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IMPACT OF MICRO-CREDIT ON POVERTY ALLEVIATION IN NIGERIA – THE CASE OF ENUGU EAST LOCAL COUNCIL

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ABSTRACT: *Poverty has remained a global phenomenon and has defied various attempts at curbing it especially in developing countries. The high and unacceptable number of people within its grip around the world gave it a pride of place as one of the major goals of Millennium Development Goals (MDGs) adopted in 2000. Poverty alleviation was a prime target of the MDGs and micro-credit was recognized as a veritable tool for tackling it. In this paper, we examined empirically the effect of micro-credit on poverty alleviation in Nigeria using some selected rural farm households in Enugu East Local Government of Nigeria. To achieve this, primary data were collected on the sources and access to micro credit; the incidence, depth and severity of poverty among the selected rural households. Appropriate descriptive and analytical tools were employed to process the data obtained. The results of the study show that poverty level is still high among the rural populace; but those that have access to micro-credit seems to have fared better than those who have no access to micro-credit. In other words, access to micro-credit has positive but not significant impact on poverty alleviation among the rural populace. The study recommends that government should intensify effort in its recent financial inclusion strategy to ensure that the rural populace has greater access to micro credits. Government should also ensure that interest rate on micro credits are affordable, the terms of the credits flexible and the conditions attached to the credit well liberalized*.

KEYWORDS: Micro-Credit, Poverty Alleviation, Rural Development, Rural Households

INTRODUCTION

The Government of President Goodluck Ebele Jonathan in his 2013 budget speech explicitly identified poverty alleviation as one of the main priorities of the government. This is the third year in succession that government is making poverty alleviation a priority in its budget presentation. To many observers this is not surprising given the fact that 2015 is around the corner when it is expected that the Millennium Development Goal of eliminating extreme would have been achieved (see Littlefield, 2010; Adams, 2007 and Nwakapu, 2011). Besides this, the poverty profile of the country has continued to deteriorate despite several and successive government programmes to tackle it. Poverty has simply refused to abate in Nigeria and the number of people living below the poverty line[1] has continued to increase as the years go by (see

[1]The poverty line represents the value of basic needs (food and non food) considered essential for meeting the minimum socially acceptable standard of living within a given society (UNDP, 2006). The National Poverty Rate is the percentage of a population of a country living below the poverty line (Uche, 2000). In Nigeria, the number of people living below the poverty line is 45 million as at 2009. That represents 67% of the country's population based on 2006 population census and 2.8% growth rate (World Bank, 2010).

World Bank, 1997; 2000; 2003 and 2009). Perhaps, part of the inability of government to tackle poverty may stem from the failure of a clear understanding of poverty itself. It has been argued that despite the immense attention the subject has received, there is still no universal agreement as to its definition (Uche, 2000). This may have led to the widespread view that poverty is indeed a relative concept. While this is not the appropriate place to go into the theoretical issues and difficulties in the definition of poverty, it must be stated right away that poverty is a complex, multidimensional and hydra-head phenomenon that has existed from time immemorial and has continued to occupy the centre stage in global affairs. There is not only disagreement as to its definition but also in the simple matter of how to measure it. This makes it difficult to ascertain when one moves from the non-poor into the poverty trap.

According to Bubarer (2003) poverty was already a serious problem in the days of Jesus Christ (Mathew 26:11 – the poor you will always have) while in 1958, Galbraith already listed the indicators of poverty as including insufficient food, poor clothing, crowded, cold and dirty shelter, painful and brief life and income that falls markedly behind that of the community (quoted from Uzor, 2011). But in all this confusion, one thing is indisputable: poverty is one of the greatest challenges facing Nigeria today (CBN, 2010; World Bank, 2009). And this is unfortunate given the country's rich resources in agriculture, oil wealth, human capacity and friendly geo-climatic conditions. Indeed, it is estimated that over 70 percent of Nigerians are classified as poor, and half of this number lives in absolute poverty (World Bank, 2009; Landes, 2010). Poverty is particularly severe in rural areas, where up to 80 percent of the population lives below the poverty line and with limited access to social services and infrastructures (Adam, 2007; Littlefied, 2005). The rural populace depends mainly on agriculture especially peasant agriculture for food and income. Women are particularly vulnerable to the incidence of poverty. They comprise the bulk of the poor groups within rural communities (Eadgerwood, 2009). Men have higher social status and as a result have more access to facilities like school, training and credit. The men have higher capacity for higher productivity and can usually combine a number of enterprises which allows them to have multiple sources of income. Moreover, the number of men migrating from the rural areas to urban areas in search of better employment has increased and as a consequence, the number of rural households headed solely by women has grown substantially in recent times. This development has serious implication for rural development in Nigeria (see Nwobi, 2010).

Indeed, part of the experience in rural development in Nigeria has clearly shown that efforts at expanding the economic base of the rural areas almost always flounder because of scarcity of and restrictive access to loanable funds (Ijere, 1992; Okafor, 1999 and Tanko, 2007). The role of financial capital as a factor of production to induce economic growth and development and the need to channel credit to rural economies for economic empowerment of the rural poor cannot be over-emphasized. This appears to have heightened the need for developing countries to increase their capacity to mobilize domestic resources (savings) effectively and allocate them efficiently.

According to Soludu (2005) "robust economic growth cannot be achieved without putting in place well focused programmes to reduce poverty through empowering the people by increasing their access to factors of production, especially credit. The latent capacity of the poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in economic activities and be more self-reliant; increase employment opportunities, enhance household income and create wealth"

Microfinance is all about providing financial services to the poor who are traditionally not served by the conventional financial institutions. Three features distinguish microfinance from other formal financial products (Chanker, 1998, Nwobi, 2010 and Anyanwu, 2004). These are:

(i) the smallness of loans, advances and or savings collected;

(ii) the absence of asset-based collateral; and

(iii) the simplicity of operations.

