DOES MICROFINANCE INCREASE SMALL BUSINESS INCOME OR REDUCE POVERTY IN RURAL NIGERIA?

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ABSTRACT

This study examines the effect of microfinance on poverty and small business income. A key finding is that access to credit has a larger effect on improving the standard of living than that of education. Not surprisingly, however, those with secondary education or higher reported higher income generated from the micro-financed business. Those who took a larger risk by borrowing larger amounts earned higher income.

Keywords: Microfinance, poverty, Nigeria, poverty alleviation program, microfinance factors.

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Poverty has been a serious and continuing challenge to governments in Nigeria. Despite abundant natural resources, such as agricultural, petroleum, gas and mineral resources, the poverty situation has been on the rise. Particularly worrisome is that the country earned over US$300 billion from one resource – petroleum – during the last three decades of the twentieth century. But rather than record remarkable progress in socio -economic

development, Nigeria retrogressed to become one of the 25 poorest countries at the threshold of twenty-first century whereas it was among the richest 50 in the early-1970s. An important reason could be the disparate distribution of gains from production and trade, which have widened the gap between the haves and have-nots.

According to the Federal Office of Statistics (FOS), the poverty rate has risen from about 15 percent in 1960 to 28.1 % in 1980. Recent estimates show that more than half of the population live in poverty. Poverty in Nigeria has been on the increase despite various poverty alleviation programs that have been laid down in time past. This could indicate that the poverty alleviation programs have not been effective either in reducing the rates or in stemming the increasing poverty rates. To overcome poverty in Nigeria, the government has initiated different policies and structural programs since 1977. For example, Poverty Eradication Program (PEP) and National Poverty Eradication Program (NAPEP). Their aim is to reduce the poverty state of the people by providing them with employment opportunities and credit access to enable them to establish their businesses.

The federal government, on December 15, 2005, through the Central Bank of Nigeria (CBN) issued a microfinance policy supervisory and regulatory framework that allows for the establishment of micro-finance banks that will provide for the need of small-scale businesses and the low-income group. Microfinance principally encompasses micro-credit, micro-savings, micro-insurance, and money transfers for the poor. The policy provides for the establishment of two categories of private sector-driven micro finance institutions of banks (MFBs). These are MFBs licensed to operate in a local government area which must be capitalized to the tune of twenty million naira and MFBs licensed to operate in the state and which must be capitalized to the tune of one billion nairas. This recent development is the latest effort of the federal government at providing micro

credits to the poor. The delivery of financial services to poor and low-income people changed significantly during the past decade.

Today there are more than 7000 Micro–lending organizations providing loans to more than 25 million poor individuals around the globe (Mohammed and Hasan, 2008). The Nigerian microfinance industry has come a long way. A CBN study identified, as of 2001, 160 registered Microfinance Institutions (MFIs) in Nigeria with aggregate savings worth N99.4 million and outstanding credit of N649.6 million, indicating huge business transactions in the sector (Anyanwu, 2004). With a population of about 150 million and a GDP per capita of $641 (2006), two – thirds of Nigeria's people are poor. Nigeria has the third highest number of poor people in the world. Most of these people are dependent on micro and small – scale on farm and off – farm enterprises for their livelihood (UNDP, 2007). Institutional structures for the provision of micro-credit vary and may be Government, NGO-supported, traditional, or a mixture of two or more of these.

Lack of access to credit is generally seen as one of the main reasons why many people in developing economies remain poor. Usually, the poor have no access to loans from the banking system because they do not have an acceptable collateral. Moreover, the costs of screening and monitoring the activities of the poor, and enforcing their contracts, are too high for the banking sector. The only option left for the poor masses is the microfinance institution. Various governments have recognized this and as a result, many such institutions have been established.

This study aims to assess the impact of a microfinance program in rural areas in Osun state. Did credit access or education play any role? This study is therefore an attempt at evaluating the effectiveness of microfinance in alleviating poverty in rural areas in Nigeria. It will inform the government, policy makers and

international institutions on the role of microfinance in alleviating poverty.

PREVIOUS RESEARCH ON MICROFINANCE

Matin et al. find that a poor person's access to formal financial services is limited, and that available services generally do not meet the diverse requirements of the poor. Poor people tend to juggle financial relationships with various financial institutions and with friends and family to have the flexibility and reliability they need (Collins and Morduch 2010:23). They depend on various types of formal and informal community funding, credit unions, moneylenders, co-operatives, self-help groups and associations and financial NGOs. And with commercial financial institutions considering ways in which to provide financial services to the poor in a profitable manner, microfinance services are now provided by role players.

