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MICROCREDIT SCHEME AND MILLENNIUM DEVELOPMENT TARGET OF POVERTY ERADICATION IN NIGERIA: A CASE OF ILORIN METROPOLIS

Rilwan O. Sakariyah, Wasiu O. Ibrahim* and Bilqees A. Abdulmumin**

Abstract

This study examines the role of microfinance banks in the attainment of the Millennium Development Goal target of poverty eradication in Nigeria. Other specific objectives of the study include assessment of the impact of microfinance banks in the mobilization and disbursement of funds among the poor; examining the role of microfinance banks in improving the standard of living of the poor and an assessment of the roles of microfinance banks in promoting the financial success of their customers. The study purposively sampled three microfinance banks in Ilorin metropolis, Kwara State. A total of ninety copies of questionnaire were administered on both staff and customers of the three sampled microfinance banks and upon completion, only sixty were found to be worthy of use. The inferential statistics used for data analysis was the Kruskal-Wallis test. From the hypotheses tested, it was revealed that microfinance banks have been instruments for mobilization and disbursement of funds among the poor. However, MFBs have not improved the standard of living of their customers and they have not contributed to the financial success of their customers. Based on the results of this research work, it was concluded that MFBs have not significantly contributed to the attainment of the MDG target of poverty reduction in Ilorin metropolis. The study therefore recommends that the Central Bank of Nigeria strictly monitor the disbursement of funds by the MFBs to ensure they are granted to deserving low income earners and the rural poor. Also, the CBN must consider fixing low Monetary Policy Rate for the MFBs separate from the conventional commercial banks. .This will allow MFBs grant credit to their customers at a very low interest rate.

Keywords: Microfinance, MDGs, Poverty, Poverty Alleviation, Ilorin

Introduction

A major challenge facing global economies today is the increasing level of povert Alleviating poverty has become a serious concern for international agencies a development experts. Taiwo (2012) observed that poverty eradication occupied the cen piece of major international summits in the 1990s and drew attention of global leaders, th necessitating the need for it to top the list of Millennium Development Goals (MDG Ravallion & Bidani (1994) defines poverty as lack of command over basic consumpt needs; that is, a situation of inadequate level of consumption; giving rise to insufficient fo clothing and shelter. Poverty is most often measured in monetary terms, captured by lev of income or consumption. According to the World Bank's much cited "dollar-a-d international poverty line, which was revised in 2008 to $1.25 a day in 2005 prices, there still 1.4 billion people living in poverty (United Nations, 2010). However, poverty is only described in monetary terms, but also as a deprivation of access to sound educat health care facilities and other basic needs of life.

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The Nigerian financial system is composed of both the formal and informal sectors. A critical function of the monetary authorities is ensuring the successful integration of the informal financial sector into the formal financial sector so as to promote financial inclusion in the country. Financial inclusion is a state at which every eligible individual or company has access to formal financial services without barrier. Inability to access these formal services is a state of financial exclusion and it is prevalent in the informal sector which consists of people in the rural areas and a relatively small percentage in the urban areas that do not have access to the formal financial services provided by the conventional banks. Hence, financial exclusion refers to a situation where eligible individuals or firms do not have access to the various banking facilities available resulting to increase in the poverty level of the economy. As a result of the poverty menace ravaging most economies of the world, especially those of the developing economies, and in a bid to extending formal financial services to the excluded rural poor, the Federal Government of Nigeria through the monetary authorities identified microfinance as the solution and consequently, the microfinance policy and framework was officially launched in 2005 by the Central Bank of Nigeria (CBN).