In Nigeria, the formal financial system provides services to about 35% of the economically active population while the remaining 65% are excluded from access to financial services (CBN, 2011). This 65% are often served by the informal financial sector, through Non-Governmental Organization (NGO)-microfinance institutions, money-lenders, friends, relatives, and credit unions. The practice of microfinance in Nigeria is culturally rooted and dates back several centuries.[2] The traditional microfinance institutions provide access to credit for the rural and urban low income earners. They are mainly of the informal Self-Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs) types (CBN, 2006). Other providers of microfinance services include savings collectors and co-operative societies. The informal financial institutions generally have limited outreach due primarily to paucity of loanable funds.

In order to enhance the flow of financial services to Nigerian rural areas, the Federal Government has, in the past, initiated a series of publicly-financed micro/rural credit programmes and policies targeted at the poor. Notable among such programmes were the Rural Banking Programme, Sectoral Allocation of Credits, a concessionary interest rate, and the Agricultural Credit Guarantee Scheme (ACGS). Other institutional arrangements were the establishment of the Nigerian Agricultural and Co-operative Bank Limited (NACB), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN), the Community Banks (CBs), and the Family Economic Advancement Programme (FEAP). In 2000, Government merged the NACB with the PBN and FEAP to form the Nigerian Agricultural Co-operative and Rural Development Bank Limited (NACRDB) to enhance the provision of finance to the agricultural sector. It also created the National Poverty Eradication Programme (NAPEP) with the mandate of providing financial services to alleviate poverty (Ayeyomi, 2003).

Since the 1980s, Non-Governmental Organizations (NGOs) have emerged in Nigeria to champion the cause of the micro and rural entrepreneurs, with a shift from the supply-led approach to a demand-driven strategy. The number of NGOs involved in microfinance activities

[2] Micro-finance services, particularly, those sponsored by government have adopted the traditional supply-led, subsidized credit approach mainly directed to the agricultural sector and non-farm activities, such as trading, tailoring, weaving, blacksmithing, agro-processing and transportation. Although the services have resulted in an increased level of credit disbursement and gains in agricultural production and other activities, the effects were short-lived, due to the unsustainable nature of the programmes (Adams, 2007 and Anyanwu, 2004).

has increased significantly in recent times due largely to the inability of the formal sector to provide the services needed by the low income groups and the poor, and the declining support from development partners amongst others. The NGOs are charity, capital lending and credit-only membership based institutions. They are generally registered under the Trusteeship Act as the sole package or part of their charity and social programmes of poverty alleviation. The NGOs obtain their funds from grants, fees, interest on loans and contributions from their members. However, they have limited outreach due, largely, to unsustainable sources of funds (Bamisele, 2011).

REVIEW OF RELATED LITERATURE

General Framework on Micro-Finance

According to Central Bank of Nigeria (2006) "microfinance is 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. Microfinance services are provided by three types of sources:

- Formal institutions, such as rural banks and co-operatives
- Semiformal institutions, such as non-government organizations; and
- Informal sources such as money lenders and shopkeepers.

Institutional microfinance is defined to include microfinance services provided by both formal and semiformal institutions. Microfinance institutions are defined according to Central Bank of Nigeria (2006) as institutions whose major business is the provision of microfinance services.

The interest in microfinance has burgeoned during the last two decades: multilateral lending agencies, bilateral donor agencies, developing and developed country governments, and non-government organizations (NGOs) all support the development of microfinance services. In consequence, microfinance have grown rapidly during the last decade from an initial low level, and have come to the forefront of development discussions concerning poverty reduction and alleviation.[3]

Furthermore, development practitioners, policy makers, and multilateral and bilateral lenders, however, recognize that providing efficient microfinance services for rural dwellers is important for a variety of reasons (CBN, 2006):

i. Microfinance can be a critical element of an effective poverty reduction strategy. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smoothen their consumption, manage their risks better, build their assets gradually, develop their micro enterprises, enhance their income earning capacity and enjoy an improved quality of life. Microfinance services can also contribute

[3] Despite this growth, Soludo (2006) observed that "rural financial markets in Africa and Nigeria in particular are ill-prepared for the twenty-first century" According to him, about 75% of some 140 million Nigerians still have little access to institutional financial services.

to the improvement of resource allocation, promotion of markets, and adoption of better technology; thus, microfinance helps to promote economic growth and development.

ii. Without permanent access to institutional microfinance, most poor households continue to rely on meager self-finance or informal sources of microfinance, which limits their ability to actively participate in and benefit from development opportunities.

iii. Microfinance can provide an effective way to assist and empower poor women, who make up a significant proportion of the poor and suffer disproportionately from poverty.

iv. Microfinance can contribute to the development of the overall financial system through integration of financial markets.

