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MICROFINANCE BANK'S IMPACT ON POVERTY REDUCTION IN NIGERIA

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ABSTRACT :

This study examines the impact of microfinance banks on poverty alleviation in Nigeria. The research is conducted using annual time series data running from 1990 to 2022. It employs ordinary least squares as the estimation technique. The variables used in the analysis were Poverty rate (POV), Loans from Microfinance Banks (LMB), Access to Microfinance Banks (AMB), and deposit liabilities (DL). Findings from the study reveal that there is a positive relationship between poverty (POV) and two independent variables access to microfinance bank (AMB) and deposit liabilities (DL). Therefore, the study recommends that Microfinance banks should come up with financial products and services structured to fit into the environment of the microcredit customers in Nigeria, the Central Bank of Nigeria should make deliberate policy to encourage the establishment and effective operation of microfinance banks in rural areas to increase savings mobilization, access to credit facilities which will help in reducing poverty rate.

Keywords: Microfinance Bank, Poverty Alleviation, Deposit Liabilities, Access to Microfinance Bank and Ordinary Least Square Estimation JEL Classification: E6, G

INTRODUCTION :

Poverty is a crushing weight for most of the world's poor as they search in vain for opportunities that continually elude their grasp. They live out their lives isolated from resources which the rest of the society enjoys. Over the years, every nation of the world whether developing or developed tends to fashion out means to alleviate poverty and achieve economic growth. One of the major keys to poverty alleviation strategy in Nigeria is the provision of specially tailored financial services known as microfinance. This creates Microsoft credit that enables the poor to engage in economic activities such as trading, tailoring, financing, vulcanizing and restaurant businesses (Abiyeyi, 2020). Enabling the poor to engage in various economic activities, leads to self-reliance, employment will be generated, earnings will be increased and the standard of living will improve (UN Report, 2020).

Over time, an inadequate supply of credit has been an important constraint on production in many developing countries where the majority of the population lacks access to financial services from formal institutions, either for credit or for savings (Magaji & Yahaya, 2012). Therefore, making credit available, particularly to the rural poor and low-income earners, is considered essential to alleviate poverty and promote economic development (Stanley, & Ezeanyeji, 2017). Microcredit addresses this problem (Magaji & Musa, 2023). It puts the tools of financial growth in the hands of those who need it most (Magaji, Darma & Igwe 2021). Microcredit and enterprise development are dynamic efforts to enable the rural poor to participate in the market economy to become self-reliant (Emele, 2019).

Globally, Microfinance Institutions are considered an important instrument for poverty reduction with assumptions that the bank has the license and capacity to give financial assistance (such as soft or long-term loans) to poor individuals to start their businesses, earn more income, accumulate savings, and improve consumption, to help overcome poverty circle (Magaji & Aliyu, 2007). This Assumption has made international financial institutions believe that microfinance banks can reduce poverty, a belief that is on the premise that microfinance must serve as a medium of efficient and effective way of providing continuous financial inclusion for those who have been financially excluded from financial services (Cull & Morduch, 2017; Musa, Magaji & Salisu, 2023)

Since the 1990s, microfinance banks have been the key in the implementation of development policies targeted at poverty alleviation. According to Adjei, Arun and Hossain (2019), microfinancing is an important component in achieving GOAL 1 of the Sustainable Development Goals of the United Nations which is to put an end to poverty in all forms and everywhere. This makes the role of deposit money banks in reducing poverty in Nigeria very important and cannot be over-emphasized. Deposit money banks have different models implementing financial support to the poor and low-income earners which has led to a continuous debate among stakeholders within and outside the financial sector on whether microfinance banks can alleviate poverty or not and to what extent can they contribute to the reduction of poverty. Microfinance bank in Nigeria has many objectives which include financial intermediation through the promotion of rural development, stimulation of productive activities in the rural sector, and encouragement of banking habits among rural dwellers (Abdulai & Tewari, 2017).

