique will pave way for easy accessibility to accurate information, though it may be difficult to collect adequate and effective data from the respondents and the bank officials will help distribute the questionnaire to the beneficiaries since they are better known by bank staffs. And also personal interview will be conducted in English and Hausa to help provide addition information on the topic of the research work.

3.6 METHODS OF DATA COLLECTION

The methods used in data collection of this research work are the use of the questionnaire. The questionnaire is used in this research work due to the fact that the information needed has to be collected directly from the beneficiaries and it is meant to discover his/her sincere feelings, opinion, beliefs, and experience of the beneficiaries. This will also enable the respondents to express their opinion without fear of been intimidated or harassed.

Therefore, the primary source of data is based on the questionnaire was being used, while the secondary source of data was gathered from journals, seminar papers, various publication, magazine and internet.

Thus, a structured questionnaire is used to ask questions such as the amount of loan obtained, the type of business/investments the loan is used for, the status of income after securing investment,consumption etc. whether the beneficiaries have been discharging their loan obligations, whether the loan increases the income level of the beneficiaries and their opinion on microfinance.

3.7 METHOD OF DATA ANALYSIS

The data collected from the respondents through the structured questionnaire was described in a descriptive form which was done by

summarizing, describing and presenting numerical data and also, drawing conclusions through the use of tables and simple percentage.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter comprises the presentation and analysis of data, which was gathered from the respondents. A total number of 70 questionnaires were administered to the beneficiaries of the microfinance loans with the Nigerian Agricultural Cooperative Rural and Development Bank (NACRDB) limited, Sokoto, out of which sixty seven (67) were returned. Random sampling technique was used to collect the information for the study; Face to face/verbal interaction was used as a result of their illiteracy. And also, tables and percentages are used in the data analysis.

4.2 ANALYSIS OF FINDINGS

TABLE 1: AGE DISTRIBUTION OF RESPONDENTS

Age	Frequency	Percentage (%)
18-30	16	23.9
31-42	30	44.8
43 and Above	21	31.3
Total	67	100

Source: Field work 2014

The above table 1 shows that only 16(23.9%) of the respondents are between the ages of 18-30 years of age, 30(44.8%) are between the ages of 31-42, while 21(31.3%) of the respondents are of the age of 43 and above. This

implies that large percentage of the beneficiaries are the most economically active in the society and the microfinance collected will be used wisely by them.

TABLE 2: SEX DISTRIBUTION

Sex	Frequency	Percentage (%)
Male	50	74.6
Female	17	25.4
Total	67	100

Source: Field work 2014

The above table indicates that 50(74.6%) of the respondents are male and only 17(25.4%) are female. This shows that majority of the beneficiaries are male and that few female approach the bank for the loan assistance which implies that more female will be poorer in the society since they don't approach the bank for microfinance.

TABLE 3: MARITAL STATUS OF THE RESPONDENTS

Status	Frequency	Percentage (%)
Single	21	31.3
Married	40	59.7
Divorced	3	4.5
Widow	3	4.5
Total	67	100

Source: Field work 2014

The table indicates that 21(31.3%) of the respondents are single, 40(59.7%) are married, 3(4.5%) are divorced, 3(4.5%) are widows. This implies that since majority of the respondents are married, it therefore means that the microfinance collected will be extended to other members of the family.

Therefore, this will help reduce the number of poor in the family and the society at large.

TABLE 4: NUMBER OF CHILDREN OF THE RESPONDENTS

No. of Children	Frequency	Percentage (%)
1-3	7	10.4
4-6	20	29.8
Above 6	40	59.8
Total	67	100

Source: Field work 2014

From the table above, 7(10.4%) of the respondents have between 1-3 number of children, 20(29.8%) have children between 4-6 while, 40(59.8%) have children above 6. This analysis shows that majority of the beneficiaries have a lot of children of who are 6 and above, it therefore implies that the income will be used to take care of a large number of the society and will therefore reduce the poverty level in the society.

