

Microfinance banks' services and poverty alleviation in rural communities in Cross River State, Nigeria

¹Oru Takim Tiku, ²Brown Egbe Isokon, ³Pius Eneji Akah & ⁴Agbor, Dickson Ovat

¹⁻⁴*Department of Social Work, Faculty of Social Sciences, University of Calabar, Calabar*

¹*takimtiku@unicaledu.ng* ²*brownisokon76@gmail.com* ³*akahpee@unical.edu.ng*

¹*ORCID NO. 0000.0002-9359-8288*; ²*ORCID ID 0000-0003-2705-8926* & ³*orcid.org/0000-0002-9122-0871*

Abstract

This study examines the impact of microfinance bank services on poverty alleviation in rural Nigeria, addressing the alarming poverty rate, with 63% of Nigerians experiencing multidimensional poverty—72% in rural areas. Using a mixed-method approach, data were collected through questionnaires and focus group discussions (FGDs) from 105 respondents, employing stratified and simple random sampling. A community-based cross-sectional survey was conducted, and data were analyzed using Chi-square (X^2). The result of the analyzed data portrayed that microfinance banks' services measured in terms of socio-economic wellbeing, people's access to credit facilities, and sustainable poverty alleviation is significantly associated with the services of microfinance banks in rural communities in Nigeria. Based on these findings, it was recommended among others that there should be sustainable refinancing arrangement which is the only sure way to guarantee microfinance banks to move their most vulnerable clients above the poverty line. There should be change in credit focus—diversification to pursue the microfinance banks core objectives with a consistent as well as concerted efforts to reach the target of microfinance banks. Besides, there should be need for massive awareness creation of microfinance banking in terms of what it is, what it is not, as well as its gains and development potentials to extricate the poor in rural communities in Nigeria from the courage of poverty.

Keywords: credit focus-diversification, awareness creation, sustainable refinancing, Microfinance, Poverty Alleviation, Rural Communities, Financial Services.

Introduction

Throughout human history, man has been making concerted efforts aimed at stemming the wave and or tide of poverty in the society. He has initiated a plethora of programmes as well as actions with a view to improving on the wellbeing of society. In spite of all these efforts and to some extent the phenomenon of poverty has remain persistent and widespread particularly in most third world nations (Ering, 2014). Sustainable strategies and or measures of poverty alleviation in society are both current headline-grabber in development debate as well as a daily challenge for numerous development analysts and practitioners (Okon, Etim & Offiong, 2012). Scholars such as (Ojua, Tiku & Agbor 2014), maintained that empowering the private to take its place as the prime propeller of the economy hold the key to accelerated socio-economic development. As part of its National Economic Empowerment Development Strategy (NEEDS), the Federal Government of Nigeria as sought to strengthen as well as support the private sector toward improved efficiency and productivity through the provision of microfinance credit facilities such as loans and insurance service to the rural poor (Nwigwe, Omonona & Okrowuwa, 2012), in line with the commitment to engendering sustainable economic growth and general improvement in the quality of life as well as the social status of the people in Nigerian rural communities.

Improved access to credit for the rural poor in the rural communities is central to sustainable poverty alleviation because it enables them to invest in and improve productivity in agriculture, small business as well as small-scale manufacturing, thereby empowering them to break out of poverty in a sustained and self-determined way. Guaranteeing rural people's access to credit for meaningful economic engagements as well as agricultural productivity which is one of the core drive and occupation of the rural people in Nigeria, is needed and expedient. This thus, requires specific financial schemes which mobilize savings and intermediate financial services for a sustainable livelihood in society. Microfinance banks thus emerged to fill this gap in the financial service delivery system, particularly poor people in

rural communities. Modeled after the Grameen Bank Poverty alleviation initiatives in Bangladesh, Microfinance Banks mediate the realized credits to the rural poor.

