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Microfinance Bank and Poverty Alleviation in Nigeria: An Impact Assessment

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Abstract

This study empirically examines the impact of microfinance bank on poverty alleviation in Nigeria, and the implications of such findings. The study covers a period of 25 years (1992 to 2016). The correlation coefficient and the ordinary least square (OLS) econometric technique were used for the empirical investigation. The results from the empirical analysis reveal that microfinance assets and loan-to-deposit ratio are major determinants of poverty alleviation in Nigeria; microfinance deposits and liquidity ratio failed the 5 percent level of significance indicating that they do not have any significant impact on poverty reduction in Nigeria. On the other hand, microfinance gross earnings and microfinance bank loans have significant negative impact on poverty alleviation in Nigeria. The study recommends among others that there is need for the relevant regulatory authorities and the government to evolve a holistic policy framework that will assist microfinance banks to properly utilize their total earnings in creating more credit facilities to the productive MSMEs firms such that it will have the needed positive impact on the ordinary poor in the street of Nigeria and in turn result in drastic improvement in the overall living standard of the Nigerian populace.

Key words: Microfinance Bank, Poverty Alleviation, Measurement and Analysis of Poverty, Economic and Statistical Methods

JEL Classification: G2, G21, I3, I32, C1

Paper Classification: Research Paper

Introduction

Nigeria is the largest economy of African continent in terms of population and human capita. It is unarguably the most populous black nation in the world today. The country which got its independence in 1960 is endowed by God with enormous human capita and mineral resources. The country is also known to be the sixth oil producing nations in the world. Ordinarily, one would expect that along with the presence of these abundant resources, the issue of poverty also should not be experienced by the average Nigerians living in the rural communities and even urban centers or should be a thing of the past. But it seems not to be so as per the given fact that millions of Nigerians are hardly able to feed themselves thrice a day, number of jobs available are much more fewer than the timid population, hence, the daily increase in youth restiveness, crimes such as kidnappings, robberies, hired assassins, rituals, cultism and insurgency among

others. The British Prime Theresa May, during her visit to Nigeria on 29th August 2018 in Abuja confirmed the poverty with present state of Nigeria. According to her, 'Britain is worried by the bludgeoning poverty in its erstwhile colony. She was worried by the increasing inequality in wealth distribution, with over 87 million Nigerian citizens living below \$1.90 per day. Nigeria is indeed, a destination for the poorest people on earth'.

It is true that an idle mind is the Devil workshop, there is the need of a constant engagement of the mind of the youth to keep them engaged in by productive ventures that will enable them to earn a living, create jobs and contribute meaningful to nation building. In recognition of these, successive government in Nigeria has initiated different programs in an attempt to eradicate poverty and improve the lots of the poor in the country. Some of these programs include small and medium scale development agency of Nigeria (SMEDAN), introduction of entrepreneurship development study as a compulsory course across Nigerian Universities and the introduction of microfinance banks by the central bank of Nigeria (CBN) in the country in 2004 among others. The latter is seen as a deliberate effort on the part of government to swiftly and effectively contend and minimize the tide of poverty that have eating deep into the fabrics of the Nigerian society.

Thus, the introduction of microfinance banking led to the facing off of the 'Community Banks' which were once known as 'The Peoples' Bank'. According to CBN (2005) and the revised new regulatory guidelines CBN (2012), microfinance entails providing financial assistance to the poor who cannot have access to micro-financial services from the conventional financial institutions; also the microfinance banks perform three basic distinct functions from the other financial institutions. These are (i) the small nature of loans given to customers as well as the savings that are collected; (ii) no collateral security attached, and (iii) simplicity of operations. In the same policy framework, it was evidently stated that the formal financial sector provides financial assistance to about 35 per cent of the economically active population while the remaining 65 percent that are excluded and can't have access to the financial services are left at the mercy of the unregulated financial activities of informal financial sector made up of Non-Governmental Organizations (NGO), microfinance institutions, credit unions, moneylenders, Osusu scheme, friends and families among others (Egboro, 2015). Most of these informal financial institutions have shifted focus and compromised their original social mission of reaching to the poorest of the poor; for mere profit oriented ventures. Hence, the establishment of microfinance banks in Nigeria is to primarily cater for these unserved populates.

