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Microfinance as a Panacea for Economic Empowerment of the Poor in Nigeria

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Abstract
Interest in microfinance has soared in the recent time and the instrument is now seen as one of the most potent tools to tackle poverty in the developing countries. Nigeria with the worst poverty situation has therefore embraced the strategy. This paper has pictured microfinance as a financing strategy for poverty alleviation, and hence economic empowerment and emancipation of the poor in Nigeria, and the challenges it faces. The analyses contained in the paper are the results of a survey conducted by the researcher on twenty eight microfinance schemes operating in Zone 'A' Senatorial District of Benue State of Nigeria. The data collected were analyzed using simple percentages and the results revealed that, although microfinance schemes in the country have contributed to alleviating poverty, a myriad of problems still trails them. Prominent among them are inadequate funds and diversion of credit facilities by beneficiaries. Based on this, the paper suggested that government should beef up the schemes' financial bases through soft lending. The schemes on their part should put in place adequate and functional arrangements that would ensure proper monitoring of beneficiaries to forestall diversion as well as ensure prompt loan repayment.
Keywords: Microfinance, Poverty Alleviation, Economic Empowerment, Benue State, Nigeria

Introduction

Poverty is a major challenge facing most countries all over the world, including Nigeria. Oki (2006) expressed his worry in this regard that despite great national wealth, Nigeria is still poor and social development is limited. The quest for economic empowerment and emancipation of the poor has therefore, been a preoccupation of developing countries for many decades now. Several strategies have been evolved and implemented by countries of Africa, Asia, Latin America and the like, to better the economic fortunes and ameliorate the sufferings of millions of people who wallow in abject poverty and deprivation of the basic necessities of life in these countries.

In recent years, one of such strategies for poverty alleviation that has however, assumed universal acceptance and adoption in poverty reduction drives of most developing and least developed countries is the provision of microfinance services, particularly for the economically active poor. The fascination with microfinance derives from the fact that the provision of financial services can contribute to poverty reduction and pass the test of sustainability at the same time. The latest capacity of the poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in economic activities and be more self-reliant, increase employment opportunities, enhance household income, and create wealth. The effect of this would be long term economic empowerment and emancipation, which would place the hitherto poor on the pedestal of freedom to exercise control over the decisions that affect them.

Though microfinance has long existed in many parts of the world including Nigeria, the degree of prominence accorded it recently was orchestrated by the World Summit for Social Development held in Copenhagen in 1995. It was at this summit that the need to eradicate poverty through access to credit by the poor was underlined and emphasized. This was further stressed by the United Nations General Assembly in 1997 through UN Secretary General's Report quoted in *Serageldin and Yunus, 2000* noting that: *In many countries microcredit programmes have proved to be an effective tool in freeing people from poverty and have helped to increase their participation in the economic and political process of society.*

The Assembly therefore tasked its relevant agencies and commissions to give priority to the microcredit option as a tool for financial empowerment and poverty eradication.

Extrapolating further, the UN launched the international year of microcredit on November 18, 2004 and declared 2005 as the international year of microcredit, which was marked on 14th July, 2005, thereby strengthening its resolve and efforts at improving the accessibility of the poor and low income people to financial services.

Nigeria is one of the least developed countries of the world with pervasive and endemic poverty situation and therefore, urgently needs the microcredit strategy to fight the scourge. Several microfinance policies and institutions have been operated in the country over time, yet the pandemic is on the increase. In view of this, the questions that need to be addressed urgently are:

1. In what ways do microfinance institutions raise funds?
2. What are the conditions for obtaining loans from the MFIs?
3. How often do the MFIs give out loans to beneficiaries?
4. What is the requisite condition for obtaining a loan facility from the MFIs?
5. How does MFIs monitor loans disbursed to beneficiaries to ensure their specific applications?
6. What is the best strategy employed by MFIs to recover loans?

The six questions raised above would be analyzed in the later section using simple percentages.