Microfinance banks have faced many challenges over the years in a bit to carry out the above objectives, but there has been a significant improvement in the way microfinance banks reach out to the poor and achieve the objective of poverty reduction especially in rural areas. This achievement of reaching out to the poor can be measured by the number of people that have access to microfinance loans, and the number of microfinance banks in rural areas among others (Igwe, Magaji & Darma, 2021).

In the view of Nwanne &Okorie (2015), financial facilities for the poor at an affordable rate are important in the development of a strategy for reducing poverty among the poor. In the post-independent period, the Keynesian school of taught held the belief that public intervention was important in stimulating the economy and supporting microfinancing. Financial markets through the provision of credit facilities, subsidies and other government financial support aimed at alleviating poverty among the poor (Chinedu, Magaji & Musa, 2021).

Due to the activities of the colonial master, Nigeria came out after independence as a poor country with many of her resources tapped and taken away by the British authority (Shaba, Obansa, Magaji & Yelwa, 2018). This situation became pathetic due to maladministration, poor leadership and corruption in Nigeria(Magaji & Musa, 2015). Nigeria has always been rated by different international agencies as the poverty capital of the world. In confirming this, the National Bureau of Statistics in its poverty and inequality survey report, released in 2020 states that 40.1 per cent of the total population is classified as poor. In other words, 4 out of 10 individuals in Nigeria have real per capita expenditures below N137,430.00 (US$381.75) per year or US$1.05 per day (NBS, 2020).

This translates to over 82.9 million Nigerians who are considered extremely poor, by national standards, out of a population of about 200 million (NBS, 2020). From the above analysis, it is clear that poverty in Nigeria is trending upward, to scale back this trend, the federal government established the microfinance institution as an instrument to scale back poverty to the barest minimum. This forms the objective of this study which is to look into the impact of microfinance banks on poverty alleviation in Nigeria.

LITERATURE REVIEW

Conceptual Review

Two major concepts are reviewed in this study; the Concept of Poverty and Microfinance Bank

Concept of Poverty

The issue of poverty, measurements and its implications on human lives, particularly those who are in the African continent (Nigeria inclusive) and the third world, has been a recurrent subject of numerous debates for well over three decades till date. The World Bank (2022) sees poverty in absolute terms; extreme poverty is living on less than US$1.90 per day, and moderate poverty is less than $3.10 a day. It is a time argument that while about 112 million Nigerians currently live below the poverty level, the total number of poor persons globally is approximately one billion. Also, the World Bank's Development Report (2020, 2021) argues that poor people often do not have enough food, shelter, education and health, hence, they are unable to live quality lives that are most desirable by all. They are also very vulnerable to sicknesses, diseases, economic dislocation, and epidemics. The poor are always exposed to ill-treatment by governments and society and do not have what it takes to influence the key government decisions affecting their lives (World Bank, 2020; Ganga, 2018). According to Ganga (2018), at the very heart of these debates is the question of whether poverty is merely about material deprivation or is an issue that also affects a broader set of needs beyond mere material needs. On his part, Basu, Natarajan & Sen (2020) submitted that poverty is an issue of deprivation (concerning capability) rather than low incomes. However, the capability approach to poverty does not ignore the fact that low income is also responsible for poverty since lack of resources is also a primary reason for a person's capability deprivation (Musa, Magaji, Eke & Abdulmalik, 2022). More emphatically, the deprivation that poor people face daily goes beyond mere income poverty but encompasses issues such as vulnerability, ill-health, social inferiority, powerlessness, humiliation and isolation among others (Chambers, McLaughlin & Stanley, 2019 and El-Yaqub, Musa & Magaji, 2023). In another related definition, ADB (2018) sums it up as follows: 'Poverty is characterized by the inability of a person to have all the relevant services to lead a normal life. Food, peace, access to education and convenient healthcare services are the necessities of human life. The poor should be able to work and sustain themselves and have protection to a certain extent from external attacks.

