



ISSN 2278 – 0211 (Online)

Micro-Credit Impact on Poverty Alleviation in North-Eastern Nigeria: Study of Yola South Local Government Council

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Abstract:

Purpose – To empirically examine the impact of microcredit on poverty alleviation in North Eastern Nigeria, with a special focus on the Yola South Local Government Area, the microfinance banks relationship with rural households, access to microcredits and challenges, depth of poverty, perceived benefits of microfinance on small and medium scale enterprises and rural households.

Design/Methodology/Approach: To achieve the purpose of this research, primary data was collected using questionnaires and interviews conducted among some selected rural households and microfinance banks customers in Yola South Local Government Area, to evaluate their access to microcredit; incidence and severity of poverty among the rural households selected for this study. To achieve this, we collected primary data using questionnaires and personal one on one interviews. We employed appropriate descriptive statistical and analytical tools to process the data collected.

Findings - The result obtained from the study shows that the level of poverty among the rural people in the North Eastern Nigeria is still high; however, it was found that those that have access to microcredit facilities granted by the Microfinance banks seems to have done better economically than those who without access to microcredit. Put in another way, access to credit facilities offered by the microfinance banks has a positive but not necessarily a significant impact on poverty reduction among the rural poor population.

Research limitations/implications: It was found that most of the respondents interviewed had no form of formal education and could not reasonably respond to some of the questions asked by the interviewer, even when the questions were translated to their local language. The findings of this research to some extent are limited by these insufficient responses provided by the respondents. Hopefully this will be addressed through additional research on appropriate language translation methods in future research.

Keywords: Micro-credit, microfinance, poverty alleviation, rural households

1. Introduction

1.1. Background of the Study

One of Nigeria's developmental challenges today has been how to address poverty in rural areas and improve living standards through poverty alleviation programs (Adamu et al, 2013). Successive government in Nigeria both at Local, State and Federal levels has adopted different measures or program with the sole priority of poverty alleviation as a prominent theme in their budget estimates. The Millennium Development Goal (MDG) which had targeted the year 2015 as a year when poverty would experience total reduction has come with very insignificant impact. The year 2015 is here already and eliminating extreme poverty has not been achieved (Littlefield, 2010; Adama, 2007). Regrettably, Nigeria has continued to experience worse years of growing poverty with apparent failure of the programs successive governments have put in place to address poverty alleviation.

The Government of ex-President Goodluck Ebele Jonathan in his 2013 budget speech explicitly identified poverty alleviation as one of the important priorities of the government. Besides this, poverty has remained like a monster that has defied all weapons of arrest and has continued to torment millions of Nigerians and living them struggling below the poverty line. This number continues to grow at an alarming proportion across the country. (see World Bank, 1997; 2000; 2003 and 2009). A World Bank poverty assessment study report sponsored by the World Bank in 1995 also established the fact of increase in poverty especially among rural communities in Nigeria. Another close study commissioned by the World Bank in 1999 immediately after the former President Goodluck Jonathan came into office in 1999 also revealed a high and extreme level of poverty encroachment into national development between 1980 and 1996. A heart breaking part of that study also showed that about two-third of Nigerians, numbering about 70 million plus citizens were

actually living below the poverty line. A glaring picture of this can be seen in squalor, visible everywhere you go in the North - Eastern axis of Nigeria. The report stated specially that poverty level had climbed up 50% between 1980 and 1995, from 28.15% to 46.3%. And between 1995 and 1992, there was a noticeable drop close to 4%. Again by 1996, there was an upward swing to 65.6% above the 50% of 1992 figures. This poverty drop level in 1992 notwithstanding, a resultant growth rate in population added a staggering figure close to 5 million poor people from 1985 to 1992. This figure has steadily grown and by 1997 the number of estimated poor stood at 74.2 million. Per capita household expenditure over the period clearly showed this level of poverty. Possibly the outcome of this report, informed the reasons for the various initiatives of the government of ex-President Jonathan to embark on various programs aimed at poverty reduction as a means on improving the living standard of this high proportion of the population living below the poverty line. It is not an understatement to mention that the inability of government to effectively tackle poverty reduction may not be unconnected to a narrow understanding of what poverty really is or simply lack the vision of addressing the challenges strategically.

Poverty is a global challenge and various countries of the world continue to make poverty reduction a topmost priority in their development agenda. Despite the world-wide attention given to tackling poverty, there appear to be no universally accepted definition (Uche 2000). However, there is what can be described as symptoms or generic indicators that points to presence of poverty in any society. These indicators among others as listed by Gbraith 1958 include insufficient food, poor clothing, crowded, slumps, cold and dirty shelter, lack of access to health care, painful and brief life, low income that falls behind the community, limited access to education (Uzor, 2011). In any case whether this definition is accepted or not, one obvious thing is that Nigerian continue to experience poverty as one of its greatest development challenge (CBN, 2010; World Bank, 2009). The severity of poverty is more prominent in the rural areas of Nigeria where a high population close to 80% reside with little or no access to social infrastructure. It is common to see a growing number of young people move to urban centers to search for collar jobs as an attempt to break away from their poverty ridden communities. In the wake of this exodus and a consequence, a lot of women invariably become heads of households who aimlessly wander in the street and farmland trying to make ends meet for their families. Though the rural areas provide vast opportunities to engage in farming as a source of income, yet access to farm inputs, such as fertilizers, pesticides, micro-credit, tractor hiring, access roads remain elusive. This development has serious consequences for rural development in the North Eastern Nigeria.

While the search continues by development economies on how best to understand and alleviate poverty across the world, there are strong indications that if economic policies are well conceived, strategized and implemented, poverty be significantly reduced. (Bruno, Squire and Ravallion (1995). Several rural development programs are seen to have met with colossal failures and largely occasioned by inability to have access to credit or loanable funds (Ijere, 1992; Okafor, 1999 & Tanko, 2007). What makes economic sense is to re-evaluate what role financial capital plays in economic emancipation of rural dwellers, redirect credit as an empowerment strategy which would greatly reduce poverty level in rural community settings in Nigeria. It is also important that part of the strategic focus should be how best savings can be mobilized among the rural poor people. An effort to guide the efficient allocation of these resources should be an economist focus of development and third world countries. Major economic transformation agenda of the Buhari Administration should seek to formulate an all-inclusive economic program that promotes interest of rural poor people in sourcing for credit, advances and at low interest rates and conditionality.

Microcredit, interchangeably called microfinance simply refers to providing challenging financial services to the low income earners (poor) who my reason of their economic status are largely excluded from formal financial institutions. The small amount of loans, advances given, the lack of asset base collateral and operational simplicity provide the basis for a clear distinction between microfinance and other forms of financial services of a formal nature.

The past ten years has witnessed the multiplicity of targeted poverty reduction programs sponsored by the government of the Federal Republic of Nigeria to encourage the extension of financial services to the rural poor by way of microcredits and other forms of economic empowerment for the poor. Some of these programs among others include the Peoples Bank of Nigeria (PBN), FEAP (Family Economic and Advancement Program), NACB (Nigerian Agricultural and Cooperative Bank), NAPEP (National Poverty Eradication Program), NACRDB (Nigerian Agricultural, Cooperative and Rural Development) a new creation from NACB, CB (Bank Community Banks) and recently NAPEP. All these creations were with the intent to eradicate the increasing level of poverty among the rural populace in Nigeria.

Since then we have also witnessed the emergence of innumerable number of Non-Government Organizations (NGOs) who have taken it upon themselves to promote micro-credits, lending and support services to the rural poor from a very social context. Such effort has its limited benefits and appears economically unstable due to the charitable nature of their operations. This article majorly focuses on an assessment of the impact of micro-credit effectiveness on alleviating poverty in North-East Nigeria using Yola South Local Government Council as a focus. It is frustrating to note that while the Federal Government continues to fund poverty alleviation programs, the level of poverty increases continues to be more visible everywhere you go in the North Eastern axis of Nigeria. This has informed the researchers' decision to study and evaluate impact of micro-credit on poverty reduction in the North Eastern Nigeria.

1.2. Statement of the Problem

Poverty continues to be one of the most challenging socio-economic development problems in many African and Asian Countries of the world. The Federal Government of Nigeria, Non-governmental Organizations (NGOs) and Civil Societies have initiated several poverty reduction programs as far back as 1973 in Nigeria. In Nigeria and particularly in the North East geo-political zone, the incessant violent uprising and clashes has been largely attributable to chronic poverty in the region. Poverty is indeed a serious threat

to political stability and peace in Nigeria (Ibrahim, 2010). Empirical studies have shown that majority of rural household population in the North East geo-political zone of Nigeria are generally very poor.