This paper addresses these issues and looks at the challenges facing microfinance as an option for Nigeria's quest to reduce poverty and put her on the path to national development. To do this, the writer undertook a field study of twenty eight microfinance institutions (i.e. four per local government) in seven local government councils of Zone 'A' Senatorial District of Benue State of Nigeria. The choice of the twenty eight MFIs was based on the ones that are more viable in terms of loan disbursements and years of existence. The rest of the paper is divided into six sections. Following this introduction is section two, which deals with the conceptual framework. Section three looks at the methodology employed; while sections four and five examine the impact of microfinance on poverty reduction and challenges facing microfinance in Nigeria, respectively. Section six concludes the paper with recommendations.

Conceptual Framework

Economic Empowerment

The word empowerment simply connotes enablement. It entails making a person capable of acquiring the basic things of life thereby enhancing or improving his/her status in the community. The United Nations (2001) defines empowerment (with respect to women) as "the process by which women take control and ownership of their lives through expansion of their choices''. An empowered person has the ability and control over the decisions that affect his/her life. Be that as it may, economic empowerment is conceptualized in this paper within the framework of uplifting the fortunes of a person by providing him with money which enables the person to increase his/her standard or quality of living, sustains him/her, makes him/her self-reliant, and so able to assert himself/herself in the society in which he/she lives.

It must be noted that empowerment is a late arrival to the campaign on global poverty eradication. Its emergence in the development vocabulary is a result of the realization by the World Bank that policy reforms advocated by it, particularly structural adjustments to boost growth, did not after all provide the needed solution to the pervading poverty on the globe. As pointed by Sobhan (2001:4) "…the World Bank had come to terms with the proposition that policy reforms were not enough to alleviate let alone eradicate poverty". Today, therefore, empowerment is cardinal to the quest to reduce (or eradicate) poverty in the developing countries.

Poverty

The concept of poverty is very wide and elastic. It has rendered itself to many definitions, yet none has been completely accepted as capturing its meaning comprehensively. Arising from this omnibus nature of poverty, different criteria have, therefore, been used to conceptualize it. According to Ukwu (2002), the most basic meanings of poverty are reflected in dictionary definitions, thus: The quality or condition of being poor; The condition of having little or no wealth or material possessions; indigence, destitution, want (in various degrees); Deficiency, dearth, scarcity; smallness of amount; Deficiency in the proper desired quality; Poor condition of body; leanness or feebleness resulting from insufficient nourishment, et cetera.

From the foregoing, poverty generally relates to financial insecurity, lack of productive assets, vulnerability, capabilities and social exclusion. In specific terms, it involves sub-optimal utilization of basic needs such as good food, education, health care, jobs, political power, et cetera, owing to some inhibitive economic and social forces. Simply put, poverty is a state of deprivation.

In the opinion of Inaoloji (2007), poverty is the inability to meet the basic needs of life after putting in the best to enjoy those fundamental amenities. One can be said to be poor if he cannot gain unhindered access to food, drinking water, health, education, clothing and adequate security. The manifestation of poverty ranges from lack of resources to acquire essential necessities, susceptibility to external events that often defy control such as natural disaster, economic shocks, and civil conflicts; to inability to voice out and make the desired changes when subjected to dishonor, exploitation and awful treatments at the hands of the powers that be. Inaoloji further emphasized that, *using the international poverty line of living on one dollar a day as a yardstick, it is crystal clear, as widely reported, that many Nigerians live below the poverty line. Persistent rise in general prices, the depreciation of the naira, and the associated fall in the real income of the average Nigerian give credence to the suspicion that poverty rate is rising and not decreasing in the country (Inaoloji, 2007:62).*

Ukeje (2005) identified many factors for the persistence of poverty. Notable among these are deficient governance, which is subject to change; entrenched corruption, lack of respect for human rights, weak institutions, inefficient bureaucracies, lack of social cohesion and political will to undertake reforms. These factors can lead to inadequate economic growth, which is a major cause of poverty. Others include economic policy and market failures, capital flight, low savings and investments, and distorted incentives, all of which lower productivity and incomes. High inflation is a particularly harmful tax on the real incomes and savings of the poor.

According to Kpakol (2005), poverty is a major challenge facing the country. Principal challenges confronting the poor therefore, include the following:

- The poor have limited access to capital.
- They have limited collateral.
- There is limited standardization and legal title to assets.

- *In terms of access to information.*
  - The poor are faced with the prohibitive cost of information.
  - There is also infrequent supply of information to the poor.
- *In terms of access to stable markets;*
  - There is problem of fragility of local community.
  - There is also the problem of local infrastructure.
  - There is limited development of local and distant and integrated market.
  - There is also the problem of environmental degradation.