National Bureau of Statistics (NBS, 2023) in its latest report indicates that about 112 million Nigerians (that is 67.1%) of the total population of 167 million are poor. However, for this paper, poverty is defined as human, state and institutionally induced evil/injustice that incapacitates the innocent members of society such that they are deprived of the basic needs of life (adequate food and shelter, education and health) and are not able to live a comfortable life. Poverty can also be defined as that form of mental, financial, social and economic injustice that incapacitates people and deprives them of having access to basic human needs that are vital for their wellbeing.

Concept of Microfinance Bank

The deposit microfinance bank is aimed at serving the financial needs of the poor through a viable financial system. It is also averred as documented by Mago (2014), that microfinance banks aim at providing a wide range of financial services such as deposit mobilization, the advancement of micro-loans, money transfer and other forms of payment services to low-income earners and poor persons, households as well as their micro or small-scale enterprises. Succinctly put, the idea is that the poor earn more, accumulate assets, and become less vulnerable to external shocks as they can have the financial services they need (Christensson, Paarlberg & Perry 2017; Obayagbona, 2018).

Deposit money banks play an intermediary role just like other financial institutions. However, microfinance banks are established to mobilize deposits and grant micro-loans/credit to empower the poor who lack access to formal financial services. As such, microfinance banks have to maintain an adequate level of liquidity to execute their intermediation responsibilities to the poor (Magaji, & Abubakar, 2010).

These financial activities are expected to accelerate the income and earning capacity of the vulnerable poor, increase investment flow into the rural community, and create employment at the grassroots. Though, the area of poverty targeting, measurement, and alleviation in microfinance is of significant interest to microfinance stakeholders, amidst recent criticism that the microfinance banks are straying from their original goal of poverty alleviation. Few MFBs have developed their measurement tools for tracking clients' poverty level, while a larger proportion appears to use household income/expenditure analysis as well as geographic targeting (Ghalib, *et al.* 2020).

Microfinance Bank and Poverty Reduction

All economic system comprises surplus and deficit units (individual, as well as businesses). An economic unit is usually unable to deliver the required funds, at every instance, a situation which creates a deficit. Such an economic unit will, therefore, require credit facilities (through credit intermediation) to carry out its activities. Financial intermediation exists as a means by which surplus units are linked to the deficit units. By the conscious activities of financial intermediaries, which involve banks, financial (credit) intermediation is made possible. Primarily, commercial banks are deposit-taking institutions that channel resources to the real sector. They represent traditional sources of credit intermediation. Channelling deposits from the informal sector to the formal sector characteristically entails the movement of capital from the informal sector. The movement of capital, in addition to commercial banks' unwillingness to give loans and advances to the sector on account of huge collateral requirements, exorbitant interest rates and other forms of credit constraints make it difficult for the deficit informal economic units to access credits. This situation leads to the creation and perpetuation of an informal credit market. By creating informal money (credit), the idea of the financial frontier is created (Onyebinama & Onyebinama, 2012). As a market-based concept, the financial frontier represents the phase that subsists between the formal and informal sector (Von Pischke, 1991, cited in Onyebinama & Onyebinama, 2010).

The activities of the formal financial institutions are limited to that of the frontier. The frontier embeds the formal sector which consists of conventional intermediaries that are regulated and supervised by the government, while the outside frontier consists of participants in the informal sector, small-scale or subsistence farmers and businesses that have personalized financial transactions, devoid of intermediaries. Credit is usually scarce, otherwise, exorbitant or both. Several participants and activities not within the frontier remain mostly rural-based and subsistence-oriented. The expansion of the frontier is a direct outcome of the Financial Inclusion Strategy (FIS) which is an integrated process that enables the financially excluded to access credit facilities hitherto not possible under the conventional or formal financial system. It entails the enlargement of the formal sector, as well as informal sector contraction (constriction). It involves incorporating the informal sector within the mainstream national and international financial system. An expansion of the frontier is brought about when the poor, in addition to other microeconomic units have initial direct interaction, in addition to sustainable interface with the conventional financial system. For institutions and innovations to be able to enlarge the frontier, they must be sustainably successful.