The inability of the poor and low-income groups to access credit has contributed largely to the increased rate of poverty in Nigeria (Imam 2001, Olomola 2002, Hadiza 2005, Akanji 2006, Adereti and Oladejo 2008, Akintoye and Oladejo 2008). Despite the efforts of the government in credit delivery to the poor and micro enterprises in the country, these micro enterprises have continued to be denied access from formal financial institutions (Dada and Salisu 2006).

Bruno, Squire and Ravallion (1995) found ample evidence that policies designed to foster economic growth significantly reduce poverty, but that policies aimed specifically at alleviating poverty are also important. For example, programs that provide credit and build human capital try to eliminate the causes of poverty. Such programs can have a short-run or long- run perspective like microfinance.

Microfinance is the supply of loans, savings, and other basic financial services to the poor. These owners of micro and small enterprises require a diverse range of financial instruments to meet the working capital requirement, build assets, stabilize consumption, and shield themselves against risks (Ehigiamusoe, 2005). In practice, microfinance is much more than the disbursement, management and collection of little bits of loans. In a more comprehensive style, (Ehigiamusoe, 2005), stressed that microfinance refers to "flexible processes and structures by which financial services are delivered to owners of microfinance enterprise on a sustainable basis". Three features distinguished microfinance from other formal financial products. These are:

(a) The smallness of the loans advanced or savings collected.

(b) The absence of asset-based collateral and

(c) Simplicity of operations.

Given these characteristics, a microfinance institution (MFI) has come to be defined as any institution that provides credit and other financial services to low-income entrepreneurs who are traditionally not served by conventional formal financial institutions. Absolute poverty, in this study, is measured by the number of those whose incomes fall below the absolute poverty line.

The Nigerian government has tried to address some of these issues (poverty related) through the enunciation of poverty related programs over the past 5 decades. In the past, the focus was more on improving human capital. Beginning in the 1970s, poverty alleviation programs were introduced. Morduch (1999) argues that microfinance has had a positive impact on poverty reduction. According to Lalitha, (2008), Microfinance aims to bring financial services to poor people as to provide small-scaled financial services primarily savings, credit, and insurance to people

performing small or micro\ business activities such as farming, fishing, herding or micro enterprises producing, and recycling, repairing or selling goods. In recent years, microfinance has been recognized as an effective tool to alleviate poverty.

METHODOLOGY

This study uses structured questionnaire & personal interviews as the primary data collection instruments. We use a logistic regression model to examine the likelihood of poverty reduction if a family participated in the microfinance program. The survey sample was selected to include respondents who were adults regardless of literacy aptitude and marriage status.

Data Analyses Framework

The primary data obtained employed in this research work were obtained through the use of structured questionnaires and personal interviews. The questions were made very simple and straight forward. Mostly, the questionnaire entails only close-ended questions through the use of the Likert five scale of 'Strongly Agree', 'Agree', 'Indifferent', 'Disagree', and 'Strongly Disagree'. The open-ended questions were not employed due to their 'loose-ended' nature which made them not amenable to both descriptive and inferential analyses. For the analyses of the data collected, we use both descriptive and quantitative (inferential) techniques.

The major occupation in the study area is farming, practiced mostly by men. Farming activities include fish farming, cattle rearing, poultry business, and into the production of crops such as cassava, yam, maize, palm kernel, plantain, and cocoa among others. They also have natural resources like cocoa, etc. Women in certain towns are mat weavers. Some of them are also engaged in white-

collar jobs. There are usual banks in these areas. In addition, this area houses two microfinance banks.

The primary data were collected by a random sampling of the banks' customers. Customers were met in the banks' premises, and the primary sources involved the use of a well-structured questionnaire administered to 500 randomly selected respondents from the study areas. Oral interviews were also conducted. Respondents varied from traders to artisans, farmers, civil servants, etc. The primary data obtained socio-economic information, relationship with the banks in terms of services being accessed, loans and repayment periods as well as perceived constraints to accessing loans, the usefulness of the loans, etc.