The prevalence of the problem of poverty and its alleviation has necessitated the formulation policies to alleviate it. Agba & Ushie (2012), have argued that successive administrations in Nigeria have initiated and or embarked upon numerous poverty alleviation programmes as well as made tangible efforts with a view launching the nation into a paradise where poverty would be drastically reduced or alleviated. These concerted efforts include, Green Revolution (GR), Operation Feed the Nation (OFN), River Basin and Rural Development Authorities, Mass Mobilization for Social and Economic Reconstruction (MAMSER), National Directorate of Employment (NDE) and National Poverty Eradication Programme (NAPEP) as well as the recent N-power Programme to mention but a few.

In spite of these policies or programmes, as well as their implementation, the poverty problem has remained unabated and intractable. Although, these lift policies and programmes are quite visible across the country, poverty alleviation remains a fundamental challenge as well as elusive to all governments in Nigeria. It is within this premise, that this study is designed to thoroughly examine the influence of microfinance banks' services in alleviating poverty through improved access to obtaining credit facilities, availability, agricultural development in the country.

Research objectives

Ascertain whether microfinance Banks' Services are associated with sustainable poverty alleviation measures among the rural poor.

Research hypothesis

There is no significant association between microfinance banks' services and people's access to credit facilities.

Literature review

It is worthwhile to observe as stated in the Central Bank of Nigeria 2005 document, that Microfinance Strategy, Administrative and Administrative system for Nigeria is self-evident and intended to upgrade the progression of monetary administrations to Nigeria provincial networks as well as support formal saving practices especially among country inhabitants. In any case, the public authority of Nigeria attempted to keep a fortress on monetary exercises by ordering various drives committed to rustic improvement beginning during the 1970s. Especially, the Public Agrarian and Helpful Bank (NACB) and the Country Banking Plan (RBS) were laid out to work with monetary admittance to ranchers (Ojua, Tiku and Agbor, 2014).

Notwithstanding the development of the microfinance area, an ongoing report from the Microfinance Data Trade (Blend) found that Nigeria has the largest number of unbaked individuals in Africa, with more than eighty (80) million individuals lacking admittance to monetary administrations (Ojua and Tiku, 2014). It is anyway noticed that the power in urbanization remarkable populace blast or potentially development as well as a quickly growing casual business area adds to the interest in admittance to monetary administrations by miniature and little ventures (MSEs). The lopsided dispersion of monetary establishments all through the country as well as a slanted spotlight on metropolitan business sectors represent a serious test to the capacity to arrive at those at the lower part of the pyramid (Okon, Etim and Offiong, 2012).

The rise of microfinance practice was advanced by the obvious disappointment of ordinary improvement ideal models as well as ways to deal with accomplish significant

improvement in the public eye. Microfinance banks' look to turn out low revenue individuals with cash-flow to back their pay producing exercises. As a procedure, microfinance has faith in the capacity of the provincial poor to definitively work on their states of living if they can get to monetary help based on reasonable conditions. While microfinance practice like local area-based reserve funds or commitment plans isn't new in many countries current microfinance or what has become known as microfinance unrest then again, is a formation of purposeful endeavors at tending to destitution (Ojua, Tku and Agbor, 2014).

The new type of training outgrew advancement support organizations and states craving to further develop efficiency as well as states of living of the provincial ranchers. This was the period when public advancement ventures likened destitution with country networks (Todaro & Smith, 2011). It was contemplated that provincial tenants or ranchers were poor because of absence of admittance to reserves traditional banks reluctance to help little ranchers has forever been there also credits were dispensed to ranchers in their dissimilar agreeable social orders, affiliations which are enlisted among other distinguished gatherings however with extremely poor discounting or reimbursement rate as well as low revenue, which constrained these business banks to become disappointed and uninterested in giving assets to the rustic networks (Ering, 2015).