The local money lenders, rotating credit cooperatives, as well as community savings and loans associations, which are informal institutions, have a greater innovative and receptive tendency to borrowers' needs, in addition to greater accessibility when compared to banks as well as other formal institutions, particularly in rural areas. They also have a lower cost of lending in their relationship (interface) with small-scale farmers, as well as micro-enterprise owners (Von Pischke, 1991; cited Onyebinama & Onyebinama, 2010). By mobilizing savings and translating them into credit, which is channelled into genuine productive ventures, the informal financial markets create productive enterprises and employment that are innovative and economically and socially worthwhile to reduce poverty. Micro-financing is, thus, a veritable tool for the enterprise creation, employment and poverty eradication (Akinduntire, 2008).

The role of these institutions encompasses a wide range of economic life. Their capacity to make socio-economic equity (poverty reduction) possible through their conscious activities for the financially excluded by the formal (conventional) financial services represents a genuine basis for the focus and importance attached to them in developing economies. Although in Nigeria, MFIs are confronted with problems of inadequacy of funds, which hinders their resolve and capacity to grant sufficient loans to small businesses, nevertheless, their proclivity and capacity to enhance the financial needs of this sector through enterprise creation, employment generation, in addition to significant poverty reduction, particularly in the rural sector is considerably acknowledged (Acha & Acha, 2012).

Strategically, microfinance banks are established to give greater financial access to the financially excluded (less financially reached), and by doing so, encourage the exploitation and development of economic opportunities resident in the informal sector, by way of delivering non-conventional banking services, like micro credit that are easily accessible, technical and managerial support, output sale, input purchase financing, machinery, as well as equipment leasing, in addition to the financing of community development projects, all of which significantly help in poverty reduction.

THEORETICAL REVIEW

To underpin this work, the theory of Grameen Models is used;

Theory of Grameen Models

Grameen Bank of Bangladesh was established in 1983 as an independent specialized bank after an experimental period of six years starting from 1976 under the supervision of Professor Muhammad Yunus and financed by the Janata Bank, to provide credit to the rural poor, particularly women in Bangladesh. The Grameen Bank experience started with the group concept of informal lending to the poor. It was started to assist landless people in Bangladesh to obtain credit, which could not be obtained through the formal commercial bank's credit facilities. The bank was established to improve the economic condition of the rural poor through the creation of opportunities for their self-employment. Grameen Bank loans are not secured by physical collateral like the other commercial banks, instead, they are secured by group collateral complemented with peer monitoring and pressure to enforce repayment. Loans are disbursed through banking units of separate groups of five members for men and women who apply for loans. Individual

members of each group receive loans but the entire group is held liable for repayment. In the first round, the loan is granted to two members to invest in their business. If these members repay their loans successfully, then four to six weeks later, the next two members also will be granted for loan. The last member will be eligible for a loan if the previous two members can repay their loans. Repayment of each member gives room for the next loan and continues like that if all members can repay their loans. Invariably, if a member defaults, no other member of the group is eligible to receive a further loan. Six to eight groups are organized into a community referred to as the "centre" and this constitutes the second tier level of participation by which a Bank official deals with all eight groups. This centre of eight groups has its own centre chief and centre group leader (Khan & Rahman, 2007). A small amount of loan (US $100) are granted to a single borrower for a year and bank require repayment at a 10 percent rate per week. This repayment encourages them to save more income. The loans are granted for income-generating activities identified and selected by each member with the assistance of group members (Owualah, 1999). However, this model operates using the modality of collective guarantees, close supervision and peer pressure from other members of the group. Therefore, the model has been quite successful as a bank for the poor and as a social movement based on principles of awareness and training, which has facilitated the active participation of the poor.