Robinson (2001) defines microfinance as a way of improving the standard of living of poor individuals by engaging them economically through the provision of small funds. It involves the provision of financial services to the low income group, rendering of financial advisory services and management of limited resources of the poor. The uniqueness of microfinance banks lie in the fact that they do not require asset based collateral before loans can be advanced to their customers. When compared with the commercial banks, microfinance banks are closer to their customers because they also render technical advice to their customers so as to enhance proper utilization of the funds advanced to them. There is a palpable global concern for the eradication of poverty in Africa and Nigeria being the most populous nation in Africa is a major attraction. A recent statement by the World Bank president, Dr. Jim Yong Kim, observed that Nigeria is home to 7percent of the world's poor people (Vanguard, 2014). As a matter of fact, the United Nations listed Nigeria among countries where extreme poverty is prevalent. Furthermore, reports from the United Nations Human Development Report (2010) show that Nigeria has since become the poorest and most deprived OPEC country as far back as 1990. The implication of this report suggests that among oil exporting countries, Nigeria ranks very low in both human and infrastructural development indices and the chances of drastically alleviating poverty and achieving other Millennium Development Goals (MDGs) is bleak. It has been observed that between 1970 and 2004, several government initiatives were set up aimed at reducing the level of poverty and promoting financial inclusion in the country. These programmes however could not be sustained due to poor repayment records and inefficient administrative structures (Taiwo, 2012).

Despite the emergence of microfinance banks in 2005, scholars have argued that these banks have not been able to significantly reduce the poverty level in Nigeria. For instance, Agba, Stephen & Festus (2010) assert that poverty level in Nigeria is increasing in the face of many microcredit schemes. They opine that critical among the reasons why microfinance banks have not been able to significantly reduce poverty in Nigeria is the insufficiency of funds disbursed by the microfinance banks. There are many poor people who compete for the limited available financial resources of the microfinance banks thereby leading to a situation where only few successful individuals can access the funds available. Furthermore, funds available for the operations of the microfinance banks are limited, thus, in a bid to meet the demands of their customers, microfinance banks resort to borrowing from the commercial banks at high interest rates and consequently, pass the high interest rates to their customers (including the poor). In reality, the poor cannot afford this, and so the banks disburse their loans to individuals of high net worth thereby ignoring the poor and the low income earners who are their major targets and reason for establishment. A major fact remains that most Nigerians, especially the poor have lost confidence in the banking sector and as a result prefer to borrow from friends and family and even carry out the safe keeping of their funds themselves rather than engaging banking services for proper utilization of their funds. Moreover, they see microfinance banks as conventional banks that require collateral for loan, high interest rates, high transaction cost and comprehensive loan processes. Another major setback is the infrastructural facilities required by microfinance banks for efficient and effective business operation. These facilities however are not readily available, and they serve as extra cost to the banks thereby reducing their income substantially. It is as a result of the afore-mentioned that this study sought to examine the extent to which microfinance banks have helped in alleviating poverty in Ilorin metropolis, Kwara state. Other objectives sought to be achieved are: to know whether the microfinance banks have been able to provide the necessary finance needed by the active poor and to ascertain the extent at which microfinance banks have contributed in improving the standard of living and enhancing the financial success of the poor.

Literature Review

Conceptual Issues: Microfinance, Poverty and Poverty Alleviation

The general notion of microfinance is not unconnected with the history of conventional commercial banks in Nigeria; it had operated long ago in disguise of an informal financial institution locally known as "Adashi" and "Esusu", a means of providing micro credit traditionally to improve people's access to credit and for the development of their business. Theoretically, microfinance is a term which describes the provision of financial services to the little or low income earners with a view to improving their businesses and living standards. These micro financial services include credit, savings, insurance and other financial services. Microfinance can also be referred to as a source of financial services for small business owners lacking access to banking and other related services. David (2007) asserts that microfinance is quite distinct from the intermediation of the formal financial sector because it is specifically targeted at the low income earners who do not have access to credit for their income generation or product activities.

There is no generally acceptable definition of poverty as several definitions have been used to describe the word poverty. It has been defined in several ways by different authors, organizations, countries depending on how it applies to them. Its definition depends on the peculiarity of the usage and standards set by the user. In most cases, the income or consumption poverty line approach is generally used to define poverty. According to United Nations Development Program (2010), about 2.7 billion people are considered to be living in extreme poverty. Extreme poverty is defined as living on less than 1 US Dollar per day (Appa, John and Soreh, 2012). Poverty can also be viewed from the perspective of material possession; in other words, it is a state of complete lack. It also covers a range of non-material conditions, such as lack of right, insecurity, powerlessness and indignity. The International Labour Organization describes poverty as a condition characterized by absence of basic amenities which include: food, shelter, clothing, housing, health, education, water, sanitation, thereby constraining individuals from the ability to exercise rights, share power and lend their voices to the institutions and processes which affect the social, economic and political environments in which they live and work (Charles, 2010).