The Nigerian economy being industrialist arranged is driven by the standards and practices of the market economy. As per Nelson and Nelson (2010), the reluctance or the powerlessness of the formal monetary foundations to give monetary plans added to the development of private area drove microfinance in Nigeria. Before the development of formal monetary establishments, casual microfinance exercises thrived all around the country. Casual microfinance is given by customary gatherings which cooperate for the shared advantages of their individuals. These gatherings give reserve funds and credit administrations to their individuals. The casual microfinance courses of action work under disparate names (Ering, 2014).

Conceptual overview and basic issues in microfinance

Research reveals that the microfinance sector in Nigeria has been experimenting immense development upon the execution of the UNDP and UNCD for example teamed up to help ASA Bangladesh to carry out the Miniature Beginning Venture in Nigeria. The principal progressively eases from 1998 to 2004 furnished specialized help with line with global accepted procedures to eight promising MFIs all through the country. The objective recipients were the rustic destitute individuals who were prohibited from formal monetary frameworks before now.

Microfinance has existed, albeit generally in the shadows and concealed by relaxed eyewitnesses; since the ascent of formal monetary frameworks. It has just been inside the most recent forty years, but that significant worldwide endeavors have been made to formalize monetary administrations to the provincial poor. As per Agba and Ushie (2013), that this cycle began vigorously around the mid-1980s and has since built up an amazing speed. As of now, there are huge number of microfinance organizations (MFIs) offering monetary types of assistance to an expected 100-200 million of the world's poor. Which began as a grass root "development" spurred mostly by an improvement worldview has advanced into a worldwide industry. Be that as it may, the ascent of the microfinance business apologizes a striking achievement taken inside verifiable setting. It has toppled laid out thoughts of the poor as buyers of monetary administrations, shielded generalizations of poor people, and prepared million bucks of "social speculation" for the provincial poor. Microfinance offered the possibility to lighten neediness while paying for itself and maybe occasion making money.

This likely maybe more than anything, represents the development of microfinance onto the worldwide stage.

Adroitly, microfinance is the term which has come to allude by and large to such casual as well as formal plans offering monetary administrations to the provincial poor. Usong (2016), sees microfinance as the arrangement of credit, reserve funds and other monetary administrations to miniature businesspeople and low pay borrowers. It is thought of as particular from the intermediation of the formal monetary area since it explicitly targets low pay individuals who need access credit for their pay age or creation exercises. Agba, Stephen and Nkpoyen (2014), sees microfinance to be the arrangement of monetary administrations for the most part reserve funds and credit to the financially practical poor and low pay families without insurance. Microfinance is tied in with offering monetary assistance to poor people who are customarily not served by the customary monetary establishments (National Bank of Nigeria, 2005). Microfinance is a monetary improvement system expected to offer monetary types of assistance, for example, credit, reserve funds, miniature protection, miniature loaning as well as installment administration to the country poor and low pay clients (Ering, 2023).

There are various conceptualizations to the origination of microfinance. It incorporates a more extensive scope of administrations, predominantly credit, reserve funds, protection and cash moves. It alludes to credits, saving open doors, protection, cash moves, and other monetary item designated to poor people. Microfinance is certainly not another peculiarity in the Nigerian culture as proven by social - financial exercises, for example, "Esusu", "A JO", "Adashi", "Otateje," and so on which were anticipated to give assets to makers in our provincial networks (Tiku, 2016). The work of government in Nigeria is to modernize miniature supporting in our rustic as well as metropolitan networks to work on the useful limit of the provincial and metropolitan poor, upgrade their monetary standing which mitigates the degree of neediness. As per Ehijiamusoe (2018), believes that loaning to miniature endeavors is at this point not simply something decent however is similarly productive. That microfinance has been recognized as a critical instrument for significant turn of events. As a system for conveying monetary administrations to the poor has turned into an element of improvement organizations. It is advantageous to take note of that administrative organizations in many countries have figured out arrangements administrative and administrative rules for microfinance practice essentially to extend admittance to monetary administrations to poor people or proprietor of miniature undertakings.

