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Rural Poverty in Nigeria. The Role of Microfinancing

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Abstract: The study investigates the impact of micorfinancing in alleviation of poverty among rural dwellers. Employing both descriptive and inferential statistical analysis on retrieved data from rural sample, we found that at most 50 percent of our sampled respondent, live relative poverty; absent access to drinkable water, good drainage and waste disposal system, and feed twice a day on a diet dominated by carbohydrate. Investigating for impact, our multiple OLS regression analysis, shows that credit obtained from corporative societies are more significant in the alleviation of poverty than those gotten from microfinance banks, as their effect on poverty was found to have an insignificant effect in the improvement of the welfare/ alleviation of poverty. Which we adduce to the high interest rate charges which the respondent customers report to be on the high side. It was discovered that government provision of infrastructure and sound education are vibrant tools for the alleviation of rural poverty, as both were found to have significant positive effects on welfare. The same was noted for improvement in age. However, that increase in family size (number of children) and prolonged years in a particular occupation (absent innovation and expansion, leading to motononicity) will aggravate the level of poverty. The study therefore recommends, the need to encourage corporative societies; organize workshops for training and innovation, encourage improvement of educational learning and family planning.

Keywords: Microfinancing; Corporative society, Microfinance banks, Poverty Alleviation
JEL Classification: G21, I32

1 Introduction

The National Bureau of Statistics (NBS, 2010) said that – “112.519 million Nigerians live in relative poverty conditions”. (Punch, 14th February, 2012). This is staggering when compared with the country’s estimated 163 million population (69.4% in relative poverty). Apart from the relative poverty index, other poverty measurement standards are absolute measure, which puts the country’s poverty rate at 99.284 million or 60.9 per cent; the dollar per day measure, which puts the poverty rate at 61.2 per cent; and the subjective poverty measure, which puts the poverty level at 93.9 per cent. Instructively, all the four methods used in measuring poverty by the NBS pointed to the fact that there was disconnect between the country’s Gross Domestic Product growth rate of 7.75 per cent and the high poverty rate as reflected in the report contained in the 2010 poverty profile report of the agency. Demographic distribution of poverty deduced from the report, suggest that relative poverty centres more in rural areas standing at 73.2% where the population are majorly agrarian, artisans, and petty traders. The NBS estimates that this trend may have increased further in coming years, if the potential impacts of several anti-poverty and employment generation intervention programmes are not taken into account. (NBS, 2010). Given these threaten figures which are fractions of actual reality, the federal, states and even local governments have augmented the individual households’ efforts in alleviating poverty by drafting, implementing and execution of various policy programmes from the OPN (Operation Feed the Nation), NEEDS (National Economic Empowerment Development Strategies), SEEDS (State Economic Empowerment Development Strategies), the currently running Millennium Development Goal – Vision 2020, and special directives to financial regulatory units into envisaging the behaviour of the sector at attaining this aim of poverty reduction. Targeted as a priority in designed programs and rolling directives, are initiative to set and improve rural empowerment and development programs; as this area accommodated the poorest population of the nation, that rely majorly on agricultural production which the entire country depend on, and the push factors (like absent developmental infrastructures, accessibility to finance, quality education, information, etc) that moves active labour to shift to dense urban area with rising unemployment.

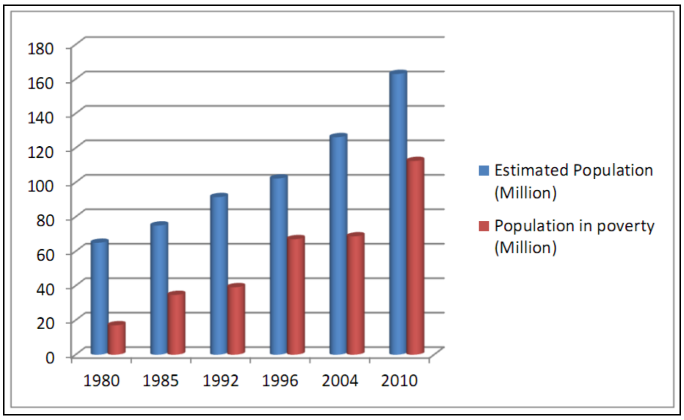
Rural development and empowerment, like in every economic society model depends on capital (purchased with finance) and labour (now migrating); considering a generally credit constrained economy like Nigeria where an average investors suffers rigors in seeking loan given high collateral demand aside other bank credit bias legalities, talk more the rural poor with whipping income, no education, considerable large family size, no available capital incentive or support, pathetic infrastructure and shrinking number of commercial banks branches from the rural villages. One comes to wonder how poverty can ever be alleviated in such setting, or mitigated if the opportunity of development ever comes? Some lights of hopes seem to beam into the condition of the low income investing poor, with the establishment of Microfinance banks and Corporative that specialise in the provision and management of micro-financial credits and credit purchases to encourage and improve the micro-investments, businesses, and ventures of the income of the low group(s), with supposed lower and manageable credit criteria, therein improving household income from improvement in trade, and other lucrative ventures causing an improvement in living standard and a step away from poverty. Fasoranti (2010) has noted that, one of the most crucial problems of rural development is lack of rural credit facilities from the formal financial institution because of their inability to provide required collateral securities.

On the other hand, credit facilities from the formal sectors are often accompanied with high interest rates which make it unprofitable for the poor small holders. Therefore, the introduction of micro finance in the rural areas will go a long way to break the vicious cycle of poverty and hence accelerate the pace of development among the rural dwellers. Arguably, how effective have microfinance been in alleviating rural poverty considering an individual households in rural villages? Do the rural household community find microfinance's more accessible and beneficial as compared to corporative groups? Have micro financing and corporative help groups reduced the poverty incidents in rural villages? What other social and economic factors induces higher rural poverty?

In view of the above problem, set questions, the study sees the need to examining the influence of Microfinance and corporative society groups in alleviating poverty. This study unlike previous works (Aderibigbe 2008; Godwin 2010; Fasoranti, 2010; Jegede 2011) that focus solely on microfinance activities in rural setting aimed at alleviating poverty, omitted the fact that most rural dwellers are mostly illiterate with possible bias over formal financial system or banking, augmented with a deep poverty incidents that may make rural dwellers more comfortable to accessing supports from corporate groups than the micro financial institution. This would possibly reflect not the absence of micro financial institution in rendering financial aid via credit supply, but the perception of rural dwellers to formal financial system that would imply sloppy credit demand and self acclaimed poverty if and when corporative groups are not financially buoyant to support their members and lack access to formal financial aids based on psychological, social, economic or other reasons. To this end, this paper intends to broaden the scope in the study of alleviating rural poverty by incorporating the influence of corporative groups and micro-financial institutions. This paper will be focused on the identification of critical factors that cause poverty in rural Nigeria and the investigation of the extent to which microfinance institutions and corporative groups have helped in the alleviation of poverty.

2 The paradox. Poverty in Nigeria

The National Bureau of Statistics (NBS) recently released poverty incidence figures for 2010, suggests that the incidence of poverty in Nigeria worsened between 2004 and 2010. The report indicates that the number of Nigerians living below poverty line rose from 68.7m to 112.5m (63.7% rise in poverty incidence) during the period while the population rose from 139.2m to 158.6m (13.9% rise in population) over the same period, (See figures 1). Earlier figures on unemployment in Nigeria corroborated this situation as the number of unemployed members of the labour force continued to grow from 12.3% in 2006 to 23.9% in 2011. However, during the same period, the Nigerian economy grew strongly at an average annual growth rate in excess of 6.6%, making the country the 5th fastest growing economy in the World in 2010 at 7.87% real growth rate. ***This is a Paradox!***



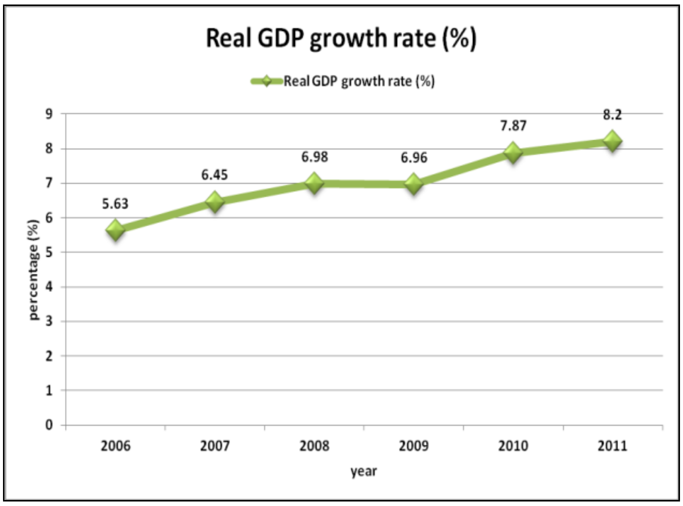


Figure 1. Estimated Population and Population in Poverty from 1980-2010 and Real GDP Growth Rate 2006-2011. Source: NBS, Harmonized Nigeria Living Standard Survey, 2010; CBN, Statistical Bulletin, 2010.