TABLE 5: EDUCATIONAL BACKGROUND OF THE STUDENTS

Educational background	Frequency	Percentage (%)
Adult Education	18	26.9
Primary	19	28.3
Secondary	3	4.5
Islamic Education	17	25.4
Tertiary Education	10	14.9
Total	67	100

Source: Field work 2014

From the table above, it shows that 18(26.9%) of the respondents acquired adult education, 19(28.3%) have only gone through primary education,

only 3(4.5%) went through secondary school and 17(25.4%) only acquired Islamic education while 10(14.9%) of the respondents acquired tertiary education. This implies that majority of the beneficiaries are literate and only few are illiterate in the western sense, therefore, this means the microfinance assistance will be directed to a productive venture, since they know the purpose of the bank loan.

TABLE 6: AMOUNT COLLECTED AS MICROFINANCE BY THE RESPONDENTS

Amount	Frequency	Percentage (%)
10,000-50,000	10	14.9
51,000-100,000	7	10.4
110,000-150,000	17	25.4
151,000andAbove	33	49.2
Total	67	100

Source: Field work 2014

From the table above, 10(14.9%) of the respondents collected between the sum of 10,000- 50,000, 7(10.4%) collected between the sum of 51,000 — 100,000, 17(25.4%) borrowed between the sum of 110,000 — 150,000, while 33(49.2%) of the respondents borrowed about 151,000 and above as microfinance. This analysis shows that large sum of money is collected from the bank as microfinance. Therefore, the loan will be used to open a large venture with high return, and this will help alleviate poverty in the society and there will be growth in the economy of the nation at large.

TABLE 7: INTEREST CHARGE ON THE MICROFINANCE LOAN

Interest Rate	Frequency	Percentage (%)
Average	25	37.3
Low	27	40.3
Very Low	12	17.9
No Interest	-	-
None Response	3	Total
Total	67	100

Source: Field work 2014

In the above presentation, 25(37.3%) of the respondents said the interest charge on the microfinance loan is average, 27(40.3%) of the respondent said the interest charge is low, 12(17.9%) of the respondents said the interest charge is very low and none said there was no interest while 3(4.5%) did not respond, which may mean the interest charge was high. From the analysis, majority of the respondents said the charge by the bank was low. It therefore implies that, more poor people will benefit when they approach the bank for the microfinance loan assistance. This will in no doubt increase business activities in the societies and this will encourage growth in the economy.

TABLE 8: LENGTH OF TIME IN PROCESSING THE MICROFINANCE LOAN

Time	Frequency	Percentage (%)
Below 1 months	8	11.9
1 months - 3 months	45	67.2
4 months - 6 months	9	13.4
Above 6 months	5	7.5
Total	67	100

Source: Field work 2014

The above presentation indicates that, 8(11.9%) of the respondents spent below 1 months in processing the loan, 45(67.2%) said it took them between 1 month to 3 months to process the loan and 9(13.4%) of the respondents said it took them between the period of 4 months and 6 months to process the loan while, 5(7.5%) of the respondents said it took them 6 months and above to process the microfinance loan. From the analysis above, it can be deducted that majority of the beneficiaries said it took them 1 - 3 months to process the loan. Therefore, due to the short time of processing the loan by majority of the beneficiaries, it will be encouraging to the poor people of the society in collecting the microfinance loan. This will in turn increase economic activities and also reduce the number of the poor in the society.

TABLE 9: PROBLEMS ENCOUNTERED IN SECURING THE LOAN WITH THE BANK

Problems	Frequency	Percentage (%)
Long Distance	21	31.3
Lack of Collateral	9	13.4
Illiteracy	17	25.4
Lack of Guarantor	6	8.9
Bureaucratic Bottleneck	4	6.1
Other	10	14.9
Total	67	100

Source: Field work 2014

The above presentation above, implies that 21(31.3%) of the respondents said they were faced with the problem of long distance from their residences to the particular lending institution, 9(13.4%) of the respondents said they lacked collateral security, 17(25.4%) of the respondents were constrained by their

illiteracy, 6(8.9%) of the respondents said they lacked Guarantor and only 4(14.9%) said they faced no problems at all in securing the loan. The analysis above indicated that the major problem encountered in securing the loan is long distance between the bank and the beneficiaries' residences. This serves as an obstacle which will discourage poor people from travelling to approach the bank for the microfinance loan as they will have to spend much for transportation fares. However, this will affect the number of people whom approach the bank for the loan assistance and also the aim of microfinance which is reaching out to the poor, may not be achieved.