Introducing Microfinance is part of the attempt by the Federal Government effort like other similar programs to reduce or eliminate wide-spread poverty and widening income gap between the rich and the growing poor population. These efforts have witness colossal failure either due to inconsistent policies, poor regulatory practices or corruption. Problems of accessing credits including unaffordable interest rates charge by Microfinance Banks, lack of awareness has continued to limit the impact of these credit institutions on the rural poor in communities mostly made up petty traders and farmers.

The achievement of the Millennium Development Goal 1 (MDG 1) impact is yet to be seen in the North Eastern States of Nigeria even as the first phase of the MDG winds up in 2015. As one moves from one community to another, what greets a visitor first is the ugly sight of hundreds of out of school children begging from street to street, large families clustering in uncompleted buildings as temporary homes, absence of health care centers, absence of portable water, dilapidated houses etc. It is hoped that a better repositioning of the operations of Microfinance Banks especially with regards to a more efficient administration of credit and advances could successfully help in the improvement of quality of life among rural poor people in this zone.

1.3. Research Question

This study has the principal aim of establishing why there is an urgent need to reduce poverty through the administration of microcredit as one of the strategies for poverty reduction. This study seeks to address the following questions:

Does microcredit play any significant role in assisting micro-entrepreneurs and other rural poor population in alleviating poverty in Yola South Local Government Council of Adamawa State?

Does the rural population have access to microcredit finance in the Yola South Local Government Council?

1.4. Research Hypotheses

The socio-economic benefits of micro-credit are to provide micro-entrepreneurs and poor rural populace assistance to be productively engaged in activities that results in increase in their income. It is also expected to assist in job creation, infrastructure uplift, provide food for their household and promote economic activities that could lead to Gross Domestic Product (GDP) growth. On the basis of this, a working hypothesis for the study was formulated as follows:

- H0: Micro-credit has no positive and significant impact on poverty alleviation (socio-economic status) of the rural populace.
- H1: Micro-credit has positive and significant impact on poverty alleviation (socio-economic status) of the rural populace.

1.5. Research Objectives

The broad objective of the study is to undertake an empirical evaluation of the impact of microfinance in alleviating poverty among rural populace in Yola South Local Government Area of Adamawa State Nigeria. To accomplish this, the specific objectives shall include:

Evaluate the demographic and other socio-economic characteristics of the rural populace

Estimate the level of access to credit and their sources among selected rural populace.

Estimate the incidence, depth and severity of poverty among the rural populace

Evaluate the impact of access of microcredit on poverty level/status among the rural population.

Make recommendation for efficient and effective administration of micro-credit scheme for poverty alleviation.

1.6. Scope of Study

The area covered by this study was Yola South Local Government Area of Adamawa State Nigeria which has a land mass total of 718km² and a total projected population of 226,810 as at March 21, 2011. The headquarters of the council is located at Yola Town. It is one of the 21 local government councils in Adamawa State Nigeria. It shares boundaries with Yola North Local Government Council to the North, Mayo Belwa Local Government Council to the South, Numan Local Government to the West and Fufore Local Government Council to the East.

Climatically, the Yola city temperature is higher in February and April, this period is generally known to be the heat period with temperatures ranging between 30⁰ C and 50⁰ C. Rainfall and stormy wind begins in the month of May and ushers in the beginning of wet season. The inhabitants are cattle rearers, farmers and petty traders who live around Yola town, fufore, Ngurore, Gurin, Wurojabbe and Namtari villages. The popular food crops grown in the area among others include rice, vegetable; sugar cane, groundnut, maize, beans, guinea corn and millet.

1.7. Research Limitations

Some of the findings of this research report might not truly represent the developments in the administration of micro-credit to rural populace in Yola South Local Government Council due to the small size of the sample taken from the rural population of the area. Equally important to note is the language barriers that confronted some of the field personnel engaged in some selected villages and suburbs visited to conduct oral interviews which was rather a more convenient method of collecting data from respondents. Interpreters had to be engaged to solve the challenge of language barriers. Insufficient materials from the focus of the study as well as constraint of time affected better analysis of the various issues being investigated.

1.8. Definition of Terms

- MFBs: Microfinance Banks
- NGO: Non-governmental organization. It is a non-for profit organization, voluntary nationals or group organize on local, national or across international levels.
- Poverty Alleviation: Poverty reduction as it is also called involves improving the living conditions of people who are already poor.
- Traditional Banks: Traditional banks were the original banks, the financial depository institutions first to offer checkable deposits.
- Social Capital: Refers to the collective value of all "social networks" and the inclinations that arise from these networks to do things for each other in a reciprocal manner.
- Loan Collateral: Is a borrower's pledge of specific property to a lender, to secure repayment of a loan.

2. Literature Review

Many countries around the world today particularly in Asia and Africa are developing socio-economic programs aimed at poverty reduction. In addressing these development challenges, such initiatives as micro-credit financing, operation feed the nation, insurance, savings, investment unions etc., has been promoted as poor people targeted programs to bridge income gaps between the rich and the poor people in communities. Statistics and studies also show that the rural poor are hardly served by conventional formal financial institutions and this leaves a large proportion of the rural populace unserved. It is also found that even where credit is accessible as really the case, the interest rates charged by these formal institutions are not affordable or their Condi tonalities/terms considered too stringent for acceptance.

According to Karlan and Goldberg (2007), Microfinance is “the provision of small scale financial services to people who lack access to traditional banking services”. In more diversified perspective, few other researchers, have a myopic view as they describe micro-financing to mean the granting of “very small loans” to low-income customers for personal businesses, often with small savings.

In Nigeria, The Central Bank of Nigeria (2006) define micro-finance as the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low income household and their micro-enterprises.

In the last ten years’ micro-finance has received a great boost from multi-lateral institutions, Non-Governmental Organizations (NGOs) and this has largely contributed to the rapid growth of microfinance from low start and has prominently featured in forums where poverty alleviation issues have been deliberated upon. The CBN in a report in 2006 advanced some reasons why the provision of efficient micro-credits services to rural dwellers is important visa-viz:

One of the effective poverty reduction strategies which have over the years shown some level of improved access and provided efficiency in mobilizing and encouraging savings has been micro-finance. It has also shown consistency in providing credit and insurance covers to poor people. These services have helped the poor in their consumption pattern improvement, increase assets, earn better income and their standard of living. The ability to sufficiently reap the benefit from development opportunities can be enhanced as access to credit is made available to poor household.

The financial system can be developed strongly through microfinance and integrations of financial markets.

2.1. Micro-finance in Nigeria and Poverty Alleviation

Poverty alleviation has continued to mount as a serious development challenge among Asian, Africa and Latin America countries. In Nigeria especially in the North Eastern geo-political zone, increasing security challenges has partly been attributed to pervasive poverty in the region. Some development agencies are of the opinion that addressing security challenges in that zone and to ensure meaningful outcomes, will require a strategic effort that equally addresses level of unemployment, lack of food, good roads, education, access to good water and health care. Poverty poses a great threat to political stability in the regions (Ibrahim, 2010).

On a sadder note, development studies reveal that over 70% of Nigeria’s population is still suffering from abject poverty as thy live below the poverty line. Poverty is a world-wide phenomenon with its effects visible in different countries, communities and people in diverse manner. A common parameter in measuring poverty is adopting consumption or income line basis. In a World Bank (2002), the report states that an individual is said to be poor in which case his or her level of consumption is below \$1.00/day. This minimum is a level considered to meet basic needs of day to day living and also described by the World Bank as the poverty line. Any person(s) living below the minimum \$1.00 per day is considered to be poor. Poverty continues to assume a widening and frightening dimension and even so in the wake of rich resource endowments in Oil and allied products. Records also show that government efforts through introduction of intervention programs to alleviate poverty has continued to fail woefully without any clear level of success recorded within the past decade (Ibrahim, 2010).

Nigeria, like any other developing country of the world has its own history of microfinance which dates back over a hundred years ago. Because of different interpretations and views held about this form of financing, a historical understanding is important as it clears the distortion created by some people who equate micro-finance to credit NGOs and strongly hold the view that micro-finance is only traceable to Bangladesh over two decades ago. Nigeria has over 100 years of experience in small groups’ self-help programs which serves as social capital. The “esusu” self-help group arrangement has assumed a world-wide outlook having been exported to the Caribbean islands (Bascom, 1952) and later by migrants to major American cities where this still exist today. This had actually started as a self-help group where a group of people came together, pull their labour together and allocated same to individuals on rotational basis for farm work or personal projects undertaking. Soon this arrangement became commercialized where such groups

could be hired for an agreed fee. This arrangement soon translated to money, cowries, pound and Naira where contributions are made for an agreed amount and handed to each member of the group on rotational basis each taking their turn. In the civil service today and private set ups, only very few Nigerians do not belong to such self-help groups. The nomenclature "Esusu" which is the name of this self-help arrangement is also called "susu" in the Yoruba land and "Adashe" among Hausas in the Northern part of Nigeria. All these names today have spread to countries as Liberia and Congo or Zaire. As at 1960, this was considered as one of the most effective financial institution existing in the country side (Seibel, 1970; Desai and Mellor, 1974). It has also been controversially discussed that the esusu may have provided a platform for the springing up of modern day cooperative societies in Western Nigeria.