To ascertain the reliability & validity of our research instruments, a test of measurement tool will be carried out. The instrument tests are to evaluate the inquiry of items within; verbally, and to obtain the validity and reliability level. For validity, the Pearson Product Moment Correlation (PPMC) method is adopted for this work. If the estimate obtained is larger (or greater) than its critical value counterparts, it is considered valid and invalid if otherwise. On the other hand, Cronbach-alpha (Cr) method is used to test for reliability. If the observed Cr value is larger than the benchmark value of 0.75, the research instrument employed is considered reliable.

Model Specification

The Multinomial Logistic Regression is an extended form of the logistic regression capable of handling polytomous responses of the respondents. The empirical form is given as follows:

Poverty status $= f(Xi, Xii) = Psi = \beta o + \beta 1Xi + \beta iiXii + \mu i$ ..... (6)

Where;
$PS = Poverty\ status\ (if\ moderately\ poor = 1, Core\ poor = 2)\ where\ non-poor\ is\ the\ reference\ or\ baseline\ category.$
Explanatory Variables
Xi = Socio-economic variable
X1 = education status (1 if 0 to 3 years, 2 if 4 to 6 years; 3 if 7 to 9 years; 4 if 10 to 12 years; that is years of exposure to formal education)
X2 = Marital status (1 if single; 2 if married; 3 if divorced; 4 if widowed)
Xii = Microfinance bank operation variables
X3 = expected date of loan repayment (days): The date by which the loan is to be paid back.
X4 = Amount borrowed (N): the amount lent out to the borrower.
X5 = Delayed time index – an estimate of the timeliness of loan delivery by the banks.
X6 = Interest charged (N): Amount charged by the lender for the use of the cash – it is usually a fraction of the principal.
Poverty status has more than two categories with no natural ordering representing microfinance banks' operation.

DATA DESCRIPTION

Data contained in this study were gathered from households as well as residents of various communities of Oriade Local Government in Osun state. A total of 500 questionnaires were distributed, and 450 were returned, out of which 410 were usable (completed), yielding a high response rate of 82.0 percent. Before the commencement of the analysis, tests of the measurement tool (Questionnaire) were performed to validate it as the proper data collection tool. Questionnaire tests, as used in this research findings, are to evaluate the inquiry of items within; verbally, and to obtain the validity and reliability level.

Table 1 below shows the description of the personal data of our respondents. From this it is notable that 57% of our respondent were female. This is mainly because most of our respondent are people involved in some form of trading activities that involve the use of microfinance funds for its establishment of expansion. Of the 410 respondents' 63 percent are married while about 37 percent of them were either single or divorced. The occupation of the respondents in this survey area was divided into unemployed which consist of about 6 percent, Government employed with about 14.39 percent and 80% of the surveyed population are self-employed. About 83.66% of the surveyed population have at least the universal basic education, while the remaining 16.34% have no form of education at all. 61.7 percent of the surveyed population are between the age of 30 and 49 while the remaining 38.3 percent are either below 30 or above 49 years old. It is also notable from Table 1 below that majority of the surveyed population is from a male headed family and from a nuclear family, which is responsible for 85.37 and 62.20 percent respectively.

The demographic data from our respondents summarize some cogent statistics on gender (sex), marital status, age, education level, management level and years of experience concerning their belief either on either access performance to microfinance is fair or very good in the study area. The characteristics as shown below in table 1 shows that, the proportion of female that believed that access performance of microfinance is fair or very good is about 0.54 and 0.53 respectively. This shows that more female believed in the fact that access to microfinance performance is more perceived as being effective in the study area by the female population rather than the male.

Table 1: Descriptive Statistics of Personal Data

Variables	Frequency	Percentage
SEX: Male	176	42.93
Female	234	57.07
Marital Status: Single	150	36.59
Married	260	63.41
Occupation: None	23	5.61
Government Employed	59	14.39
Self-Employed	328	80.00
Education: No Formal Education	67	16.34
Primary Education	213	51.95
Secondary Education	76	18.54
OND	40	9.76
HND/BSC	14	3.41
Family Size: Extended	155	37.80
Nuclear	255	62.20
Family Head: Male Headed	350	85.37
Female Headed	60	14.63
Age: 19-29	45	10.98
30-39	132	32.20
40-49	161	39.27
50-59	44	10.73
60-69	26	6.34
70 and above	2	0.49

It is evident from Table 1 that majority of the respondent in the study area have at least a primary

education with an average of 6.58, 8.16, and 6.83 respectively for each category. The majority of the respondents that believed that access performance to microfinance banks is fair, good and very good are from a nuclear family with 71%, 53% and 77% in each category (Table 2). Table 3 below describes the characteristics of the respondent by their benefits from microfinance banks in the area. Of the 410 respondents about 278 said they have benefitted from microfinance banks and the remaining 132 said they have not benefited from microfinance bank in the study area. Female respondents constitute 59% of the people that said yes to benefiting from a microfinance bank with an average age of 39.56 and an education mean of 7.44 which shows that the majority of the population that said yes have about seven years of education which is about a year above primary education.