Several empirical evidences such as Hossain (1988); Amin, Rai & Topai (2003); Adamu (2007); Irobi (2008); Johnson & Rogaly (1997) and Bakhtiari (2011) have shown that microfinance bank is an important tool for poverty eradication and socio-economic development in many developing countries across the globe. Even the study of Hossain (1988) in Bangladesh found that the poor and landless members of Grameen banks have average household of 43 percent higher than the normal landowners. Since the advent of the Nobel Peace Prize award given to Yunus in (2006), several interests have been aroused for the investigation of the impact of microfinance banks on poverty alleviation across the globe. Also, given the experience of micro-finance credit in Nigeria that had not been quite successful from the formal model approach as observed by Arogundade (2010), this current study deem it necessary to empirically investigate this relationship between the modern microfinance banks and their ability to reduce effectively the level of poverty in the country using Nigerian Microfinance banks'-related variables. The study became necessary despite the fact that numerous microfinance banks are operating in the country coupled with several policy initiatives aimed at reducing poverty level among Nigerians; one can still vividly smell poverty among households in Nigerian communities. One therefore begins to wonder about the effectiveness of these microfinance banks in addressing poverty reduction issues in Nigeria.

Literature Review

Conceptual Review

(a) Concept of Microfinance

Micro-financing means developing a financial system that effectively and efficiently meet the needs of the poor and are a powerful tool for fighting poverty across the globe (Osamwonyi & Obayagbona, 2012). The reason is when the poor are able to get financial services; they can earn more, build assets and protect themselves against external shocks as they arise (NMDS, 2012). According to the Asian Development Bank (2011) and the Central Bank of Nigeria (2013), micro-financing is the provision of a wide variety of financial services primarily to assist the poor and low income persons, households and their small businesses. Rodman (2012) sees microfinance bank as the provision of financial services to low income earners, who were hitherto not serviced by the formal deposit money banks. In other words, it is the provision of microcredit to poor people to enable them engage in meaningful ventures and grow them accordingly. However, (Seibel 2001) defines it in a wider term as comprising formal and non-formal financial institutions that offer micro financial services to the low income people, and are regulated along-side the banking sector. According to MIX (2010), microfinance is the provision of micro-credit facilities, including savings and other relevant services to the poor. It added that the word 'micro' is a reflection of the smallness of the amount involved and which makes it peculiar to the poor who specifically need them to run their small business and earn a living.

(b) Concept of Poverty

The issue of poverty, measurements and its implications on human lives, particularly those who are in African continent (Nigeria inclusive) and the third world, has been a recurrent subject of numerous debates for well over three decades till date. The World Bank (2012) sees poverty in absolute terms; that extreme poverty is living on less than US\$1.90 per day, and moderate poverty as less than \$3.10 a day. It is all time argument that while about 112 million Nigerians currently live below poverty level, the total number of poor persons globally is approximately one billion. Also, the World Bank's Development Report (2000, 2001) argues that the poor people often do not have enough food, shelter, education and health, hence, they are unable to live quality lives that is most desirable by all. They are also very vulnerable to sicknesses, diseases, economic dislocation, and epidemic. The poor are always exposed to ill treatment by governments and society, and do not have what it takes to influence the key government decisions affecting their lives (World Bank, 2000; Ganga, 2012). According to Ganga (2012), at the very heart of these debates is the question of whether poverty is merely about material deprivation or is an issue that also affects a broader set of needs beyond mere material needs. On his part, Sen (1999) submitted that poverty is an issue of deprivation (with respect to capability) rather than low incomes. However, capability approach to poverty does not ignore the fact that low income is also responsible for poverty, since lack of resources is also a primary reason for a person's capability deprivation. More emphatically, deprivation that poor people are facing really on daily basis goes beyond mere income poverty but encompasses issues such as vulnerability, ill-health, social inferiority, powerlessness, humiliation and isolation among others (Chambers, 1995). In another related definition, ADB (2004) sums it up as follows: 'poverty is characterized by the inability of a person to have all the relevant services to lead a normal life. Food, peace, access to education and convenient health care services are the basic necessities of human life. The poor should be able to work and sustain themselves and have protection to a certain extent from external attacks'.