However, as scholars continue to discover more and more informal financial arrangement of institutional nature, the CBN (2003) has gradually pressure these rotating and non-rotating savings and credit associations to formally register and be linked to banks for safer controls.

During the past twenty years, several efforts has been made by the governments of the Federal Republic of Nigeria to promote flow of financial resources to the rural poor people in Nigeria, as economic empowerment strategies targeted towards poor and helpless rural people. Some of these programs embedded in the FGN economic agenda includes the distribution of funds by banks operating in rural areas, interest rate reduction plans and farming funds assurance plans. The FGN also came up with poverty alleviations programs such as FEAP (Family Economic Advancement Programme, NACB (Nigerian Agricultural and Cooperative Bank), PBN (People's Bank of Nigeria), NACRDB (Nigerian Agricultural Cooperative and Rural Development Bank in 2000) an amalgamation of FEAP, PBN & NACB with the assigned role to provide mandatory financial support services and other poverty alleviation programs initiated by the Federal Government. However, due to faulty implementation and poor alignment of these programs, the gains of the programs were short-lived and largely remained unsustainable (Nsa PI, 2011). While these downward and retrogressive trend continued, the NGO, s has taken up the challenge in bridging the gap of providing facilities to the down trodden rural poor. The charitable nature of their activities in providing credits only to members and their charitable features limits the level of their impact on poverty alleviation efforts. It is also found that the NGOs maintain a rather weak capital base due to limited windows for raising funds for their activities. This therefore hinders their ability to provide sustainable and adequate capital towards supporting their poverty alleviation efforts.

In 2005, a CBN report observed that the growth of micro-credit to serve the poor has been a very beneficial means of poverty alleviation (Nsa, PI, 2011). It is also discussed and observed that if micro finance banks are efficiently managed, it will provide an effective tool in poverty reduction nationwide.

In simple terms micro-credit loans can simply be described as small monetary and loan advances given to poor rural people who have no resourceful means to set up their own small enterprises. This credits range from as low as N10,000.00 to as much as N250,000.00 depending on the threshold defined for individuals, groups or cooperative societies to assist in poverty reduction. It is also known as micro loans. Because it is commonly classified as poverty reduction loans or credit to low income earners

2.2. General Framework on Micro-Credit and Poverty Alleviation

2.2.1. Does Micro-credit Facilitate Alleviation of Poverty for the Poor?

There has a wide debate of the subject of poverty alleviation and much of this conversations and argument continue to dominate major topical issues bordering on developments in Africa and Asia where there is wide-spread poverty among the growing population. In Nigeria, the Central Bank of Nigeria (CBN) reported in 2005 that microcredit development like any other credit facilities has greatly served the poor and seen to be an effective method of reducing poverty with obvious benefits seen in the past few years (Nsa, PI, 2011). It is upon this premises that many have adjudged micro finance as a financial space if well managed and regulated will to a reasonable extent alleviate poverty among Nigeria's rural poor.

We have in the introductory paragraphs of this article describe micro-credit or microfinance as a level of small financial advances or monetary assistance granted to the rural poor people who want to setup micro businesses or enterprises. These financial advances generally could be of a small amount ranging from N10,000; N50,000 to little above N500,000.00. It is therefore argued that a person who already is too poor and living below \$1 (N195) to \$2 (N350) a day can hardly run and establish a stable and successful enterprise on such a small financial advance or micro credit.

These financial advances can take different forms such as credits, assurance services, cash advances, disbursement services and guarantees to low income earners and small businesses. It is done equally as a medium of spreading financial services and helps to those who normally are not able to access funds from formal financial institutions or do not have the capacity to meet the credit risk ratings and requirement of the major banks. In the order hand, these can also be in relation to the inability of the poor to pay the high interest element that go with obtaining loans and credits from the formal financial institutions.

Despite these opposing sides of the debate on the challenges of alleviating poverty using micro-credit as a tool, Yunus (2007) in contributing, provided some clear attributes of the micro-finance scheme which can effectively assist in alleviating poverty for the poor people. These among others include the ability of the micro-credit scheme to facilitate credit to the really poor who are willing to obtain these credits and use it in such an efficient manner that helps in lifting them out of difficulties and deprivation of basic necessities of life.

In 2001, a research conducted by Aderibigbe revealed the challenges associated with obtaining banking services and extending that to the poverty stricken population in the rural areas. Among these include, strict financial services which are not suitable for lending to the poor. The banks do not equally see these small enterprises as money spinning organizations. Drop in loans to people with low earnings and their lack of capacity to provide required collateral to secure credits or financial advances. Abolo (2001) observed that

the right to use standard services provided by formal financial institutions for the poor people has no direct bearing with poverty. He notes that the moment an individual is seen to be a poor or deprived person; there are rare opportunities for him or her in reaching these credit institutions to access loans or advances. Consequently, the odds continue to grow against the poor as deprivation puts him or her on a very costly and complex position for any financial preparation for self-help or for any conceivable business opportunity.

2.2.2. Developments in Nigeria's Experiences of Micro-Credit Program for the Rural Poor

Many critiques continue to contend whether or not microfinance programs have impact for the rural poor people. Though the argument against does not seem to have an obvious edge over the significant impact empirical studies has also revealed, we have to have a balanced understanding of the contending perspectives on whether these programs have failed or succeeded. To fully appreciate whether these programs have attained some level of success or failure, we will be examining the breakthroughs that have showed micro finance program as having made a significant impact on reducing poverty. The last ten years has witnessed a great transformation in effort to spread financial services to poor people living in rural areas and same to those within the low income bracket.

Financial services development in most developing countries, Nigeria inclusive has shown that there is a turn in the tide in redefining and retailing of banking services to assist the needy and low-income earners. Most experiences with micro finance banks shows that low income groups or poor people are willing to receive loans and conveniently repay such loans with minimal defaults and a growing propensity to save from their earnings. This development completely knocks out the general assumption that the poor are not able to effectively manage credit and generate surpluses that will encourage them to save.

There is also a paradigm shift in that effort presently carried out to reach poor people with needed financial services support is being redefined with the inclusion of informal financial institutions as falling under the description of what constitute the financial sector of the economy. This is a clear departure from the past when micro finance programs were completely segregated from the formal financial sector. Today, micro finance banks operate within the integrated financial sector platform which offers broad financial inclusion to the needy and the general public. This new understanding has created opportunities for bridging the gap in redistribution of capital formation to a wider community across the country.

There is an expansion of lending to low income earners through the introduction of a well-coordinated credit program to the poor with loan terms and conditions which almost equate what obtains in formal banking institutions. This arrangement has made the micro finance banks stronger and stable.

Micro-finance banks are now expected to reposition to ensure financial stability and expected to move away from the years of total dependence on grants, donations or contributions which made them more vulnerable and limited on its effort to reach more poor people or low income earners with their credit programs.

For some years now, most efficiently operated micro finance banks has exhibited a strong potential with practical ability to serve more rural people through empowerment programs and equally engaged in expansive network of rural branches for mobilization of savings to ensure greater financial stability and promoting the savings culture among the poor instead of debt accumulation and the near uncontrollable consumption habit.

3. Method

This study employed the descriptive survey method. This is a relevant method for this kind of study, as it involves collection of data from rural household clients of MFBs with the objective of determining whether or not microfinance contribute to poverty alleviation by improving their standard of living. The population comprised of all rural communities' customers of microfinance in Yola South Local Government Council Area.

An investigation was conducted on the operational presence of Microfinance Banks (MFBs) in Yola South Local Government Council. The investigation revealed that Standard Microfinance Bank and Ummah Microfinance Bank are the two prominent MFBs in terms of outreach and spread of branches.

3.1. Research Design

Planning a research takes care of the challenges of the topical continuity, additionally its utilization in the background of the research to provide the necessary data (Baridam, 1990). Our data presented is drawn from both primary and secondary sources. Fieldwork served as our source of primary data. Data can be collected using surveys, one on one interview or from previous worth the aim of obtaining relevant information as may be needed from the respondents (Vadum et al (1998). Our primary source is direct interview using questionnaires and personal observations with some randomly selected banks customers and the banks operations officers respectively. We used a purposeful sampling technique to select a sample of 30 bank customers from the rural communities that made up the size of our sample. The second section was for banks officials also randomly selected.