Figure 1 represents the paradox of growth; as it is absurd or contradictory for an entity (in this case a country) to experience growth overtime and within that same period experience deeper poverty and rising unemployment. It conflicts rational economic and social theories as well as historical trends; that as growth in output persist, poverty should reduce. It highlights vividly the structural disequilibrium in the Nigerian economy which has sustained the key productive and high employment sectors below potential while supporting consumerism and rent-seeking.

The incidence of poverty in Nigeria became alarming in 2010 when the Millennium Development Goal (MDG) report for the year suggested that more than 50% of Nigerians lives in chronic poverty. The recent poverty profile report of the NBS for 2010 has now corroborated this position. The report is the outcome of the periodic Harmonised Nigeria Living Standard Survey (HNLSS) conducted by the National Bureau of Statistics (NBS) with support from the World Bank, DFID (UK) and UNICEF. The incidence of poverty in Nigeria appears moderated prior to democratic transition in 1999. As a proportion of the population, 27.2% of Nigerians were living below poverty line in 1980. The poverty incidence did not cross the 50% mark until 1996 when it surged to 65% as a result of the near collapse of the Nigerian economic system. This was a time when economic growth in Nigeria reached its lowest at 2.5% in 1995 and 4.3% in 1996. The high incidence of poverty in the 5-years period of 1995-1999 could be justifiably adduced to the political instability that characterised that period. Democratic rule in 1999 heralded a period of high economic growth built on the back of improved flow of capital into the economy as a result of renewed confidence in democratic rule; a deluge of reforms and liberalisation of the economy for increased private sector participation and financial market efficiency. Real GDP growth surged from an average of 2.54% in the period of 1995-1999 to 11.9% for the period of 2000-2004. Expectedly therefore, the decline in poverty incidence to 54.4% in 2004 from 65% in 1996 is theoretically reasonable. It however conflicts with rational expectation that as the economy settles down to a long term trend of 6.6% from 2005, the incidence of poverty continue to rise. The incidence of relative poverty stood at 69% in 2010 and estimated/forecasted to reach 71.5% of the population in 2011. See table 1:

Table.1 Relative Poverty Headcount from 1980-2010

Year	Poverty Incidence (%)	Estimated Population (Million)	Population in poverty (Million)
1980	27.2	65	17.1
1985	46.3	75	34.7
1992	42.7	91.5	39.2
1996	65.6	102.3	67.1
2004	54.4	126.3	68.7
2010	69.0	163	112.47
Source: National Bureau of Statistics. HNLSS 2010			

The NBS measures four types of poverty incidence: The food poverty measure, which defines proportion of population living on less than 3000 calories of food per day; the absolute poverty measure, which defines those living below a defined minimal standards of food, clothing, healthcare and shelter; the relative poverty measure, which defines those living below the living standards of majority in a given society; and the Dollar per day measure, which defines those living below US$1 per day based on the World Bank's Purchasing Power Parity (PPP) index. In 2010, it was estimated that 66m Nigerians or 40.63% of the population did not have access to 3000 calories of food per day. About 99m or 60.5% of Nigerians are absolutely poor living below humanly acceptable level of food intakes, had no decent clothing and no access to standard healthcare and shelter. 112m Nigerians are also relatively poor, and 99.5m lives on less than a dollar per day. Table 2, indicates the deepening in poverty level in Nigeria from 2004 to 2010.

Table 2: National Poverty Incidence 2003/2004 and 2009/2010

Year	Food Poor	Absolute Poor	Relative Poor	Dollar Per Day
2004	**33.6**	**54.7**	**54.4**	**51.6**
2010	**41.0**	**60.9**	**69.0**	**61.2**

Source: NBS, Harmonized Nigeria Living Standard Survey, 2010

Table 3. Zonal Incidence of Poverty by different poverty measure

Zone	Food Poor	Absolute Poor	Relative Poor	Dollar Per Day
North Central	38.6	59.5	67.5	59.7
North East	51.5	69.0	76.3	69.1
North West	51.8	70.0	77.7	70.4
South East	41.0	58.7	67.0	59.2
South-South	35.5	55.9	63.8	56.1
South west	25.4	49.8	59.1	50.1

Source: NBS, Harmonized Nigeria Living Standard Survey, 2010

According to table 3, across the 6 geopolitical zones in Nigeria, the Northwest had the highest incidence to poverty across the poverty measures. The south west had the lowest incidence of poverty.

Distributing the population into extremely poor, moderately poor and non-poor as depicted in table 4, shows the proportion of the core poor increased from 6.2 percent in 1980 to 29.3 percent in 1996 and then came down to 22.0 percent in 2004. For the moderately poor, the picture was quite different as the proportion recorded increased between 1980 and 1985 from 21.0 percent and 34.2 percent respectively. It went down between 1996 and 2004, from 36.3 percent to 32.4 percent. On the other hand, the proportion of non-poor was much higher in the country in 1980 (72.8 percent) compared to 1992 (57.3 percent) and 1996 (34.4 percent). Although it rose to 43.3 percent in 2004, it dropped to 31 percent in 2010.

Table 4. Relative Poverty: Non-poor, Moderate poor and the Extremely poor, 1980 - 2010

Year	Non-poor	Moderately poor	Extremely poor
1980	72.8	21.0	6.2
1985	53.7	34.2	12.1
1992	57.3	28.9	13.9
1996	34.4	36.3	29.3
2004	43.3	32.4	22.0
2010	31.0	30.3	38.7
Source: NBS, Harmonized Nigeria Living Standard Survey, 2010			

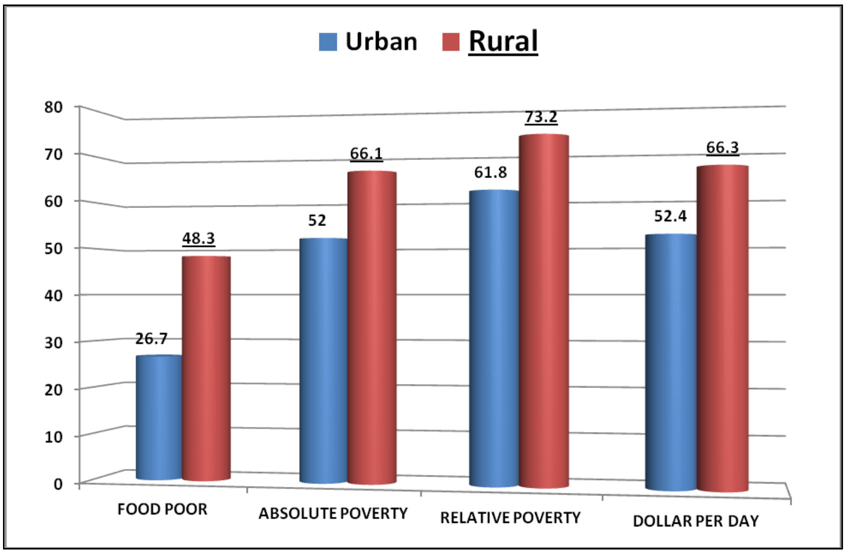


Figure 2. Urban/Rural Incidence of Poverty for Different Measures
Source: NBS, Harmonized Nigeria Living Standard Survey, 2010

Regardless of the range in poverty level as reported by table 4, all measures of poverty strongly indicate a concentration of poverty in the rural areas ad depicted in Figure 2.

The extracted table and chart reported above, clearly shows that irrespective of poverty measure, the root factor of poverty can be located more in the rural areas of the country. At food poverty, the rural area accorded 48.3

percent of food poverty while the urban accounted for 26.7 percent, on a dollar per day comparison; the rural accounts 66.3 while the urban 52.4. The same trend is observable as the rural experiences more poverty overtime; accommodating 73.2 and 66.1 percents in relative poverty and absolute poverty respectively, whereas, the urban stood at 61.8 and 52 percent for the same measures respectively. This strongly serves as the major reason for high rural-urban migration; dense urban city, increasing urban slums, crime, etc.