Table 2: Characteristic of Respondents by Access Performance of Micro Finance

Variable	**Microfinance Access Performance mean (S.D)**			
	Fair	**Good**	**Very Good**	**No Response**
Sex	54%	61%	58%	53%
Age	40.02 (11.46)	38.30 (7.29)	41.35 (9.33)	42.42 (10.58)
Marital	46%	69%	66%	62%
Education	6.58 (3.17)	8.16 (4.53)	6.83 (5.30)	6.85 (4.44)
Family head (male = 1)	100%	84%	84%	82%
Family size	71%	53%	77%	60%

Source; Authors

Table 3: Characteristics of Respondents by Benefit from Microfinance

Variable	Benefited from microfinance	
	Yes	**NO**
Sex (female = 1)	59%	52%
Age	39.56 (8.91)	42.67 (10.66)
Marital (married = 1)	66%	56%
Education	7.44 (4.55)	6.86 (4.54)
Family Head	86%	37%
Family size	61%	63%

RESULTS AND DISCUSSION

In other to better understand the role of microfinance on poverty alleviation in the respondent area, the research further explored the role of a universal basic education in the awareness, access, usage and overall benefit from microfinance bank In achieving this, the use of logistic regression was employed to show the difference if any that exist between the different educational level concerning microfinance awareness, access, usage and overall benefit.

Table 4 shows the level of microfinance awareness and activities of the respondents by their level of education in the study area, this shows that overall about 86.34 percent of the population are aware of the presence of microfinance activities in the study area out of which about 47.32 percent have at least primary education and the remaining 13.66 percent are not aware of the activities. Concerning the benefits from microfinance banks in the study area, about 71 percent of the respondent have benefited from microfinance

banks while the remaining 29 percent have not benefited from microfinance bank.

As the name implies micro-credit, it is evident that a majority of the respondents that have access to and benefited from microfinance bank got below 100,000 Naira, this accounts for about 79 percent, the remaining 21 percent got more credit probably due to creditworthiness and, or social status. It is also observed that most of the respondents that got credit from the microfinance banks in the study area used the money for business, this comprises about 90 percent of the respondent that got credit while the remaining 10 percent used the credit for other measures. 79 percent of the respondent with credit also admit to paying back the borrowed funds through the business.

On microcredit usage, at least 80 percent of the respondent with a minimum of primary education believes that access quality to microfinance is either very good or good from the same population of at least universal basic education only about 3.51 percent believed that access quality to microfinance usage is poor or very poor (Table 5). In the same vein, about 80 percent of the respondent with universal basic education found micro-credit usage useful in productivity and less than 2 percent found it not to be useful

Table 4: Percentages of Micro-Credit Activities by educational level

Variables		Educational Level				
		No-Educ	Primary	Secondary	Post - SEC	Total
Micro-Credit Awareness	NO	3.66	4.63	4.39	0.98	13.66
	YES	12.68	47.32	14.15	12.20	86.34
Benefited from any micro-credit	NO	4.63	14.88	6.34	3.41	29.27
	YES	11.71	37.07	12.20	9.76	70.73
Amount borrowed in 000	< 100	15.66	44.13	11.39	7.47	78.65
	100-500	0.71	2.14	4.98	4.63	12.46
	> 500	0.71	5.34	0.71	2.14	8.90
Credit Usage	Business	16.67	46.38	15.94	11.23	90.22
	Property	0.72	2.90	0.00	1.81	5.43
	Personal Use	0.00	2.17	0.72	1.45	4.35
Method of Credit Repayment	Savings	3.56	5.34	1.42	2.49	12.81
	Borrowing	0.00	2.14	0.00	0.00	2.14
	Sales of Asset	2.851	1.42	1.42	0.71	6.41
	$ from Credit	9.25	44.13	14.23	11.03	78.65

Table 6 shows a continuation of how microfinance credit was used by respondents in the study area concerning assets purchased for their businesses, while about 69 percent of the educated respondent (respondents with universal basic education) purchased assets for their business and another form of assets, about 24 percent of the respondent with universal basic education did not purchase any form of a physical asset.