As earlier mentioned, the key instrument of this study was a questionnaire titled "Micro-credit Impact on Poverty Alleviation in North East-Nigeria: A case study of Yola South Local Government Council" The crafted statements contained in the questionnaire connected to the objective and hypothesis formulated for the study. The first section (A) had the measurement of demographic information of the respondents with regards to age, sex, religion, educational background, marital status, address, size of business, account relationship, business activity, household income sizes, spending on food while the Section B was to evaluate how respondents perceived the impact or effectiveness of microfinance on poverty alleviation in North-East Nigeria with respect to perception of improved businesses and standard of living, use of bank loans, banks collateral requirements, loan monitoring and need

for establishment of micro-finance banks, banks loans interest rates, repayments and defaults etc.

To collect data for the study, a total of 50 questionnaires were randomly distributed in the Yola-South Local Government Council Area of Adamawa State, Nigeria. The 50 questionnaires were distributed among microfinance banks customers and non-bank customers. Out of the 50 questionnaires administered 30 were returned, resulting in a response rate of 60% and used for analysis.

3.2. Study Area

The study area was Yola South Local Government of Adamawa State with a total land mass of 718 Km² and with a total population of 226, 810 as at March 21, 2011 (NPC 2011). The headquarters of the council is located at Yola town. It is one of the 18 local government councils in Adamawa State.

3.3. Method of Statistical Analysis

Descriptive statistics (frequency tables and percentages) were used in describing socio-economic characteristics of sampled customers of microfinance banks including their credit participation, request for loans, loan amount granted, interest rates charged by the MFBs, tenor of loan used. The tool for the analysis was the SPSS package.

Predictive validity in this study was assessed using the Cronbach α reliability coefficients to support the result of this study. The coefficient α of .94 obtained from the analysis exceed 0.70, suggesting adequate reliability (Cronbach, 1947. Our research findings are presented as Tables 1.0 to 9.0. Codes and their values are shown and explained in the appendix to this research report.

4. Findings and Discussion

The result from the data analyzed are presented as tables 1.0 to 9.0

Variable	Frequency	Percentage
Age of respondent (A1)		
18-25	2	6.7
26-35	4	13.3
36-45	12	40.0
Above 45	12	40.0
Sex (A2)		
Male	6	20
Female	21	70
No response	3	10
Religion (A3)		
Christianity	9	30
Islam	21	70
Others	0	0
Educational background (A4)		
No formal education	14	46.7
Elementary education	8	26.7
Secondary education	2	6.7
ND/NCE	4	13.3
Bachelor/HND	2	6.7
Masters (Msc/MA/MBA)	0	0
PhD	0	0
Others/Specify	0	0
Marital Status (A5)		
Single	5	16.7
Married	24	80.0
Divorced	1	3.3
Widow	0	0

Table 1: Demographic statistics of respondents (MFBs Customers)

Source: Field work using SPSS Statistical package

Table 1 shows demographic statistics of respondents. Personal characteristics were considered as important for the purpose of the study. Age is generally considered a relevant factor in engaging in rural farming household and running of business enterprises especially where financing resources is to be sought from a microfinance bank or even a conventional bank. A young vibrant individual is considered to be very productive especially when it comes to farming, trading or small business nurturing and this translates to ability to generate higher income for financially sustaining an enterprise. As can be viewed from the table Age of respondents (A1) 12 of the respondents or 40.0 percent of the total respondents are between 36 and 45 years of age, while 12 of the respondents or another 40.0 percent of the total respondents are above 45 years of age. Combined together, these are majority of active rural customers of the MFBs. Put in another way, above 80 percent of the banks rural customers over age 36 are active beneficiaries of microcredit financing.

From the table, it also seen in A2 which describes the gender of respondents, 21 or most (70.0 percent) of the respondents were females and 6 or 20.0 percent are males. This gender distribution of the microcredit banks customers has an economic implication on the level of income generated for household. It could then be suggested that more females seek for microcredit from MFBs than their male counterparts and this is revealing in the high number of females engaged in farming and petty trading among the communities within the areas of this study. The survey also revealed that 21 or 70.0 percent of the respondents are Islam faithful and 9 or 30.0 percent are Christians (A3). The table also shows that on the educational background of the respondents (A4) which is very relevant for this study, it could be seen that (46.0 percent) or 14 of the respondents had no formal education, 8 or 26.7 percent have elementary education, 2 or 6.7 percent completed secondary education, 4 or 13.3 percent have National Diploma/NCE and 2 or 6.7 percent are degree holders (B.Sc./HND).

From this result it is observed that majority of the respondents most (54.0 percent) have one form of formal education or the other and this could enhance their understanding of credit facilities available to them from the banks, how to access it by meeting relevant terms and condition and how this affect their standard of living. On the marital status of the respondent (A5), the study revealed that 24 or 80.0 percent of the respondents are married and 5 or 16.7 percent are single with 1 or 3.3 percent widowed. This implies that, the most beneficiary of micro-credit facilities are rural households or families and microcredit has therefore a wider impact in alleviating poverty than thought of by some critic.

A6	Frequency	Percent	Valid Percent	Cumulative Percent
.00	1	3.3	3.3	3.3
Valid 1.00	12	40.0	40.0	43.3
2.00	17	56.7	56.7	
Total	30			
A7				
.00	3	10.0	10.0	10.0
Valid 1.00	22	73.3	73.3	83.3
2.00	5	16.7	16.7	100.0
Total	30	100.0	100.0	
A8				
1.00	1.00	27	90.0	90.0
Valid 2.00	3	10.0	10.0	100.0
Total	30	100.0	100.0	
A9				
1.00	9	30.0	30.0	30.0
2.00	3	10.0	10.0	40.0
Valid 3.00	13	43.3	43.3	83.3
4.00	3	10.0	10.0	93.3
8.00	2	6.7	6.7	100.0
Total	30	100.0	100.0	
A10				
1.00	21	70.0	72.4	72.4
2.00	8	26.7	27.6	100.0
Total	29	96.7	100	
Missing System	1	3.3		
Total	30	100.0		
A11				
.00	1	3.3	3.3	3.3
1.00	10	33.3	33.3	36.7
2.00	7	23.3	23.3	60.0
3.00	6	20.0	20.0	80.0
4.00	4	13.3	13.3	93.3
5.00	2	6.7	6.7	100.0
Total	30	100.0	100.0	
A12				
.00	1	3.3	3.3	3.3
1.00	24	80.0	80.0	83.3
2.00	2	80.0	80.0	83.3
3.00	2	6.7	6.7	96.7
4.00	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Table 2: Descriptive Statistics of microcredit borrower's relationships with MFBs (N=30)

Source: Field work using SPSS Statistical package

Table 2 shows the Account relationship of customers with MFBs (A6) which clearly reveals that most (56.7 percent) or 17 respondents maintain partnership account relationship with MFBs and 12 or 40.0 percent maintain sole/individual account with the MFBs, whereas 1 or 3.3 person have a relationship other than the ones listed here. This suggest that MFBs are more disposed to dealing with a group or cooperative bodies than individuals or sole account applicant as the degree of their acceptance is less significant compared to partnership accounts. This originated from the Grameen Bank microcredit projects in Bangladesh. The study shows that the nature and size of business (A7) were most (73.0 percent) micro sized and 16.7 percent small sized. Microcredit is generally targeted at providing financial services to micro enterprises and more so the amount of credit often granted is so small that starting a medium or large scale business setup will practically be hindered or limited by the small capital put at the disposal of the borrower. The result shows that most (90.0 percent) or 27 of respondents provided their residential locations and 10.0 percent did not. It is also observed from the study that most (43.3 percent) or 13 of the respondents are engaged in petty trade and 30.0 percent or 9 respondents took to farming. This can be simply explained that, because petty trading and farming have been found to be the most common occupations of rural households and most government policies on poverty alleviation is targeted at these prominent two business activities (A9). 10.0 percent are engaged in fishing, 10.0 percent are Artisans and 6.2 people are in other categories of businesses.