By the Copenhagen Declaration of 1995: *Poverty has various manifestations, including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and basic services, increase morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments, social dislocation and exclusion. It is also characterized by a lack of participation in decision and in civil, social and cultural life (Alimeka, 2001:3 quoted by Edoh, 2003).*

Following from this, Edoh (2003) quotes Kankwenda (2000;64) as viewing poverty as a state of deprivation or denial of the basic choices and opportunities needed to enjoy a decent standard of living, to live a long, healthy constructive life and to participate in cultural life of the community.

The intention of this paper is not to offer a new or different conceptualization of poverty. However, the fact must be reiterated that poverty is a multifaceted phenomenon, which is everywhere but more pervasive and endemic in the developing countries; with Nigeria as a case in point. As such any strategy to tackle it must clearly identify not only its manifestations, but also its causes and consequences. And for such a strategy to be meaningful and effective, it must also clearly spell out its goals and objectives. It is against this backdrop that microfinance as a poverty reduction strategy, with its goals and objectives are highlighted in the next section of this paper.

Microfinance

The unwillingness or inability of the formal financial institutions to provide financial services to the urban and rural poor, coupled with the lack of sustainable government sponsored development financial schemes contributed to the growth of private sector-led microfinance in Nigeria (Anyanwu, 2004).

Microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions. Financial services include working capital loans, consumer credit, savings, pensions, insurance and money transfer services. According to Ukeje (2005), the concept of microfinance can be best captured by the title of Bouman's (1999) book, "small, short and unsecured''. It is the provision of small loans that are repaid within short periods of time, and is essentially used by low income individuals and households who have few assets that can be used as collateral. The idea here is to enable the poor to raise their income levels and improve their standard of living; hence this is based on the belief that the goals of microfinance have been poverty alleviation and accessibility to market.

Microfinance which is an advanced form of microcredit is the provision of financial services such as savings and credit to the poor households. In this wise therefore, the strategy helps low income earners to not only meet their short term liquidity needs, but also smoothens their consumption as well as allows for assets creation thereby reducing their vulnerability. In the view of Ehigiamusoe (2008:17), 'microfinance is usually conceived of as the provision of small units of financial services to low income clients who are usually excluded from mainstream financial services'. It is a form of financial intermediation, which primarily focuses on alleviating poverty through provision of financial services to the poor or owners of micro enterprises.

The concept of microfinance is not new. The precedence for microfinance lies in the numerous traditional and informal systems of credit that have existed in developing economies for centuries, long before modern, western based commercial banking came into the picture. In our societies and history, we come across schemes and social arrangements which enable people to pool their resources for onward distribution to cooperating and needy individuals. Ready examples include; `esusu' among the Yorubas of western Nigeria; `etoto' for the Igbos in the eastern part of Nigeria and `adashi' in the northern Nigeria for the Hausas. Also, 'bam' for the Tiv people in the North Central geo-political area of Nigeria. Nigerian microfinance institutions have also integrated best practices of traditional schemes into their operational procedures.

Microfinance is not charity despite its appellation as `poverty lending'. Principally, microfinance seeks to create access to credit for the poor who ordinarily are locked out of financial services in the formal financial market for reason of their poverty; that is, lack of command over assets. It therefore places obligation on the borrower for proper utilization and complete repayment of the borrowed amounts even at commercial interest rates.

The poor are a heterogeneous group, comprising people with different kinds of deprivations and vulnerabilities. This group of people lives mostly in the country side areas. The objective of economic policy or reform by any government therefore, should be pro-poor. As such efforts to reduce poverty must be multifaceted, since it is multidimensional and micro financing is considered a viable option.