Poverty alleviation is a conscious effort taken by governments, institutional investors, financial institutions, international financial institutions and organizations, policy makers, non-governmental organizations, informal institutions and others to reduce poverty among the poor by improving their living conditions in form of provision of access to credit, creation of jobs, provision of social amenities and provision of health care facilities. In a broader sense, poverty alleviation does not mean complete eradication of poverty among the poor, but reducing or making poverty less severe to the barest minimum (Punch, 2014).

Review of Programmes Initiated by Nigerian Government to Alleviate Poverty

Economic growth and development of any nation can be achieved or enhanced through financial inclusion. Provision of relevant financial services at bearable cost to the productive sector of an economy stimulates growth, creates job opportunities and ultimately eliminates poverty. Despite the growing number of microfinance institutions in Nigeria, the poverty rate continues to increase due to lack of access to financial credit by the low income earners. Research has shown that about 35percent of the Nigerian population is served by the conventional banks while the remaining 65percent populace is financially excluded as a result of their inability to provide asset based collateral to obtain loan from banks (Lois, 2007). In other words, vast majority of Nigerians who fall into the bracket of financial exclusion can be largely described as being poor people who are unemployed, dependent, or in fact lack the financial capability to transform their entrepreneurial skills into economic activities. Hence, as a result of the increase in the scourge of poverty among the financially excluded citizens and the zeal on the part of government to combat and alleviate poverty, the Nigerian government introduced so many programmes. More so, in order to enhance the flow of financial services to the active poor in the country, the federal government of Nigeria in time past had initiated a series of publicly financed micro credit programmes and policies targeted at the poor that include: Rural Banking Scheme, Peoples Bank, Operation Feed the Nation (OFN), Green Revolution, Nigerian Bank of Commerce and Industry (NBCI), Nigerian Agricultural and Cooperative Bank, Nigerian Economic Reconstruction Fund (NERFUND), Nigerian Directorate of Employment (NDE), Family Economic Advancement Programme (FEAP), Poverty Alleviation Programme (PAP), Nigerian Industrial Development Bank (NIDB), Bank of Industry (BOI), Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), Community Banks. It is noteworthy to reveal that many of these programmes and policies did little or nothing in the fight against poverty due to inadequate funding, poor management, non performing loans and a host of other factors. As a result, many of these programmes went into extinction or becam dysfunctional (Taiwo, 2012).

Contributions of Micro Finance Banks MFBs in Attaining MDGs Target of Poverty Alleviation

As earlier stated, the underpinning thrust of institutionalizing MFBs in Nigeria is to contribute towards the elimination of extreme poverty and hunger among the poor. This position is in conformity with the unanimous decision taken at the United Nations Millennium Summit in 2000 aimed at changing the global status of poverty by setting a target under the Millennium Development Goals (MDGs) to halve the world poverty level by the year 2015. All countries of the world were required to key into these MDGs idea. In order to achieve the Millennium Developmental Goals (MDGs) of halving the world poverty level, microcredit was seen as a powerful tool that can be used in reaching out to the poor and thus reducing poverty in the country. The emergence of a sustainable microfinance sub-sector in Nigeria became a strategic priority for the Central Bank of Nigeria (CBN) in achieving the Millennium Development Goals (MDGs). Achieving this objective has been enunciated in several ways. For instance, since the inception of microfinance banks in 2005, a lot of micro financial services (such as money transfer activities, insurance, credit provision, door-to-door daily contribution and mobilization of savings) have been engineered by these banks in reaching out to the financially excluded people in the rural poor. Taiwo (2012) observed that 21 per cent of borrowers managed to lift their families out of poverty within four years of participation in microfinance scheme and extremely poor conditions declined from 33 per cent to 10 per cent among participants. Oketikun (2013) in support of this affirmed that the sector is gradually gaining momentum as more Nigerians are beginning to gain increased confidence in the sector. The microfinance sector can be said to have contributed largely in the financial inclusion programme of the CBN with the opening of over four million accounts as at 2014. For instance, the management of Lift Above Poverty Organisation (LAPO), a microfinance institution situated in Ilorin says it has provided financial services worth over 1billion naira to a total of 21,019 poor farmers under its agricultural credit programme between 2009 to 2011 (Idris, 2013). From the above, it can be said that microfinance services in the country have reasonably helped to reduce poverty among the poor people since inception.

