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Clarion University of Pennsylvania, Clarion, Pennsylvania

MICROFINANCE BANKS AND POVERTY ALLEVIATION IN NIGERIA

Godwin Chigozie Okpara

Department of Banking and Finance, Abia State University, Uturu, Nigeria

ABSTRACT

This study is focused on the identification of critical factors that cause poverty in Nigeria and the investigation of the extent to which microfinance institutions have helped in the alleviation of poverty. To identify the critical factors, the researcher adapts the data on reasons for poverty generated by National Bureau of Statistics and employed the method of factor analysis. For the purpose of investigating the contribution made by the microfinance institutions in poverty reduction, the researcher uses the method of regression analysis on a quadratic equation model which is found to be most appropriate in explaining the variations between the two variables. Also, the microfinance – poverty trend is presented for analysis. The result of the analysis identifies five factors: low profit, prices of commodities are too high, hard economic times, lack of finance to start or expend their business, and business not doing well, as critical factors causing poverty. The analysis also reveals that the impact of microfinance on poverty in Nigeria can be explained in two phases. The first phase, the take-off stage, sees poverty as increasing though at a decreasing rate as microfinance credit increases. In the second phase, precisely starting from the year 2001, persistent increase in microfinance credit reduces drastically the poverty index in Nigeria. Thus, currently, microfinance credit lowers poverty in Nigeria. The researcher therefore, calls on the monetary authorities to put in place the financial superstructure necessary for making mandatory the establishment of microfinance banks in every community, if poverty will be aggressively fought.

Keywords: Poverty reduction, Microfinance, Credit, informal setting

INTRODUCTION

The issue of poverty has been a major concern to many nations, particularly the developing countries. Poverty has been defined as a situation where a population or a section of the population is able to meet only its bare subsistence, the essentials of food, clothing and shelter, in order to maintain a minimum standard of living (Balogun, 1999). The World Development Report (WDR) from the World Bank (1990) notes that conditions could be described as poor if per capita income or consumption of the individual is below US $370 or very poor if it is below US $275 at any time period. Englama and Bamidele (1997) aptly summarized the definition of poverty, in both absolute and relative terms as a state where an individual is not able to cater adequately for his/her basic needs of food, clothing and shelter, meet social and economic obligations; lacks gainful employment, skills, assets and self-esteem; and has limited access to social and economic infrastructures. In other words, the poor lacks basic infrastructure such as education, health, potable water, and sanitation, and as a result has limited chance of advancing his/her welfare to the limit of his/her limited access to social and economic infrastructures”. In other words, the poor lacks capabilities.

The World Bank (1993) describes the poverty line as the value of income or consumption necessary for (a) the minimum standard of nutrition and (b) other “necessities.” The Human Development Index (HDI) of the United Nations Development Programme (UNDP, 1996) introduced by the United Nations to give indication of poverty or prosperity level within a society and globe, considers life expectancy at birth, adult literacy rate, combined primary, secondary and tertiary enrolment ratio and the Real GDP per capita as factor indicators of interest.

Oladunni (1999) notes that poverty is a worldwide phenomenon; however, Nigeria is one of the poorest countries in the world. The situation has reached an alarming stage as more than 45% of the population lives below the poverty line, while 67% of the poor are extremely poor. For example, the Bureau of Statistics’ (BOS) report for the period 1980-1996, indicates about 67 million Nigerians are living below the poverty level. The report also indicates that from 1980 to 1985, the percentage of rural dwellers and urban inhabitants in the core poverty bracket rose from 6.5 and 3.0 percent to 14.8 and 7.5 percent, respectively. Within the same period, the percentage of moderately poor in the rural areas rose from 21.8 to 36.6 percent and 14.2 to 30.3 percent, respectively. Also the number of non-poor in both rural and urban areas dropped from 71.7 and 82.8 percent to 48.6 and 62.2 percent, respectively (Awoseyila, 1999; Okumadewa, 1999).

The increasing incidence of poverty in Nigeria within this period is not surprising. Going by the documentaries of Oladunni (1999) the overall dependency ratio in Nigeria is 234 dependents per 100 gainfully employed persons. In the rural areas, it is 286 dependants per 100 workers, while in the urban centre it is 219 dependants per 100 workers. The labor force age (between 15 and 64 years) dependant ratio is 259 dependants per 100 workers nationwide. It is 302 and 222 dependants per 100 workers in the rural and urban centers, respectively.. The above scenario works concertedly to further reinforce the poverty syndrome of the average Nigerian employee, as each bears heavy economic burden of over 200 non-workers. The incidence of poverty distribution can be viewed in Table 1a.