History of Micro-Finance In Nigeria

The history of micro-finance in Nigeria dates back to centuries ago[4]. As a form of social capital, the esusu as a financial self-help group was transported during the slave trade to the Caribbean islands (Bascom, 1952), where both the institution and the term still exist today and are now carried by a new wave of migrants to major American cities. Its origin were probably rotating work associations, in which labor as a scarce commodity was accumulated and allocated to one member at a time; and then, with the spreading of commercial transactions, replaced by money, such as cowries, pounds and Naira. Nigeria is one of the countries where informal financial institutions continue to play an important role. There may be only few Nigerians who are not a member in one or several of them. Numerous adaptations and innovations have sprung from the RoSCAs: one is the transformation into non-rotating savings associations with a permanent loan fund. Both the name, 'susu', and the institution have spread as far as Liberia where as early as 1960s was the only effective financial institutions existing in the countryside (Seibel, 1970; Desai & Mellor, 1974) and Congo, or Zaire. The other one is daily deposit collection at doorsteps or market stalls. It seems to have originated among the Yoruba (where it is known as ajo) from where it has spread all over West Africa during the past 50 years. These informal financial institutions are immensely popular in Nigeria. Virtually every ethnic group has its own institutions and proper names (adashi, in Hausa, perhaps the best-known besides esusu); and most adults are members in one or several. Yet their importance and potential have been controversially discussed. In 1934, C. F. Strickland, a British cooperative expert, examined the esusu as a possible basis for modern cooperatives societies in Western Nigeria. Having previously worked on the rotating chit funds in India, he speculated that the esusu must have been imported from India at some unknown time, found them "improvident" and "fraudulent", and concluded that he was "not hopeful of the reform of the Esusu" (Strickland, 1934). The consequences of his judgement were far-reaching: the Co-operative Societies Ordinance, introduced in 1935 and modeled after British-Indian cooperatives, became the blueprint for the British colonies in Africa.

[4] The earliest evidence of financial institution in Africa dates back to the 16th century: to esusu, a rotating savings and credit association (RoSCA) among the Yoruba (Seibel, 1970).

However, informal financial institutions of various types continued to be rediscovered in Nigeria by scholars (e.g. Green 1964; Bascom 1952; Ardener 1953, Isong 1958; Seibel 1970; Seibel & Marx 1984; Ottenberg 1968; Okorie & Miller 1976) and practitioners, who were intrigued by their development potential. At various times, two approaches were tested (i) upgrading informal rotating or non-rotating savings and credit associations to registered cooperatives; and (ii) linking them to banks (CBN, 2003).

Transforming Indigenous Savings and Credit Associations into Cooperatives

In Eastern Nigeria, in the 1940s colonial officers with an anthropological background recommended the transformation of osusu or isusu (the Igbo term) to financial cooperatives as well as the continuation of isusu practices within modern cooperatives (ie those registered under cooperative law). In 1954, the Eastern Region Cooperative Department stated in its annual report:

"The Isusu (Esusu, Susu, Osusu) is a widespread indigenous system of thrift and credit…. On the whole, the Esusu seems to be fairly well managed; although in some areas…. the Isusu has degenerated into a notorious money-lender-controlled 'racket'. There are vast numbers of Isusu Clubs in the region and the total amount of money involved must be very large. Some local Government Councils have in recent times instituted a system of registration of Isusu Clubs (Quoted from Ijere, 1982).

During the 1950s, when self-government was introduced, definitions of what constitutes 'development' changed; and so did attitudes to local culture and institutions. This is indicated by the 'modernization' of one esusu in Ondo Province initiated in 1952 by a Nigerian civil servant, J.T. Caxton-Idowu. He prepared bye-laws, "regularized" its activity, imparted cooperative education, and registered the esusu as a proper cooperative society. At that time, there existed four Cooperative Thrift & Credit Societies of the type imported by the British, to which the esusu was added as a fifth cooperative, but of indigenous origin. Within a ten-year period, the number of such cooperatives grew from 5 in 1952 to 94 in 1962, including converted esusu. Their proportion in terms of number of cooperatives had blossomed over the years (Seibel, 1970).

The need for the achievement of qualitative economic growth by attaining balanced socio-economic development motivated the desire and past efforts to use modern banking institutions to meet the credit needs of people at the grassroots, especially in the sub-urban and rural areas of Nigeria (Olashore, 2009 and Sadeque, 2010). Apart from the establishment of commercial and merchant banks, specialized development banks were created focusing on mortgages, agriculture, savings, cooperatives and other specific areas. Beyond this, the establishments of rural branches were made mandatory for the commercial banks so that the interest of the rural people could be catered for. This led to the opening of about 756 such rural bank branches across the nation (Sagbamah, 1997). Inspite of these efforts, the rural people could not fit into conventional banking system. In order to secure even the modest of loans, they were required to fill several forms, obey certain rules and provide some form of guarantee or collateral. Banking operations continued to be complex, sophisticated and often times cumbersome, to the extent that the low level of education and the outright illiteracy of the rural people made participation difficult (Mabogunje, 1991 and Mokezie, 2003). All in all, rural people and small scale producers generally were made to feel marginalized in the modern environment of banking in the country. In consequence, the rural people have had to continue to depend for their credit needs on the informal and less than adequate system of rotational credit. In various parts of Nigeria, the system is known as 'ajo', 'esusu', 'bam' and 'adashi'. The main characteristics of these local systems are voluntary contributions from members according to agreed rules. Only nominal rates are charged on the loans, and where any member defaults, appropriate and mutually acceptable sanctions are imposed (Ijere, 1982, Umoh, 1984).

Nigerian Rural Poor and Rural Development

The improvement of the economic development of the rural areas or settlements requires an inquest on the features of rural settlements. The United Nations defines a rural settlement as any settlement of less than 24,000 in population (World Bank, 2003). It goes on to further expatiate on the general characteristics of the rural communities to include:

a. lack of or near absence of major infrastructural development such as good network of roads, electricity, health facilities, etc.

b. low educational facilities and the attendant low overall educational level

c. conservation in behaviour and so on.

The major difference between the urban and rural communities including those located within major cities is the level of poverty (Okonny 1994). Ijere (1982) claimed that the rural people lack purchasing power enough to maintain a minimum standard of living. The rural people are known as the rural poor.[5]

An index of the poverty of this sector is the low per capita output**s for maize, cereal, plantains** melon seeds, fruits, vegetables, palm oil, groundnut oil and host of other Nigerian staple foods. According to Adewunmi (2006), "a peasant farmer hardly produces enough food to feed two families of about eight people". The root cause of this inadequate performance can ultimately be linked to the low level of savings and investments in the economy.