TABLE 10: PURPOSE OF THE MICROFINANCE COLLECTED

Purpose of the Microfinance	Frequency	Percentage (%)
Setup small scale enterprise	21	31.3
Expansion of business	11	16.4
Crop farming	21	31.3
Livestock farming	9	13.4
Rehabilitation of business	-	-
Others	5	7.5
Total	67	100

Source: Field work 2014

From the above presentation, it shows that 21(31.3%) of the respondents used the loan to setup small scale enterprise, 11(16.4%) of the respondents used the loan to expand their businesses, 21(31.3%) of the respondents said they used the loan for crop farming, 9(13.4%) of the respondents used the loan for livestock farming while 5(7.5%) of the respondents for others did not specify what they used the microfinance for. The analysis shows that majority of the

respondents used the microfinance loan to setup small scale enterprise and also for crop farming which implies that the loan acquired was used for productive ventures which will help in providing employment, food security and increase in income among the people of the society.

TABLE 11: COLLATERAL SECURITY USED IN OBTAINING THE MICROFINANCE

Types of Collateral	Frequency	Percentage (%)
Landed Property	4	6.0
House(s)	3	4.5
Personal Guarantor	56	83.5
Verbal Promise	-	-
Other	4	6.0
None response	-	-
Total	67	100

Source: Field work 2014

The above table indicates that 4(6.0%) of the respondents used landed property as collateral security in obtaining the microfinance from the bank, 3(4.5%) of the respondents used houses and 56(83%) of the respondents used a personal guarantor as collateral security in obtaining the loan while, only 4(6.0%) of the respondents for others used a close friend's property as collateral security to obtain the microfinance loan from the bank. From the above analysis, it can be seen that majority of the beneficiaries used a personal guarantor as collateral security to obtain the loan from the bank. Therefore, it will be easy for the poor people who can't afford any physical asset as collateral security to approach the bank for the microfinance assistance. In essence, more poor people will benefit from the bank loan assistance.

TABLE 12: RELATIONSHIP BETWEEN THE BENEFICIARIES AND THE BANK AFTER SECURING THE LOAN

Relationship with the Bank	Frequency	Percentage (%)
Guidance and Counseling	6	8.9
Inspection	19	28.3
Supervisory	38	56.8
Other	-	-
None Response	4	6.0
Total	67	100

Source: Field work 2014

From the above presentation, 6(8.5%) of the respondents said that the bank guided and counselled them after obtaining the microfinance, 19(28.3%) of the respondents said they are being inspected by the bank after obtaining the loan, 38(56.8%) of the respondents said they were being supervised by the bank after obtaining the loan and then 4(6.0%) of the respondents did not respond on their relationship with the bank after obtaining the loan. The analysis shows that majority of the beneficiaries were being supervised by the bank after obtaining the microfinance loan. This implies that the beneficiaries will use the loan for the purpose collected since they are being supervised by bank officials.

TABLE 13: DIFFICULTY ENCOUNTERED IN PAYING BACK THE MICROFINANCE LOAN

Difficulty Encountered	Frequency	Percentage (%)
Time Lag between Collection and Payment	19	28.3
Business Failure	6	8.9
Drought	15	22.4
High Interest	4	6.1
Other	22	32.8
None Response	-	-
Total	67	100

Source: Field work 2014

From the above presentation, it can be depicted that 19(28.3%) of the respondents said the difficulty they encountered in paying back the loan was the time lag between collection and payment, 6(8.9%) of the said they faced business failure, 15(22.4%) faced the problem of drought and 4(6.1%) of the respondents said high interest rate was the problem they encountered in paying back the loan while 22(32.8%) of the respondents for others said they faced no problem at all in paying the microfinance loan. From the above analysis, it can be seen that majority of the beneficiaries did not encounter any problem while some said the problem they faced was the time lag between collection and repayment. This implies that there is minimal problem encountered in paying back the microfinance loan, which means that the main purpose of the microfinance, which is empowering the poor is achieved.