Alleviating Poverty in Nigeria; Micro Finance Bank And Cooperative

The practice of micro finance in Nigeria is culturally rooted and dates back several centuries. The traditional micro finance institutions provide access to credit for the rural and urban, low-income earners. They are mainly the informal self-help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs). Other providers of micro finance services include savings collectors and co-operative societies. Some informal names for these in Nigeria are "Osusu" in the Western, "Itutu" in the Eastern and 'Adastu" in the Northern parts of the country. This informal financial system generally has limited outreach due primarily to paucity of loanable funds and risk aversion fears by potential investors. Hence it could not make appreciable impact on poverty reduction in the country.

The Nigerian government as far back as 1971 has identified poverty as the bane of rural development in the country. Poverty was found to be a rural phenomenon with 8.4 million of the then 10 million extremely poor being from rural areas (World Bank, 1995). Of course, it is now realized to be an urban phenomenon also, yet our focus is on the rural poor. To enhance micro finance, government has in the past initiated a series of publicly financed micro finance programmes targeted at the rural and urban poor. Such programmes included Rural Banking Programme (RBP) and the Nigerian Agricultural and Co-operative Bank (NACB), Peoples Bank of Nigeria (PBN), Community Banks (CBs), Nigerian Agricultural Insurance Corporation (NAIC), the family Economic Advancement Programme (FEAP) and recently the National Poverty Eradication Programme (NAPEP) (CBN, 2005). But they have not been largely effective (see Imhanlahimi and Idolor, 2010).

In Nigeria, until 1990 when the community - banking scheme was inaugurated, the government had relied much on micro finance provision as a social service that should be based on a top-down non-profit-oriented approach. But with the direction of government macroeconomic policy towards privatisation and commercialization of services since the Structural Adjustment Programme (SAP) introduced in 1986, the obvious focus on credit provision and financial services provision to the poor has been largely private sector driven (Ikeanyibe and Imhanlahimi, 2007). As Ehigiamusoe (2006) maintains: "micro finance is no longer the domain of charity, as Micro finance has emerged as a thriving industry in the country. Most of the traditional informal micro finance schemes in the country operate on the basis of mutual trust and integrity. Despite this important ingredient, it has a high risk of failure. The uncertainty and risk surrounding the business environment often make repayment very vulnerable. Robbers are also prone to attacking potential collectors of the rotating scheme, as no banks exist in many of the rural areas for onward deposition of the fund. In some cases too, the privately run financial schemes have often been an opportunity for dupes to operate and most of them are not experts in fund management such that they end up using the deposit liabilities in running the scheme, thus being unable to pay all depositors at the end of the day. There is also the problem of paltriness of loan-able funds and timeliness, as financial demands are not always met as and at when needed. Above all, most informal financial schemes operate on a short-term basis. But, the needs of the rural sector, which in most cases are agricultural investment, require medium or long-term credits. Despite these weaknesses, the informal structures have continued to be very significant in micro financing in Nigeria as 65% of the economically active population that do not have access to formal financial system are often served by the informal sector (CBN, 2005; Ikeanyibe and Imhanlahimi, 2007). The need for formal financial institutions to complement and transcend the inadequacy of the informal sector is nevertheless, vital. The formal financial institutions are the modernized institutions that operate within the integrated mainstream of national financial system. They include banks and other financial institutions that operate in accordance with the governmental laws establishing and regulating their activities. In Nigeria, these include many specialized and development financial institutions, and even the universal banking institutions (Ikeanyibe and Imhanlahimi, 2007).

The inability of the formal financial institutions to provide financial services and intermediation to both the rural and urban poor, coupled with the nonsustainability of government sponsored development schemes, induced the growth of private sector-led micro finance in Nigeria. However many of them began as non-governmental organisations (NGOs) established for the purpose of eradicating poverty from the rural and urban areas. They depended solely on aids and grants that came from their foreign donors and sponsors. Also, the deregulation of Nigeria's financial sector since 1986 influenced the rapid emergence of non-bank financial institutions, including community banks (CBs), which have been involved in micro financing in Nigeria. These are the institutions or establishments that the government has in the current policy upgraded or provided with an enabling environment to transform into micro finance banks. At the same time, government is actively encouraging more initiatives from the private sector in the establishment of more micro finance banks under the new regulation and the guidance of the CBN. Some of the following can be regarded as formal structures and processes initiated by past successive administrations in Nigeria to increase access to micro finance and credit provision in Nigeria.

- Direct financing and establishment of agricultural development programmes such as Farm Settlement Schemes (FSS) and River Basin Development Authorities (RBDA). The plantation scheme for instance, was established by the colonial administration between 1950 - 60. The aim was to boost the production of export crops like cocoa, palm produce, rubber and timber. Other similar projects abound (Ikeanyibe and Imhanlahimi, 2007).
- The establishment of special financial institutions to provide soft credit facilities to the farmers, large and small scale industries. Some of these specialized financial institutions are the Nigerian Industrial Development Bank (NIDB) established in 1964, the Nigerian Agricultural and Cooperative Bank (NACB) established in 1973 and the Federal Mortgage bank of Nigeria in 1977. These banks were not specifically established to serve the credit needs of the rural dwellers. But as development financial institutions, the rural dwellers were not excluded from their operations. The NACB for instance was designed to promote micro financing of agricultural project. Hence, the rural area being agriculturally centered, naturally would have received the greatest attention and benefits from the operations of this specialized bank. The institutions were expected to provide sometimes training and technical assistance to farmers and industrialists.
- The formation of the National Association of Cooperative Credit Unions of Nigeria Limited in 1970 with the objective of mobilizing savings and disbursing credit to affiliates.
- The establishment of the Small Scale Industries Credit Scheme (SSICS) by the federal and various state governments. The scheme was meant to provide financial assistance in form of matching grants to help small scale industrialists. The sum of two hundred million Naira (N200,000,000) was set aside for this programme in the Fourth National Development Plan of 1981.
- The Rural Banking Scheme of 1977 which, following the Okigbo panel recommendation stipulated that Commercial Banks should open up a specified number of branches in the rural areas.

- The establishment of the Post Office Savings Programme.
- The establishment of Cooperative Banks by various states of the federation.
- The establishment of the Peoples Bank of Nigeria (PBN).
- The establishment of Community Banking Scheme in 1990.
- The establishment of the Family Economic Advancement Programme (FEAP) in 1997.
- The establishment of the Nigeria Agricultural Cooperation and Rural Development Bank Ltd (NACRDB) by the merger of FEAP, NACB and PBN in year 2000 by the Obasanjo Administration; and more recently.
- The launching of the Micro Finance Policy, Regulatory and Supervisory Framework for Nigeria, establishing the Micro Finance Bank (MFB) Scheme on 16th December 2005.

These programmes do not exhaust the efforts made to initiate rural development and poverty reduction in Nigeria, through credit provision. Other development, employment generation and poverty alleviation policies had some of their programmes also targeted in one way or the other to micro finance services. Examples include the National Directorate of Employment (NDE), and the on going National poverty Eradication Programme of the present administration with a key objective of providing financial services to alleviate poverty (Ikeanyibe and Imhanlahimi, 2007).

Cooperative societies have greater role to play in the success of the microfinance policy of the Nigerian Government as Olesin (2007), averred that cooperative societies play an important role in the financial system in many countries especially East African countries by providing micro-credit to members. This is in line with the view of Asaolu (2004) that credit societies should play an important role in Nigeria especially now when Nigeria is undergoing a much awaited economic reforms. There is hardly a country in the world in which the cooperative organization do not exist to perform both social and economic roles, the important roles a cooperative play in an economy cannot be over emphasized (King 1993). According to Akinwunmi (2006) those who introduced formal cooperative settings realized that individual farmers were too small in terms of farm holdings, total production and volume supplied. Cooperative methods are the most practical to adopt to meet the needs of the people in all spheres of development (Ayoola, 2006; Akinwumi, 2006).