EMPIRICAL LITERATURE

The impact of microfinance banks as a tool for reducing poverty in Nigeria is critically assessed by Obadire, A. (2022) through a survey conducted in Ogbomoso Metropolis, Oyo State. The respondents' standard of living was assessed, and the availability of microloans for the growth of small and medium-sized businesses was also assessed. Customers of the microfinance banks were directly given questionnaires to complete to evaluate the initiatives. The Chi-square test, Pearson correlation, and Analysis of Variance (ANOVA) test were used to analyze the primary data. The results also showed that the poor have good access to credit facilities from microfinance banks for the development of micro-enterprises, as the t-statistic test showed a value of 16.383 with $p < 0.05$. The relationship between the respondents' standard of living and the impact of microfinance banks on their households was found to be positive and significant ($p < 0.05$ and $r = 0.212$). Based on the examination of the impact, it was concluded that microfinance banks might potentially reduce poverty, particularly by raising the living standards of the impoverished and providing microloans for microenterprises. Thus, a steady rise in microlending credit resulted in a sharp decline in poverty in Nigeria. This study was conducted in the Ogbomosho metropolitan area in Oyo State and used the Chi-square test, Pearson correlation and ANOVA test were used to analyse primary data.

However, Ehiabhi (2019) examines the effect of microfinance institutions on the reduction of poverty as well as entrepreneurial activities in Nigeria. The study employs a survey research instrument through the administration of questionnaires to two hundred (200) micro and small-scale business enterprises in Ikpoba Okha Local Government Area of Edo State, Nigeria. The study adopts Pearson correlation, multivariate regression techniques, heteroscedasticity diagnostic test and Ramsey RESET test for data analyses. The results show that microfinance institutions and poverty alleviation are positively and significantly related while entrepreneurial activity and poverty reduction are positively and insignificantly related. This study also covers only one local government area of Ikpaba Okah in Edo state. The study used a different methodology.

Obayagbona (2019) empirically examines the impact of microfinance banks on poverty alleviation in Nigeria, and the implications of such findings. The study covers a period of 25 years (1992 to 2016). The correlation coefficient and the ordinary least square (OLS) econometric technique were used for the empirical investigation. The results from the empirical analysis reveal that microfinance assets and loan-to-deposit ratio are major determinants of poverty alleviation in Nigeria; microfinance deposits and liquidity ratio failed the 5 per cent level of significance indicating that they do not have any significant impact on poverty reduction in Nigeria. On the other hand, microfinance gross earnings and microfinance bank loans have a significant negative impact on poverty alleviation in Nigeria. The study recommends among others that there is a need for the relevant regulatory authorities and the government to evolve a holistic policy framework that will assist microfinance banks to properly utilize their total earnings in creating more credit facilities for productive MSMEs firms such that it will have the needed positive impact on the ordinary poor in the street of Nigeria and in turn result in drastic improvement in the overall living standard of the Nigerian populace. Luckily, this study covered Nigeria but the period was only for 25 years (1992-2016).

Similarly, Mustapha, Yusuf and Abdullahi (2019) examine the impact of Rima Microfinance Bank on income and poverty in the Goronyo Local Government Area of Sokoto State, Nigeria. A multistage sampling technique was applied for the sampling and a structured questionnaire was used for data collection. The result showed that the income increased as beneficiaries used the Rima Microfinance Bank credit facility, while poverty declined by 6%. This study takes a sample of only one microfinance bank in Goronyo Local Government Area in Sokoto State.

Also, Nwibo, Okonkwo, Eze, Mbam and Odoh (2019) analyzed the effectiveness of microfinancing on poverty reduction among rural farmers in Nigeria. The study applies multi-stage random and purposive sampling in selecting two hundred (200) farmers. Data were collated primarily through a structured questionnaire and analyzed with descriptive as well as inferential statistics. The results reaffirm that microcredit is a prominent source of finance for rural farm households in Nigeria. Even though this study covered the whole of Nigeria the period was just 22 years and did not capture up to 2022.