Table 5: Percentages of Micro-Credit Usage by educational level

Variables		Educational Level				
		No-Educ	Primary	Secondary	Post - SEC	Total
Access Quality	V.Good	11.23	21.05	6.32	3.51	42.11
	Good	3.51	27.72	11.23	9.82	52.28
	Poor	2.11	1.40	0.00	0.00	3.51
	V.Poor	0.00	1.40	0.00	0.70	2.11
Useful in Productivity	YES	14.55	50.55	16.73	14.55	96.36
	NO	1.45	0.73	1.45	0.00	3.64

Table 7 shows descriptive analysis of the respondents beliefs about the performance of microfinance banks in the study area, 100 percent of the respondent both with universal basic education and without believed that micro-credit has helped in some way to help improve their profit. When asked if microfinance banks have been of any benefit to them 57 percent of the respondents with basic education agreed to that, 26.10 believes that microfinance credit has not been of use to them. Further descriptive analysis was also conducted on how much income is generated from the business, how profit is utilized by the respondent and the overall access performance to micro-credit, about 68 percent of respondents believed that the overall access performance is either very good or good, 13 percent of the respondents who have no basic education also agreed with the 68 percent while the remaining respondent of about 19 percent believed otherwise.

Table 6: Percentages of Micro-Credit Usage by educational level

Variables		Educational Level				
		No-Educ	Pri -Educ	Secondary	Post -SEC	Total
Did you Purchase any physical asset	YES	13.53	34.96	13.53	10.15	72.18
	NO	3.01	17.67	2.26	4.89	27.82
Asset Purchased	Land	4.17	2.60	2.08	5.73	14.58
	House	0.00	6.25	5.21	0.00	11.46
	Vehicle	2.08	10.94	0.00	1.04	14.06
	T. V	1.04	0.00	1.04	0.00	2.08
	Radio	3.13	0.00	0.00	0.00	3.13
	Machine	6.25	19.79	5.21	3.13	34.38
	Others	2.08	8.85	5.21	4.17	20.31

Table 7: Percentages of Micro-Credit Performance by educational level

Variables		Educational Level				
		No-Educ	Primary	Secondary	Post -SEC	Total
Help Increase Profit	YES	15.83	52.52	17.99	13.67	100.00
	NO	0.00	0.00	0.00	0.00	0.00
Is it of Benefit	YES	10.24	35.12	12.68	9.76	67.80
	NO	6.10	16.83	5.85	3.41	32.20
Income generated from Business	7500 Below	0.00	3.69	1.84	0.92	6.45
	>7500-15000	0.00	5.53	0.92	0.00	6.45
	>15000-22500	7.37	12.44	4.61	1.84	26.27
	>22500-30000	12.90	30.41	7.37	10.14	60.83
Profit Usage	Non-business	9.92	31.82	13.22	9.09	64.05
	Business	0.83	11.98	1.65	4.13	18.60
	Both	5.79	5.79	4.13	1.63	17.36
Access Performance	Fair	1.53	13.74	2.29	0.76	18.32
	Good	6.11	24.81	12.98	8.40	52.29
	V.Good	7.63	12.60	3.82	5.34	29.39

From our logistic regression estimates above (see Table 8), it is evident that the relationship between the dependent variables and the collection of explanatory variables are a mix of positive and negative; Primary education, income generated from a business, method of repayment and consumption pattern have negative coefficients while the remaining explanatory variable have positive coefficients. The intercept (that is constant – C) suggests that without access to microfinance; the poverty status of the households is negative and significant at the 10

percent level. This is so with -4.68 coefficients and 3.151 Wald statistics coupled with 0.076 probability values. Looking at the collection of socio-economic variables employed for the analyses; two variables such as the amount borrowed and house ownership at the 10 percent level of significance.

Table 8 – Binary Logistic Regression Estimates.