Apart from the provision of credit to the poor to start or expand their businesses, MFBs have also engaged in empowerment programmes for their customers. As posited by Oketikun (2013), the sector has not only provided the supply of financial access but is also doing some work in the area of empowering the customers to be well informed on what to demand for. With the empowerment programmes, MFBs would begin to make more meaningful impact in the economic lives of their customers.

Amaka (2010) suggests that microfinance banks and the conventional commercial banks should collaborate effectively in the aspect of empowerment programme so as to create jobs and eliminate poverty drastically in the country. This can best be executed through the establishment of vocational centres in the rural areas. Furthermore, microfinance activities have assisted the poor and their clients through the provision of a training platform to their customers before giving them loans. This engenders proper utilization of the loans thereby expanding their customers' businesses with larger profits that will benefit both the customer and the bank during repayment.

Contributions of the CBN towards Enhancing the Operations of the Microfinance Banks

The core essence of the establishment of microfinance banks is to contribute significantly in the alleviation of poverty in the country. This goal is however hampered by social, economic and cultural factors thereby necessitating the intervention of the Central Bank. The contributions of the Central Bank of Nigeria (CBN) towards sustainable development of microfinance banks can be encapsulated within the three dynamic functions of the CBN. These functions are the traditional function, the regulatory function and the developmental function.

The Traditional Function

The CBN in a bid to rendering its traditional function has done so much in promoting the operations of the microfinance banks. Since the inception of microfinance banking in Nigeria in 2005, the CBN has overtime constituted Committees to examine the extent of performance of the MFBs and proffer germane recommendations that would engender public confidence in the MFBs. Fabanwo (2008) asserts that such Committees provide the platform for interaction between the regulators and the operators in the microfinance sub-sector and comprises the Managing Directors/CEOs of all MFBs and officials of the regulatory agencies. Furthermore, the CBN on annual basis organizes microfinance conferences and seminars where issues pertaining to the operations of the microfinance banks are being discussed and reviewed, and awards are also presented to deserving outstanding microfinance banks. Organizing conference and seminars has encouraged MFIs to obtain the necessary capacity to acquire general skills necessary to bridge the immediate general gap required for effective growth and development, to gain from the global pool of knowledge in microfinance activities and to provide necessary knowledge to enable the MFIs improve their services and adopt international best practices (Acha, 2012).

Regulatory Function

Due to the failure of the previous programmes and policies of the government towards alleviating poverty, the CBN as a regulatory agency conceived the idea for the formulation of a microfinance policy in 2005. The policy required all the hitherto licensed Community banks to convert into Microfinance banks in either of two categories within 24 months of approval of the policy. The two categories were: Microfinance banks licensed to operate as unit banks which are expected to be community based and have a minimum paid-up capital of N20 million and those licensed to operate in a state, and thus have more than one branch with a minimum paid up capital of N1 billion. Apart from introducing the microfinance policy, the CBN further mandated the succeeding Microfinance banks to make soft loans available to Small and Medium Scale Enterprises (SMEs) operators in the country (Olufemi, 2014). This was with a view to ensure that adequate loans are provided to boost the production base of the economy thereby creating jobs and eliminating poverty. In order to enforce the provisions of the microfinance policy, the CBN stipulates punitive measures against any erring MFB who diverts its funds to non-productive channels. Umaru (2014) revealed that as at 2014, about 83 MFBs had their operating licenses revoked by the CBN for improper conduct, illicit operations and illiquidity. Ben & Abel (2011) posit that the CBN's policy to reposition the then existing Community banks by directing that they converted into Microfinance banks as provided for in the National Microfinance Policy, Regulatory and Supervisory Framework was timely and commendable. They further note that the policy has helped to rejuvenate the utmost commitment of the Federal Government towards combating poverty as observed in the effective manner of operations of the Microfinance banks.