Moreover, the study revealed approximate household income (A10) as most (70.0 percent) or 21 respondents earned an approximate monthly household income between N1000 – N24,000 from petty trading to farming business activities while 26.7 percent or 8 respondents earn approximately N25,000 to N60,000 monthly incomes. This could significantly be linked to respondents who have one form of formal education or the other. It could also be better explained that literacy level has a relationship with the level of income earned by a household. It also shows that most respondents relied solely on their trading and farming businesses as a source of income for their sustenance. An approximate daily household income (A11) levels was also surveyed, as the study shows, most (33.3 percent) of the respondents earned an approximate daily income between N100-N200, 23.3 percent respondents earn between N201-N300, 20.0 percent earn between N301-N400, 13.3 percent of the respondents earn between N401-N500 while 6.7 percent earn between N501 and above daily. From this result most (56.6 percent) earn N300 daily income and below. Given the present exchange rate of N195.00 to \$1, this implies that most of these respondents earn below \$2 daily and invariably living below \$2 threshold for anyone adjudged as poor from UN development index reports. Responses to question 12 (A12) shows that most (80.0 percent) of the respondents would prefer going to the MFBs for credit if they needed extra money than any other source, while least 3.3 percent chose to go to their family members for credit in the event that they needed money. It's therefore obvious from this result that the poor populaces are beginning to accept microcredit loans as a more convenient, less challenging source of obtaining extra money for their households.

A13	Frequency	Percent	Valid Percent	Cumulative Percent
.00	2	6.7	6.7	6.7
1.00	25	83.3	83.3	90.0
Valid 2.00	1	3.3	3.3	93.3
3.00	2	6.7	6.7	100.0
Total	30	100.0	100.0	

Table 3: Descriptive Statistics of source of credit and loans received by respondents

Source: Field work using SPSS Statistical package

Table 3 shows the level of access to micro-credit loans by households.

As revealed by the study, as table shows, 25 or 83.3 percent of the respondents agreed they received loans from the MFBs. 5 or 16.6 percent of all other respondents said they either did not receive a loan and could not provide a response. This suggest that there is a reasonable level of awareness of credit facilities offered by MFBs among households and microcredit delivery is gaining more ground and becoming popular as a ready source of financing for low income earners. The result also shows The study that credits granted to respondents range between N30,000 and N200,000 at a minimum interest rate of 20.0 percent. Interest rate charged by some of the MFBs was as high as 35.0 percent with a weekly, monthly or yearly repayment periods. An interest rate of 20.0 percent to 35.0 percent is considered high for a micro-credit loan which is adjudged to be a poverty alleviation or reduction programme. Formal financial institutions such as the big banks charge about the same rate for loans to their customers. Such high interest rates for MFBs credits poses a great barrier to accessing credit by low income earners who invariably find themselves in a vicious cycle as they struggle to repay such loans or advances over a long period of time.

	A14	Frequency	Percent	Valid Percent	Cumulative Percent
	.00	2	6.7	6.7	6.7
	1.00	18	60.0	60.0	66.7
Valid	2.00	7	23.3	23.3	90.0
	3.00	3	10.0	10.0	100.0
	Total	30	100.0	100.0	
	A15				
	1.00	26	86.7	86.7	86.7
Valid	2.00	4	13.3	13.3	100.0
	Total	30	100.0	100.0	
	A16				
	.00	16	53.3	53.3	53.3
	1.00	10	33.3	33.3	86.7
Valid	2.00	4	13.3	13.3	100.0
	Total	30	100.0	100.0	
	A17				
	.00	2	6.7	6.7	6.7
	1.00	7	23.3	23.3	30.0
Valid	2.00	9	30.0	30.0	60.0
	3.00	12	40.0	40.0	100.0
	Total	30	100.0	100.0	

Table 4: Descriptive statistics daily expenditure of respondents and family sizes
Source: Field work using SPSS Statistical package

Households	Households with access to microcredit (Avg spending on consumable food items and non-food goods/day)	Household without access to credit (Avg spending on consumable food and non-food goods-per day)
1	N225.00	N 150.00
2	N220.00	N150.00
3	N225.00	N180.00
4	N200.00	N150.00
5	N195.00	N225.00
Total Average Expenditure/household	N213.00	N171.00

Table 5: Severity and dimensions of poverty from household spending on food and non-food items
Source: Field work

Table 5 also shows the Severity and Dimensions of poverty among the respondents (A14 and A15). The responses received in A14 and A15 were categorized into two groups separating those who ever received MFBs loans and those who have not based on the responses. Five respondents were randomly picked from the two groups as presented on the table 4.1. An expenditure approach was selected to determine the level of poverty on for each category of respondents, one for those who accessed microcredit loan and those who had not. We looked at their average daily spending on food and non-food items for each household from each group. From the table it's clear that the household who accessed microcredit had an average of total household expenditure of N213.00, which is 42.0 percent higher than household who had no access to microcredit and showed an average household expenditure of N171.00. When you compare these figures with the \$2.00 at an exchange rate of N195 = \$1 which is N390.00 per day as recommended by the world bank (2012) report, it clearly implies that most of the respondents in this study are living below the poverty line in spite of having access to microcredit financing. This is still not significantly sufficient to bringing them out of poverty or to cross the poverty line set by these development indexes report. Most (40.0%) of the respondents has a household family size of seven and above and between four to six persons. With the level of earnings showed by this result, per capita income of these families will obviously be very low and depicting a low standard of living among these families.

	B1	Frequency	Percent	Valid Percent	Cumulative Percent
	.00	1	3.3	3.3	3.3
	1.00	1	3.3	3.3	6.7
	2.00	1	3.3	3.3	6.7
Valid	3.00	5	16.7	16.7	26.7
	4.00	10	33.3	33.3	60.0
	5.00	12	40.0	40.0	100.0
	Total	30	100.0	100.0	
	B2				
	.00	2	6.7	6.7	6.7
	2.00	5	16.7	16.7	23.3
Valid	3.00	7	23.3	23.3	46.7
	4.00	13	43.3	43.3	90.0
	5.00	3	10.0	10.0	100.0
	Total	30	100.0	100.0	
	B3				
	.00	1	3.3	3.3	3.3
	3.00	1	3.3	3.3	6.7
Valid	4.00	19	63.3	63.3	70.0
	5.00	9	30.0	30.0	100.0
	Total	30	100.0	100.0	
	B4				
	.00	1	3.3	3.3	3.3
	1.00	1	3.3	3.3	6.7
Valid	4.00	22	73.3	73.3	80.0
	5.00	6	20.0	20.0	100.0
	Total	30	100.0	100.0	

*Table 6: Descriptive statistics of the General characteristics of microcredit users and impact on their standard of living
Source: Field work using SPSS Statistical package*

Table 6 shows that most (40.0 percent) of microcredit users strongly agree that loans obtained from microfinance banks indeed raised their standard of living substantially (B1), while 33.00 or 10 respondents agree that the use of microcredit loans has equally raised their family living standard. This aggregates to most (73.0 percent) respondents who felt the impact of microfinance in improving their family living standards. The result on the application of loans obtained (B2) reveals that most (43.0 percent) of the respondents confirmed that loans obtained was used for payment of their children school fees and 23.0 were undecided, while least (10.0 percent) of respondents said loans obtained was not used for payment of their children school fees. The implication here is that these groups who applied loans to payment of school fees are likely to experience great difficulties in repaying such loans or worst still turn out to be bad debtors to the banks.

On the question of whether loans obtained from MFBs were used to start small business (B3), most 63.0 percent agree that financial assistance from their banks were used to start small business while 30.0 percent strongly agree that assistance provided by their bank was equally used to start small business. The nature and type of business on which credit obtained was used by the borrowers (B4) show that 73.0 percent engaged in farming, 20.0 percent respondents very often engaged in farming. Farming therefore by implication forms a major activity borrowers were engaged in.

	B5	Frequency	Percent	Valid Percent	Cumulative Percent
	.00	1	3.3	3.3	3.3
	1.00	1	3.3	3.3	6.7
	2.00	7	3.3	23.3	30.0
Valid	3.00	13	43.3	43.3	73.3
	4.00	5	16.7	16.7	90.0
	5.00	3	10.0	10.0	100.0
	Total	30	100.0	100.0	
	B6				
	.00	1	3.3	3.3	3.3
	3.00	3	10.0	10.0	13.3
Valid	4.00	3	10.0	10.0	23.3
	5.00	23	76.7	76.7	100.0
	Total	30	100.0	100.0	
	B7				
	.00	1	3.3	3.3	3.3
	4.00	8	26.7	26.7	30.0
Valid	5.00	21	70.0	70.0	100.0
	Total	30	100.0	100.0	
	B8				
	.00	2	6.7	6.7	6.7
	2.00	3	10.0	10.0	16.7
Valid	3.00	2	6.7	6.7	23.3
	4.00	18	60.0	60.0	83.3
	5.00	5	16.7	16.7	100.0
	Total	30	100.0	100.0	
	B9				
	.00	1	3.3	3.3	3.3
	1.00	1	3.3	3.3	6.7
	2.00	2	6.7	6.7	13.3
Valid	3.00	1	3.3	3.3	16.7
	4.00	7	23.3	23.3	40.0
	5.00	18	60.0	60.0	100.0
	Total	30	100.0	100.0	
	B10				
	.00	1	3.3	3.3	3.3
Valid	4.00	13	43.3	43.3	46.7
	5.00	16	53.3	53.3	100.0
	Total	30	100.0	100.0	
	B11				
	.00	1	3.3	3.3	3.3
Valid	4.00	12	40.0	40.0	43.3
	5.00	17	56.7	56.7	100.0
	Total	30	100.0	100.0	