Cooperative society is potentially an important instrument of social transformation, especially in the rural areas. Cooperative methods have proved to be useful in achieving increased domestic production of food, industrial raw materials, manufactured products and equitable distribution of farm inputs, farm products and other commodities as argued Epetimehin (2006). Further to this is the view of Olesin (2007) that cooperative societies in Nigeria have for decades resolved some of the financial challenges faced by workers or Low income business owners, by using the power of numbers to provide individual needs from resources pooled together by the collective efforts. The financial challenges were identified to be poverty, low income, high cost of living, inflationary pressures and lack of access to credit. Often overlooked as an association for the poor, cooperative societies have functioned in place of traditional lending institutions to provide microfinance, mortgage facilities and personal loans. This is in line with the view of Asaolu (2004) that credit societies should play an important role in Nigeria especially now when Nigeria is undergoing a much awaited economic reforms. Sometimes cooperative societies are used to promote social unity. As an organization of people, cooperative groups designed to help their members meet their economic and social needs and aspirations. As democratic and participating organizations they encourage equity and equality. For instance, Epetimehin (2006) averred that cooperative enterprises provide the organizational means whereby a significant proportion of humanity is able to take into his own hands the task of creating productive employment, overcoming poverty and achieving social integration.

3 The review of literature

Theory on Finance and Poverty Relationship.
Labour Surplus Theory

The main theory, which goes back to the seminal work by Lewis (1955), is the *labour surplus theory*. It is argued that the driving force behind MSE development is excess labour supply, which cannot be absorbed in the public sector or large private enterprises and is forced into MSEs in spite of poor pay and low productivity. Arguably, the MSE sector develops in response to the growth in unemployment, functioning as a place of last resort for people who are unable to find employment in the formal sector. MSEs are expected to grow in periods of economic crisis, when the formal sector contracts or grows too slowly to absorb the labour force. However, when formal employment grows, the MSE sector is assumed to contract again and thus develops an anti-cyclical relationship with the formal economy. Particular attention has been paid to the behaviour of the MSE sector before and after the introduction of structural adjustment policies; examples include Brand et al. (1995) for Zimbabwe, and Meagher and Yunusa (1996) for Nigeria.

One re-interpretation of the labour surplus theory is the new literature on deagrarianisation, which relates the development of rural non-agricultural activities to the rural surplus labour, which, in turn, either supplements agricultural production with non-agricultural activities or migrants to the urban areas (Bryceson, 1996; Bryceson and Jamal,1997). The effect of such a theory would be similar to that of the theory of commercialisation of the rural areas, namely, a continuous growth in the informal MSE sector. However, there are some empirical problems with the unemployment theory of the growth and development of MSEs. First, there is lack of reliable and adequate data for researchers to test the hypothesis that MSEs absorb surplus labour from the public sector or large private enterprises and the hypothesis that increases in labour demand by MSEs has taken place before or after structural adjustment. Second, for the MSE sector to function as a place of last resort, it must be easily accessible. However, many studies have shown that this is only the case for a handful of MSE activities. It is also sometimes argued that MSEs concentrate on trade because this requires less capital and knowledge than production. While it may be true that production requires more investment capital than trade, small-scale trade is likely to require more working capital than small-scale production in order to secure a certain income. This is partly because value added is lower for the trader than for the producer, and partly because, in small-scale production, the customer will often be required to pay for the materials in advance, while the small-scale trader will have to give credit (probably more often than large formal retailers). Therefore, there are severe limitations to the extent to which the MSE sector can function as a place of last resort during crises.

Output-Demand Theory

The second theory for explaining the development of the MSE sector in developing countries is the *output-demand theory*. The theory postulates that a prerequisite for the development of MSEs is that there is a market for their products and services. Therefore, the MSE sector will tend to develop a cyclical relationship with the economy as a whole. However, MSEs will also develop in competition with large enterprises in the formal sector, and their development will be constrained by formal sector monopolies. Structural adjustment and other policies that limit such monopolies, and attempt to create more competition, will therefore be advantageous to the MSEs, because this may allow them to capture market shares from the large enterprises. Proponents of structural adjustment and stabilisation policies tend to base their arguments on this theory. Empirical studies based on the output-demand theory tend to focus on the upper end of the MSE sector, particularly the manufacturing enterprises and the larger, more resourceful and successful MSEs, which have a potential to grow into the formal economy. These studies propose strengthening of the MSEs through networks or via the creation of forward linkages with the formal economy, for example franchising and sub-contracting. This approach has not had much success in Africa due to problems of poor infrastructure and lack of trust between both parties. This creates an unstable environment and reduces the efficiency of the formal sector and access to factor markets for MSEs; see, for example Liedholm and Mead (1993) and Grierson and Mead (1995). In addition, a modified strand of the output-demand theory links MSEs and the long-run development of the rural agrarian economy in an anti-cyclical relationship, to the detriment of agricultural production (Bryceson and Jamal, 1997). As a result of monetisation, commercialisation and urbanisation, the rural population turns to non-agricultural activities and the money economy. This creates a growing market for MSEs'goods and services.

Firm Growth Theory

The third theory, known as the *firm growth theory*, contends that, as a result of industrialisation and economic growth, MSEs are likely to disappear and be replaced by modern large-scale industry. This theory has, however, been shown to be inaccurate in the sense that MSEs do not normally compete directly with large enterprises; rather, they often tend to remain micro and small, co-existing with large multi-national companies, which phenomenon the World Bank (1989) has identified as the 'missing middle' (Ryan, 2005). For example in a study of Botswana, Kenya, Malawi, Swaziland and Zimbabwe, Mead (1994) found that most MSEs started with one to four employees and never expanded; less than 1% grew to exceed 10 employees. In addition, the MSEs tend to find niches in the factor and input markets where scale economies cannot be exploited by large enterprises. The most obvious activity where these niches exist is in distribution to areas or income groups where their costs would be prohibitively high for large enterprises. However, in a literature survey on macro analyses of micro enterprises in developing countries, Liedholm and Mead (1993) came to the conclusion that macro-level empirical evidence indicates that, as aggregate per capita income increases, there is a systematic pattern of evolution of MSEs towards larger firms based in larger localities, producing more modern products.

Nevertheless, critics of this view argue that analyses on MSE development must take account of differences in their efficiency, the type of influence MSEs exercise in society, linkages between small and large enterprises, the changing roles of women entrepreneurs, differences in the level of education in the labour force and other socio-economic differences.

Empirics

Gurses (2009) conducted a study in Turkey and mentioned that micro finance especially micro credit is a powerful tool to reduce poverty. The author has mentioned that one fifth of the population of turkey was at risk due to the poverty even then it is not a poor country according to global standards. This is due to the introduction of micro credit by two NGOs; KEDV and the Turkish Foundation for Waste Reduction (TISVA).

Moreover the author mentioned that poverty, both in Turkey and all over the world, is not only a function of micro credit but a political problem, and political intervention of the state holds the ultimate resolution to struggle against poverty.

Rena and Tesfy (2006) concluded that micro finance is the founding stone for poverty reduction. Their study showed that there is a fundamental linkage between microfinance and poverty eradication, in that, the latter depends on the poor gaining access to, and control over, economically productive resources, which includes financial resources. Previously implemented programs not produced good results due to the non involvement of the peoples for which the programs was designed (the poor). They suggested that the government poverty alleviation program should be restructured if not re- designed and should be centered on the basic needs'approach. Micro finance is the mean for income generation and the way for permanent reduction of poverty through the provision of health services, education, housing, sanitation water supply and adequate nutrition. In many instances, micro enterprises rather than formal employment create an informal economy that comprises as much as 75 per cent of the national economy.

Gopalan (2007) concluded that micro finance increase the self confidence of the poor by meeting their emergency requirements, ensuring need based timely credits and making the poor capable of savings. The study also shows the credibility of microfinance in health related issues in a positive manner. It has been postulated that by making policy towards income generation and enhancement, ultimately to eradicate poverty alone can improve the health status through better, timely and easy access of health care. The survey shows that peoples do not consider micro finance as a help full tool for health problems. This is shown by the survey that a small portion of peoples take loans for health facilities. When the peoples do not consider it necessary they cannot control poverty and health problems.

Bamlaku (2006), in his study conducted with the objective of investigating the impact of Amhara Credit and Savings Institute (ACSI) in Ethiopia taking a sample of 500 households from five different zones in the Amhara Region. Using different statistical techniques (such as Chi-Square, Paired T-test and ANOVA) and econometric analysis (Logistic Regression), his study found out that the poor have smoothed their income in the study area. However, there was fungibility in the sense that clients were using the loan for unintended purposes. It was also observed that clients lack technical skills to engage in more profitable business activities. This may indicate that financial services alone could not be sufficient enough to raise the living conditions of the poor. Therefore, as a pointer to future endeavors, the current services of ACSI need to focus on business training skills apart from loan provision to help the poor move beyond day-to-day survival and plan for their future. In short, it is important that ACSI facilitates or directly involves in providing 'credit-plus' services to its clients.