(iii) Developmental Function

The developmental function of the CBN in promoting MFBs in the country is enormous. In 2007, in order to cover the wide underserved and unserved market of the MFBs, the CBN collaborated with the German Technical Cooperation (GTC) to organize an international course on "Microfinance Banking" for MFBs. To achieve wider outreach, the training programme was held in three geo-political locations in the country; namely Kaduna, Ibadan and Owerri. The programme was organized to sensitize the operators of Microfinance institutions and Community banks to the principles and management skills of microfinance (Olaitan, 2007). Acha (2012) asserts that the CBN overtime organizes training programmes for regulators, promoters and practitioners at subsidized rates so as to reduce the burden on the banks. CBN pays 60 per cent of the cost of training the management staff of MFBs with the aim of improving capacity in the industry. This programme which is being run by the CBN in collaboration with Nigerian Deposit Insurance Corporation (NDIC) engendered sound operations among the MFBs (CBN, 2014).

Theoretical Background

Many theories have been advanced in literature to explain causes, effects and way out of poverty as well as the roles of financial institutions in alleviating poverty. An attempt is made here to review some of them. The theories adopted for this study are: Social Structural Failure Theory of Poverty and Financial Liberalization Theory.

Social Structural Failure Theory of Poverty (SSFTP)

The Social Structural Failure Theory of Poverty (SSFTP) was propounded by Mark, Hong & Thomas (2003). The main thrust of SSFTP revolves around the idea that social structura failure is the major cause of poverty in society. Failure of social and economic structure contributes heavily to the incidence of poverty in society. Social structural failure theory o poverty emerged with a view to correct societal impression that a person is poor because o personal traits which in turn have caused the person to fail. SSFTP thus opposes the opinio that a person is poor because of personal traits such as laziness, educational attainment an others. For instance, the failure of the job market to provide adequate jobs with high pay tha can cater for the wellbeing of households could result to poverty (Agbaeze & Onwuka

2014). SSTFTP posits that minimal net of social insecurity in society is caused by social structural failure, and this is a significant contributor to poverty. It suggests that poverty can be reduced in society by strengthening institutions that create high paying jobs. It includes the establishment and maintenance of social safety framework that provides welfare services to members of society (Rank, Yoon & Herschl, 2003). This theory is relevant to this study because the emergence of microfinance banks was meant to be a social structure that should assist in granting loans to low income earners and SMEs so as to increase production, create jobs and eventually eliminate poverty.

Financial Liberalization or Repression Hypothesis

Research shows that in the 1960s and 1970s, government intervention in the financial sector was rampant. It was done through setting of interest rates, imposition of high reserves requirements as well as quantitative restrictions on credit allocation. Taiwo (2012) observes that the activities during the period were culminated with low savings, credit rationing and low investment; hence, the so called financial repression. In a bid to address the attending effects of financial repression, Mckinon (1973) & Shaw (1973) proposed the financial liberalization thesis which essentially involves the freeing of financial markets from government intervention and allowing the markets determine the price and allocation of credit. This theory is based on the assumptions of perfect information and profit maximizing competitive behavior by financial institutions. Several channels of transmission have been identified in the literature. This theory has however been criticized by the structuralists and the neo- Keynesians on the basis that financial liberalization hurts economic development and increases the rate of inflation (Akangbe, Olalide & Ajayi, 2012). They further posit that financial liberalization causes an increase in interest rates and manufacturing costs, causing prices to rise. This was further supported by Agbaeze & Onwuka (2014) with empirical data from Nigeria that shows that investments, especially in private sector have not improved following financial liberalization in the country in the late 1980s. The sequencing of the liberalization process as well as the hostile macroeconomic environment has combined to minimize the expected benefits of financial liberalization. This theory therefore is relevant to this study as past policies and programmes of the government aimed at reducing poverty had failed and as a result prompted the need for the establishment of the microfinance policy in 2005.