Table 7: Descriptive statistics of the operational characteristics of microfinance Banks

Source: Field work using SPSS Statistical package

Table 7 shows that 13 or 43.3 percent of the respondents were undecided on whether MFBs refuse to grant loans to potential borrowers because of lack of collateral (B5). 23.0 percent disagree those MFBs customers were refused loan due to lack of collateral. This implies that though this is not a very significant number of respondents, much is to be desired in terms of creating adequate awareness and enlightenment on the conditions for borrowing or obtaining credit or loan advances from the MFBs. An inquiry on the ease of obtaining loans as a group from the MFBs (B6), shows that most 76.7 percent of the respondents strongly agree that it was easier to obtain a loan as a group, as the borrowers are guaranteed by other members of the group. This criterion for granting credit facility has been an all-time tested method used by microfinance institutions to reduce their levels of exposure. The Grameen bank in Bangladesh was the originator of the group concept-informal lending to the poor. The program became very effective because of the groups' cohesiveness and was voluntarily formed. This model which proved to be very successful operated using collective guarantees and members were closely supervised and influenced by other members of the group. It was difficult to have incidence of loan defaults as the default by a member to repay simply meant limiting the opportunity of another member of the group to access loans from the banks.

The need for pre-borrowing training, to enlighten borrowers is addressed in the study with question (B7) in Table 5.1. which reveals that most (70.0 percent) of the respondents were of the view and agree strongly that pre-borrowing training was necessary to ensure a successful loan usage, while 26.7 also agree this was necessary. It is therefore comfortable to state that 96.7 percent of the respondents

suggest training of MFBS as necessary for a successful loan usage and processing. This further support the fact that 43.3 % of the respondents who either applied their loans to paying school fees or were undecided on what to use the loans for still needed a level of pre-borrowing training to have a better understanding of application of the loan granted to them. Obtaining loans by low income earners has often been seen to be fraught with challenges. However, from the descriptive statistics showed in Table 5.1 (B8), an aggregate of 23 respondents or most (76.7 percent) of the respondents agree that it is possible to obtain startup funding from microfinance by low income groups. The implication is that a significant number of low income group have a good chance of obtaining startup funding from MFBS all things being equal.

Microfinance Banks monitoring role is underscored by respondents answer to question 9 (B9) which required a confirmation from the respondents whether or not the banks monitor the use to which loan granted was put. Most (60.0 percent) of the respondents stated that very often the MFBS monitored their customers while another 23.0 percent respondents equally confirmed that the microcredit loans granted to them were monitored, while 6.7 percent and least (3.3 percent) said they were rarely monitored by the MFBS on how their loans were utilized. Respondents to question 10 (B10), most (53.3 percent) of the respondents strongly agree that there was need to establish more microfinance banks in the rural areas. 43.3 percent agree that there was equally a need to establish more MFBS in the rural areas. This could in a way could facilitate the spread of financial services to the rural poor and possibly reduce the cost of borrowing. Our observations equally show that a larger concentration of MFBS and their branches are heavily concentrated in urban cities than rural communities where more poor people could be found.

Also from Table 5.1, the eleventh question (B11) addressed in this study was on whether respondents agree that staff training of MFBS staff will perform their function better if they undergo training from time to time. The descriptive statistics of the responses on the training needs for MFBS staff shows that most (56.7 percent) of the respondents strongly agree and another 40.0 percent agree that staff of MFBS will be more efficient in performing their assignment when regularly trained. This was further supported by the respondents' answers to question 20 (B20) with most (56.7 percent) respondents who said insufficient training was one of the challenges faced by their MFBS staff. Some of the challenges faced by potential borrowers were suggested as related to cumbersome or tedious borrowing processes involved in the processing of microcredit loans. This often leads to frustration on the part of some loan applicants. Organizing a regular training for bank officials is therefore suggested here as a possible way of minimizing some of these challenges highlighted in the responses.

B12	Frequency	Percent	Valid Percent	Cumulative Percent
.00	1	3.3	3.3	3.3
1.00	7	23.3	23.3	26.7
2.00	13	43.3	43.3	70.0
Valid 3.00	3	10.0	10.0	80.0
4.00	5	16.7	16.7	96.7
5.00	1	3.3	3.3	100.0
Total	30	100.0	100.0	
B13				
.00	1	3.3	3.3	3.3
1.00	5	16.7	16.7	20.0
2.00	17	56.7	56.7	76.7
Valid 3.00	3	10.0	10.0	86.7
4.00	2	6.7	6.7	93.3
5.00	2	6.7	6.7	100.0
Total	30	100.0	100.0	
B14				
.00	1	3.3	3.3	3.3
1.00	1	3.3	3.3	6.7
2.00	1	3.3	3.3	10.0
Valid 4.00	12	40.0	40.0	50.0
5.00	15	50.0	50.0	100.0
Total	30	100.0	100.0	
B15				
.00	1	3.3	3.3	3.3
2.00	20	66.7	66.7	70.0
Valid 3.00	5	16.7	16.7	86.7
4.00	4	13.3	13.3	100.0
Total	30	100.0	100.0	
B16				
.00	1	3.3	3.3	3.3
2.00	2	6.7	6.7	10.0
Valid 3.00	3	10.0	10.0	20.0
4.00	19	63.3	63.3	83.3
5.00	5	16.7	16.7	100.0
Total	30	100.0	100.0	

Table 8: Shows the Descriptive Statistics of the Impact of Microcredit on the Poor and Micro Scale Businesses
Source: Field work using SPSS Statistical package

Table 8 shows that most 43.3 percent disagree that MFBs attend to the poor only (B12), 23.3 percent strongly disagree, 10.0 percent were undecided, 16.7 percent agree that MFBs attend to the poor only while least (3.3 percent) of the respondent strongly agree that MFBs attend to the poor people only. The fear possibly express by about 20.0 percent of the respondents may not be unfounded as most of the poverty alleviation programs of the past administrations in Nigeria could have been hijacked by the wealthy at the expense of the poor. This was the case under the Agricultural Credit Guarantee Schemes era in the late 70^s and early 80^s when most of the major loans granted under this scheme by the financial regulatory body the CBN, Nigeria's apex bank mostly went to some rich and top civil servants (retired and serving) who eventually could not repay such loans.

Interest rates are considered by borrowers as a critical factor in determining acceptance of loan or credit facilities offers. In this study question 13 addressed interest rate element stating whether respondents considered rates charged by the MFBs as too high for their services (B13). Most (56.7 percent) of the respondents disagree, 16.7 percent strongly disagree resulting in about 73.4 percent who suggest that interest rates were not too high for their services. 10.0 percent were undecided, 6.7 percent agree and another 6.7 percent strongly agreed that interest rate charge was too high. The administrative costs of lending to the poor generally are seen to require interest rates that are largely higher than rates charged by commercial banks. These notwithstanding Micro entrepreneurs continue to show willingness to pay high rates for services they consider of high quality and meet their needs.

To determine whether the introduction of Microfinance in the North East has reduced poverty level, which actually is the hypotheses stated for this study (B14), most (50.0 percent) of the respondents strongly agree, 40.0 percent agree while 3.3 percent strongly disagree and same percentage for respondents who disagree. From the result as shown on this table, it is clear that a significant number of respondents (90.0 percent) agree that the introduction of Microfinance has reduced poverty in the North Eastern Nigeria. This result is further supported by the responses to questions A14 and A15 which show that access to microcredit actually resulted in improved standard of living for the poverty against those who never used microcredit financing. The extent to which respondents believed that Small and Medium Scale Enterprises (SMEs) have benefited from the services of microfinance in the North East (B15), most (66.7) of the respondents believed that the introduction of microfinance services has benefited SMEs operating in the North Eastern Nigeria.