TABLE 14: MONTHLY INCOME BEFORE THE MICROFINANCE LOAN ASSISTANCE

Monthly Income (N)	Frequency	Percentage (%)
No Income	20	29.8
5,000—10,000	18	26.9
11,000 — 20,000	10	14.9
21,000—30,000	9	13.5
31,000 and Above	10	14.9
Total	67	100

Source: Field work 2014

From the above presentation, 20(29.9%) of the respondents have no monthly income, 18(26.9%) of the respondent's monthly income is between N5,000- N10, 000, 10(14.9%) of the respondent's monthly income is between

11,000- N20, 000, 9(13.5%) of the respondent’s monthly income is between N21, 000 - N30, 000 while 10(14.9%) of the respondent’s income is N31, 00 and above. From the above analysis, it can be seen that majority of the beneficiaries are without income and only few had little monthly income before the microfinance assistance. Therefore, this implies that majority of the beneficiaries are poor and unemployed and contributed less to the economic activities of the society. But due to the microfinance loan many will be assisted and given employment opportunity.

TABLE 15: INCOME IMPROVEMENT DUE TO MICROFINANCE LOAN

Improvement in Income	Frequency	Percentage (%)
Yes	62	92.5
No	5	7.5
None Response	-	-
Total	67	100

Source: Field work 2014

From the table above, 62(92.5%) of the respondents agreed that there is improvement in their income since the bank assistance while only 5(7.5%) of the respondents said there was no improvement in their income. This analysis shows that majority of the beneficiaries experienced a tremendous improvement in their income as a result of the microfinance loan, but only few of the beneficiaries did not experience improvement in their income. This implies that microfinance loan assistance has actually achieved its aim of alleviating poverty in the economy by improving their income.

TABLE 16: AVERAGE INCOME AFTER SECURING THE LOAN

Average annual income (N)	Frequency	Percentage (%)
Below 50,000	5	7.5
51,000 - 100,000	23	34.3
110,000-150,000	19	28.3
151,000-200,000	16	23.9
210,000 and above	4	6.0
Total	67	100

Source: Field work 2014

From the above presentation, it can be seen that 5(7.5%) of the respondents said their average annual income is below N50, 000, 23(34.3%) of the respondents said their average annual income is between N51,000- N100, 000, 19(28.3%) of the respondents said that their average annual income is between N110,000- N150, 000, 16(23.9%) of the respondents said their average annual income is between N151,000- N200, 000 while only 4(6.0%) of the respondents said their average annual income is N210, 000 and above. The analysis shows that majority of the beneficiaries' annual income has increased after securing the microfinance loan. This implies that microfinance has a positive effect in poverty reduction.

TABLE 17: ASSET STATUS AFTER SECURING THE LOAN

Increase in Asset holdings	Frequency	Percentage (%)
Yes	53	79.1
No	17	20.9
None Response	-	-
Total	67	100

Source: Field work 2014

From the table above, it can be seen that 53(79%) of the respondents said there is an increase in their assets after securing the loan while only 17(20.9%) of the respondents said there was no increase in their asset holdings. From the analysis, it can be depicted that majority of the beneficiaries' asset holdings increased after securing the loan while few beneficiaries did not experience increase in their asset holdings. This implies that increase in assets serves as a good determinant for business security especially in times of depression (economic downturn).

TABLE 18: KINDS OF ASSETS OBTAINED AFTER SECURING THE LOAN

Assets Obtained	Frequency	Percentage (%)
House(s)	4	6.0
Land	9	13.5
Shares	10	14.8
Livestock	29	43.3
Motorcycles	4	6.0
Others	11	16.4
Total	67	100

Source: Field work 2014

The above presentation shows that 4(6.0%) of the respondents obtained houses with the loan given to them, 9(13.5%) of the respondents obtained land as an asset holding, 10(14.8%) of the respondents bought shares, 29(43.3%) of the respondents bought livestock, 4(6.0%) of the respondents bought motorcycles after collecting the loan while 11(16.4%) of the respondents for others said they bought goods to stock their shops, others said they used the

extra profit to send their children to school and the remaining others said they bought farm implements. The analysis shows that majority of the beneficiaries invested large part of their loan obtained from microfinance on livestock business. This has a positive effect in bringing higher profits after sales and also livestock is a source of meat and milk, which increases nutritional value, It is also a source of manure for agricultural productivity.