Using the assumption of perfect targeting, Khandker (1998) estimated that for every 100 taka lent to a woman and a man, household consumption increased by 18 taka and 11 taka respectively. He indicated that moderate poverty and ultra-poverty were reduced by 15% and 25% respectively for households in BRAC. The rate was even lower for old borrowers than new ones. This is to mean that number of loans was found to be important in impacting the life of clients positively. Strengthening this assertion, Montgomery et al (1996, cited in Zaman, 2001) pointed out that third time borrowers were found to get higher incomes and register growth in their enterprises. Mustafa et al (cited in Zaman, 2001) also found out that older borrowers were found to have greater asset values and household expenditures on average than new borrowers.

Using the same data as Khandker did, Morduch (1998) did not find the same result. Morduch noted that Khandker’s eligibility threshold was flawed. Thus, he used an alternative approach and corrected for the selectivity biases. Eventually, he did not find an evidence to suggest that microfinance can reduce poverty per se. Using the difference-in-difference strategy, he found out that microfinance has proved to be a viable tool towards reducing vulnerability showing that consumption variability was 47%, 54% and 51% lower for eligible Grameen, BRAC and BRDB households respectively. However, he indicated the difficulty he faced to show whether microfinance could increase consumption levels or schooling as compared to control groups in contrast to what Khandker indicated.

Godwin (2010), his study focused on the identification of critical factors that cause poverty this time in Nigeria and the investigation of the extent to which microfinance institutions have helped in the alleviation of poverty. To identify the critical factors, the researcher adapts the data on reasons for poverty generated by National Bureau of Statistics and employed the method of factor analysis. For the purpose of investigating the contribution made by the microfinance institutions in poverty reduction, the researcher uses the method of regression analysis on a quadratic equation model which is found to be most appropriate in explaining the variations between the two variables. Also, the microfinance – poverty trend is presented for analysis. The result of the analysis identifies five factors: low profit, prices of commodities are too high, hard economic times, lack of finance to start or expend their business, and business not doing well, as critical factors causing poverty. The analysis also reveals that the impact of microfinance on poverty in Nigeria can be explained in two phases. The first phase, the take-off stage, sees poverty as increasing though at a decreasing rate as microfinance credit increases. In the second phase, precisely starting from the year 2001, persistent increase in microfinance credit reduces drastically the poverty index in Nigeria. Thus, currently, microfinance credit lowers poverty in Nigeria. The researcher therefore, calls on the monetary authorities to put in place the financial superstructure necessary for making mandatory the establishment of microfinance banks in every community, if poverty will be aggressively fought.

Similarly, Jegede, et al (2011), carried out an empirical investigation on the relationship between microfinance loan disbursement and poverty alleviation in rural Lagos. The sample was tested by employing chi-square test, F-test and T-test. Their findings revealed that there is a significant difference between those people who used microfinance institutions and those who do not use them. They therefore conclude that there is a significant effect of microfinance institutions in alleviating poverty by increasing income and changing economic status of those who patronize them. That microfinance institution is indeed a potent strategy of poverty reduction and a viable tool for purveying credit to the poor. They however, noted that microfinance can be more viable tool for sustainable poverty alleviation if more is done on programme outreach and depth than the present outreach.

Micro finance impact on poverty reduction in Adamawa state, Nigeria was studied by a random selection of 88 beneficiaries of four micro finance institutions through a questionnaire survey by Nudamatiya, et al (2010). Data collected were analyzed using descriptive and inferential statistics. The result revealed that majority of beneficiaries was females constituting about 70% and were in the active age group of between 26-45 years representing about 68%. Also, it was found that the respondents were mostly civil servants with the preferred sectors being commerce and crop farming constituting about 85%. The survey also revealed a regression coefficient of 0.53, correlation coefficient of 0.71 and computed t-test value of 2.16 all showing to the positive impact that micro finance has on the income of beneficiaries. It is therefore, recommended that policy should address issues of inadequate access and high interest rates. It should also concern itself with capacity building in the beneficiaries of micro finance as well as the creation of markets for their products. They recommended that policy should focus on issues of growth and development, which are noted to be critical to the successful use of micro finance as a poverty reduction tool.

Fasoranti (2010), embarked on a study which was conducted in Akoko North West Area of Ondo State, Nigeria examined the influence of micro credit on poverty alleviation among rural areas. The study among other things examined the socio-economic characteristics of respondents, activities of the Ondo State micro credit agency (OSMA) and the influence of micro credit on some selected macroeconomic variables of respondents. Data were sourced with the aid of well structured questionnaires from 120 respondents randomly selected from Arigidi and Okeagbe. The data collected were analysed majorly with the aid of descriptive statistics. Findings show that the incidence of poverty was high among the economically active age bracket as the mean age was 33 years. Result also showed that all respondents acquired formal education as 60% had above primary school education. Also, 39.2% of total respondents had no specific occupation before the inception of the scheme. Moreover, the scheme had positive influence on respondents' major macroeconomic variables namely income, savings, consumption expenditures and asset acquisition. Among other things, the level of poverty was high as reflected in the type of residence, cooking materials, health institutions attended by respondents and educational institutions attended by their children. Generally 20.8, 30.9, 47.5 and 0.8% rated the programme good, poor, fair and excellent respectively. The study recommends a greater coverage of the state by the scheme. Recipients should also be encouraged to reinvest their profits in other productive economic activities.

In as much as most studies presents empirical evidence that indicates that the poorest can benefits from microfinance from both an economic and socio well-being point-of-view, and that this can be done without jeopardizing the financial sustainability of the Micro-financial institutions (Zaman, 2001; Robinson, 2001; Dahiru and Zubair,2008). Some authors have challenged the positive effects of microfinance on poverty alleviation. For instance, Hulme and Mosley(1996) while acknowledging the role of microfinance can have in helping to reduce poverty, concluded from their research on microfinance that "most contemporary schemes are less effective than they might be". They stated that microfinance is not a panacea for poverty – alleviation and that in some cases the poorest people have been made worse-off by microfinance. Also, Adamu (2007) observed that microfinance institutions Nigeria have grown phenomenally, driven largely by expanding informal sector activities and the reluctance of commercial banks to fund emerging.

4 Methodology

The theoretical framework for this study is a ***modified Firm Growth Model***; as it allows for some flexibility and incorporation of other disturbing factor. It embraces both economic and psychological theories. The economic theory argued that the success in any business venture, including microfinance, is determined by the entrepreneurs' ability to access funding, deliver appropriate services and ensure profitability (Remenyi, 2006) which would in turn better the standard of concerned entrepreneur. The psychological theory on the other hand, argued that a species of profit-making private venture that cares about the welfare of its customers can be conceived. In otherwords, it is possible to develop capitalist enterprises that maximize private profits subject to the fair interests of their customers and group members (Mohammed, 1998).

Tentatively, as suggested by Green et al (2002) and given the focus of the study that centres on the effect of micro financing in alleviating poverty in the rural poor, by injecting capital fund into the business of the poor enterprises, thereby making available fund to expand (start) their business at relatively little or no cost, which in turn, if invested properly given existing challenges, should increase business returns, improve income which would cause savings, consumption and reinvestment to increase; all in all, an improvement and growth in the standard of living and fall in poverty level. This can be specified in an augmented production function that emphases the need for capital in the production of goods/services which translates to higher income (fall in poverty). Given a ***"Simple Production Growth Model";*** that Assumes growth in output (income) is caused by increases in capital and labour input overtime to a point of sufficiency/optimality and no more***:***

Given a Simple Cobb Douglas:

$$Q = f(K,L) \qquad (1)$$
$$Q = L^{\beta} K^{\alpha} \qquad (2)$$

Where; Q = Output, K = Capital inputs, L= Labour input, while α and β are the parameter elasticity of K and L respectively.