Goals of Microfinance

The overall goal of microfinance policy is to reach the poorest of the poor and ameliorate their worsening conditions by granting them access to finance services. This goal could however, be achieved within the framework of some cardinal objectives, which include among other things;

1. Income boosting and asset creation. The provision of microfinance to the poor is aimed at enabling them acquire or improve their personal asset base. This would be possible as a result of the fact that with access to credit by the poor and subsequent investment in productive ventures accompanied by good management, profits would be generated leading to a corresponding increase in household income. Consequently, families would better not just their physical wellbeing, but also acquire some tangible assets. Krishnaraj and Kay (2002:70) chronicles these benefits in his study

when he says: *Earnings generated from such undertakings, that is, viable and profitable investments have been instrumental in increasing the physical well being of the household, often through better nutrition and sanitation. The household's asset base has also been enhanced by the addition of jewelry (a portable asset); improved housing and land purchase in some cases.*

2. To create and foster a self-employed people who could take up micro-scale productive activities. This is by far the most important goal of microfinance. It is assumed that with access to credit, the poor would be empowered to become micro-entrepreneurs and therefore setup or expand viable micro-enterprises in areas like farming, processing, manufacturing, trading and so on.

3. Economic upliftment. Uplifting the economic fortunes of the downtrodden or the disadvantaged is the core value of the microcredit policy. Once a person is empowered financially, he or she is able to gain economic status. Conversely, apart from raising micro entrepreneurs as pointed out earlier, the micro-enterprises established by those entrepreneurs provide job opportunities for others thereby enhancing their economic living as well as stimulating the entire economy.

4. Provision of emergency liquidity needs and consumption smoothing is another cardinal objective of microcredit. It is unarguable that in a developing country like ours with a battered economy, the poor are often in dire need of short term liquidity assets. Sudden and debilitating shocks can force poor households into disempowering situations of distress (Krishnaraj and Kay, 2002). The effect of this is that families are unable to meet even their domestic needs. Microfinance through elements such as emergency loans and savings will therefore cushion and augment this situation by enabling such households to overcome their subsistence needs.

Objectives of Microfinance

The microfinance policy provides a platform to achieve the following specific objectives (CBN, 2011:9):

1. Provision of timely, diversified, affordable and dependable financial services to the economically active poor;
2. Creation of employment opportunities and increase the productivity and household income of the active poor in the country, thereby enhancing their standard of living;
3. Promotion of synergy and mainstreaming of the informal microfinance sub-sector into the formal financial system;
4. Enhancement of service delivery to micro, small and medium enterprises;
5. Mobilization of savings for intermediation and rural transformation;
6. Promotion of linkage programmes between microfinance institutions (MFIs), Deposit Money Banks (DMBs), Development Finance Institutions (DFIs) and specialized funding institutions;
7. Provision of dependable avenues for the administration of the microcredit programmes of government and high net worth individuals on a non-recourse basis; and
8. Promotion of a platform for microfinance service providers to network and exchange views and share experiences.

Impact of Microfinance on Poverty Reduction

Access to microfinance is very important because it enables the poor to create own wealth and accumulate assets and smoothen consumption (Rutherland, 2000, in Olaitan, 2005). The former United Nations Secretary General Kofi Annan (2005) in Olaitan (2005) observed that 'sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enhancing families to obtain health care, and empowering people to make choices that best serve their needs'.

Microfinance has been successful in opening economic opportunities for the poor, increasing access to resources and contributing to their confidence and self being (Khander, 1998, in Olaitan, 2005). Additionally, microfinance enables the poor to protect, diversify and increase their sources of income, the essential path out of poverty and hunger. According to Littlefield, Morduch, and Hasheni (2003) in Olaitan (2005), the ability to borrow a small amount of money to take advantage of business opportunities, to pay school fees, or to bridge cash flow gap can be a first step in breaking the cycle of poverty.

Internationally, microfinance is acknowledged as one of the prime strategies to achieve the Millennium Development Goals (MDGs). Many countries have continued to employ microfinance in their poverty alleviation strategies by setting up institutions, develop appropriate human capital, advocating good practices and generally promoting an inclusive financial system (Eluhaiwe, 2005). In Nigeria, a case in point is the conversion of hitherto community banks to microfinance banks and establishment of new ones.

Challenges facing Microfinance in Nigeria

Though a noble policy, microfinance will have to grapple with a number of problems in Nigeria. Some of them include:

Poor targeting; the problem of target group is by far the most fundamental challenge facing microfinance institutions anywhere in the world. The situation looks even more critical in Nigeria given our population, diversities and complexities. The core issues often raised in our attempt to define and tackle poverty are: who are the poor? Are they educated or illiterates, old or young? What would be the direction or flow of action in the bid to tackle poverty-rural or urban based or both? Should the schemes be centrally planned and coordinated or decentralized? These and many more are the nagging issues likely to confront any microfinance scheme or institution in the country.