B17	Frequency	Percent	Valid Percent	Cumulative Percent
.00	1	3.3	3.3	3.3
2.00	1	3.3	3.3	6.7
4.00	16	53.3	53.3	60.0
5.00	12	40.0	40.0	100.0
Total	30	100.0	100.0	
B18				
.00	1	3.3	3.3	3.3
1.00	4	13.3	13.3	16.7
2.00	25	83.3	83.3	100.0
Total	30	100.0	100.0	
B19				
.00	1	3.3	3.3	3.3
2.00	2	6.7	6.7	10.0
3.00	6	20.0	20.0	30.0
4.00	21	70.0	70.0	100.0
Total	30	100.0	100.0	
B20				
.00	2	6.7	6.7	6.7
1.00	2	6.7	6.7	13.3
2.00	17	56.7	56.7	70.0
3.00	8	26.7	26.7	96.7
4.00	1	3.3	3.3	100.0
Total	30	100.0	100.0	
B21				
.00	1	3.3	3.3	3.3
2.00	3	10.0	10.0	13.3
3.00	17	56.7	56.7	70.0
4.00	8	26.7	26.7	96.7
5.00	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Table 9: Descriptive statistics of Microcredit loan profile granted to rural household and small scale entrepreneurs

Source: Field work using SPSS Statistical package

Table 9 show that respondents support the statement that the successes of SMEs lie in the MFBs and not the big banks (B16). This

could be supported with the findings that, the supervisory and monitoring machinery of MFBs appears more effective on SMEs operations and equally enhancing their profitability. The ability of MFBs customers to repay loans promptly was addressed by question 17 (B17). Most (53.3 percent) of the respondents agree that customers of MFBs repay loans promptly and this was well supported by 40.0 percent who strongly agree that MFBs customers are prompt in loan repayment while 3.3 percent disagree that MFBs customers repay loans promptly. This however is a question requiring a more reliable confirmation by the Microfinance banks officials based on the loan performances recorded by them and the bad debts profile of each microfinance bank. In question 18 (B18) of this survey, most (83.3 percent) of the respondents are not aware of bad debts written off by the MFBs due to failure of debtors to pay, while 13.0 percent of the respondents claim they are aware of cases of bad debts written off by the banks. This shows that the incidence of bad debts, though there were cases may not significantly be very high.

The study also attempted to compare the profitability of SMEs before and after loans were granted to them (B19). Most (70.0 percent) of the respondents indicated that they experience a high profitability after funds were disbursed to them. The result also shows that (20.0 percent) of the respondents were undecided on this while 6.7 percent recorded low profitability after funds were released to them. This result shows that microcredit funding positively impacts on the profitability of SMEs especially for those who had access to this method of business finance. It also implied that such funds may have provided a source of working capital for their businesses or invested part of this for their business expansion or trading activities.

Some of the commonly mentioned challenges of accessing MFBs loan which question 21 (B21) addressed shows that most (56.7) percent respondents suggested that it was not very difficult to obtain MFBs loans and this was equally supported by 26.7 percent of the respondents while the least (3.3 percent) said it was nearly impossible to obtain loan from MFBs.

		N	%
Cases	Valid	30	100.0
	Excluded ^a	0	.0
	Total	30	100.0

Table 10: Case Processing Summary

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics	
Cronbach's Alpha	N of Items
.936	21

Scale Statistics			
Mean	Variance	Std. Deviation	N of Items
73.6333	215.482	14.67929	21

Table 11: Reliability Coefficient of Research Measures (Cronbach Alpha)

Source: SPSS Statistical package

5. Conclusion, Recommendations and Suggestions for Further Studies

From the findings of this research, the following conclusion was reached.

This study has not only added to existing knowledge on microcredit and its potentials in contributing to poverty alleviation among low income earners in both rural and urban areas, it has empirically showed that microfinance programs helps in increasing income levels and reduces vulnerability to poverty. The study equally shows that a gap still exists in terms of adequacy of microcredit loans available to low income people and the rural poor. The maximum amount of loans disbursed to beneficiaries of microcredit was found to be mostly within the range of N5,000 to N100,000. The opportunities provided by the MFBs or institutions to the rural poor are still limited and insufficient to make a great impact in their lives talk less of lifting them completely out of poverty. This study result has also established the depth and severity of poverty in the North Eastern Nigeria, looking at the descriptive statistics of households living below the poverty line of \$2.00/day. There were deficiencies felt by respondents and training challenges identified by the respondents and relating to MFBs. The potential of microfinance to alleviate poverty especially in raising the level of income and reducing vulnerability to poverty cannot be in doubt from the result of this study. It has also been widely speculated that poverty in this region has rendered the people vulnerable to being used as agents for promoting violence and causing unrest in the North Eastern Region of Nigeria. This is yet to be empirically investigated and hopefully will be an interesting area of research for scholars to look into. Most of the results of the study are consistent with previous research works conducted in other regions of the country. The research instrument used clearly show high validity and reliability.

Based on the findings of this study, we made the following recommendations: -

1. The microfinance programme of the MFBs can be made more viable tool for helping to alleviate poverty, if there is a concerted effort to expand its outreach and spread and equally promoted through creating greater awareness among rural communities.
2. From the result of this study it seems MFBs have a flexibility to fixed unregulated interest rates for loans to its customers. This may have contributed to the high interest rate elements on their loans which currently range between 20.0 and 35.0 percent.

- Such high interest rates charged by the MFBs is negatively devaluing the very essence of the MFBs programs with regard to poverty alleviation
3. The Central Bank of Nigeria, which is one of the primary regulatory authorities of MFBs operations should set a minimum threshold in the number of branches a MFB must open and spread around rural communities to check over concentration of banks within urban communities where formal financial institution such as the big commercial banks are already operating in.
 4. The size of household (families) revealed by this study is relatively high and put at an average of five to seven members and above. These large family sizes could have as well contribute to low per capita income of the households when calculated. We see the implication of this in the low expenditure pattern on food and non-food items among the households sampled for this study. Many are already living below the poverty line of \$2.0 per day. It is therefore an imperative for government to raise its tempo on creating more awareness among the rural populace on the need to plan their families well. The fewer the family members the higher the standard of living possible among the rural populace living in North East Region of Nigeria when considering their disposal income.
 5. Training presents a prime opportunity to expand the knowledge base of all employees, however many employers find this development opportunity expensive. The respondents in this research clearly identified these challenge of lack of staff training opportunities among the MFBs. Inexperience and lack of knowledge can be more expensive and detrimental to providing the quality of services expected to their customers. Microfinance banks should see the responses from this survey as a challenge thrown to them to engage in organizing or sponsoring their staff to reduce customers' complaints that are connected to these gaps identified by their customers.
 6. The dearth of infrastructure such as lack of power, access road and portable water remains a frustrating challenge in the effort directed towards poverty reduction. Improvements in these critical sectors will to a large extent boost the multiplier effect of the rest of the programs being initiated to lift people out of poverty.
 7. Stepping up the regulatory and supervisory roles of the CBN on MFBs can provide needed checks and balances on the excesses of MFBs and this in the interest of the low income earners it is seen to be serving.

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APPENDICES**Appendix 1. Key to research variables used in Tables 1- 7**

- A1= Respondents' age (years)
A2= Respondents' sex
A3= Respondents' religion
A4= Educational background of the respondent.
A5= Respondents' marital status
A6= Account relationship of respondent with Microfinance bank
A7= Nature and size of business
A8= Residential Address & Business Location **of the respondent.**
A9= Nature of Occupation/Business Activities:
A10= Approximate monthly household Income
A11= Respondents 'approximate daily income
A12= If you need extra money by way of credit or loan, who would you go to?
A13= Have you ever received a loan from Microfinance bank before?
A14= How much in the average do you spend on food on daily basis
A15= How much do you spend on non-food on daily basis
A16= Size of Enterprise – Number of employees:
A17= Size of household (family)
B1= Can you say that the loan you obtained from Microfinance Bank has improved your business as well as raised the standard of living in your family substantially?
B2= Many customers of microfinance banks have used loans obtained from the banks to pay the school fees of their children
B3= Many microfinance customers have obtained financial assistance from their banks to start small businesses.
B4= Customers of microfinance banks have used funds borrowed to cultivate maize farms, vegetable farms, fisheries etc.
B5= Do you think many customers of microfinance banks have been refused loan because they have no collaterals?
B6= It is easier to obtain loans from microfinance banks if customers belong to Groups, in which case, a borrower is guaranteed by the other members of the Group.
B7= Do you agree that pre-borrowing training is necessary for a successful loan usage?
B8= It is possible to obtain startup funding from microfinance banks by low income groups.
B9= Microfinance banks officers monitor the use to which the loans they give to their customers are applied in order to avoid diversion of funds.
B10= Do you agree that more microfinance banks should be established in the rural areas?
B11= Do you agree that staff of microfinance banks will perform their functions better if they undergo training from time to time?
B12= Should microfinance banks attend to the poor people only?
B13= Do you think that the interest rates charged by the microfinance banks are too high for their services?
B14= The introduction of microfinance in the North Eastern Nigeria has reduced the poverty level in the nation, do you agree?
B15= To what extent do you believe that SMEs have benefited from the services of microfinance in the north east?
B16= Do you think that the success of small scale businesses lies in microfinance and not the big banks?
B17= In your opinion do customers of microfinance banks repay loans promptly?
B18= Are you aware that some banks have to write off loans given to some customers because they fail to repay?
B19= Can you compare your profit profile before and after the period when you were given funds by your microfinance bank?
B20= What are the challenges of your microfinance bank staff?
B21= How difficult is it to get loan from the micro-finance bank