National Bureau of Statistics (NBS) latest report indicates that, about 112 million Nigerians (that is 67.1%) of the total population of 167million are actually poor. However, for the purpose of this paper, poverty is define as human, state and institutionally induced evil/injustice that incapacitates the innocent members of a society such that they are deprived of the basic needs of life (adequate food and shelter, education and health) and are not able to live a comfortable life. Poverty can also be defined as that form of mental, financial, social and economic injustice that incapacitates people and deprives them from having access to basic human needs that are so vital for their wellbeing.

Overview of Microfinance Banking in Nigeria

Long before the advent of modern microfinance banking in Nigeria, the issue of credit has been an important aspect of Nigeria's economic and socio-political relations among the various ethnic groups, particularly the low income earners or the poor. Credit has often been used as a tool for helping the poor and stimulating economic growth. Over the years, government and international donor agencies have tried to provide credit at a subsidized rate to small farmers in the developing countries, particularly Nigeria, not available to all. According to Anyanwu (2004), the very failure of the reduce loans to get to the poor, led to the introduction of another micro-credit scheme that would enable the poor have convenient access to financial services on a regular basis. Indeed, microfinance has metamorphosed through three basic stages or types in the last decades in Nigeria. These include:

- i. **The Informal Sources:** These were the earliest and predominantly embraced and practiced form of micro-financing among the poor and low income earners in Nigeria. A large trunk of rural dwellers and low income earners rely heavily on this sector for financial services, as they are unable to provide requisite collateral security as condition for assessing loans from the formal deposit money banks. In Nigeria, the informal sources of microfinance are usually called 'traditional savings and loans institutions' which popularly referred to as Esusu or Osusu depending on the local dialect and different names across the globe. Below are the various names it assumes in different part of the world, including Nigeria.

Table 2.1: Names of Informal Microfinance Institutions in Different Parts of the World

Name	Country
Adashi	Northern Nigeria
Arisan	Indonesia
Akawa or Oku or Etibe	South Nigeria
Bishi or Chit Fund	India
Esu	North Cuba & Southern Florida
Esusu/Ajo	Western Nigeria
Etoto/Akawo	Eastern Nigeria
Gamiayah	Egypt
Iddir or Ekub	Ethiopia
Nago	--
Stokvel	South Africa
Suo or Susu	Caribbean & Senegal
Tonton	Sierra Leone
Tortine, Jojuma, Njanji	Cameroon & Senegal
Upatu	Tazania
Yesyes	Southern Togo

Sources: Compiled from different Economic Journals such as (Bouman, 1994; CBN, 2000, 2007).