TABLE 19: VIEW OF RESPONDENTS ON THE MICROFINANCE LOAN ASSISTANCE

View of Respondents	Frequency	Percentage (%)
Excellent	35	52.2
Fairly Good	24	35.8
Not Encouraging	5	7.5
Others	-	-
None Response	3	4.5
Total	67	100

Source: Field work 2014

The above table implies that 35(52.2%) of the respondents are of the opinion that the microfinance assistance is excellent, 24(35.8%) of the respondents are of the opinion that the microfinance assistance is fairly good, and only 5(7.5%) of the respondents are of the view that the microfinance loan assistance is not encouraging while 3(4.5%) of the respondents did not comment on their views of the loan assistance. The analysis shows that majority of the beneficiaries said the loan assistance is excellent while only some few are of the view that it is not encouraging. Therefore, this implies that there is a general agreement that

microfinance plays a significant role in poverty alleviation in economic life of the poor people and should be encouraged.

From the presentation and analysis above, a higher percentage of the beneficiaries with the Nigerian Agricultural Cooperative Rural and Development Bank (NACRDB), Sokoto are men who are mostly literate. The amount of microfinance collected is largely between N150, 000 and above with low interest charge on the loan and it takes them between 1-3 months to process.

However, the presentation and analysis shows that the major problem encountered by beneficiaries is that the particular lending institution is located far away from them. Also, a high percentage of the beneficiaries said they used the microfinance loan to setup small scale enterprises for business and the same percentage said they used the loan for crop farming. The collateral security mainly used by the beneficiaries was a personal guarantor and it shows also that they are being supervised by the bank staff after collecting the microfinance loan. Nonetheless, majority of the beneficiaries did not face any difficulty in paying back the loan given to them.

On the other hand, the presentation and analysis shows that higher percentage of the beneficiaries have no income followed by the low income earners with N5,000- N10,000 per month. Majority of the beneficiaries accept the fact that there is improvement in their annual income and that their average

annual income is between N51, 000- N100,000. Yet, majority of the beneficiaries said there is improvement in their asset holdings and that they mainly invested in the livestock business as a result of the microfinance loan assistance.

And finally, the presentation and analysis shows that higher percentage of the beneficiaries are of the opinion that the Nigerian Agricultural Cooperative Rural and Development Bank (NACRDB), Sokoto microfinance assistance loan is excellent and that they should continue the good effort of alleviating the sufferings of the teeming from poverty in Sokoto state and Nigeria as a whole.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

In This chapter, attention is focused on the summary of the study, conclusion and recommendations. It summarises and concludes the whole study, a summary of the whole chapter is presented, conclusion was made and lastly recommendation was also made for future action.

5.2 SUMMARY

This research work was setup to examine the contribution of microfinance in poverty eradication in Nigeria with a particular emphasis on the Nigerian Agricultural Cooperatives Rural and Development Bank (NACRDB) limited, Sokoto. In doing this the research work is divided into five chapters.

The first chapter focused attention on the general introduction. It started with the background of the study, followed by the statement of the research problem. It also focused on the significance of the study, scope and limitation and lastly the chapter scheme/scheme of chapter.

In the second chapter, previous work and writings by many authors were reviewed which aimed at identifying issues on the microfinance and poverty eradication, the meaning and concept of microfinance, the conceptual framework, the types of microfinance models, microfinance and poverty eradication, the effort at microfinance delivery to the poor and lastly it went further to look at the effect of microfinance on poverty.

The third chapter is concerned with the historical background of the study and research methodology, it includes the sample size of the sixty seven (67). Random sampling technique was used as the method of data collection, questionnaire was used in data collection and the data was analysed using tables and percentages.