Table 1a : Incidence of Poverty in Nigeria (%) 1980-2004

Year	1980	1985	1992	1996	2004
Sectoral distribution (All)	27.2	46.3	42.7	65.6	54.4
Professional & technical	17.3	35.6	35.7	51.8	34.2
Administration	45	25.3	22.3	33.5	45.3
Clerical & related	10	29.1	34.4	60.1	39.2
Sales workers	15	36.6	33.5	56.7	44.2
Service industry	21.3	38	38.2	71.4	43
Agricultural & forestry	31.5	53.5	47.9	71	67
Production & transport	23.2	46.6	40.8	65.8	42.5
Manufacturing & processing	12.4	31.7	33.2	49.4	44.2
Others	1.5	36.8	42.8	61.2	49.1
Student & apprentices	15.6	40.5	41.8	52.4	41.6
Education level distribution (All Nigerian)	27.2	46.3	42.7	65.6	54.4
No Education	30.2	51.3	46.4	72.6	68.7
Primary	21.3	40.6	43.3	54.4	48.7
Secondary	7.6	27.2	30.3	52	44.3
Post secondary	24.3	24.2	25.8	49.2	26.3
House hold distribution (All)	27.2	46.3	42.7	65.6	54.4
Rural house holds	28.3	51.4	46.0	69.8	63.3
Urban households	17.2	37.8	37.5	58.2	43.2
Regional distribution (All regions)	27.2	46.3	42.7	65.6	54.4
South-South	13.2	45.7	40.8	58.2	35.1
South-East	12.9	30.4	41.0	53.5	26.7
South-West	13.4	38.6	43.1	60.9	43.0
North-Central	32.2	50.8	46.0	64.7	67.0
North-East	35.6	54.9	54.0	70.1	72.2
North-West	37.7	52.1	36.5	77.2	71.2

Source: National Consumer Survey 1980, 1985, 1992, 1996, 2004

National Bureau of statistics 2005 poverty profile for Nigeria p.22-24

Poverty as noted earlier is not peculiar to Nigeria or developing nations alone, rather it has attracted worldwide attention. Egwuatu (2008) documents over 500 million of the world’s population lives under very poor conditions, but they are economically active. They lack access to basic necessities of life: food, shelter and primary health care. They earn their livelihoods by being self employed as micro entrepreneurs or by working in micro enterprises (very small businesses which may employ up to 5 people). This set of people has no hope for expansion of their enterprise because of inability or incapability of accessing banks for credit.

More than 80 percent of all households in developing countries do not have access to institutional banking services. This is because they lack the collateral to secure loans from formal financial institutions. Besides, the technical backing needed for creativity and enhanced productivity is absent. Ehigiamusoe (2008) notes that microfinance assumes the poor know what to do to enhance their economic condition, but they operate from a slim economic base which can be strengthened by funds borrowed on affordable terms.

In September 2005 at the World Summit, the 60th high-level plenary meeting of the United Nations General Assembly gathered 151 Heads of State from all over the world at the UN Headquarters for the purpose of getting the world leaders to review progress in reaching the targets of the Millennium Development Goals (MDG), with the primary aim of eradicating extreme poverty by the year 2015. Microfinance was prominent on the agenda of this historic gathering. The most significant recognition of its importance was made in the 2005 World Summit Outcome Document adopted by the gathering, which states, "We recognize the need for access to financial services, in particular for the poor, including microfinance and microcredit" (Egwuatu, 2008). Thus, microfinance has emerged as a growing industry to provide financial services to very poor people. It is premised on the fact of economic relations, that the poor remain poor because they are deprived of access to life transforming opportunities. Service users include artisans, small holder farmers, food processors, petty traders and other persons who operate micro-enterprises.

The objective of this study is firstly, to identify the most critical factors leading to poverty in Nigeria, and secondly, to investigate the impact of microfinance banking on poverty alleviation in Nigeria.