Empirical Evidences

Despite several empirical studies conducted to evaluate the impact of microfinance on poverty alleviation, no consensus result has been reached. Some studies found that micro credit had positively impacted on poverty (Agba et al., 2010; Ben & Abel, 2011; Yahaya et al., 2011) while others concluded that microfinance is being faced with some shortcomings which have hindered it from reducing the menace of poverty (Atoyebi, Ijaiya & Jaiya, 2010; Abiola, 2012; Jenyo & Ola, 2014).

Okunnu, Adeyemi, Yusuf & Idowu (2010) assessed the impact of microfinance institutions in Nigeria. The area of study included the five (5) divisions of Lagos State namely: Epe, Ikorodu, Ikeja, Island and Badagry. Data were obtained through 100 questionnaires administered in each of the five divisions, and were analyzed using descriptive statistics.

The study concluded that microfinance is not a panacea that converts the poor into the non-poor. Rather, it can be a platform that raises the likelihood of success of the strategies to escape poverty that poor households pursue.

Idolor & Imhanlahimi (2011) carried out a study on the access and impact assessment of Microfinance banks on the rural poor in Nigeria, using Edo state as the case study. The study involved the administration of 1000 questionnaires, of which 900 were retrieved with 850 adequately useable for the study. The study made use of non-probability purposive sampling technique. From their study, it was found that Microfinance banks are failing in the role of development of rural areas, as they have abandoned the rural communities. The study also found out that lending to the poor can be financially viable for microfinance institutions if they are able to successfully make the large number of rural poor as their customer, while empowering them at the same time.

Yahaya, et. al. (2011) examined the effectiveness of Microfinance banks in alleviating poverty in Kwara State, Nigeria. The study used secondary and primary sources of data to collect information generated and 420 copies of questionnaire were randomly distributed to customers of Microfinance banks. Data generated were analyzed using descriptive and inferential statistics such as percentages, mean, standard deviation, t-test statistics and ANOVA. The study concluded that Microfinance banks are critical in helping the active low income earners access credit thereby financially empowering them to be self-employed resulting in the reduction of poverty level in the economy at large.

In the same vein, Appah, et. al. (2012) in their study, an analysis of microfinance and poverty reduction in Bayelsa State of Nigeria used a structured questionnaire with a sample of 400 entrepreneurs in various areas from the three senatorial districts in Bayelsa State (Bayelsa East, Bayelsa West and Bayelsa Central) that were randomly selected. Descriptive statistics, Chi-Square and ANOVA statistical tools were used in testing the hypotheses of the study. The study concluded that microfinance is a very important means of reducing the level of poverty in developing economies like Nigeria and that there is significant relationship between microfinance and poverty reduction.

From the above, it can be deduced that several studies have been conducted on the role of microfinance banks in poverty alleviation. However, many of these studies appear not to have adequately addressed all the major issues of concern. For instance, many of the studies collected data based on stratified sampling method and were analyzed using t-test and ANOVA. The uniqueness of this study lies in the fact that data were collected using the purposive sampling technique since the population considered is large. In addition, the data collected for this study were analyzed using the Kruskal-Wallis non-parametric test since the study involves two populations (staff and customers) with samples drawn from both staff and customers of the selected microfinance banks. Available literature appears to show that no study in the past had been carried out using the same methodology as is used in this study.

Methodology

The research design adopted in the study is the survey method. The survey method focuses on the targeted samples of Microfinance banks in Ilorin metropolis and the customers of these MFBs. Data was mainly from primary sources. The source of primary data was through the administration of questionnaire. The questionnaire consists of multiple choices of close-ended and open-ended questions. For instance, the questionnaire sought to know if obtaining collateral security from customers was a major prerequisite before loans could be granted and to what extent do the customers repay loans obtained.

Ascertaining the population of poor people in Ilorin metropolis may not be feasible coupled with insufficient material resources, the use of purposive sampling was therefore adopted and with the aid of this method, three (3) microfinance banks were selected. A sample of forty-five (45) respondents was drawn from the staff of the three (3) microfinance banks and also forty-five (45) respondents from the customers of the microfinance banks. Therefore, the study administered questionnaires to a sample of 90 respondents from the population and upon return of the copies of questionnaire, a total of 30 copies of the questionnaire for the staff and 30 copies for the customers of these banks were used for the analysis. The technique used in testing data generated from this study is the kruskal-Wallis analysis named after Kruskal & Wallis (1952); it is a non-parametric method for comparing three or more samples that are independent. Since this study considered three Microfinance banks in Ilorin metropolis, this tool is therefore suitable for the analysis.