Appendix 2: Descriptive Statistics of the Impact of Microcredit on Poverty Alleviation (n=30)						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
A1	30	.00	4.00	3.0667	1.08066	1.168
A2	30	.00	2.00	1.6000	.67466	.455
A3	30	1.00	2.00	1.7000	.46609	.217
A4	30	1.00	5.00	2.0667	1.31131	1.720
A5	30	1.00	4.00	1.9000	.54772	.300
A6	30	.00	2.00	1.5333	.57135	.326
A7	30	.00	2.00	1.0667	.52083	.271
A8	30	1.00	2.00	1.1000	.30513	.093
A9	30	1.00	8.00	2.7333	1.76036	3.099
A10	29	1.00	2.00	1.2759	.45486	.207
A11	30	.00	5.00	2.2667	1.33735	1.789
A12	30	.00	4.00	1.2667	.78492	.616
A13	30	.00	3.00	1.1000	.60743	.369
A14	30	.00	3.00	1.3667	.76489	.585
A15	30	1.00	2.00	1.1333	.34575	.120
A16	30	.00	2.00	.6000	.72397	.524
A17	30	.00	3.00	2.0333	.96431	.930
B1	30	.00	5.00	3.9333	1.25762	1.582
B2	30	.00	5.00	3.2667	1.25762	1.582
B3	30	.00	5.00	4.1333	.93710	.878
B4	30	.00	5.00	3.9667	1.03335	1.068
B5	30	.00	5.00	2.9667	1.12903	1.275
B6	30	.00	5.00	4.5333	1.07425	1.154
B7	30	.00	5.00	4.5667	.97143	.944
B8	30	.00	5.00	3.6333	1.27261	1.620
B9	30	.00	5.00	4.2000	1.32353	1.752
B10	30	.00	5.00	4.4000	.96847	.938
B11	30	.00	5.00	4.4333	.97143	.944
B12	30	.00	5.00	2.2333	1.19434	1.426
B13	30	.00	5.00	2.2000	1.12648	1.269
B14	30	.00	5.00	4.2000	1.21485	1.476
B15	30	.00	4.00	2.3667	.85029	.723

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
B16	30	.00	5.00	3.8000	1.03057	1.062
B17	30	.00	5.00	4.2000	1.03057	1.062
B18	30	.00	2.00	1.8000	.48423	.234
B19	30	.00	4.00	3.5333	.89955	.809
B20	30	.00	4.00	2.1333	.86037	.740
B21	30	.00	5.00	3.1333	.89955	.809
Valid N (list wise)	29					

Source: SPSS Statistical package

MICRO-CREDIT IMPACT ON POVERTY ALLEVIATION IN NORTH-EAST NIGERIA:

Sir/Madam,

This is a Socio-development study aimed at improving the lives of indigenous rural people of the North Eastern Nigeria through poverty alleviation. Your responses to the questions that follow will not be traced to you personally. Instead, your answers (along with answers from other respondents/executives) will be analysed, interpreted, summarized and shared with interested persons for efficient and effective management of micro-credit administration to rural households in the areas under study. A complimentary report of this research will be made available for your comments, if you so desire.

Thank you.
Hansen Ivar

QUESTIONNAIRE ON:

- Micro-Credit Impact on Poverty Alleviation in North-East Nigeria: Case of Yola South Local Government Council

Microfinance Banks' Customers**I. Personal Data**

Please answer the following questions as objectively as you can by ticking the answer which you consider appropriate among the alternatives provided.

1. Age: 18 – 25 26 – 35 36 – 45 Above 45
2. Sex: Male Female
3. Religion: Christianity Islam Others
4. Educational Background:
 - i) No formal Education (ii) Elementary Education (iii) Secondary Education (iv) National Diploma/NCE (v) Bachelor's Degree/HND (vi) Master Degree (Msc/MA/MBA) (vii) Ph.D (viii) Others/Specify
- 5) Marital Status: Single Married Divorced Widow
- 6) Account Relationship with Microfinance Bank as:
 - Sole/Personal A/c Partnership A/c Company /A/c Others
- 7) Nature/Size of Business: Micro Small Medium
- 8) Residential Address & Business Location
LGA State
- 9) Nature of Occupation/Business Activities:
 1. Farming 2. Fishing 3. Petty Trade 4. Artisan 5. Small Scale Manufacturing
 5. Travel Agency 6. Contractor Others
- 10) Approximate monthly household Income
 1. N1000 – N24,000 2. N25,000 – N60,000 3. N61,000- N99,000 4. N100,000 and above
- 11) Approximate daily income
 1. 100 – 200 2. 201 – 300 3. 301-400 4. 4001-500 5. 501 and above
- 12) If you need extra money by way of credit or loan, who would you go to?
 1. Microfinance bank 2. Friends 3. Workmates 4. Family members 5. Cooperative/Adash
- 13) Have you ever received a loan from Microfinance bank before?
 1. Yes, see below
When was the last loan
Which Bank.....
How much was borrowed.....
What was the interest.....and repayment plan.....
 2. No. Why not.....
- 14) How much in the average do you spend on food on daily basics
 1. N100 – N300 2. N301-500 3. N501 and above
- 15) How much do you spend on non-food on daily basis
 1. N100-N300 3. N3001-N500 3.N501 and above
- 16) Size of Enterprise – Number of employees: 1. Under 5 2. Under 10 3. 10 and above
- 17) Size of household (family) 1. 1-3 2. 4-6 3. 7 and above

II. General

Please indicate your answer by ticking one of the options provided to the following:

1. Can you say that the loan you obtained from Microfinance Bank has improved your business as well as raised the standard of living in your family substantially?

Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
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2. Many customers of microfinance banks have used loans obtained from the banks to pay the school fees of their children.

Totally incorrect	Incorrect	Undecided	Correct	Totally correct
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3. Many microfinance customers have obtained financial assistance from their banks to start small businesses.
Strongly Disagree Disagree Undecided Agree Strongly Agree
4. Customers of microfinance banks have used funds borrowed to cultivate maize farms, vegetable farms, fisheries etc.
Very Rarely Rarely Undecided Often Very often
5. Do you think many customers of microfinance banks have been refused loan because they have no collaterals?
Strongly Disagree Disagree Undecided Agree Strongly Agree
6. It is easier to obtain loans from microfinance banks if customers belong to Groups, in which case, a borrower is guaranteed by the other members of the Group.
Strongly Disagree Disagree Undecided Agree Strongly Agree
7. Do you agree that pre-borrowing training is necessary for a successful loan usage?
Strongly Disagree Disagree Undecided Agree Strongly Agree
8. It is possible to obtain startup funding from microfinance banks by low income groups.
Strongly Disagree Disagree Undecided Agree Strongly Agree
9. Microfinance banks officers monitor the use to which the loans they give to their customers are applied in order to avoid diversion of funds.
Very Rarely Rarely Undecided Often Very often
10. Do you agree that more microfinance banks should be established in the rural areas?
Strongly Disagree Disagree Undecided Agree Strongly Agree
11. Do you agree that staff of microfinance banks will perform their functions better if they undergo training from time to time?
Strongly Disagree Disagree Undecided Agree Strongly Agree
12. Should microfinance banks attend to the poor people only?
Strongly Disagree Disagree Undecided Agree Strongly Agree
13. Do you think that the interest rates charged by the microfinance banks are too high for their services?
Strongly Disagree Disagree Undecided Agree Strongly Agree
14. The introduction of microfinance in the North Eastern Nigeria has reduced the poverty level in the nation, do you agree?
Strongly Disagree Disagree Undecided Agree Strongly Agree
15. To what extent do you believe that SMEs have benefited from the services of microfinance in the north east?
Very Substantially Substantial Undecided Averagely Poorly
16. Do you think that the success of small scale businesses lie in microfinance and not the big banks?
Strongly Disagree Disagree Undecided Agree Strongly Agree
17. In your opinion do customers of microfinance banks repay loans promptly?
Strongly Disagree Disagree Undecided Agree Strongly Agree
18. Are you aware that some banks have to write off loans given to some customers because they fail to repay?
Yes No
19. Can you compare your profit profile before and after the period when you were given funds by your microfinance bank?
Very low Low Undecided High Very High
20. What are the challenges of your microfinance bank staff?
Inadequate office space Insufficient Training Other specify
22. How difficult is it to get loan from the micro-finance bank
1. Nearly impossible 2. Very difficult 3. Not very difficult 4. Easy and simple