Literature Review

Microfinance in Nigeria, though on informal setting is as old as the nation itself. Though the informal system is a rural unregulated and unofficial financial arrangement, it has highly respected modus operandi by which individuals or groups relate in their various capacities as debtors and creditors outside the regimented and regulated markets. The informal financial market is classified into institutional and non-institutional markets. In the non-institutional markets, the activities of savings and acquisition of credits are done by individuals on their own or through person-to-person arrangement. The market includes self financing, financing by relations, friends and well wishers, professional money lenders, jackpot, raffle and pool winnings, and trust system of credit transactions. Institutional market on the other hand refers to any organizational or institutional arrangement that aims at mobilizing savings and credits.

Found in this market are the rotating savings and credit associations (ROSCAs), thrift associations, savings mobilization groups (which are traditionally called Esusu, bam bam, ajo, and adashi by different communities), daily savings or contribution organizations, co-operative societies, religious organizations, social clubs and village or town unions. The informal system of advancing credit irrespective of the meager amount it generates remains the major source of finance for the poor who see the formal financial institution as being too bureaucratic, costly and cumbersome (Okpara, 1990).

The Government of Nigeria on its own has made several efforts at redressing the inadequate supply of financial services to the poor. In 1936, government in support of the cooperatives promulgated the cooperative society's ordinance. This made the cooperatives have regular/compulsory savings as one of their goals while thrift and credit societies combined regular savings of members with lending. The Commercial Bill Financing Scheme in 1962 and the Regional commodity

Boards (later called National Commodity Boards in 1977) were among the efforts made by government to improve the poor's access to lending. The Nigerian Agricultural and Cooperative Bank (NACB) was established in 1972 to act as development finance institution extending loans to both small and large-scale farmers. A similar institution, the Agricultural Credit Guarantee Scheme Fund (ACGSF) was established in 1978 for the purpose of agricultural risk reduction. The bank guarantees up to 75% of the principle in case of default due to natural events beyond the control of the farmers. Others are the Rural Banking System of 1977, where banks were required to establish a specified number of branches in identified rural areas. Export Financing Rediscount Facility in 1987, measured rural credit markets, including the sectoral allocation of credit, specified percentage of total deposits mobilized in the rural areas to be lent to borrowers in such areas, concessional interest and grace periods on agricultural loans. However, some of these measures were abolished with the introduction of liberal economic policies in 1989. The Peoples Bank established in 1989 for the same purpose, was charged with the responsibility of taking deposits and lending to the poor. There was also licensing of community banks in the 1990s for the provision of non-sophisticated loans to the community. Community Bank metamorphosed into the recent Microfinance Bank in 2005. Some of these efforts were frustrated by lack of managerial wherewithal, lack of supervision, mischannelling of credit facilities, bribery and corruption (Olaitan 2001; Adeyemi, 2008).

Adeyemi (2008) observes that across the globe, governments of various developing countries have sought to provide finance to the poor through the creation of agricultural development banks, special lending schemes, and the support of the growth of cooperatives and other self-help groups (SHGs). Provision of credit to the less privileged has been a wonderful instrument for the reduction of poverty in the world.

Ehigiamusoe (2008) observes that the improving condition of living in Bangladesh is a good example of how to develop with small loans. The South East Asian nation was in mid-1970s branded a 'basket case' by Henry Kissinger (the US Secretary of State at the time) on accounts of the nation's hopeless development prospects. Small loans are effective weapons for addressing mass poverty since most poor cannot afford any amount to expand or even initiate a small scale business.

Adeyemi (2008) however, documents that despite decades of public provision and direction of provision of microcredit, policy reorientation, and the entry of new players, the supply of microfinance in Nigeria is still inadequate in relation to demand. This suggests that there is some inefficiency in microfinance operations in Nigeria due to some institutional inadequacies such as undercapitalization, inefficient management and regulatory and supervisory loopholes. Okpara (2009) empirically identified four major critical factors inhibiting the performance of banks in Nigeria as undue interference from board members, political crises, undercapitalization, and fraudulent practices. Microfinance bank is not an exception to the victim of these factors. One of the most important roles of access to credit is that it enables the poor who normally do not have one source of income or livelihood, but resort to a mixture of activities depending on the season, prices, their health and other contingencies to acquire capital for the financing of multiple petty projects.

Odoko (2008) argues that finance alone is not enough. Other complementary strategies must be adopted if we are to realize the goal of poverty reduction in Nigeria. Some of these factors are reviewed as the type and size of the project, the credit history of the borrower, the prevailing economic conditions, the level of competition in the industry and the judicial processes in credit recovery. The researcher is of the opinion that as much as other complementary strategies outlined by Odoko are necessary, they are of secondary concern. It is when finance sources are established for purpose of the poor that one can talk of appraisal and disbursement technique. After all the poor know what to do but securing funds to actualize their vision turns to a nightmare fantasy.