The test statistics is given by:

$$k = (N-1)\frac{\sum_{i=1}^{g} n_{i(\bar{r}_{i\cdot} - \bar{r})}^{2}}{\sum_{i=1}^{g}\sum_{j=1}^{n_i}(r_{ij} - \bar{r})} \qquad \text{(equation1)}$$

Where:

n_i is the number of observations in group i

rij is the rank (among all observations j from group i

N is the total number of observations across all groups

$$\bar{r}_{i\cdot} = \frac{\sum_{j=1}^{n_i} r_{ij}}{n_i} \qquad \text{(equation 2)}$$

$\bar{r} = \frac{1}{2}(N+1)$ is the average of all the r_{ij}. (equation 3)

Decision Rule:

Reject H_0 if P-value < 0.05 Otherwise do not reject H_0

Data Analysis

Analysis of MFBs' Staff's Data

Hypothesis 1:

H_0: Microfinance banks have not been powerful instruments in the mobilization and disbursement of funds among the low income earners in Ilorin metropolis.

Table 1: MFBs and Customers' Loan Requirements

	MFBs have enough funds to meet customers' financial needs
χ^2	6.261
df	2
Asymp. Sig. (p-value)	0.044

Source: Researchers' computation (2015); Critical Value (α) = 0.05

Since the p-value 0.044 is less than 0.05 level of significance, we reject H_0 which states that microfinance banks have not been powerful instruments in the mobilization and disbursement of funds among the low income earners in Ilorin. This could be as a result of the frequent increase in the minimum capital base imposed on the MFBs by the CBN so as to meet the financial needs of their customers.

Hypothesis 2:

H_0: Microfinance banks do not promote the financial success of their customers in Ilorin metropolis.

Table 2: Provision of Financial Assistance by MFBs and Expansion of Customers' Businesses

	Provision of financial assistance by expand customers' businesses.
χ^2	2.307
df	2
Asymp. Sig. (p-value)	0.316

Source: Researchers' computation (2015); Critical Value (α) = 0.05

Since the p-value 0.316 is greater than 0.05 level of significance, we do not reject H_0 which states that Microfinance banks do not promote the financial success of their customers in Ilorin metropolis.

Analysis of MFBs' Customers' Data

Hypothesis 1:

H_0: Microfinance banks have not been powerful instruments in the mobilization and disbursement of funds among the low income earner in Ilorin metropolis.

Table 3: MFBs and Provision of Credit

	MFBs have enough funds to meet customers' financial needs
χ^2	6.516
df	2
Asymp. Sig. (p-value)	0.038

Source: Researchers' computation (2015); Critical Value (α) = 0.05

Using the Kruskal-Wallis test, since the p-value 0.038 is less than 0.05 level of significance, we reject the H_0 which states that microfinance banks have not been powerful instruments in the mobilization and disbursement of funds among the low income earner in Ilorin metropolis. Hence, the customers are of the same opinion with the staff of microfinance banks that MFBs provide their customers with enough credit needed for their businesses.

Hypothesis 2:

H_0: Microfinance banks have not improved the standard of living in Ilorin metropolis.

Table 4: MFBs Loans and Improvement of Customers' Businesses

	X5: Improvement of customers' businesses from MFBs loans.
χ^2	5.519
df	2
Asymp. Sig. (p-value)	0.063

Source: Researchers' computation (2015); Critical Value (α) = 0.05

Using the Kruskal-Wallis test, since the p-value 0.063 is greater than 0.05 level of significance, we do not reject the H_0 which states that that microfinance banks have not improved the standard of living of the poor in Ilorin metropolis and conclude that loans obtained from MFBs have not improved customers' businesses as well as their standard of living.

Hypothesis 3:

H_0: Microfinance banks do not promote the financial success of their customers.