[5]The Nigerian rural poor have been variously described by different writers. Olatunbosun (1975) called them "Nigeria's Neglected Rural Majority". To Anthonio (1982) they are "the stagnant sector in the Nigerian economy" In the view of Ijere (1982) "Nigeria rural people constitutes the other Nigeria with poverty-linked characteristics, lacking purchasing power enough to maintain a minimum standard of living and surrounded by their Government Reservation Area (GRA) better off neighbors".

Rural development is an all embracing phenomenon, and its problems are so involved, that in seeking remedies, selective approach is recommended. There is no consensus as to the definition of rural development however. To Littlefied (2005), "rural development is a process of not only increasing the level of per capita income in the rural areas, but also the standard of living of the rural population on such factors as food nutrition level, health, education, housing, recreation and security"

Okafor (1999) on the other hand, saw rural development as connoting the condition and percentage of the labour force in the agricultural sector, although, he rightly argued that a programme of rural development goes beyond agriculture and includes the sum total of the country's economic development efforts in the rural areas. Further clarification on the concept of rural development is offered by Adegboye (1982), who defined rural development as the development of the rural people in such a continuous manner as to enable them to most effectively and efficiently, utilize their intellect, technology and other resources for further development for both themselves and their resources.

According to Ijere (1982), "rural development is part of general economic development, which in itself is an increase in the material and non-material well-being of the people over time. The only difference between the two is the emphasis of the first on the rural sector" Although agriculture is the predominant occupation in the rural areas, the rural problem is not limited to agriculture. Rural areas are inhabited by people engaged in non-agricultural activities like the services, commerce, mining and education. A United Nations survey in 2001 confirmed that 71.9% of Nigerians live in the rural areas (Quoted from World Bank, 2003). Okafor (1992) contended that "in Nigeria, about 80% of the people live directly or indirectly on the resource of the land; rural areas, therefore, form the most important sector of the economy, and national development is dependent on them". It suffices to say that our development efforts cannot achieve any appreciable improvement or impact until they focus on these rural areas.

Objective of the Study

The main objective of the study is to empirically evaluate the impact of microfinance in alleviating poverty among rural populace in Enugu East Local Government Area of Enugu State Nigeria. To achieve this, the study strives to:

1. Evaluate the demography and other socio-economic characteristics of the rural populace
2. Estimate the level of access to credit and their sources among the selected rural populace.
3. Estimate the incidence, depth and severity of poverty among the rural populace.
4. Evaluate the impact of access of microcredit on poverty level/status among the rural populace

Hypothesis of the Study

Micro-credit is expected to assist micro-entrepreneurs and other rural populace to engage in productive activities to increase their revenue base, improve infrastructure, create jobs, and provide food for the populace and opportunities to diversify the Nigerian economy. Based on the foregoing, a working hypothesis was formulated for the study:

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

H_1: Micro-credit has positive and significant impact on poverty alleviation (socio-economic status) of the rural populace.

METHODOLOGY

Study Design

The study adopted the survey research design. Primary data were collected through personal interview and questionnaires. Specifically, questionnaires were administered to selected households within Enugu East Local Government Area of Enugu State Nigeria. Some officials of Micro-Finance Banks in the local government and leaders of the selected communities were also interviewed.

Study Area

The study area was Enugu East Local Government of Enugu State Nigeria with a total land mass of 383km^2 (148 sq mi) and total population of 279,089 based on the 2006 census (NPC, 2010). The headquarters of the council is located at Nkwo Nike. It is one of the 17 local government councils in Enugu State Nigeria. It shares boundaries with Nkanu West local government council, Isi-Uzo Local Government council and Enugu North local government council, all in Enugu State. The major towns within Enugu East Local Government Area include; Abakpa Nike, Emene, Nkwo Nike, and Ugwuogo.

Climatically, the area enjoys tropical climate and rainfall is high from April to July and September to October. Average temperature is about 33^{o}C but humidity can be as high as 95%. Inhabitants are predominantly farmers especially those in Ugwogo, Emene and Nkwo Nike, who engage in small scale farming. The major food crops in the area include yam, garri, cocoyam, cassava, maize, vegetable and palm oil which is their major cash crop.

Sampling Techniques and Sample Size

Multi-stage sampling technique was used in the selection of the respondents for the study. The first stage involves the random selection of 21 rural communities in the council. The second stage was the random selection of five households per community for administration of questionnaires and interview. The questionnaire was well-structured with close ended questions. Some identified rural credit associations including money lenders were interviewed. These were complemented with review of records from annual reports and accounts of the Micro-Finance Banks in the area.

METHODS OF DATA ANALYSIS

In line with the work of Eboh (2011) Foster Greer and Thorbecke (FGT) and Logit regression methods were employed in the analysis of the data. Descriptive statistics (frequency tables and percentages) were used in describing socio-economic characteristics of sampled households, including their credit participation, credit request, amount granted, interest rate and loan duration of credit used (if any).

The standard Foster Greer and Thorbecke (FGT) poverty index was used in assessing the incidence, depth and severity of poverty among the selected households. The FGT class of poverty measures is defined by:

$$P_\alpha = \frac{1}{N}\sum_{i=1}^{q}\left(\frac{Z-Y_i}{Z}\right)^\alpha$$

Where:

- α = non-negative parameter (0, 1 or 2) reflecting social valuation of different degree of poverty. It takes on a value of 0 for poverty incidence, 1 for poverty depth, and 2 for severity of poverty.
- Y_i = per capita expenditure (₦/person/day)
- q = number of households with per capita consumption below the United Nations recommended income; defined US$2 per person per day which was equivalent to N320 per person per day (US$1 = N160) at the time of the survey.
- Z = The poverty line (N320 per person per day); and
- N = number of households in the sample

Logit Regression Method: this is used to determine the influence of independent variable on the probability of being poor. The dependent variable is the poverty status which is represented with a binary dummy (0 and 1).