Methodological Framework

To identify the most critical factors leading to poverty in Nigeria, the researcher adopts the reasons for poverty survey for male and female head made by the National Bureau of Statistics CWIQ 2006. The summary of the weighted data of these variables as documented by NBS is given in table 1b that follows.

Table1b. Reasons that Lead to Poverty in Households. By Gender of Head of Household.

	Male	Female
Cannot afford	10.4	11.3
Agricultural inputs not available	7.3	3.8
Low agricultural production	5.3	3.7
Because of drought	0.8	0.4
Lack of adequate land	2.0	2.4
Low prices for agricultural production	3.9	3.5
Lack of market/buyers	2.2	2.7
Lack/loss of cattle	0.9	0.5
Lack of capital to start/expand agriculture	8.8	7.2
Lack of credit to start/expand own business	7.5	8.3
Lack of start/expand agriculture	4.1	4.3
Lack of start/expand own business	4.7	4.6
Lack of employment/job opportunities	7.6	8.8
Salary/wage too little	2.4	1.5
Retrenchment/redundancy	0.4	0.4
Prices of commodities too high	9.4	14.7
Hard economic times	13.8	14.7
Business not doing too well	3.9	5.0
Low profit	2.9	4.1
Too much competition	0.7	0.6
Cultural/religious reasons	0.1	0.1
Irregular payment of pension	0.4	0.2
Delayed payment of gratuity	0.1	0.1
Other	0.5	0.8

Source: National Bureau of Statistics.

For simplicity purpose, these factors will be assigned X_i in descending order and then factor analysis technique used on them to determine the critical order of significance on the twenty four weighted factors. This assignment (of X) is done as follows.

Factors Responsible for Poverty (represented by X).

X_1 = Cannot afford
X_2 = Agricultural inputs not available
X_3 = Low agricultural production
X_4 = Because of drought
X_5 = Lack of adequate land
X_6 = Low prices for agricultural production
X_7 = Lack of market/buyers
X_8 = Lack/loss of cattle
X_9 = Lack of capital to start/expand agriculture
X_{10} = Lack of credit to start/expand own business
X_{11} = Lack of start/expand agriculture
X_{12} = Lack of start/expand own business
X_{13} = Lack of employment/job opportunities
X_{14} = Salary/wage too little
X_{15} = Retrenchment/redundancy
X_{16} = Prices of commodities too high
X_{17} = Hard economic times
X_{18} = Business not doing too well
X_{19} = Low profit
X_{20} = Too much competition
X_{21} = Cultural/religious reasons
X_{22} = Irregular payment of pension
X_{23} = Delayed payment of gratuity
X_{24} = Other
Source: Deduced from National Bureau of Statistics.

Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance observed in a much larger number of manifest variables. It seeks to collapse the numerous operating variables into fewer dimensions of interrelated attributes called principal components. The eigenvalue determines the principal components, which is orthogonally varimax, rotated to obtain more evenly distributed variables among components.

To estimate the relationship between poverty index and microfinance credits, the regression analysis method is used on the poverty and microfinance credit variables presented in Table 2.

Table 2.Poverty Index, Microfinance Credit and Investment in Nigeria.

Year	Poverty index (%)	Microfinance credit (₦)	Investment (₦)
1992	42.7	135.80	118.4
1993	49.0	654.50	326.6
1994	54.7	1220.60	491.4
1995	60.0	1129.80	354.3
1996	65.6	1400.20	254.0
1997	65.5	1618.80	384.0
1998	69.5	2526.80	218.4
1999	72.0	2958.30	436.8
2000	74.0	3666.60	450.2
2001	83.1	1314.00	304.3
2002	88.0	4310.90	925.5
2003	71.2	9954.80	2261.0
2004	54.4	11353.80	2612.7
2005	54.4	28504.80	3594.1
2006	54.0	16450.20	2712.2
2007	54.0	22850.20	3715.7

Sources: 1.National Bureau of Statistics.

2.Central Bank of Nigeria.