The relationship between microfinance banking and reducing poverty is well-documented in the banking and finance literature, as examined by Onyele & Onyele (2020). It is anticipated that the microfinance project will make financial accessibility possible for economically engaged impoverished individuals as a means of reducing poverty. Consequently, this study used the Autoregressive Distributed Lag (ARDL) approach to regression analysis to assess the impact of microfinance banksâ€TM (MFBs) on poverty reduction in Nigeria from 1992 to 2018. The ARDL limits test demonstrated a long-run link between the poverty rate and MFB's activities with a VAR lag order option of two. According to the long-term estimates, the MFB's loans-to-deposit ratio and liquidity ratio eventually reduced poverty. All the variables showed significant coefficients within a year, but the short-run estimates showed that the MFBs could not guarantee poverty reduction in a short amount of time. These results suggest that it takes time for MFBs to be able to eliminate poverty.

In their 2022 study, Chikwira, Vengesai, and Mandude investigate how microfinance has been used as a means to combat poverty by giving credit to underprivileged people and marginalized economic groups. However, the primary goal for which these institutions are established has not yet materialized, especially in developing nations. This research used a Vector Error Correction Model using quarterly time-series data to investigate the

contribution of microfinance to the reduction of poverty. According to the findings, there is a substantial long-term correlation between the variables of poverty, microfinance, SMEs, and agricultural growth. It was discovered that, in contrast to predictions, microfinance made poverty worse over time. It has been discovered that, over time, SMEs and agricultural growth lower the degree of poverty. Regression analysis shows that, in the near term, the expansion of SMEs reduces poverty while the expansion of microloans in the nation increases poverty. Poverty is a major factor driving the expansion of microfinance organizations and is also a strategy for reducing it. This implies that persistently unsuitable microfinance may push poverty rates to unfavourable heights. The results suggest that the increase in microloans is not being utilized to the fullest and most effective extent possible. These results highlight the fact that financial support is not the only factor that counts.

Based on the literature reviewed, there were a lot of gaps that need to be filled. For example, some studies did not cover up to 2022, some used different methodologies and some covered smaller areas. As such there is a need for a study that covers the whole of Nigeria with a different methodology and over a long period. These are gaps which this study intends to fill.

RESEARCH METHODS

Research Design

This study employed the time series annual secondary data for the study. The choice of the time series is premised on the fact that the data used in this study was gathered over some time and aims to investigate the impact of foreign trade on agricultural output in Nigeria. The ordinary least squares regression (OLS) was used to examine the impact of deposit money banks on poverty reduction in Nigeria. The study used poverty as the dependent variable while loans of microfinance banks, access to microfinance banks (AMB) and deposit liabilities (DLM) as the independent variable. Each variable of interest contained 33 observations. LMB has the highest mean value, followed by AMB, DLM and POV respectively. Data on the variables were collected from the central bank of Nigeria and the world development index between 1990-2022, a period of (33) years.

Model Specification

This study adapted the model of Usifoh and Ezeanyeji (2017) by modifying the models and incorporating poverty index as dependent variable while access to microfinance banks, deposit liabilities of microfinance banks, loans of microfinance banks as the explanatory variables.

Thus, the functional sort of the model is stated as follows:

POV = f (LMB AMB DLM)…………………………………………………………… (3.1)

The model can then be written explicitly as;

$POV = a_0 + a_1 LMB + a_2 AMB + a_3 DLM + a_4 INT + \mu$ ……………………….….. (3.2)

Where

POV = poverty index which is the proxy for the poverty level in Nigeria,

LMB = loans from microfinance banks;

AMB = access to microfinance banks which is proxy by the number of microfinance banks in Nigeria while

DLM = Deposits liabilities of microfinance banks

a0 = is the intercept while

a1 – a4 = slopes of the regression and

U = error term.