Variable	**Coefficients**	**Wald statistics**	**Signific. (Prob.)**
C	-4.28	3.151	0.076*
Primary Education	-1.826	7.479	0.006*
Secondary Education	20.570	0.000	0.997
Post-Secondary Education	2.531	5.006	0.025*
Method of Payment	-0.144	0.722	0.395
Consumption Pattern	-0.402	0.554	0.457
Amount Borrowed	0.621	3.418	0.064*
Marital Status	2.416	19.975	0.000*
Occupational Status	3.110	16.681	0.000*
House Ownership	1.457	3.115	0.078*
Income Generated from Business	-0.392	1.467	0.226
Adj. R2	0.51		
Log Likelihood Ratio	122*		

Source: SPSS Output Note: Dependent variable is Poverty Status (Access Performance); b – Zero because redundant; * denotes significance at 5% or 10% level and hence 95% and 90% Confidence level of estimates.

A set of dummy variables was generated from the education variable. This was divided into No formal education, Primary Education, Secondary education and Post-secondary education. For the case of this analysis, the lowest class was dropped for comparison purposes (no formal education). Secondary education with a coefficient of 20.570 and Wald statistics of 0.000 and a p-value of 0.997 indicates that there is no statistical difference between people with no formal education and respondent with

secondary education. The analysis also shows that there is a statistical difference between the level of poverty of respondents with primary education and respondents without primary education. With a coefficient of -1.826, Wald statistics of 7.479 and P-value of 0.006, this indicates that respondents with primary education are less likely to be poor compared to people with no formal education. Table 9 also shows that there is a statistical difference between respondents with post-secondary education and respondents with no formal education. The result is positive and significant at 5%. This shows that poverty is likely to be more among respondent with post-secondary than the respondent with no formal education.

Specifically, the amount borrowed has a coefficient of 0.621 with a Wald statistics value of 3.418 and a P-value of 0.064. This suggests that the amount borrowed is positively related to poverty reduction of the people of Oriade LGA of Osun state since as the amount increases, the poverty reduction becomes larger. For the other control variables such as the level of marital status, occupational status, consumption pattern and income generated from a business, while consumption pattern, income generated and method of payment are negatively and insignificantly related to poverty reduction of the people with coefficients of -0.402, -0.392, and -0.144 respectively. These are insignificant with 0.457, 0.226, 0.395 and 0.554, 1.467, 0.722 Wald statistics respectively.

In submission, the coefficients of determination or squared coefficients of correlation (Pseudo R^2) are relatively fair. For this binary logistic regression estimates, Pseudo R^2 has a value of 0.51. This shows that the independent variables have substantially explained the movements in the dependent variables with 51 percent strengths in individual cases with other percentages left to extraneous factors which are outside the focus of our study. Besides, the significances of these coefficients of determinations (Pseudo R^2) are

confirmed by the model fitting information with log likelihood ratio of 122 which is highly significant. This indicates that the choice of our dependent and independent variables has not been mistaken, lending more support to the estimates obtained. This is so as these values of observed or computed log-likelihood ratio are far greater than their theoretical counterparts. More so, the standard errors of estimates are negligible for all the cases, indicating that the confidence level of all the assertions made above is true to statistical significance. From the foregoing, these statistical findings largely converge with the descriptive analyses of frequency and percentage distribution done in part one and part two of this work.

SUMMARY AND CONCLUSION

This study investigated the impact of access to micro-fund through the microfinance institution on poverty reduction in Nigeria taking a collection of socio-economic characteristics and thus observing the changes in the poverty status of individuals, businesses, and micro-enterprises in this LGA due to access to this microfinance type of fund both on their living conditions and economic empowerment. The technique of analysis is logistic discrete modeling where the poverty status is assumed of either poor or non-poor while the series of socio-economic characteristics include education, marital status, method of payment, amount borrowed, etc. This study considers a micro aspect of financing towards the reduction of poverty. The study seeks to thoroughly investigate the status of the majority of poor in society and investigate how financial institutions attempt to address their needs and economic improvement. Sequel to this, it will interest present researchers in this field and possibly encourage future researches that a high rate of interest does not necessarily dissuade people from accessing financing options; not even micro-financing.

This study concludes on the position that, as expected, the method of repayment and income generated from business are two major factors militating against the effectiveness of microfinance in reducing poverty among various micro-economic agents in society. Of more significance is the consumption pattern of individuals which is also negatively related to poverty reduction. These findings tend to follow standard economic propositions and lend credence to the bane of microfinance institutions in a developing economy such as Nigeria.

More so in terms of education, it was observed that there is no statistical difference between people that have no formal education and people with secondary education when it comes to poverty level. While on the other hand, there was a statistical difference between respondents with primary education and respondents without any formal education. That is, we can suggest as expected that education plays a significant role in poverty alleviation.

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