Y= F(X1, X2, X3.....Xn)

Y=poverty status, (1 if poor and 0 if non-poor)

X1.......Xn are: age(years), age², gender(female=1, male=0), education(years), household system(number), dependency ratio, credit use(yes=1, no=0), credit volume(₦), other jobs(₦).

Furthermore, the Spearman Ranking Order Correlation was used to estimate the formulated hypothesis. The choice of this statistical technique is predicated by the fact that Spearman Ranking Order Correlation is a non-parametric statistics that is used when condition for the use of parametric statistics cannot be guaranteed (Vincent et al., 2008). Since the study used the structured likert scaling questionnaire for data collection, the Spearman Ranking Order Correlation is considered most appropriate, because it is used more precisely when any one of the two variables to be correlated is expressed in ordinal scaling form. To test for the robustness of the Spearman Ranking Order Correlation, Pearson Correlation, One sample T-Test and One way ANOVA (Analysis of Variance) were employed.

RESULTS AND DISCUSSION

Insert Table 4.1 here

Table 4.1 – Profile of the Individual Respondents

Table 4.1 shows the personal characteristics of the respondents. These individual characteristics were considered relevant for the purpose of the study. For instance, age is a crucial factor in farming. The younger the person, the more productive he is expected to be, all other things being equal. A young vibrant farmer will also be expected to generate greater income, all other things also being equal. As can be gleaned from the table, 38 of the respondents or 36.2 percent of the total respondents are above 60 years of age. Put together, those that are of working age, which is between 18 – 60 years, are 63 or 60 percent of the total respondents. In other words, 60 percent of the rural household in the sample are still active in farming activities.

Again, it could be seen that 75, or 71.4 percent of the respondents were males and 30, or 28.6 percent are females. The sex distribution of the rural household could have an implication on the level of income that comes into the household. Households headed by a male could have an advantage over those households headed by a female with respect to the crop farm income portion of the total income. The findings of the study further reveals that majority (74.3 percent) of the rural household heads are married with 18.1 percent of them being widowed. The marital status of the rural household head could have a direct relationship on the size of the household.

Moreover, the level of education of the heads of rural households is of importance to the study. It could be seen from the table that the highest level of education attained by rural household heads is secondary school education with majority (53.3 percent) of them having various levels of formal education attainment. Of these (53.5 percent), 14.4 percent have adult education, 9.5 percent were unable to complete primary education and 17.1 percent completed primary education. 12.4 percent on the other hand had incomplete secondary education and 13.3 percent had completed secondary education.

The result shows that majority of the respondents have one form of formal education or the other and this has implication on their understanding of credit availability, access and impact on their livelihood.

Insert Table 4.1.2 here
Table 4.1.2 – Profile of Household Respondents

Table 4.1.2 shows the household characteristics of the respondents. These household characteristics were also considered relevant for the purpose of the study. From the table, it could be seen that majority of the respondents are Christians while 23, or 21.9 percent of them were traditionalists. There is no Muslim living in the sample area. Again, majority (45 or 42.9 %) of the sample rural household have a household size 1 – 3, while the least percentage was 19 percent which accounts for a household size of above six.

Moreover, the study revealed the total income of the rural household from both farm and non-farming activities. As can be seen from the table, the result showed that approximately 60 per cent of the rural household earned an income of between N25,000 to N60,000 from their farming activities while approximately 7 percent of the household respondents earned income of above N100,000 from their farming activities. The study showed that about 67.6 percent of the rural households are not engaged in non-farm activities, about 16.2% earned at most ₦25,000 from their non-farm activities, while 6.7 percent earned between N26,000 to N60,000 from their non-farming activities and 3.8 percent earned above N100,000 from their non-farming activities. The implication is that majority of the respondents depend solely on their farming activities for their means of livelihood.

Furthermore, the study shows that 68.6 percent of the respondents are not engaged in secondary occupation, while 7.6 percent have hunting, fishing and wine tapping respectively as their secondary occupation. 14.3 percent of the respondents are engaged in trading business while 9.5 percent of the respondents are engaged in other forms of business.

Insert Table 4.1.3 here
Table 4.1.3 - Sources of Micro-Finance

This is one of the major objectives of the study; which is to determine the sources of microcredit and the level of access of rural households to the microcredit. This was aimed at evaluating the impact of the micro-credit on the poverty status of rural farm households in the study area. As can been from the table, rural farm households have access to micro-credit from both formal and informal sources. As can be seen from the table 45.7% of the household in the sample areas did not use any form of microcredit, 23.8 percent accessed microcredit from informal sources like money lenders, friends or relatives while 14.3 percent accessed microcredit from cooperative societies. Finally, 16.2 percent accessed microcredit from the formal microfinance institutions and banks.

Insert Table 4.1.4 here
Table 4.1.4 - Level of Access of Household Heads to Microcredit

The essence of this inquiry was to determine the major sources of microcredit to the rural households. As could be seen from table 4.1.4, on the aggregate, formal sources in the form of cooperative societies and microfinance institutions/banks provided the bulk of microcredit to rural farm households, while 23.8% of the sampled rural farm household accessed microcredit from informal sources. The implication is that formal sources of microcredit are gaining prominence in microcredit delivery in the rural areas.

However, the study shows that the respondents that accessed credit from the formal sources encountered some impediments in terms of not been able to access fully the loan amount requested. By way of comparison, for the informal sources, the average amount granted was ₦10,120.55compared to the average loan request of ₦14,105.72. The odd on this source is at 0.17. For the formal source (cooperative societies), the average amount granted was ₦22,098.10 compared with the average loan request of N23,052.10; and for microfinance institutions/banks, the average amount granted was N23,987.56 for average loan request of N25,142.00. The constraint level for this source is 0.04.