- ii. The Semi-Formal Sector:** This sector comprises the non-governmental organizations (NGOs) and international donor agencies. Their focus was on community development by providing income-generating loans/grants to their members to enable them acquire farm implements, carry out development projects like boreholes and provision of small loans to their members at subsidized rate. These NGOs were commonly called micro-credit institutions in the first instance and later called microfinance institutions, mainly supported by donors (CBN, 2013).
- iii. The Formal Institutions:** The advent of these institutions in Nigeria actually began with the conscious, deliberate and decisive steps taken by the government at various times in establishing rural banks, cooperatives, people's banks, community banks and now microfinance banks with the purpose of providing all round micro-credits to the economic active poor who represent the building block of economic development of the country. According to Omeh (2012), economic development has been a growing concern to both governments and the private sector hence, the huge amount of money has been expended over the years. According to him, successive government in Nigeria have taken several steps to ensure adequate financial inclusion and financial literacy for the poor by the establishment of the following agencies:
- a) The Nigerian Industrial Development Bank (NIDB) in 1964.
 - b) Nigerian Agricultural Credit Bank 1973-2000.
 - c) Rural Banking Program 1977-2000.
 - d) Agricultural Credit Guarantee Scheme, since 1977.
 - e) People's Bank 1998-2001.
 - f) Community Bank 1990-2005.
 - g) Family Economic Empowerment Program 1994-2001
 - h) National poverty Eradication program, since 2001
 - i) Small and Medium Equity Investment Scheme, since 2001
 - j) Micro Policy Framework, since 2005
 - k) Microfinance Banks since 2005 till date (Omeh, 2012).

Thus, on the 15th December 2005, the modern microfinance bank was formally established and licensed by the Central Bank of Nigeria (CBN) in line with the search for financial sustainability of the current financial system approach to microfinance as practiced in other parts of the globe.

Empirical Literature

With respect to poverty alleviation and microfinance banks nexus, numerous studies abound in the empirical literature as to how microfinance banks can be effectively used to minimize the poverty level in countries across the globe. For instance, the study of Jegede, Kehinde & Akinlabi (2011) empirically examined the effect of microfinance credit on poverty reduction in Nigeria. Using the chi-square test, F-test and T-test, the results showed that there is a significant difference between those that used microfinance banks and those who do not use them. Thus, microfinance institutions significantly influenced poverty alleviation by increasing the income and changing economic status of those who patronize them. Oladejo (2013) examines the impact of access to credit and other specific microfinance bank's related variables on selected SMEs located in Osun State of Nigeria. Using the descriptive statistics on primary and secondary data, the empirical analysis indicates significant positive impact of microcredit delivery services on SMEs performance.

In another related study, Okezie, Bankoli & Ebomuche (2013) examine the effectiveness of microfinance bank in eradicating poverty in Nigeria, using descriptive statistics on primary data involving 382 respondents for 3 Senatorial districts in Imo state. The empirical results revealed that high income class has the ability to save the poor living in the rural areas. Akosile & Ajayi (2014) examine the impact of microfinance Banks credit facilities on micro small and medium enterprises in reducing poverty level and achieving rapid economic growth in Nigeria. Employing the survey and descriptive research designs on five microfinance banks and three (CICs) in the rural, semi-urban and urban centers, the empirical results revealed a strong positive impact of microfinance credits and financial services on poverty reduction or low income group as well as micro, small and medium scale enterprises in Nigeria.

Kasali, Ahmad & Lim (2015) investigate microfinance bank and poverty reduction nexus in the South-West Zone of Nigeria. Employing descriptive statistics and Binary Logit Regression Model, the empirical results indicate that microfinance loan significantly impacts positively on the loan beneficiaries and hence, poverty reduction. The study of Kamel & Jalel-Eddine (2015) examines the effect of microfinance on poverty reduction for about 596 microfinance banks in 57 emerging economies for the period 2005 to 2011. Employing the panel data analysis, the empirical findings revealed that an economy with higher microfinance institutions’ gross loan portfolio per capita tends to reduce poverty level among the people. This is an indication that microfinance banks have the ability to effectively alleviate poverty in these countries.