Microfinance Banks Offices and Financial prosperity as far as further developed pay level of poor people. In the previous many years, making admittance to monetary administrations for limited scope organizations had been entrusting. Considering these requests, microfinance banks have arisen and created the country over. Ehijiamusoe (2018), declares that loaning to miniature undertakings is at this point not simply something intriguing however is similarly productive. Microfinance is generally imagined as the arrangement of little units of monetary administrations to low pay clients who are typically rejected from standard monetary frameworks. Administration's clients incorporate craftsman, little holder ranchers, food processors, trivial dealers and different people who work miniature ventures. A basic evaluation in the training in the prospect of Agba, Stephen and Nkpoyen (2014) depicts microfinance as suggesting more than conveyance of little units of monetary administrations. It goes past dispensing as well as assortment of credits. It likewise indicates the adaptable designs and cycles by which reasonable monetary administrations are conveyed to the proprietors of miniature undertakings on a practical premise. Throughout the long term, the extent of monetary administrations microfinance has been extended to incorporate reserve

funds, clients' credit, miniature renting, miniature protection, cash moves and miniature speculation administrations.

As indicated by them, it is influential for make a few explanations about microfinance practice. To start with, regardless of its neediness lightening, microfinance isn't good cause. It is just the arrangement opportunity for unfortunate people to get to monetary administrations based on reasonable conditions. Second, microfinance disregarding the ongoing accentuation is certainly not another creation particularly for us in Africa. We have consistently had our "esusu" and "adashu" in networks across Nigeria. They further affirmed that advanced microfinance practice has moved towards commercialization and advancement of development of developments. For example, the unfortunate needs monetary administrations to develop resources, address shopper issues, fence against business risk and different crises. Microfinance perceives the impossible to miss difficulties of proprietors of miniature and little ventures particularly in evaluating monetary administrations. In failure of the poor to give substantial guarantee expected by formal monetary establishments. In the same vein, Tiku (2016), highlighted the roles of microfinance policy as it is the most effective poverty alleviation intervention tool globally:

- i. It enables its clientele to become more self-reliant in their business endeavors especially in the face of mass unemployment in the nation.
- ii. It helps to the mobilization of local savings into productive ventures.
- iii. It helps to increase access to finance which will equally result in finance deepening.
- iv. It causes growth and improves income distribution of the populace. It is on record that divergent regimes in the country have adopted a number of measures to extend economic development to the rural communities. Microfinance is a very viable or potent strategy for meliorating the inadequacies of the formal lending system as well as guaranteeing access to credit for the rural poor through a financial intermediation option which is responsive to the livelihood conditions. It emerged in response to the irrepressible desire or need of the rural poor to improve their condition as well as to meet the necessities of their households.

Methodology

This paper made use of the documentary method of analysis of the wholistic roles of Microfinance Banks' Services and poverty alleviation as both a policy making as well as practice strategy and or measures. This qualitative research describes and summarizes the basic features as well as comprehensive picture of the subject under discourse without testing any hypothesis. This is quite expedient because of the increasing emphasis on the accessibility of financial services to the rural poor for economic enhancement to extricate them from the scourge of poverty. There is a general desire as well as policy formulation to assist the rural poor to access financial services for economic transformation as well as to guaranteed sustainable poverty alleviation in the study area.

Conclusion

The main thrust of this paper was to investigate microfinance banks' services and poverty alleviation in rural communities of Cross River State. Generally, poverty has been known and viewed as a universal malaise with reference to urban poverty due to the astronomical surge in the population of cities combined with the factor of protracted economic depression to aggravate the crises of pauperization. In numerous ways, the situation in Cross River State is typical of Nigeria as well as sub-Saharan Africa. The poor who account for over

half entire population of about 200 million people do not have access to formal as well as informal microfinance institutions for credit

The findings of the study reveal that there is a huge role played by microfinance banks in the alleviation of poverty in society. This is predicated on the fact that the access and utilization of microfinance services by the poor has accorded than the opportunity to get access to capital to begin small enterprises, expand the existing enterprises and as a result, increase their productivity capacity as well as level of income. These increased outcomes in turn, have led the poor contributing financially to the household upkeep and purchases.