Moreover, the average loan duration within which rural farm household accessing the informal sources had to refund the money borrowed was approximately 3 months while for those accessing credit in the formal sources, the average loan duration is approximately 6 months for co-operative societies and 9 months for microfinance institutions/banks respectively.

Insert Table 4.1.5 here

Table 4.1.5 - Incidence, Depth and Severity of Poverty

To ascertain the level and severity of poverty on the rural household sampled, the study adopted the expenditure approach. That is by aggregating the total expenditure on food and non-food items by rural households. To achieve this, the households were divided into two broad categories – those that used credit and those that did not. From the result in table 4.1.5, it could be seen that rural farm households that had access to credit had higher total expenditure (food and non-food). Again, the per capita expenditure was estimated for both farm households that had access to credit and those that did not. This was derived by dividing the total expenditure of farm households by the total size of the farm household. The per capita income is affected by both the total expenditure and the size of the household such that the higher the household size, the lower the per capita expenditure and vice versa, all other things being equal. From the table also, it could be seen that per capita expenditure incurred by rural farm households using credit was higher than that by farm households not using credit.

The per capita expenditure reported for rural farm households not using credit was ₦1,476.19 per week while the rural farm household using credit ₦1,898.23 per week. This translates into an average of ₦210.88 per day per head for rural farm household not using credit and ₦271.17 per day per head for rural household using credit. Moreover, the table 4.1.5 shows that the incidence of poverty is higher in farm households not using credit (0.75) when compared with farm households using credit (0.52). This observation was further strengthened by the values reported for depth and severity of poverty in the two categories of the rural farm households in the study area.

From the analysis of the data in table 4.1.5, the average per capita expenditure for an average person in the rural household was N210.88 and N271.17 for those who do not use credit and those who use credit respectively. If these figures are compared with the US$2/ ($1 = N160 = N320) per day recommended by the World Bank (2012), it means that majority of the respondents are living below the poverty line and the implication is that the quantum of micro-credit accessed by rural farm households is not sufficient yet in meeting up with the expenditure level that is enough to enable them live above the poverty line.

Insert Table 4.1.6 here

Table 4.1.6 - Influence of Access to Microcredit on Poverty Status

Table 4.1.6 is a summary of logit regression statistics based on a model that incorporates variables that could influence the likelihood of a household being classified as poor or non poor. These variables include; age, age square, gender, education, household size, dependency ratio, credit use, credit volume and secondary job.

Based on the new recommendation of the World Bank, a rural household is either poor or non-poor based on a poverty line index of $2/day. Thus, the value of the per capita expenditure of $2 per day per person is the value below which any household is classified as being extremely poor while rural farm households above the value are classified as not extremely poor (World Bank, 2012).

The likelihood of a household being classified as poor or non-poor is dependent on certain explanatory variables one of which is access to credit amongst others. The logit model was used to determine the influence of a number of socio-economic variables on the likelihood of a household being poor or non-poor. A likelihood ratio test of overall significance of the logit model gave a calculated chi-square value of -114.345, which was significant at $p<0.01$. This shows that explanatory variables in the estimated logit model significantly explain the likelihood of a respondent being poor based on expenditure framework. The estimated percentage correct prediction was 81.3%, which shows that the model predictions are correct in 81.3% of the cases, and hence is reliable.

Among the explanatory variables in the model, age of rural farm household heads, square of the age, and household size were significant at 1% ($p<0.01$) level, educational level of the head of rural household and volume of credit granted were significant at 5% ($p<0.05$), while the dummy variable on credit use was significant at 10% ($p<0.10$). Gender of head of rural household, dependency ratio and secondary occupation were not significant.

Moreover, as shown in Table 4.1.6, the likelihood of being poor rises significantly initially with age but decline in later years. Increase in household size and quantum of credit use increase the likelihood of not being poor, while credit users are more likely to be live above the poverty line than their counterpart that did not use credit.

The result shows that increasing the level of education of the head of rural farm household raises the odds against the household being poor by 0.878 i.e educated rural farm household heads tends to be non-poor. The result further showed that increase in the dependency ratio and quantum of credit accessed by rural farm household lowers the odds of the household of being poor. This result is in tandem with a priori and policy expectation which suggests that access to credit and increase in the quantum of credit accessed should lower the odds of the household of being poor.

Test of Hypothesis

To test the hypothesis, we restate the hypothesis below:

Ho: Micro-credit has no positive and significant impact on poverty alleviation on the rural households

Hi: Micro-credit has positive and significant impact on poverty alleviation on the rural households

Insert Table 4.2.1 here
Table 4.2.1 - Summary of Spearman Ranking Order Correlation Result

The Spearman result in table 4.2.1 showed that the co-efficient of micro-credit is positive but not significant in explaining poverty alleviation of rural households. Based on this, the null hypothesis is rejected and the conclusion is that micro-credit has positive but non-significant impact on poverty alleviation of rural households in Nigeria (for details of the Spearman Ranking Order Correlation Result, see appendix 4.2.2).

Robustness Test

To eliminate any bias the Spearman Ranking Order Correlation technique may have introduced in the result, additional estimation techniques were employed as test of robustness. The results are presented below.

Insert Table 4.3.1 here

Table 4.3.1 presents the robustness test. The results are consistent with the Spearman Ranking Order Correlation and support the hypothesis that micro-credit has positive impact on poverty alleviation of rural households in Nigeria. For instance, the Pearson correlation showed that the coefficient of micro-credit is positive in explaining poverty alleviation in rural households in Nigeria (see appendix 4.3.2 for details of result).