Methodology

Research Design

The research designs adopted in this study is the Ex-Post-facto and longitudinal research design, which is very applicable in the management and social sciences. An Ex-Post-facto research design involves secondary data in which responses in the nature of a factor and its effects on individuals are being studied, the researcher does not have the ability or opportunity to vary or manipulate the independent variables. This inability to manipulate the independent variables stem from the fact that the variables are inherently non-manipulable or because their manifestations have already occurred (Agbonifoh & Yomere, 1999)

Population and Sample

The population of the study which is also the sample size consists of all the registered microfinance banks and the work force in Nigeria as on December 31, 2017. The data used in this study are secondary data, which covers a period of 26 years (1992 to 2017). They are sourced from the NSE Publications and the CBN Statistical Bulletins (2017).

Theoretical Foundation and Model Specification

It is argued that over 112 million Nigerians are currently living below poverty level, while the aggregate number of the poor is close to one billion globally. Thus, the model for this study with respect to the impact of microfinance bank on poverty reduction in Nigeria, hinges on the poverty index indicator theory. The model is thus stated as follows:

$$CPC = f(ASSET, DEP, MFLOAN, GE, LDR LIQR).....(3.1)$$

However, the econometric form of the model is stated as follow:

$$CPC = \alpha_0 + \alpha_1 ASSET + \alpha_2 DEP + \alpha_3 MFLOAN + \alpha_4 GE + \alpha_5 LDR + \alpha_6 LIQR + \mu t \dots \dots \dots (3.2)$$

Where:

CPC = Consumption Per Capita (Proxied for Poverty)

MFLOAN = Microfinance Loans

DEP = Microfinance Deposits

ASSET = Microfinance Assets

GE = Microfinance Earnings

LDR = Loan-to-Deposit Ratio

LIQR = Liquidity Ratio

μt is the stochastic disturbance term.

The apriora expectations are $\alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5, \alpha_6 > 0$

Method of Data Analysis

Two methods are used in the empirical analysis. These are the correlation matrix and the ordinary least square (OLS) econometric technique. The correlation matrix helps to provide the background characterization of the relationship among the hypothesized variables in the model. The ordinary least square (OLS) econometric technique helps to explain the long run effects of microfinance banks' related variables on poverty reduction in Nigeria. The Ordinary Least Squares (OLS) estimation technique is the Best, Linear Unbiased Estimator. It is based on the minimization of the sum of squares residuals of the model. The coefficients obtained from the estimation are then used to verify the working hypotheses of the study.

Measurement of Poverty Data

Poverty in this study is measured by the household final consumption expenditure per capita (private consumption per capita). It is calculated using private consumption in constant 2010 prices and World Bank population estimates (World Bank, and OECD National Accounts Data, 2010).

Empirical Analysis and Presentation of Results

As earlier stated, the ordinary least square regression technique is used for the analysis. In order to provide a background to the empirical analysis, correlation analysis is carried out on the data so as to generate the initial characterization. Then the empirical analysis is presented using the OLS regression results.

Correlation Analysis

The initial patterns of relationships among the variables can be observed based on the correlation among the variables. In Table 4.1, shows the correlation matrix for the impact of microfinance bank on poverty alleviation in Nigeria. It is seen that microfinance bank assets (MASS), microfinance loans (MFLOAN) and loan-to-deposit ratio (LDR) have significant positive

correlation with poverty proxied by consumption per capita (CPC), with respective values of 0.716822, 0.676123 and 0.582690. This goes to show that microfinance banks play vital role in eradicating or minimizing poverty level in Nigeria. The microfinance bank ability to effectively reduce or minimize poverty level in the country is transmitted through the loans granted to the average poor in the street of Nigeria who do not have basic collateral to get loans from the formal banking institutions. Thus, their ability to give loans to the poor is also a function of their assets base as well as loans-to-deposit ratio.