Experience has shown that our previous attempts at alleviating poverty in the country through various programmes such as Better Life Programme for Rural People (BLP), Family Support Programme (FSP) and others could not yield the desired results largely because such programmes were either unidirectional and the projects therein non-complementary to each other; or there were little or no useful instruments for project targeting. A Central Bank of Nigeria (CBN) research in 2003 on the National Poverty Eradication Programme (NAPEP) confirms this in the following words: ``There were no mechanisms for targeting the poor or identifying the beneficiaries on the previous poverty alleviation programmes'' (CBN, 2003). This clearly shows that the problem of target group is inherent and so portends a great danger to our microfinance schemes in the same way it has done to other programmes, meaning that its intended impact, endurance and sustainability may not be felt after all, if not properly handled.

The incidence of diversion of credit funds; the implementation of the microfinance policy faces the challenges of diversion of funds to purposes other than the intended one. Two major factors give rise to this; our penchant for flamboyant or exuberant living in moments of improved financial conditions. The difficult economic situation prevailing in the country may compel the would be beneficiaries to use their loan facilities to meet pressing domestic needs such as feeding, school fees, accommodation, medical bills, and so on. After all, any sane person could hardly invest when his basic necessities of life are lying unattended to. These factors are likely to derail the microfinance option if proper machineries are not put in place to monitor the application of funds by beneficiaries.

The unfavorable economic climate in the country; the country's battered economy characterized by high rate of inflation requires huge capital for investment implying that the would-be beneficiaries will definitely need huge capital to cope with the situation. It then means that our microfinance schemes, most of which are in their embryonic stage with low capital base, will have to struggle to cope with such demands more so that the rate of poverty in our society is high. A scramble for credit situation is likely to occur out of this which might lead to a relegation of the principle of ``beneficiary on merit'' in favor of the popular ``man know man'' given our inclination to sectionalism and favoritism.

Poor/low loan repayment; in Nigeria, repayment of loans is always a difficult task for beneficiaries whether individuals or groups. Recall the failed banks incidences that characterized commercial banking in the 1990s, which culminated in the setting up of the failed Banks tribunal. Most times, individuals and groups who obtain credit from lending agents fail to meet the repayment schedules drawn up for them and in turn evolve ways of defaulting or evading. Unfortunately, poor repayment performance adversely affects the quality of loan portfolio and the capacity to meet the credit needs of potential beneficiaries. This seeming apathy towards loan repayment also affects staff morale and the drive towards self-sustainability. If commercial banks in the country could face this problem and appear helpless, then one wonders what may become of microfinance institutions. The probable panacea out of this quagmire would be to lay down adequate measures that could pave way for quick recovery of due loans by microfinance houses.

High operating cost; small units of services pose the challenge of high operating cost, several loan applications to be processed, and repayment collections to be made from several locations especially in rural communities.

Inadequate experienced credit staff; to be viable, microfinance institutions requires experienced and skilled personnel. Inadequate experienced staff limits expansion and institutional performance.

Insecurity; this is on the part of both the fund providers and the fund users. The fund users are zealous to collect the loans but are insincere in fund utilization and repayment. The fund providers at times give out loans at cut throat interest as well as delay in releasing funds to beneficiaries.

Poor management; some beneficiaries are unable to effectively and efficiently plan, coordinate and control the funds made available to them. That is, they are not able to manage some business ventures they establish. In no time they revert back to their poverty level.

Political interference; some people are denied access to borrowing funds from microfinance institutions for political reasons. Some private microfinance institutions may deny some poor people access to their funds simply because the private owners and the borrowers belong to different political camps. For those institutions that are controlled by the government, access to microfinance loans is strictly based on who belong to the ruling party. The commonest and popular excuse they always give is that you cannot empower your enemy.

Inadequate and improper training; some beneficiaries of microfinance are in most cases not adequately and properly trained. They lack the knowledge of the business ventures they go into as well as the capability to set up, manage and achieve sustainable growth of the business ventures.