Also, with a calculated t-test value of 2.664 and sig. (2-tailed) value of 0.000 (for the One-Sample T-Test) which is greater than the critical t-value of 1.96, the null hypothesis was rejected (see appendix 4.3.3 for result details). This earlier results was also supported by the F- value of 4.345 with significant value of 0.000 for the One-Way ANOVA (see appendix 4.3.4 for details) which rejects the null hypothesis that micro-credit has no significant and positive impact on poverty alleviation of rural households in Nigeria.

CONTRIBUTION OF THE STUDY AND RECOMMENDATION

The study has added to the existing literature on micro credit by demonstrating empirically that micro-credit is crucial for poverty alleviation in the rural areas. The study also shows that the quantum of micro-credit available to rural dwellers is still not enough to lift them out of poverty line and that the full impact potentials of micro-credit institutions/banks are yet to be fully realized in Nigeria. To enhance the impact potentials of micro-finance institutions/banks towards poverty alleviation in the rural areas, the following recommendations are made:

a. The government should intensify its effort to promote stable macroeconomic environment. A stable macroeconomic is crucial for any meaningful development. It is the sub-structure upon which the super-structure of all other developments is built. The renewed interest in micro-financing which have culminated in the re-engineering of micro-finance institutions in Nigeria and other strategies enunciated in the Micro-Finance Institutions Policy Framework will ultimately come to naught if macroeconomic stability is not vigorously pursued and enthroned in the country.

b. Micro-finance Banks are self-financing and sustaining institution. It is important that government should not renege in any of the promises packaged in the Micro-Finance Policy Framework. In particular, it is not enough to set up Micro-finance fund from the defunct Small and Medium Enterprises Equity Investment Fund (SMEIES); it is more important to ensure that all the bottlenecks that made it difficult for the intended beneficiaries to access the fund are removed to ensure easy access to the new fund by the Micro-Finance Banks for on-lending to rural beneficiaries.

c. A cursory look at the loans and advances profile of Micro-Finance Banks disaggregated shows a lopsided trend whereby the commercial sector was the preferred sector contrary to policy expectation. This is an indication of direct trading by these institutions contrary to their expected roles, which essentially, is to serve as veritable channel for rural credit intermediation and delivery. Therefore, government should ensure through effective regulation and supervision that Micro-Finance Banks are prohibited from turning themselves into agents of buying and selling. Policy expectation is that Micro-Finance Banks should mobilize deposits and lend generally to agricultural and industrial sectors to develop the rural economy and not to engage in buying and selling and other rent-seeking behaviours.

d. Another ugly trend that government needs to check is disintermediation and conduit piping. This is where Micro-Finance Banks mobilize savings from the rural areas and place such funds as deposits in commercial banks. In other words, using their institutions as conduit pipes for generating deposits from rural areas for urban commercial banks. The study shows that credit per rural person was generally low which is attributable to this trend. As suggested by Owoh (2007), government could make it a statutory requirement for Micro-Finance Banks to disclose their placements in commercial banks with such other information as the accounts, the tenures of such placements, etc. This could help check the ugly tendency of MFBs serving as agents of deposit mobilization for commercial banks. If the trend is effectively checked, the quantum of credit available for rural development will be enhanced.

e. The level of deposit mobilization by the Micro-Finance Banks vis-à-vis the currency in circulation outside the banking system is still low. One of the cardinal objectives for the establishment of Micro-Finance Banks is to mobilize funds erstwhile outside the banking system but the reality on ground is that this has not been substantially achieved. Therefore, serious efforts should be made by Micro-Finance Banks to improve their rate of deposit mobilization. They should work out innovative ways of attracting more deposits, perhaps, through product development that offer special appeal to rural dwellers and others that are largely un-served by the conventional banks. They should carve a niche for themselves by selecting the huge un-served segment of the financial market instead of competing with conventional banks on areas they (ie. MFBs) lack competence.

f. There should be enlightenment in the rural areas to sensitize them on the need to have fewer families. The fewer the family, the higher the family standard of living, all other things being equal. The study shows that families with fewer mouths to feed seem to have fared better than larger families.

g. Government should ensure that social amenities are provided in the rural areas to make life more meaningful and to halt the upsurge in rural urban migration especially by the younger generation. If social amenities like pipe borne water, electricity, etc are provided in the rural areas, more people will be willing to stay back at the countryside and engage in farming activities instead of migrating to urban areas in search of non-existent white-collar jobs.

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APPENDICES

Table 4.1 – Profile of Respondents

Variable	**Frequency**	**Percentage**
Age of Respondents		
18-30	5	4.8
31-40	15	14.3
41-50	18	17.1
51-60	29	27.6
>60	38	36.2
Total	**105**	**100**
Sex of Respondents		
Male	75	71.4
Female	30	28.6
Total	**105**	**100**
Marital Status of Respondent		
Single	3	2.9
Married	78	74.3
Divorced	1	0.09
Seperated	4	3.8
Widowed	19	18.1
Total	**105**	**100**
Educational Level of Respondents		
None	35	33.3
Adult Literacy	15	14.4
Incomplete Primary	10	9.5
Complete Primary	18	17.1
Incomplete secondary	13	12.4
Complete Secondary	14	13.3
Total	**105**	**100**