Equation 2 implies that output is a function of capital and labour. This is restrictive in the sense that it omits the effect induced by technological shift factors that are subjective to environmental, social-economic features, psychological, reformative and developmental changes in the local environment that affects the poor business person i.e. family size, educational level, age, business type, membership to support groups, religion, government support schemes, etc. To this effect, we include a shift variable "A" to augment the activities of labour (as human input is sensitive these shift factors) thus we specify equation 2 as:

$$Q = (AL)^{\beta} K^{\alpha} \qquad (3)$$
$$Q = A^{\beta*} \cdot L^{\beta} \cdot K^{\alpha} \qquad (4)$$

Let $\beta* = \varphi$

Linearizing, equation 4:

$$lnQ = \beta lnL + \varphi lnA + \alpha lnK \qquad (5)$$

Normalizing by dividing through by L; to determine the per labour contribution to output, his (labour's) per use of other factor inputs .i.e. capital; machines, finance, etc., and his individual response to shift factor (i.e. environmental, social and psychological) changes:

$$\ln\frac{O}{L} = \beta\ln\frac{L}{L} + \varphi\ln\frac{A}{L} + \alpha\ln\frac{K}{L} \qquad (6)$$

Where: *Q/L = Q* = growth rate in output per labour input, K/L = K* = growth rate in capital per labour input, A/L = A* = growth rate in shift factor given labour input.*

$$Q^* = \beta + \varphi lnA^* + \alpha lnK^* \qquad (7)$$

If Q^* is output growth narrowed to businesses of the rural poor ($RUR_{Businness}$), which depends on growth in capital and shift factors per units of labour, that is the more capital, and favourable shift factors that promotes business/production, it is expected that the business (economic activity) of the credit constrained poor in the rural area should increase.

$$RUR_{Businness^*} = \beta + \varphi lnA^* + \alpha lnK^* \qquad (8)$$

Where $RUR_{Businness^*}$ is the growth in the business (production) output of the rural poor.
If capital input K^* is restricted to the composition of capital infrastructure (INFst) and capital cash finance from microfinance ($Mico_{finance}$). With the former implying the state and amount of capital infrastructure and amenities available and accessible to the rural poor business man that facilitates smooth operation of his business. i.e. good road, electricity, communication, water supply, and functional institutions. While the latter looks at the channels, access and associated costs of raising fund/capital cash to promote their business; in this case we limit ourselves to micro finance banks and corporative society/support groups.

$$RUR_{Businness^*} = \beta + \varphi lnA^* + \alpha\ INFst + \psi Mico_{finance\ (Banks\ \&\ Corporatives)} + \varepsilon \qquad (9)$$

Where *Φ, α and ψ* are parameter coefficients of the comprehensive variables. $\Phi > <0$, α and $\psi > 0$.
In increase in $RUR_{Business}$ would cause Poverty to fall; that is a better living standard; accelerated business earnings and expansion, higher income, higher savings, higher consumption; feeding, health care, accommodation, e.t.c.

$$Poverty_{Rural} = \beta + \delta\ RUR_{Businness} + \mu \qquad (10)$$

$\delta < 0$ {increase in business/productivity should make poverty fall}. Implicity equation 10 can be expresses thus:

$$Poverty_{Rural} = \beta + \varphi lnA^* + \alpha\ INFst + \psi Mico_{finance(Banks\ \&\ Corporatives)} + \varepsilon \qquad (11)$$

Where *Φ, α and ψ* are parameter coefficients of the comprehensive variables. $\Phi > <0$, α and $\psi < 0$. Implying that improvement in capital infrastructural facilities and accessibility to investable capital cash for business would reduce poverty in the rural area, while the shift factors limited to Age, Family Size, Years of Occupation and Educational Qualification can induce a positive or negative effect on the level of existing poverty.

Data Source

Data for the study will involve primary data collated with the aid of a well structured questionnaire based on established theoretical framework, administered randomly to cover the sample size of the population, from which descriptive and inferential statistical analyses will be based.

Sample Population

The population comprise of Odeda, Abeokuta North and Yewa South local government areas of Ogun Stated, selected from a total twenty local government area in the state. The choices of these three local governments for the study is based first on the fact that they are all rural areas, and secondly, their peculiar statistical ranking positions of rural poor and corporative business activities by the Ogun State Ministry of Corporative and Community Development. The report shows that Odeda Local government is the least of all the local government with corporative micofinancing activities (7,844 members and 128 registered society groups). Abeokuta North Stands the highest (120,573 members and 1,129 registered groups), while Yewa South stood average among the local governments in the counts of local corporative groups with 9,561 members and 373 registered groups. These are only figures of registered groups as the State ministry for corporate and community development recognises the functioning of other unregistered groups in their numbers. {Source: Ogun State Ministry of Cooperative and Community Development (Cooperative Department)} These area are also familiar to the existence of microfinance banks and are hence suitable for the study as an average adult member of the community has a brief idea on the working of micro-finance and corporative groups.

Sampling Procedure and Sample

The choice of a sample size was based on the published table in Isreal Gleen (2012). It provides the sample size for the given set of criteria. The Sample table presents the sample sizes that would be necessary for given combinations of precision, confidence levels, and variability. Noting that the sample sizes reflect the number of obtained responses and not necessarily the number of surveys/ questionnaire administered. Bearing this in mind and our population size of 137,978 (which is the addition of all registered members in the three selected local government) from sample table and a precision level where confidence level is 95% and Percentage error space of 0.07 (±7%); tracing a population size of 137,978 in sample table in appendix, at ±7% level of precision falls above 100,000 (hence a sample size above (204). For reliability, equality and the possibility of missing response from respondents, we settle for a sample size of 300. To be administered randomly in the selected local government with 100 sample per local government.

Reliability Research Instrument

Before going into the inferential analysis, there is the need to test the reliability of gathered information from the questionnaire. Given the specification and structuring of the instrument, which we compressed to round up a variable, testing for reliability, becomes necessary. The Cronbach’s Alpha value will be employed for this. In statistics, Cronbach’s (alpha) is a coefficient of internal consistency. It is commonly used as an estimate of the reliability of a psychometric test for a sample of examinees. Cronbach's alpha is widely believed to indirectly indicate the degree to which a set of items measures a single unidimensional latent construct. As a result, alpha is most appropriately used when the items measure different substantive areas within a single construct. Simply put, Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. Cronbach alpha was used in this study to determine the reliability of the poverty/welfare incidents extracted by the research instruments to form a single welfare variable. The Cronbach alpha coefficient yielded 0.76; closer to one and within the range of 0.7, we confirm a reliability of our poverty/welfare construct.

5 The results

Descriptive Analysis of Sample

From table 5, 20.5% of the respondents are petty retail traders, 14.7% are into whole sale trade, 5.8% are farmers, 17.1% are into hand craft or simple artisans, 26% of the respondents are civil servant, 15.8% of the respondents are into other forms of businesses.

Table 5. Profession or Occupation

	Frequency	Percent
Petty Retail Trader	60	20.5
Whole Sale Trader	43	14.7
Farming	17	5.8
Artisan/Hand Craft	50	17.1
Civil Servant	76	26.0

Others	46	15.8
Total	292	100.0

Living Standard of Respondents. Poverty/Welfare Indicator.

From table 6, 32.2% occupy 3 rooms, 33.9% occupy 2 room, 11% occupy 4 room apartments, 4.8% in 5 rooms, 2.1% occupy 6 room apartment while 16.1% occupy a room apartment.

Table 6. How Many Rooms Does Your Household Occupy (excluding store, kitchen, toilet and bathroom?

	Frequency	Percent
1	47	16.1
2	99	33.9
3	94	32.2
4	32	11.0
5	14	4.8
6	6	2.1
Total	292	100.0

From table 7, a majority 62.7% of the respondents live in rented apartments. While 18.5% of the respondent live in their family house. 18.8% live in their own private buildings.

Table 7. Type of House Ownership

	Frequency	Percent
Rented Apartment	183	62.7
Family House	54	18.5
Own House	55	18.8
Total	292	100.0

Table 8 shows that, 39% of the respondent says they have good Pipe Born Water, while 48.6% say they do not have this facility at home. 12.3% of the respondents say they do have a pipe born water facility but they are in bad conditions. This implies that 60.9% of the respondents do not have access to clean drinkable water.

Table 8. Pipe Born Water

	Frequency	Percent
No, I don’t Have This	142	48.6
Yes but Very Bad	36	12.3
Yes and Very Good.	114	39.0
Total	292	100.0

26% of the respondent says they have good Bore Hole Water, while 65.1% say they do not have this facility at home. 8.9% of the respondents say they do have a bore hole water facility but they are in bad conditions. This again confirms the lack of access to clean drinkable water supply by more than half of the sample as shown in table 9:

Table 9. Bore Hole Water

	Frequency	Percent
No, I don’t Have This	190	65.1
Yes but Very Bad	26	8.9
Yes and Very Good.	76	26.0
Total	292	100.0

From table 10, 25.7% of the respondent says they have Constant Power Supply, while 24.7% say they do not have access to constant power supply. 49.7% of the respondents say they do have power supply, but is very bad and not constant. This implies that we have more respondent living with unsteady power supply.