Bearing in mind that the estimates of the coefficients obtained from most econometric methods will be incorrect and unreliable if the model is not correctly specified (Koutsoyiannis, 1977) the researcher plots the scatter diagram of poverty index against microfinance banks' credit in order to decide on the mathematical relationship connecting the two variables. The scatter diagram of this observation has a form roughly similar to a relationship of polynomial of degree 3 or a cubic equation (see Figure 1 below). However, quadratic equation if found exhibiting the best fit and leaving the rest of the deviation to stochastic disturbance will be used. The poverty index - microfinance credit (MFBC) model is therefore stated as follows.

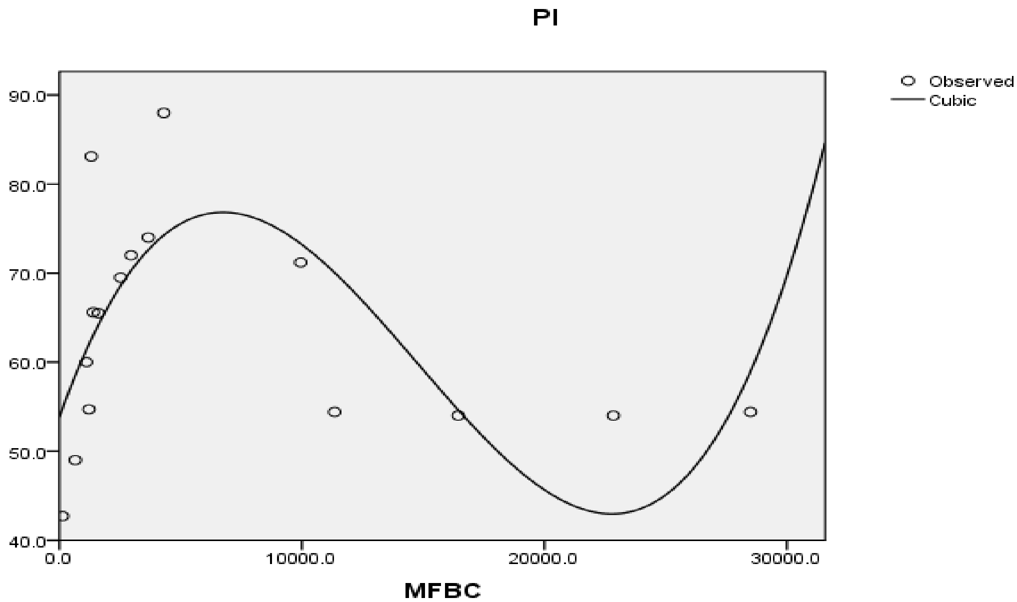
$$PI = b_0 + b_1 MFBC = b_2 MFBC^2 + b_3 MFBC^3 + U_t$$

If the b_3 is insignificant, the step wise regression equation in favor of the quadratic equation will be used. That is:

$$PI = b_0 + b_1 MFBC + b_2 MFBC^2 + U_t$$

The b's are the parameters to be estimated. The scatter diagram of the cubic relationship between poverty index and microfinance credit is shown in figure 1 as follows.

Figure1. Poverty Index – Microfinance Credit Relationship



Source: Drawn from the data in table2

RESULTS AND DISCUSSIONS

The estimates of the extent each factor impacts on poverty are determined (using the weighted scores in table 1b) based on maximum likelihood extraction analysis. The results are presented (in the following tables) and explained as follow

Factor Analysis

Table 3: Communalities

	Initial	Extraction
X1	1.000	.975
X2	1.000	.983
X3	1.000	.996
X4	1.000	.981
X5	1.000	.964
X6	1.000	.996
X7	1.000	.947
X8	1.000	.827
X9	1.000	.965
X10	1.000	.987
X11	1.000	.982
X12	1.000	.979
X13	1.000	.942
X14	1.000	.996
X15	1.000	.901
X16	1.000	.945
X17	1.000	.996
X18	1.000	.940
X19	1.000	.985
X20	1.000	.853
X21	1.000	.813
X22	1.000	.910
X23	1.000	.892
X24	1.000	.950

Extraction Method: Principal Component Analysis.

Source: Computer (SPSS) Result

The result of the communalities shows that all the variables are well and completely fitted with the factor solution, and none could be dropped from the analysis.