This study's model is adapted by removing the interest rate

The new model is

$POV = a_0 + a_1 LMB + a_2 AMB + a_3 DLM + \mu$ ………………………………….…. (3.3)

DISCUSSION :

Data presentation

This section of the study focuses on the presentation of data used in estimating the model as developed and enumerated in chapter three. The data used in the analysis is contained in Table 1, the data were sourced mainly from the World Development Index (WDI) publications from 1990 to 2022

DATA ANALYSIS

Descriptive Statistics

Table 1: Descriptive Statistics

	POV	LMB	AMB	DLM
Mean	0.216633	2994.150	137.1429	5.502916
Median	0.201672	3109.379	133.0000	6.059428
Maximum	0.522593	8188.808	170.0000	15.32916

Minimum	0.008309	461.6000	118.0000	-1.616869
Std. Dev.	0.120593	2125.046	15.96335	3.531689
Skewness	0.494820	0.863819	0.996260	0.514223
Kurtosis	3.200179	3.091429	3.090132	4.430915
Jarque-Bera	0.892026	2.618958	3.480978	2.717068
Probability	0.040175	0.009961	0.005435	0.007037
Sum	4.549302	62877.15	2880.000	115.5612
Sum Sq. Dev.	0.290853	90316447	5096.571	249.4565
Observations	33	33	33	33

Source: Authors computation from E-views 11, 2023

Summary of Regression Results

Dependent Variable: D(POV,2)
Method: Least Squares
Date: 03/20/23 Time: 08:50
Sample (adjusted): 1990 2022
Included observations: 19 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.068559	0.024337	2.817013	0.0267
D(LMB)	0.002201	0.000945	2.317934	0.0049
D(AMB)	-0.000113	0.000030	-3.728856	0.0073
D(DLM)	0.016640	0.008016	2.075693	0.0191

R-squared	0.839345	Mean dependent var	0.021838
Adjusted R-squared	-0.832786	S.D. dependent var	0.223333
S.E. of regression	0.226964	Akaike info criterion	0.056615
Sum squared resid	0.772691	Schwarz criterion	0.255444
Log-likelihood	3.462162	Hannan-Quinn criter.	0.090264
F-statistic	47.809530	Durbin-Watson stat	2.005098
Prob(F-statistic)	0.000128		

Source: Authors computation from E-views 11, 2023

INTERPRETATION OF RESULTS :

From the above estimates, the interpretation of the result as regards the coefficient of various regressors is stated as follows: The value of intercept which is 0.068559 shows that the POV will experience 0.068559 decreases when all other variables are held constant.

An increase in Loans from Microfinance Banks (LMB) will lead to 0.000113 decreases in POV, and LMB is an insignificant factor in determining the increase in POV.

Access to Micro-Finance Bank (AMB) has a positive and significant impact on poverty, and a unit increase in AMB will increase POV by 0.002201 units. DLM has a positive and significant impact on poverty, and a unit increase in DLM will increase POV by 0.016640 units.

The coefficient of determination R^2 is 85.9%. This means that about 83.9% of the total variation in the dependent variable, POV, is explained by the independent (explanatory) variables and this depicts a good fit.

The value of the Durbin-Watson statistics which is 2.005098 suggests that first order is absent positive autocorrelation in the model. This implies that the forecasting power of the estimated model is reliable.

The value of the f-statistic is 47.809530. This indicates that the model is well specified and the parameters of the model are jointly significant. This implies that the estimated model is good for forecasting and predicting purposes.

SUMMARY OF MAJOR FINDINGS

From the findings of the study, the major findings can be summarized as;

Loans from microfinance banks in Nigeria have a significant positive impact on poverty reduction in Nigeria. Poverty decreases significantly as a result of loans given out by microfinance banks in Nigeria. This finding is in line with the findings of Obayagbona (2019) who finds that excessive loan advances to poor people, tend to reduce the poverty level in Nigeria.