However, microfinance gross earnings (MGEARN) and liquidity ratio (LIQR) have weak inverse correlation values of -0.250706, -0.177716 with poverty alleviation (CPC) in Nigeria. On the other hand, microfinance deposits (MDEP) is seen to have a moderate positive correlation value of 0.406323 with poverty alleviation (CPC). On the other hand, there is a strong positive correlation between microfinance assets (MASS), microfinance loans (MFLOAN) and loan-to-deposit ratio (LDR); with respective values of 0.994453 and 0.858057. Loan-to-deposit ratio (LDR) is also seen to be strongly correlated with microfinance loans (MFLOAN); and inverse relationship exist between liquidity ratio (LIQR), MDEP, MFLOAN and LDR respectively. On the basis of these results, it is concluded that there is a significant positive relationship between microfinance bank and poverty alleviation in Nigeria in the period under investigation.

Table 4.1: Pair-wise Correlation Table

	CPC	MASS	MDEP	MGEARN	MFLOAN	LDR	LIQR
CPC	1						
MASS	0.716822	1					
MDEP	0.406323	0.481765	1				
MGEARN	-0.250706	0.126042	0.093424	1			
MFLOAN	0.676123	0.994453	0.492430	0.142458	1		
LDR	0.582690	0.858057	0.509523	0.192177	0.877944	1	
LIQR	-0.177716	-0.471876	-0.219646	0.071136	-0.519824	-0.551075	1

Source: Author's Computation 2018

Regression Analysis

The results of the OLS estimation are presented in Table 4.2. In the results, the diagnostic indicators are very impressive. The model is shown to have a strong predictive ability as indicated in the high R squared value of 0.81. This shows that over 81 percent of the systematic variations in poverty alleviation in Nigeria are captured by changes in the explanatory variables. The adjusted R-squared value of 0.74 percent is also very high, and it implies that the model has a very high predictive ability. The overall relevance of the model is observed by considering the F-statistic in the model. The F-value of 10.524 is very high and is significant at the 1 percent level. The model therefore passes the overall significance test at a very high level. Thus, the hypothesis of a significant linear relationship between poverty alleviation and microfinance bank in the country cannot be rejected. There is evidence that the combined effects of microfinance bank's variables in the model have significant effects on poverty alleviation in Nigeria in the period under consideration.

Table 4.2: Microfinance Banks and Poverty Alleviation in Nigeria (OLS)

Variable	Coefficient	T-Ratio	Prob.
Constant	1014.331	3.435341	0.0032
MASS	0.012857	3.186131	0.0054**
MDEP	0.000343	1.143708	0.2686
MGEARN	-0.000760	-3.765880	0.0015**
MFLOAN	-0.028446	-2.933317	0.0093**
LDR	8.965776	2.542836	0.0210*
LIQR	2.431558	0.754433	0.4609
CPC(-1)	-0.227383	-0.920050	0.3704
R ² = 0.81	R ² = 0.74	F = 10.524	DW Statistic = 1.88

*Author's computation 2018. Note: ** Sig. at 1% level, * is Sig. at 5% level.*

The role played by each of the variables in the model in explaining poverty Alleviation (proxied by CPC) is observed through the estimated coefficients of the respective explanatory variables in terms of their values, signs and significance. In the result above, microfinance banks' assets (MASS), microfinance banks' deposits (MDEP), liquidity ratio (LIQR) and loan-to-deposit ratio (LDR) have the expected a priori positive signs in line with the model; while microfinance gross earnings (MGEARN) and microfinance loans (MFLOAN) do not possess the expected positive signs, rather, they were negatively signed.

The particular relevance of each variable in the model can be considered by looking at the significance of each of the coefficients in the model. In the result above, microfinance banks' assets (ASSET) pass the 1 percent level of significance, indicating that this variable is very potent in the determination of poverty alleviation in the country in the period under consideration. Thus, strong policy measure should be put in place by the management to ensure that banks' total assets are directed properly at productive investment that will regularly generate income to the banks from where they are able to provide loans to micro, small and medium scale businesses in which the poor actually belong.

Microfinance deposits (MDEP) failed the 5 percent level of significance, implying that it does not have a significant impact on poverty alleviation in the country. The implication of this is that, the amount of deposit held by microfinance bank at any point in time does not automatically reduce poverty, until it is actually given out to the people in form of loans to support their businesses.