Table 4: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.874	45.308	45.308	10.874	45.308	45.308
2	5.730	23.875	69.183	5.730	23.875	69.183
3	3.681	15.339	84.522	3.681	15.339	84.522
4	1.312	5.467	89.989	1.312	5.467	89.989
5	1.108	4.619	94.608	1.108	4.619	94.608
6	.803	3.344	97.952			
7	.369	1.537	99.489			
8	.078	.325	99.814			
9	.045	.186	100.000			
10	6.175E-16	2.573E-15	100.000			
11	5.340E-16	2.225E-15	100.000			
12	3.500E-16	1.458E-15	100.000			
13	2.420E-16	1.008E-15	100.000			
14	7.720E-17	3.217E-16	100.000			
15	5.892E-17	2.455E-16	100.000			
16	1.075E-17	4.478E-17	100.000			
17	-8.728E-17	-3.637E-16	100.000			
18	-1.411E-16	-5.878E-16	100.000			
19	-1.577E-16	-6.569E-16	100.000			
20	-2.173E-16	-9.056E-16	100.000			
21	-3.337E-16	-1.390E-15	100.000			
22	-4.111E-16	-1.713E-15	100.000			
23	-5.505E-16	-2.294E-15	100.000			
24	-1.439E-15	-5.998E-15	100.000			

Extraction Method: Principal component Analysis.

Source: Computer (SPSS) Result.

Table 4 shows that five (5) components were extracted under 1.108 eigenvalue minimum. The clustering of decision factors affecting poverty within the five components generated normalized cumulative sums of squared loading of 94.61 percent. This shows that the five decision variables depict 94.61 percent of the characteristics of the twenty four (24) isolated factors. In other words 94.61 percent of the total variation in the level of poverty is explained by cumulative effect of the five components extracted. The five components are indicative using the screen plot (not shown here). Thus, efforts of the government toward poverty eradication should be focused mostly on the five major identified factors shown in the component matrix in Table 5.

Table 5: Component Matrix[a]

	Component				
	1	2	3	4	5
X19	.974	-.145	-.071	.105	-.011
X18	.943	-.070	.014	.185	.105
X16	.938	.181	.159	.040	-.076
X12	.890	.360	.159	-.138	-.112
X17	.884	-.292	.187	.180	-.249
X15	.876	-.060	.114	.286	.187
X11	.862	.417	.039	-.252	-.011
X2	-.857	.106	.391	.291	-.007
X13	.831	-.196	-.113	-.448	.000
X20	.775	-.087	.461	-.132	.119
X21	.734	.235	.295	-.044	-.359
X14	-.725	.220	.585	-.195	-.204
X1	-.724	-.663	-.090	-.031	.049
X9	-.034	.972	-.007	-.122	-.071
X6	.466	.820	.179	.006	.271
X8	-.201	.785	.017	-.267	.314
X10	.431	.763	-.454	.033	-.105
X3	-.596	.694	.244	.242	.200
X5	.011	.640	-.492	.530	-.179
X24	.632	-.636	.048	.319	.206
X7	.097	.421	-.831	.257	.055
X22	.000	.064	.777	.300	-.461
X4	-.347	.607	.696	.061	.058
X23	.359	-.127	.662	.191	.521

Extraction Method: Principal Component Analysis.