Table 10. Constant Power Supply

	Frequency	Percent
No, I don’t Have This	72	24.7
Yes but Very Bad	145	49.7
Yes and Very Good.	75	25.7
Total	292	100.0

Table 11, tells us that, 31.2% when sick go to private hospital, 53.1% go to public hospitals, 3.1% each go to traditional homes and 9.9% do self medication when sick. 1% go to prayer houses for treatment, while 1.7% seek other sources for treatments of their illnesses aside the others.

Table 11. Health Institutions Attended by Respondents: Where Do You Go For Treatment When Sick?

	Frequency	Percent
Others	5	1.7
Prayer House	3	1.0
Self Medication/Chemist	29	9.9
Herbal/Traditional Homes	9	3.1
Public Hospital	155	53.1
Private Hospital	91	31.2
Total	292	100.0

On the feeding pattern, table 12, shows that more than 50% eat only twice a day, while 29.5% of the respondnet eat three times a day.

1% eat once a day, while, 14.7% are fortunate to eat more than three times a day.

Table 12. Feeding Pattern of Respondent: How Many Times Do You Eat A Day?

	Frequency	Percent
Once a Day	3	1.0
Twice A Day	160	54.8
Three Times A Day	86	29.5
More Than three times a Day	43	14.7
Total	292	100.0

In preparing their meal table 13 shows that, 71.6% of the respondents, employ kerosene stove, 17.1% of the sample use gas cookers to prepare their meals, 10.3% of the respondnets use fire wood, charcoal, or saw dust as cooking fire, while 1% use electric stove in cooking.

Table 13. Cooking Method: what do you use in cooking your meal/food mostly?

	Frequency	Percent
Fire Wood/Charcoal/Sawdust	30	10.3
Kerosene Stove	209	71.6
Electric Stove	3	1.0
Gas Cooker	50	17.1
Total	292	100.0

On the response on the type of school the children of the respondents attend as shown in table 14, 26% say all their children attend private schools, 36.6% say all their children attend public schools, 12.7% say some of their children attend private schools, while other are enrolled into public schools. 10.4% either do not have children, or their kids are not old enough into school. 1% say their children are old enough but do not go to school. A whopping 14.7% of the total respondent did attempt to answer the question.

Table 14. Educational Institution for Children: If Having Children, What Type of School Do Your Children Attend?

	Frequency	**Percent**
My Child is/Children are Old Enough But DO NOT GO TO SCHOOL	3	1.0
My Child is/Children are Not Old Enough to go to School OR I Am Yet to Have A Child (I do not have a child)	26	8.9
Some Attend Government School(s), While Others Attend Private School(s)	37	12.7
All My Child/Children Attend Government Public School(s)	107	36.6
All My Child/Children Attend a Private School(s)	76	26.0
Total	***249***	***85.3***
Missing System	43	14.7
Total	**292**	**100.0**

A descriptive Summarising of the population would be that, we have a population dominated by Christians, not too educated as most have secondary and primary school qualification, at most an Ordinary Diploma. Making a living by engaging mainly in retail and wholesale trade and then artisan crafts, living in two or three room apartments which include sitting room; with poor drainage and refuse disposal systems, lack accessible drinking water and poor electric power supply. Have three to four children, who attend mostly public schools, they have a diet dominated by carbohydrate; they do not consume much fruits and vegetables nor do not take supplement vitamins. Feeding mostly twice a day and cooking with kerosene stove which is a cheap but not a clean energy source susceptible fuel scarcity, implies a population prone to malnutrition and illnesses, which are treated in cheap public hospitals. Conclusively, we can say that at most half (50%) of the respondent, live in relatively poverty.

Microfinance institution

On the choice of membership, table 15 shows that, 57.5% are registered members of corporative/contribution groups only, 17.8% of the sample are customers of microfinance banks only .16.4% are both members and customers of corporative groups and microfinance bank respectively. 6.2% of the sample neither belong to a corporative group/society nor a microfinance bank. 6 missing responses were noted.

Table 15. Which Of The Following Microfinance Group Do You Belong To?

	Frequency	Percent
Microfinance Bank Only	52	17.8
Corporative Society/Contribution Group Only	168	57.5

Microfinance Bank and Cooperative Society Only	48	16.4
None of the Above	18	6.2
Total	286	97.9
Missing System	6	2.1
Total	292	100.0

Corporative society/contribution group

Duration of Membership: 17.8% of the sample have been members of their corporative society for 2 years or less, 27.1% have been members for between 3 to 5 years, 17.5% have been members for more than five years but not up to nine years. While 5.1% have been members for nine years and more. 8.9% do not remember their duration of membership. As 23.6% of the response to the question are missing partly because some respondent do not belong to any corporative society of contribution group. {See table 16 below}

Table 16. How Long Have You Been A Member in The Corporative Society/Contribution Group?

	Frequency	Percent
0-2 Years	52	17.8
3-5 Years	79	27.1
6-8 Years	51	17.5
9 and Above	15	5.1
Do Not Remember	26	8.9
Total	223	76.4
Missing System	69	23.6
Total	292	100.0

Loan Application: from the table 17, we see that, 71.6% of the corporative members have applied for loan, while 5.8% have not applied for loans in the corporative group. 22.6% of the responses are missing partly on account of the previous noted reason in table 16.

Table 17. Have You Ever Applied For A Loan Or Credit from the Corporative?

	Frequency	Percent
No (I Have Never Applied For A Credit Loan)	17	5.8
Yes (I Have Applied For A Loan)	209	71.6
Total	226	77.4
Missing System	66	22.6
Total	292	100.0

Amount Received/Granted: the table 18, shows that 29.1% received loans worth between N30, 000.00 and N100, 000.00 from the corporative/contribution group. 17.8% received loans amount to sums ranging between N101, 000.00 – N200, 000.00. 4.5% received credit between N201, 000.00 and N300, 000.00. 4.1% got loan between N301, 000.00 and N400, 000.00. While 11.3% got credit grants for loan worth more than N400, 000.00. 7.5% got loans less than N30, 000.00.

Table 18. How Much Did You Receive?

	Frequency	Percent
Less than N30, 000	22	7.5
N30, 000 – N100, 000	85	29.1
N101, 000 – N200, 000	52	17.8
N201, 000 – N300, 000	13	4.5
N301, 000 – N400, 000	12	4.1
Above N400, 000	33	11.3
Total	217	74.3
Missing System	75	25.7
Total	292	100.0

Interest on Loan: 44.5% of the respondent are of the opinion that the interest loan charges are low {37.3+25}, 28.8% do not agree this to be true, as they are of the opinion that the interest rate are rather high {25+3.8}. 1% says there was no interest charged on loan. While 25.7% were found missing as shown in table 19:

Table 19. How Would You Rate the Interest Rate Charged on The Credit Loan Granted?

	Frequency	Percent
No Interest Charge	3	1.0
Very Low	21	7.2
Low	109	37.3
High	73	25.0
Very High	11	3.8
Total	217	74.3
Missing System	75	25.7
Total	292	100.0

Microfinance bank

Duration of Customership: from table 20, 8.2% of the sample have been customers of microfinance banks for 2 years or less, 26.4% have been customers for between 3 to 5 years, 11.3% have been customers for more than five years but not up to nine years. While 2.1% have been customers for nine years and more. 9.9% do not remember their duration of customership. As 42.1% of the response to the question are missing partly because some respondents are not customers of any microfinance bank.

Table 20. How Long Have You Been A Customer to The Microfinance Bank?

	Frequency	Percent
0-2 Years	24	8.2
3-5 Years	77	26.4
6-8 Years	33	11.3
9 and Above	6	2.1
Do Not Remember	29	9.9
Total	169	57.9
Missing System	123	42.1
Total	292	100.0

Loan Application: from the table 21, we see that, 53.4% of the customers of microfinance banks, have applied for loan, while 3.4% have not applied for loans from the banks. 43.2% of the responses are missing.

Table 21. Have You Ever Applied For A Loan Or Credit From The Microfinance Bank?

	Frequency	Percent
No (I Have Never Applied For A Credit Loan)	10	3.4
Yes (I Have Applied For A Loan)	156	53.4
Total	166	56.8
Missing System	126	43.2
Total	292	100.0

Amount Received/Granted: the table 22, shows that 22.9% received loans worth between N30, 000.00 and N100, 000.00 from the microfinance bank. 1.7% received loans amount to sums ranging between N101, 000.00 – N200, 000.00. 10.3% received credit between N201, 000.00 and N300, 000.00. 3.1% got loan between N301, 000.00 and N400, 000.00. While 6.8% got credit grants for loan worth more than N400, 000.00. 9.9% got loans less than N30, 000.00.