With regards to access to microfinance banks, which is found to be positive and significant in reducing poverty in Nigeria. This conforms with the findings of Ehiabhi (2019) which states that access to microfinance banks leads poor people to access various facilities of microfinance banks which also leads to a decrease in poverty by the findings of the study.

Going by the variations or changes in poverty which is the dependent variable and which is explained by loans from microfinance banks, access to microfinance banks and deposits liabilities of microfinance banks. This explains that a significant portion of the decrease in poverty is a result of access to microfinance banks and loans to microfinance banks to local entrepreneurs. This is largely explained by the coefficient of determination (R^2).

CONCLUSION :

In conclusion, the impact of microfinance banks on poverty reduction in Nigeria is a very complex yet promising avenue for socio-economic development. Through the provision of financial services to unbanked and underserved populations, microfinance banks have demonstrated the potential to empower individuals and communities economically. The evidence suggests that access to microfinance facilitates entrepreneurship, income generation, and the creation of small-scale enterprises, contributing to poverty alleviation.

The success stories of microfinance interventions, as highlighted in various studies and reports, underscore the positive correlation between microfinance and poverty reduction. By promoting financial inclusion, microfinance banks enable individuals to engage in productive economic activities, breaking the cycle of poverty. Moreover, the emphasis on women's participation in microfinance programs has proven particularly impactful, as it not only uplifts individual women but also has broader positive effects on families and communities.

However, challenges such as sustainability, scalability, and the need for regulatory frameworks must be addressed to maximize the potential impact of microfinance on poverty reduction. Continuous research and evaluation are essential to refine strategies, improve program effectiveness, and ensure that microfinance initiatives align with the evolving needs of the impoverished population. In essence, while microfinance banks have shown promise in contributing to poverty reduction in Nigeria, ongoing efforts and strategic refinements are crucial for sustaining and expanding these positive impacts in the long term.

To maximize the impact of microfinance banks on poverty reduction in Nigeria, there should be an emphasis on comprehensive financial literacy programs. Many individuals in low-income communities may lack basic financial knowledge and skills. Microfinance institutions should collaborate with relevant stakeholders, including government agencies and non-profit organizations, to develop and implement educational initiatives. These programs should cover topics such as budgeting, saving, and entrepreneurship, empowering clients to make informed financial decisions and effectively utilize microfinance services for poverty alleviation.

Microfinance banks should broaden their range of financial products and services to cater to the diverse needs of their clients. Beyond traditional microcredit, offering savings accounts, insurance products, and financial advisory services can provide a more holistic approach to addressing the multifaceted nature of poverty. Tailoring financial products to specific sectors, such as agriculture or small-scale enterprises, can further enhance the relevance and impact of microfinance interventions. This diversification ensures that clients have access to a suite of tools that can support various aspects of their economic endeavors.

Establishing robust monitoring and evaluation mechanisms is crucial to assessing the effectiveness and impact of microfinance programs on poverty reduction. Microfinance institutions, in collaboration with regulatory bodies and research institutions, should regularly evaluate the socio-economic outcomes of their interventions. This includes tracking changes in income levels, entrepreneurial success, and overall well-being of clients. The findings from such evaluations can inform evidence-based decision-making, allowing microfinance banks to refine their strategies, address challenges, and scale successful initiatives. Continuous monitoring and evaluation contribute to the sustainability and scalability of microfinance programs, ensuring that they remain responsive to the dynamic needs of the impoverished population in Nigeria.

AUTHORS CONTRIBUTION

The authors contributed equally.

CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

FINDING

The study finds that two explanatory variables of access to microfinance banks and microfinance banks loans to entrepreneurs significantly reduce poverty level in Nigeria.

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