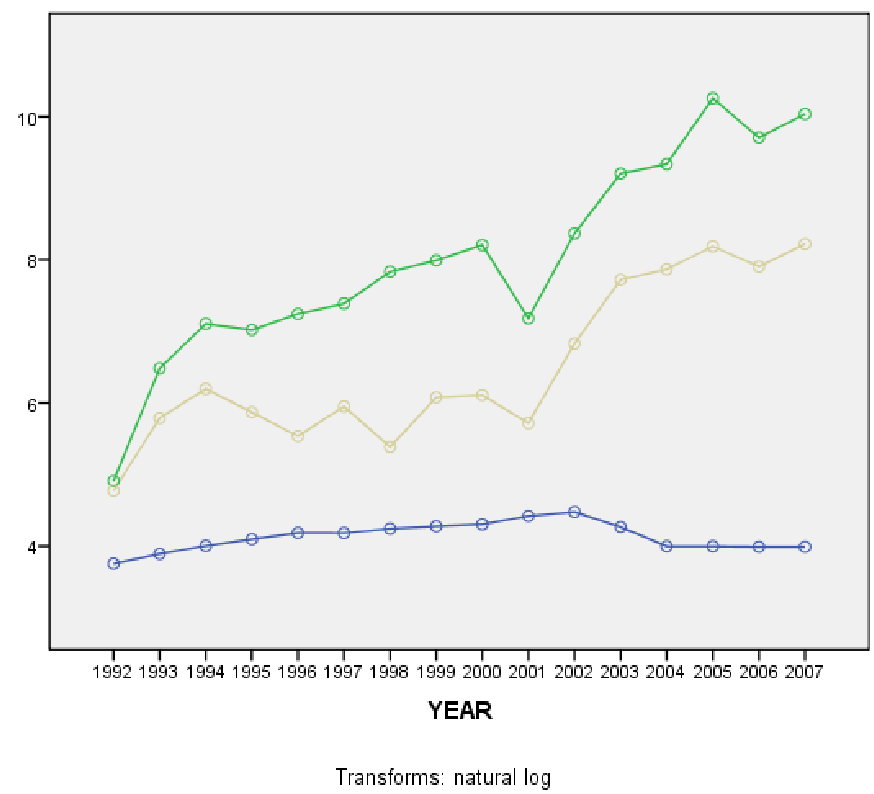
5 components extracted

Source: Computer (SPSS) Result

The table shows the loading of the factors into five principle components namely, X_{19} – low profit, X_{18} –business not doing well , X_{16} –prices of commodities too high, X_{12}-lack of finance to start or expand business and X_{17} – hard economic times. These identified factors are the most critical factors causing poverty in Nigeria. The five factors can be summarized in one sentence as: the business yields low profit and therefore could not do well while prices of things are high, yet there is no finance to expand the business and these in effect have aggravated the effect of hard economic times on us. Thus, government efforts should be articulated more on the identified factors, most especially on the provision of finance, even though it loads the fourth maximum position in the component matrix.

Evaluation of the relationship between poverty index and microfinance credit initially shows that as microfinance credit increases, poverty index also increases though at a decreasing rate. This is depicted by the positivity of b_1 parameter and the upward sloping movement of the poverty trend in the trend analysis presented in Figure 2 below. From the bottom right the figure shows poverty index followed by investment and then microfinance credit trend above all.

Fig.2. Poverty Index, Investment and Microfinance Credit Trend



Source: Graphed from the data above

As time passed and microfinance credit continues to increase at higher rate, poverty index started decreasing at an increasing rate. The negative parameter b_2 indicates this. The poverty index –credit trend shows that this U-turn of poverty to decreasing trend started from 2001 till date. The b_3 parameter is insignificant and the researcher shifted emphasis to quadratic equation model which yields the same results in terms of direction of the signs, but better results in terms of significance and magnitude of the parameters. In this model, the variables are highly correlated (r = 78%), highly fitted (R2 = 60%) and the overall regression (F=10.57) is significant. The estimated b parameters (b_1 and b_2) just like that of cubic equation are also significant conforming to the above explained mechanism. These results are shown in a summary form in Table 6 below.

Table6. Result of the Quadratic Regression

	Unstandardized coefficients		Standardized Coefficient		Sig.	r	R^2	F
	B	Std. Error	Beta					
MFBC MFBC**2	.013 -4.359E-7	.003 .000	2.224 -1.720	3.931 -3.040	.002 .009	77.6 %	60.2 %	10.574 (0.002)

CONCLUSION

Poverty has severely affected many nations of the world particularly the developing countries. Concerted efforts have to be made to alleviate or where possible terminate this cankerworm. Poverty is caused by low profits in the meager or petty business of less privileged people, high cost of commodities in the face of low income earning, lack of finance to take off or expand business, and hard economic times. These causes are critical in relation to other factors. The business of proletariat is small that it yields low profit and there is no means of expansion.

The study further reveals that microfinance credits have in recent times picked up momentum in the drastic reduction of poverty. Ten years after the introduction of community banks/microfinance banks in Nigeria, poverty was still increasing though at a decreasing rate with the increase of microfinance credit. However, persistent increase in microfinance credit leads to drastic reduction of poverty. Thus, increase in microfinance credit currently reduces poverty in Nigeria.

The researcher therefore calls for putting in place all necessary conditions and facilities that will enhance establishment of more microfinance banks in all of the communities in Nigeria. Such necessary arrangement should seek to forestall undercapitalization, undue interference from board members, fraudulent practices, inefficient management and regulatory and supervisory inefficiencies. When this is done, the monetary authorities can make establishment of more microfinance banks in our communities mandatory.

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ABOUT THE AUTHOR:

Godwin Chigozie Okpara is a senior Lecturer in the Department of Banking and Finance, Abia State University in Uturu, Nigeria.