On the other hand, the coefficients of microfinance banks' loans (MFLOAN) and microfinance gross earnings (MGEARN) are negatively signed and pass the 1 percent level of significance. This means that, in the determination of the overall poverty rate, these two variables are relevant factors to be considered. However, the negative sign is an indication that in spite of the enormous banks' earnings and huge amount of loans granted to the poor to carry out small scale businesses, which ordinarily should enhance banks' capacity to provide credit facilities to customers and in turn, reduce poverty level, have not really yielded the expected positive impact on the ordinary man in the street (the poor) in the country. It is seen that a unit increase in banks' gross earnings

and banks' loans bring about -0.000760 and -0.028446 decrease in poverty alleviation. Hence, there is the need for the relevant regulatory authorities and the government to evolve a holistic policy framework that will assist microfinance banks to properly utilize their total earnings to create more credit facilities to the productive micro, small and medium scale enterprises (MSMEs) firms such that it will have the needed positive impact on the ordinary poor in the street of Nigeria and in turn result in drastic improvement in the overall standard of living among the Nigerian populace. This finding agrees in all respect with those of (Kasali, Ahmad & Lim 2015, Kamel & Jalel-Eddine 2015, Jegede, Kehinde & Akinlabi 2011 and Oladejo 2013) who variously submitted that microfinance banks have significant impact on poverty reduction.

Loan-to-deposit ratio (LDR) and liquidity ratio (LIQR) failed the 5 percent significance level, indicating that they are not significant factors to be considered in the determination of poverty reduction ability by microfinance banks in Nigeria. The overall results obtained from the model estimation are effectively acceptable because the D.W. statistic value of 1.88 is in order and implies that there is no autocorrelation in the model. Thus, the results are applicable for structural analysis as well as policy decisions.

Conclusion and Policy Recommendations

The study empirically investigates the impact of microfinance bank on poverty alleviation in Nigeria, and the implications of such findings for a period of 26 years (1992 to 2017). It has been argued in the extant literature that microfinance banks occupy strategic position in the alleviation of poverty in a country. This relationship has been well embraced by so many countries across the globe today. Thus, using the correlation coefficient and the ordinary least square econometric technique for the empirical investigation, the results obtained generally revealed that microfinance bank asset, microfinance bank gross earnings, microfinance bank loans and loan-to-deposit ratio are the major determinants of poverty alleviation in Nigeria in the period under investigation. However, microfinance banks' deposits and liquidity ratio failed the 5 percent level of significance, indicating that they do not have any significant impact on poverty alleviation in the country.

In view of the above findings, the following salient recommendations for policy implementation are raised:

First, in line with the recommendation of the study of Obayagbona and Evbayiro-Osagie (2017), governments should develop and implement coherent policies that will enable microfinance loans impact positively on poverty alleviation through the SMEs sector such that they effectively minimize the level of poverty among the timid Nigerian populates. It should avoid pursuing policies and enacting laws and regulations that would create disincentives from the microfinance sector.

Secondly, since, the study reveals that microfinance deposits do not have any significant impact on poverty alleviation, concerned authorities should make it mandatory by enabling laws that, better percentage of the bank's deposit are set aside as loans specifically for the SMEs, so as to be able to target the very poor by empowering them with necessary funds to establish small businesses.

Thirdly, there is need for the relevant regulatory authorities and the government to evolve a holistic policy framework that will assist microfinance banks to properly utilize their total earnings in creating more credit facilities for the productive MSMEs firms such that it will have the

needed positive impact on the ordinary poor in the street of Nigeria and in turn result in drastic improvement in the overall standard of living among the Nigerian populace.

Finally, microfinance bank management should ensure that bank's total assets are properly directed at productive investment that will regularly generate income to the banks from where they will be able to provide loans to micro, small and medium scale businesses in which the poor actually belong.

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