Table 5: Interest Rates of MFBs and Commercial Banks

	X6: Relatively low interest rates charged b MFBs compared to commercial banks.
χ^2	0.386
df	2
Asymp. Sig. (p-value)	0.824

Source: Researchers' computation (2015); Critical Value (α) = 0.05

Using the Kruskal-Wallis test, since the p-value 0.824 is greater than 0.05 level significance, it implies that we do not reject the null hypothesis (H_0) which states th microfinance banks do not promote the financial success of their customers in Ilor metropolis. This result is an affirmation of the high interest rate charged by microfinan banks which inhibits growth and financial success.

Discussion of Findings

Based on the above output on the analysis of data, it can be asserted that MFBs have n played significant roles in alleviating poverty among the poor people in Ilorin metropol This conclusion is based on the following findings obtained from this research.

MFBs have not improved the standard of living of the poor in Ilorin metropolis. This based on the result obtained from the result of the hypothesis tested in tables 2 and 5 whi reveal that MFBs do not provide tailored banking services to the poor people in Ilo metropolis. This position is in line with the findings of Yunus (2014) when he affirmed t "what we have in Nigeria is not microfinance banking but micro commercial banks".

(ii) It was also generated from this study that MFBs do not promote the financ success of their customers. Although MFBs have advanced credits to their customers shown in tables 3 and 6 but the credits do not promote the financial success of th customers as revealed in the results of the hypotheses tested. It was also established from results of the hypotheses tested that interest rates charged by MFBs are highly discouragi to their customers.

(iii) The study however reveals that MFBs have been powerful instruments in mobilization and disbursement of funds among the low income earners in Ilorin. As can seen from the results of the hypotheses tested in tables 1 and 4 that MFBs have str capital base to meet the financial needs of their customers and they provide adequate cr to their customers as shown from the results of the hypotheses tested.

Summary, Conclusion and Recommendations

This study examined the role of MFBs in attaining the Millennium Development Goals of eradicating poverty by 2015. Micro-financing scheme was identified as a critical tool in achieving this target in Nigeria. However, despite the sound policy framework aimed at promoting microfinance banking in Nigeria, microfinance banks have failed to assist in meeting the millennium development target and as a result, the poverty level in the country still remains high. This study extrapolates that the MFBs have been powerful instruments in the mobilization and disbursement of funds among the poor in Ilorin metropolis but they do not improve the standard of living of their customers as they do not contribute to the financial success of their customers as a result of the high interest rate charged. The following recommendations are therefore suggested to improve the operations of MFBs in the alleviation of poverty.

The need for all stakeholders to help orientate users of MFBs' products on the objectives sought to be achieved by MFBs, which is the elimination of poverty. This is necessary especially at this period when the market is becoming wider and competitive. This will also help to sensitize the financially excluded persons on the benefits attached to obtaining financial assistance from MFBs.

Strict credit risk management policy must be put in place to enhance the capital base of the banks from being eroded. The policy should focus on areas such as outstanding loans, single obligors limit, maturity and loan pricing procedure. Also, loan portfolio should be diversified by avoiding undue concentration to either single borrowers, same geographical location or a group of borrowers with closely related economic activity.

One of the main purposes of establishing MFBs is to assist in achieving the MDG target of eliminating extreme poverty and hunger by 2015. However, the realization of this target is still obscure despite the huge potentials of the MFBs and the efforts of the government. The reason for the drift in target as espoused in this study is as a result of the derailment of the MFBs from their core mission of assisting the low income earners and rural poor who could not access the conventional commercial banks' loans. Hence, the urgent attention of the CBN is required in monitoring the loans and advances granted by MFBs to ensure that they are channeled towards the deserved populace and perhaps, as part of its policy framework, the CBN should list out certain kind of persons or businesses the MFBs are barred from granting credits to.

Furthermore, it is recommended that the CBN places a ceiling on the maximum amount of loan the MFBs can grant to a single person or firm as well as on the maximum interest rate that can be charged by MFBs on certain persons or sectors of the economy, especially the SME and agricultural sectors.

Finally, the CBN is advised to fix separate monetary policy rates (bank rate) for both the conventional commercial banks and the MFBs. If adopted, the monetary policy rate set for the MFBs should be lower as this would encourage the MFBs to charge lower competitive interest rates to their customers after the necessary premiums have been taken care of.

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