In the chapter four, an attempt has been made to analyse the data collected. About ninety six (96%) of the questionnaire were returned by the respondents and the data were presented and analysed accordingly.

This chapter includes the summary of the whole work followed by the conclusion and lastly recommendations were made based on the study.

5.3 CONCLUSIONS

This research work has established that microfinance is indeed a strategy of poverty reduction. More importantly is the model of supplying credit to the poor as discussed in chapter two. It is a progressive strategy for Nigeria to have developed a strong linked institution by merging the formal, semi-formal, formal and informal institutions that has in the past supply credit to the poor less than one umbrella, for example, the Nigerian Agricultural, Cooperative Rural and Development Bank (NACRDB).

The study showed that the activities of NACRDB in Sokoto like other poverty alleviation agencies and elsewhere in South East Asia and Latin America are adoptive, well organize and coordinate. They have vision, focus

capacity to change lots of their beneficiary's base on their achievement in outreach, socio economic and political empowerment and cost effectiveness.

From the findings, microfinance is a sort of platform,, where the vulnerable poor formally seen without capital, have now witness a tremendous increased of improvement in their incomes, whereby now they can purchase assets with the profit and more so, they don't encounter any problem in paying back the credit. The basic assumption is that the poor are the best judges of their situation and know how best to make use of the credit when available.

In conclusion, at an aggregate level, microfinance serve a means of broadening economic participation to include marginal group that have left been out previously. The main benefit is the heightened or increased political stability that flows from having more stakeholders participate in the resource endowment of the country and thereby pushing growth and development to a sustainable level.

5.4 RECOMMENDATION

For microfinance to make greater import on the poorer segment of the Nigerian society, certain limitation enumerated in the finding must however be addressed in this regard the following recommendation are made based on the finding of the study for further action by Nigerian Agricultural Cooperative Rural and Development Bank (NACRDB), Government and Non-government Organization (NGOs) involve in microfinance assistance in Nigeria.

Firstly, from the finding on the educational background of the respondent there is a need for literacy promotion and training for the borrowers, before given them the credit so that they will know how to use the credit judiciously to avoid bad debt, which cannot be redeemed. And there should be exposure training, workshop and seminar opportunities for staff so as to prepare them effectively for the difficult task of dealing with the poor people wanting the credit.

Secondly, from the finding on the gender distribution of the beneficiaries, it was found that majority of the beneficiaries are male and female, there is the urgent need for massive campaign and encouragement both in the rural and urban areas by the Nigerian Agricultural Cooperative Rural and Development Bank (NACRDB), government and other Non-Governmental Organization (NGOs), so as to enlighten the poor women who are mostly affected with poverty, on the importance of microfinance, so that they can benefit from such assistance.

Thirdly, on the interest change on the credit, there is the need for the institution (NACRDB) to lower the interest, they should ensure that credit are given at economic rate of interest and for economic activities that will help increase the economic efficiency of the borrowers (beneficiaries).

Fourthly, from the finding on the problem encountered in securing the credit, which is mainly long distance between the beneficiaries and lending institution there is the need for government to provide NACRDB with all the necessary material needed to open branches in the local government area so as

to ensure easy access to its services and facilities, so that the assistance will go close to the target beneficiaries, this will also help reduce the problem of transportation between the NACRDB and its beneficiaries and will help also reduce the problem of securing the credit.

Fifthly, as regards to the relationship between the institution and its beneficiaries, this study demand that there should be honesty in transaction between NACRDBs and it beneficiaries, the institution need to be careful as they are dealing with rural low income people who earn their income in the halfway and are moved easily by fraud deals. Therefore, penalties should be given out to fraudulent borrowers so as to ensure the banks safe in its transactions with the borrowers.

Sixthly, from the finding on the length of time is takes in processing the credit with the bank, the bank should reduce the time it takes to process the credit, they should make the loan to be easily accessible and the bureaucratic bottleneck associated with the collection of the credit should be reduce, because some poor people with the frustrated and in the long run they might give up and not be interested in the credit again. So as a matter of fact, the credit should take a least less than a month to process it. Than the 3-4 month in the finding.