The paper has in conclusion confirmed that microfinance banks' services play a very fundamental role in poverty alleviation. The above analysis of the conclusion confirms that there is a pivotal role which is played by microfinance banks' services in the alleviation of poverty in Cross River State. The benefits which accrue to the poor have been explicitly discussed and it is significant to note that the paper provides one of the very first resource material for loan officers, policymakers as well as the domain of microfinance for sustainable poverty alleviation in the study area.

Recommendations

The fundamental recommendations for improving the performance of the microfinance banks' services as well as enhancing their role in poverty alleviation in Cross River State can be summarized and categorized under the following:

- i. Sustainable refinancing arrangement which is the only sure way to guarantee microfinance banks to move their reliable clients above the poverty line'' should be encouraged.
- ii. Microfinance institutions with competence should setup training, as well as technical support centers for human resource and manpower development.
- iii. There should be change in credit focus-divarication to pursue the microfinance banks core objectives with consistent as well as concerted effort to reach the target of microfinance banks.
- iv. There should also be need for massive awareness creation of microfinance banking in terms of what it is, what it is not as well as its gains and development potentials.
- v. There should be improvement in corporate governance of microfinance banks as an awesome opportunity for poverty alleviation in society.

References

- Agba, M. O. & Ushie, M. E. (2013). *Principles and Management of Cooperative Organizations*. Calabar: Ethereal Bliss.
- Agba, M. O.; Stephen, O. & Nkpoyen, F. (2014). Microfinance Credit Scheme and Poverty Reduction along Low-income Workers in Nigeria. *Journal of Good Governance and Sustainable Development in Africa*, 2 (1).
- Agba, A. M. O. & Ushie, E. M. (2012). *Essential Readings in Social Policy and Programme*. Calabar: Ethereal Bliss.
- Ehyiamosoe, G. (2018). The Role of Microfinance Institutions in Economic Development of Nigeria. *Central Bank of Nigeria Bullion*, 30 (3), 37-42.

- Ering, S. O. (2014). A Monograph on Poverty and Social Work. Unpublished Work.
- Erring, S. O. (2015). A Monograph on Readings in Sociology of Development. Unpublished Work.
- Ering, S.O. (2023). ‘*The Living Jealous the Dead*’: *The Dilemma of the Neglected Rural Poor in Nigeria*. 117th Inaugural Lecture September 13th.
- Nelson, E. E. & Nelson, I. E. (2010). Micro-credit Programme and Poverty Alleviation in Rural Nigeria. *International Journal of Economic Development Research and Investment*, 1(2), 168-180.
- Nwigwe, C. A.; Omonona, B. T. & Okoruwa, V.O. (2012). Microfinance and Poverty Reduction in Nigeria: A critical Assessment. *Australian Journal of Business and Management Research*, 2(4),33-40.
- Ojua, T. A.; Tiku O. T. & Agbor, R. A. (2014). Microfinance Operations and Socio-Economic Development of Nigeria Rural Communities. *Mediterranean Journal of Social Sciences*. MCSER Publishing, Rome –Italy.
- Okon, D. P.; Etim, N. A. & Offiong, A. A. (2012). Impact of Microcredit Scheme on Rural Farmers in Akwa Ibom State, Nigeria. *Journal of Agriculture and Social Sciences*, (8), 65-68.
- Tiku, O. T. (2016). *Microfinance Banks' Services and Poverty Alleviation in Cross River State, Nigeria*. Ph.D. Thesis. Unpublished Work.
- Todaro, M. P. & Smith, S. C. (2011). *Economic Development (11th ed.)*. Essex: Pearson Education Ltd.
- Usang, E.E. (2016). Rural Development in Nigeria: A Critical Appraisal of the Role of Cross River State Community –based poverty Reduction Agency and its sustainability. *Nigeria, Journal of Rural Sociology*, 7(2), 33-48.

‘