Illiteracy and lack of access to information; equally posing a serious threat to the management of microfinance is the menace of illiteracy and poor information dissemination. The low level of literacy prevailing in the country coupled with non-accessibility to information especially on modern techniques will definitely constitute a clog in the smooth dispensation of microfinance. In a country where more than 60 percent of the total population is still begging to learn how to read and write, where information technology is at its lowest ebb with computer literacy and internet services well out of reach of the common man, it is apparent that managing any credit policy be it macro or micro is a Herculean task. In fact, public awareness and understanding of microfinance as a vital tool of poverty alleviation is still very much in doubt in the country.

Lack of political will, that is, lack of genuine commitment by our political leaders to alleviate poverty; it is arguable that successive governments in the country have over the years not exhibited genuine desire and demonstrable political will to poverty alleviation. What has often being in place is the 'playing to the gallery syndrome'' usually arising from feigned ignorance of the poverty situation in the country. The microfinance policy may fare different except our leaders change this orientation.

Corruption; microfinance policy implementation will no doubt have to contend with the pervasive and widespread corruption in our society since the ``canker'' is so deep even in our private life. It is difficult to tell whether the policy would thrive effectively without the usual distortions such as diversion of funds into private use, mismanagement and misappropriation as well as other sharp practices that are common in our society today.

Methodology of Research

The survey research design was adopted for this work. The population of the study comprise of all the members of the twenty eight microfinance institutions (i.e. four per each of the seven local government councils) operating in Zone 'A' Senatorial District of Benue State of Nigeria. The sample size of the study consists of three hundred and sixty four (364) members of the MFIs (i.e. 13 per each MFI), which were selected using judgmental or purposive sampling method. Structured questionnaires were designed to facilitate the acquisition of relevant data which was used for analysis. Descriptive statistics which involves tabular illustrations and simple percentage was typically applied in data presentation and analysis.

Data Presentation and Analysis

Out of three hundred and sixty four questionnaires administered, three hundred and forty were responded to and returned representing approximately ninety three percent return rates. This is considered adequate for the purpose of this study.

Table 1. Sources of funds

Responses	**No of Respondents**	**Percentages**
Members' Contribution	165	48.5
Interest on Loans	136	40.0
Dividends	-	-
Others	039	11.5
Total	340	100.0

Source: Personal Survey, February-May, 2012

The table above presents the sources of funds available to the microfinance schemes. As can be observed from the table, members' contribution has the highest number of respondents of 165 and with the highest percentage of 48.5%; an indication that it is the major source of funds to the microfinance schemes. The number of respondents in respect of interest on loans is 136 representing 40%. This is also significant since loans are given based on members' contributions and the interest generated on loans is ploughed back into the schemes. Dividends has no respondent and others which means other incidental incomes like penalty for default in not paying back debts as at when due, borrowings, grants, et cetera, has 39 respondents representing 11.5%.

Table 2. Conditions for obtaining loans

Responses	No of Respondents	Percentages
Degree of members' financial contribution	243	71.5
Quality of guarantor/surety	058	17.1
Collateral security	029	08.5
Purpose	010	02.9
Others	-	-
Total	340	100.0

Source: Personal Survey, February-May, 2012

Table 2 shows that, the degree of members' financial contribution is the major criterion for obtaining loans. 243 respondents affirmed to this, representing 71.5%. Quality of guarantor/surety has 58 respondents with 17.1%; collateral security and purpose have 29 and 10 respondents representing 8.5% and 2.9% respectively. There is no respondent for others.

Table 3. Frequency of loans disbursement

Responses	No of Respondents	Percentages
Daily	027	07.9
Weekly	058	17.1
Fortnightly	085	25.0
Monthly	170	50.0
Total	340	100.0

Source: Personal Survey, February-May, 2012

Table 3 indicates that, loans are disbursed daily, weekly, fortnightly and monthly, representing 7.9%, 17.1%, 25% and 50% respectively; as responses from 27, 58, 85 and 170 respondents respectively. However, observably, more schemes seem to be in favor of monthly disbursements which have the highest number of respondents and with the highest percentage.