Source: Field Survey, 2013

Table 4.1.2 – Profile of Household Respondents

Variables	Frequency	Percentage
Religion of the Respondents		
Christianity	82	78.1
Traditional	23	21.9
Total	105	100
Household Size of the Respondents		
1-3	45	42.9
4-6	40	38.1
Above 6	20	19.0
Total	**105**	**100**
Total Income		
< N25,000	35	33.3
N26,000 – N60,000	62	59.1
N61,000 – N100,000	2	1.9
>N100,000	6	5.7
Total	**105**	**100**
Non-Farm Income		
None	71	67.6
<N25,000	17	16.2
N26,000- N60,000	7	6.7
N61,000 – N100,000	4	3.8
> N100,000	6	5.7
Total	**105**	**100**
Secondary Occupation		
None	72	68.6
Hunting/Fishing/Wine Tapping	8	7.6
Trading	15	14.3
Others	10	9.5
Total	**70**	**100**

Source: Field Survey, 2013

Table 4.1.3 – Sources of Micro-Credit

Sources	Frequency	Percent
Non-user	48	45.7
Informal source (Money Lenders, etc)	25	23.8
Cooperative society	15	14.3
Microfinance Institutions/Banks	17	16.2
Total	**105**	**100**

Source: Field Survey, 2013

Table 4.1.4 – Level of Access of Households to Micro-Credit

Variable	Informal Sources	Co-operative Societies	Microfinance Banks	Total
Credit Users	25 (23.8%)	15 (14.3%)	17 (16.2%)	57 (100%)
Loan Request (Mean)	14,105.72	23,052.10	25,142.00	62,299.82
Standard Error	4,654.22	4,754.87	3,123.43	4,546.98
Amount Approved	10,120.55	22,098.12	23,987.56	19,234.02
Standard Error	2,765.66	3,871.49	3,276.17	3,045.77
Loan Duration (Mean)	2.10	8.69	6.42	9.21
Standard Error	1.32	0.21	0.74	0.54
Interest Rate (Mean)	NA	5.64	9.23	10.2
Standard Error	NA	0.43	0.65	0.66

Source: Field Survey, 2013

Table 4.1.5 – Incidence, Depth and Severity of Poverty among Selected Rural Household

Expenditure (₦/wk)	Did not use credit	Std Error	Used credit	Std Error	Total	Std Error
Total food expenditure	5,244.34	384.12	7,123.66	1,322.95	5,882.11	502.12
Non-food expenditure	1,654.22	352.50	1,734.65	433.32	2,056.32	254.89
Total expenditure	6,898.56	702.54	8,858.31	1,238.91	7,938.43	1,065.02
Per cap expenditure	1,476.19	134.89	1,898.23	182.98	1,543.66	142.76
Per cap expenditure/day	210.88	0.11	271.17	0.14	195.36	0.10
Po (incidence)	0.75	0.07	0.52	0.05	0.60	0.04
P1 (depth)	0.28	0.14	0.25	0.03	0.26	0.02
P2 (severity)	0.17	0.03	0.11	0.02	0.12	0.01

Source: Computed from Field data

Table 4.1.6 – Influence of Access to Micro-Credit on Poverty Alleviation

Variables	B (coefficients)	S.E.	Odd-ratio
Age	.412***	.160	1.542
Age square	-.005***	.002	.996
Gender	-.596	.517	.551
Education	-.130	.066	.878
Household size	.694***	.163	2.001
Dependency ratio	.702	1.110	2.017
Used credit	1.035*	.533	2.814
Quantum of Credit	.000**	.000	1.000
Secondary occupation	.417	.509	1.517
Constant	-13.143***	4.102	.000
Log likelihood	-114.345		
Cox & Snell R square	.373		
Overall% prediction	81.3		

Table 4.2.1 – Summary of Spearman Ranking Order Correlation

Variables	Spearman's rho	Sig (2-tailed)
Poverty Alleviation of rural households	1.288	0.008

Source: SPSS Analytical Software

Appendix 4.2.2 Details of Spearman Ranking Order Correlation Results
Correlations

			How would you rate the impact of micro-credit in poverty alleviation in Nigeria	How would you rate the impact of micro-credit in poverty alleviation in Nigeria
Spearman's rho	How would you rate the impact of micro-credit in poverty alleviation in Nigeria	Correlation Coefficient	1.000	124(**)
		Sig. (2-tailed)	.	.008
		N	105	105
	How would you rate the impact of micro-credit in poverty alleviation in Nigeria.	Correlation Coefficient	124(**)	1.000
		Sig. (2-tailed)	.008	.
		N	105	105

** Correlation is significant at the 0.05 level (2-tailed).
Source: SPSS 10.0 Statistical Package

Table 4.3.1 - Summary of Pearson Correlation, One-Sample Test and One-Way ANOVA Results

Estimation Tools	**Notations**	**Poverty Alleviation**
Pearson Correlation	R	0.812
	Sig (2 tailed)	0.021
One Sample T-Test	T	2.664
	Sig (2 tailed)	0.00
One Way ANOVA	F	4.345
	Sig (2 tailed)	0.00

Source: SPSS Statistical Software

Appendix 4.3.2 Details of Pearson Correlation Result

Correlations

		How would you rate the impact of micro-credit in poverty alleviation in Nigeria	How would you rate the impact of micro-credit in poverty alleviation in Nigeria
How would you rate the impact of micro-credit in poverty alleviation in Nigeria	Pearson Correlation		
	Sig. (2-tailed)		.019
	N	105	105
How would you rate the impact of micro-credit in poverty alleviation in Nigeria	Pearson Correlation	142(**)	1
	Sig. (2-tailed)	.019	
	N	105	105

** Correlation is significant at the 0.05 level (2-tailed).

Appendix 4.3.3 One-Sample T-Test Result

	Test Value = 0					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Poverty Alleviation	2.664	105	.000	1.76997	1.7109	1.8290

Source: SPSS 10.0 Analytical Software

Appendix 4.3.4 One-Way ANOVA Result

Poverty Alleviation

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	24.761	3	9.254	4.345	.000
Within Groups	250.155	105	1.449		
Total	264.916	105			

Source: SPSS 10.0 Analytical Software