And lastly, the government should provide a conductive enabling environment for the growth and sustainability of the Nigerian Agricultural Cooperative Rural and Development Banks and all agencies in charge of giving/providing microfinance to the poor people, through provision of a infrastructure road,

water, electricity, e.t.c to rural communities. This will reduce their cost of operation, increase outreach and visibly by the poor who are bound to free the increase input of NACRDB and other agencies activities if microfinance assistance.

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APPENDIX

DRAFT QUESTIONNAIRE

Dear Respondent,

I am a final year student of the Department of Economics, Usmanu Danfodiyo University, Sokoto State. I am carrying out my research work on the role of microfinance in poverty eradication in Nigeria with a particular reference to the Nigerian Agricultural Cooperative Rural and Development Bank (NACRDBJ Limited Sokoto, Sokoto State. With a view to put forward useful suggestion to the Government, Non-Governmental Organizations (NGOs) and Banks on the relevance of microcredit in reducing the alarming and increasing rates of poverty in Nigeria.

The information gathered will be strictly used for academic purposes and so absolute confidence will be maintained. Please tick neatly where appropriate.

SECTION 'A': PERSONAL DATA

1. AGE:

- a) 18-30
- b) 31-42
- c) 43 and above

2. SEX:

- a) Male
- b) Female

3. MARITAL STATUS

- a) Single
- b) Married
- c) Divorced
- d) Widow

4. If married how many children?

- a) 1-3
- b) 4-6
- c) Above 6

5. Educational background

- a) Adult education
- b) Primary
- c) Secondary
- d) Islamic education
- e) Tertiary education

SECTION 'B' DATA ON MICROFINANCE

6. How much do you get as microfinance from the bank?

- a) N10, 000 – N50, 000
- b) N51, 000 – N100, 000
- c) N101, 000 – N150, 000
- d) N150, 000 and above

7. How is the interest on the microfinance?

- a) Average
- b) Very low
- c) Low
- d) No Interest

8. How long does it take you to process the loan with the bank?

- a) Below 1 month
- b) 1 month – 3 months
- c) 4 months – 6 months
- d) Above 6 months

9. What are the problems you encounter in securing the microfinance?

- a) The existing lending institution is located far away from you
- b) Lack of collateral
- c) Illiteracy
- d) Lack of guarantor
- e) Bureaucratic bottleneck

f) Others (specify).....

10. What was the purpose of the microfinance collected?

a) Setup small scale business enterprise

b) Expansion of business

c) Crop farming

d) Livestock farming

e) Rehabilitation of business

f) Others (specify).....

11. Which of these did you use as collateral security in obtaining the microfinance from the bank?

a) Landed property

b) House(s)

c) Personal guarantor

d) Verbal promise

e) Others (specify).....

12. After obtaining the microfinance, what contact did you have with the bank?

a) Guidance and counselling

b) Inspection

c) Supervision

d) Others (specify).....

13. What difficulty did you encounter in the process of paying back the microfinance loan

- a) Time lag between the collection and repayment
- b) Business failure
- c) Drought
- d) High interest rate
- e) Others (specify)

SECTION C: DATA ON INCOME

14. What was your income before the bank microfinance loan?

- a) No income
- b) N5, 000 – N10, 000
- c) N11, 000 – N20, 000
- d) N21, 000 – N30, 000
- e) N31, 000 and above

15. Did you notice any improvement in your annual income since the microfinance loan?

- a) Yes
- b) No

16. If yes to the above, what is your average annual income?

- a) Below N50, 000
- b) N51,000 – N100, 000
- c) N110, 000 – N150, 000
- d) N151, 000 – N200, 000
- e) N210, 000 and above

17. Is there an increase in your asset holdings as a result of the microfinance loan?

- a) Yes
- b) No

18. If yes to the above, what asset did you obtain with the microfinance given to you?

- a) House
- b) Livestock
- c) Land
- d) Shares
- e) Motorcycle
- f) Others (specify).....

19. What can you say about the microfinance loan?

- a) Excellent

- b) Fairly good
- c) Not encouraging
- d) Others (specify).....

Thanks for cooperation.

Yours Sincerely,
Ismail Zubairu.