Table 4. Eligibility for loan

Responses	No of Respondents	Percentages
Any registered member	058	17.1
Financial members	117	34.4
Up to date financial members	165	48.5
Others	-	-
Total	340	100.0

Source: Personal Survey, February-May, 2012

The eligibility for loan as depicted in table 4 above is clearly in favor of members who are up to date financially. This is confirmed by the number of respondents of 165, representing the highest percentage of 48.5%. Other members who are financially not up to date have a lower number of respondents of 117 with 34.4%. Other registered members who are not financially committed have the lowest respondents' number of 58 which represent 17.1%.

Table 5. Loan monitoring

Responses	No of Respondents	Percentages
Yes	083	24.4
No	257	75.6
Total	340	100.0

Source: Personal Survey, February-May, 2012

It is clear from table 5 that the monitoring function is given little attention by the microfinance schemes. This is confirmed by the highest number of respondents of257 representing 75.6%, as against 24.4% from only 83 respondents, who affirmed that monitoring function is carried out by the MFIs.

Table 6. Loan recovery strategy

Responses	No of Respondents	Percentages
Holding of title documents	194	57.1
Forced acceptance of liability by sure tee	049	14.4
Seizure of property of defaulters	097	28.5
Others	-	-
Total	340	100.0

Source: Personal Survey, February-May, 2012

From table 6 above, holding of title documents is most popular strategy used by MFIs to recover loans. This is confirmed by 194 respondents representing 57.1%. Seizure of property of defaulters comes next with 97 respondents, which represents 28.5%. Forced acceptance of liability by sure tee ranks lowest, with 49 respondents, representing only 14.4%.

Conclusions and Recommendations

Conclusions

Poverty alleviation should always be central to the development strategy of Nigeria and not viewed as social issue to be tackled by intermittent interventions. Since poverty is multidimensional, and it is a major challenge facing the country, efforts at combating it must be multifaceted. The primary objective of the economic policy should be targeted at the hard core poor.

The foregoing sections have indicated that microfinance is an imperative strategy in poverty alleviation programmes. Microfinance intermediation takes the joint efforts of government, Central Bank and the private sector. The microfinance policy that has been unveiled is therefore desirable.

Corresponding with the six research questions raised in section 3.1, the following major findings were made:

- That members' contribution is the major source of funds to the Microfinance Schemes.
- That the degree of members' financial contribution is the major criterion for obtaining loans.
- That most Microfinance Schemes disburse loans monthly.

- Those members who are up to date financially are mostly favored in terms of loan disbursement.
- That monitoring is given little attention by the Microfinance Schemes.
- Holding of beneficiaries' title documents is the weapon mostly used by the Microfinance Institutions as loan recovery strategy.

Based on the above findings, the following recommendations are therefore made.

Recommendations

The recommendations that follow involve measures to improve the existing financial base of microfinance institutions and also, ways that could be followed to improve their operations. These include:

i. Government should beef up the financial base of microfinance institutions. This could be done through giving loans to the institutions on soft term basis.

ii. Microfinance institutions should be inward looking by reconsidering their stand on the use of interest generated from loan disbursement. Such interest should either be ploughed back into the institution to expand its financial base or channeled into other viable ventures.

iii. Competent persons should be selected or elected to run the institutions.

iv. Adequate monitoring mechanism should be put in place by microfinance institutions. This should be done by first of all identifying the purpose of the loan, and ensuring that the loan is used for that purpose.

v. Proper loan recovery strategies should be put in place. In disbursing loans, operators of microfinance institutions should take into consideration the ability of the beneficiary to repay the loan, bearing in mind the amount involved, time of payment and repayment rules/procedures.

vi. Increase in public awareness and understanding of microfinance as vital part of the development process.

vii. Training. Beneficiaries of microfinance loans should be trained properly in the business ventures they intend to set up. Microfinance institutions can combine and engage consultants in this direction.

viii. Supervision and monitoring. Central Bank of Nigeria (CBN) should continue to intensify supervision and monitoring of microfinance institutions as well as beneficiaries for compliance with rules and regulations guiding microfinance. Microfinance institutions on their part must intensify supervision and monitoring of beneficiaries in order to see to it that loans are judiciously applied.

ix. Technical assistance. Government, CBN and microfinance institutions should collaborate and consider the provision of technical assistance to beneficiaries in the areas of management, information and technology. This should be geared towards making available to the beneficiaries latest technological applications, and sound management practices.

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