Table 22. How Much Did You Receive?

	Frequency	Percent
Less than N30, 000	29	9.9
N30, 000 – N100, 000	67	22.9
N101, 000 – N200, 000	5	1.7
N201, 000 – N300, 000	30	10.3
N301, 000 – N400, 000	9	3.1
Above N400, 000	20	6.8
Total	**160**	**54.8**
Missing System	132	45.2
Total	**292**	**100.0**

Interest on Loan: 48.9% of the respondents are of the opinion that the interest loan charges are high {31.8+17.1}, 5.8% do not agree this to be true, as they are of the opinion that the interest rate are rather low. While 45.2% were found missing as shown in table 23:

Table 23. How Would You Rate the Interest Rate Charged on The Credit Loan Granted?

	Frequency	Percent
Low	17	5.8
High	93	31.8
Very High	50	17.1
Total	160	54.8
Missing System	132	45.2
Total	292	100.0

Compared to corporative society/ contribution groups, we notice that the interest rate charge for microfinance banks as attest by their customers are rather high than those of the corporative groups. While only 28.8% of the total respondents believe corporative interest rate as being high, 48.9% consider microfinance bank interest rate as being high; both testimonies were reported by their members and customers respectively.

Impact of Micorfinancing: from table 24, 77.4% of the respondents say that microfinance is an effective tool in getting prosperous. 21.6% of the respondent do not believe that micro financing can serve as a catalyst of prosperity. 3 responses were observed as missing.

Table 24. I Believe That Micro financing is an Effective Tool For Getting Prosperity.

	Frequency	Percent
Strongly Disagree	16	5.5
Disagree	47	16.1
Agree	118	40.4
Strongly Agree,	108	37.0
Total	289	99.0
Missing System	3	1.0
Total	292	100.0

Credit Accessibility: on the accessibility of credit from either corporative society or microfinance banks, table 25, shows that it is relatively easier to get credit loans from the corporative society groups than the microfinance banks; as 83.2% of the respondent said it is easier to get credit from the corporative groups than the microfinance banks. Only 15.8% are of the opinion that microfinance banks are more accessible for credit than the corporative groups. 3 missing responses were counted.

Table 25. It is Easier to Get Credit Loan From Corporative Society Groups Than Microfinance Banks

	Frequency	Percent
Strongly Disagree	9	3.1
Disagree	37	12.7
Agree	154	52.7
Strongly Agree,	89	30.5
Total	289	99.0
Missing System	3	1.0
Total	292	100.0

Regression Estimated Model

$$Poverty_{Rural} = \beta + \varphi lnA^{*} + \alpha \text{ INFst} + \psi \text{Mico}_{\text{finance(Banks \& Corporatives)}} + \varepsilon \qquad (11)$$

Where Φ, α *and* ψ are parameter coefficients of the comprehensive variables. $\Phi > < 0$, α and $\psi < 0$. Implying that improvement in capital infrastructural facilities and accessibility to investable capital cash for business would reduce poverty in the rural area, while the shift factors limited to Age, Family Size, Years of Occupation and Educational Qualification can induce a positive or negative effect on the level of existing poverty.

For this we apply a Multiple Ordinary Least Square Regression Analysis; the results simultaneously test the testable significant impacts stated in the hypotheses.

Note! A reduction in poverty logically implies an improvement in welfare, just as an improvement in welfare implies a fall in poverty level. Thus the equation can also serve for welfare determination just as specified for poverty. For this we apply a Multiple Ordinary Least Square Regression Analysis; the results simultaneously test the testable significant impacts stated in the hypotheses.

Table 26(a). Regression Table

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	42.758	3.263		13.102	.000
INFST	1.364	.510	.212	2.672	.009***
MICROFINBANKLOAN	.380	.459	.068	.827	.410
CORPORATIVELOAN	.836	.352	.216	2.373	.019***
EDUCATIONAL QUALIFICATION:	.928	.396	.186	2.342	.021***
OCCUPATIONAL YEARS	-1.547	.582	-.271	-2.660	.009***
NUMBER OF CHILDREN:	-3.509	.973	-.357	-3.605	.000***
AGE:	2.362	.911	.295	2.592	.011***

a. Dependent Variable: **TOTALWELFARE**
*Where ***, **, And * Implies Significant At 1%, 5% And 10% Critical Levels Of Significance.*

Source: Author's Analysis

Table 26b: ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1936.430	7	276.633	10.629	.000[a]
Residual	2836.869	109	26.026		
Total	4773.299	116			

a. Predictors: (Constant), Age:, Highest Educational Qualification:, MICROFINBANKLOAN, INFst, CORPORATIVELOAN, Number of Children:, How Long Have You Been in the Profession or Occupation?
b. Dependent Variable: **TOTALWELFARE**

Source: Author's Analysis

Starting from table 26b, the F-statics value (10.629), confirms the joint significant of the included independent variables (predicators) to influencing the level of poverty or welfare (as the critical significance value is less than 0.05). On individual impacts, table 31a, reports the parameter coefficients that show the effects of the independent variables on the dependent variable. From the result, the credit received from the corporative society groups, does have a significant positive (0.019) impact on the welfare; that is as the credit received from the corporative society increases, the members welfare (living standard) increases hence a fall or alleviation of poverty. Significant at 1 percent, a unit increase in the credit received from corporative society will cause poverty to fall by approximately 22 percent (0.216).

On the impact of the credit from microfinance banks, the table 26a, shows that the credits received from the microfinance banks have not being significant in reducing poverty in the area. That is, the microfinance credits have not improved the living standard of its members. This we adduce to the fact that the interest on the microfinance banks are rather high (as confessed by their customers in table 23), causing the small business people to seek other relative cheaper sources of fund like the corporative society, or family supports. This suggest that there is a significant difference in the impact of microcredit's among the respondents given their membership or customership of either corporative societies or microfinance banks; with the corporative society members having a better improvement in living standard and alleviation form poverty than the customers of microfinance banks that are not only limited in terms of accessibility but faces higher interest charges on loan received that may end up robbing the intended benefit of the finance.

Improvements in the educational level of the respondents will improve the living standard of the respondent significantly. As the result shows that education is a significant element in the fight against poverty. Given its probability significant values (P= 0.021, t = 2.342), we see that a singular improvement in the level of education well improve welfare by 18 percent. Hence, we conclude that the vicious circle of poverty cannot be broken without good quality education. Improvement in the provision of infrastructure and social amenities was found to have a significant positive impact on the level of welfare. Thus increase in the provision of social amenities by the government will be very vital for the alleviation of rural poverty. As its positive effect is large at 21%. Interestingly, the years spent in ones occupation was found to have significant but negative effect on welfare (-0.271), thus, increasing poverty. This logically may not seem appealing as specialization and expertise would be expected overtime. However, the case may be true as prolonged years in a particular occupation without innovation, training workshops, and expansion/ diversification, makes the occupation monotonous and tiresome; and possibly leading to losses or returns from business and deeper poverty. Large family size was found to be a significant impediment to the alleviation of poverty in the study. As the effect of increasing number of children in the study was found to have a significant negative effect (-0.357) on welfare. Strongly significant (P =0.000, t = -3.605), as the number of children increases, so will the poverty level increases, because welfare will drop. Age, was found to have a significant positive (0.295) impact on the level of welfare; thus reduces poverty. As increase in the age of the credit recipients, will imply an improvement in other sphere of their lives. The result shows that approximately 40.6 percent of the variations of welfare/poverty is a result of the included independent variables of ; infrastructural conditions, amount of credit received by the respondents from the corporative societies and microfinance banks, their family size (in number of children), their level of education, years in occupation and their age. This is indicated by the R-square shown in Table 26c below. While the remaining 59.4 percent, are on account of other random factors. The Durbin Watson value also shows no autocorrelation among the variables as it is closer to 2 than zero; the Durbin Watson value is 1.851.

Table 26(c). Model summary.

Table 26c: Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.637[a]	.406	.368	5.10160	1.851
a. Predictors: (Constant), Age:, Highest Educational Qualification:, MICROFINBANKLOAN, INFst, CORPORATIVELOAN, Number of Children:, How Long Have You Been in the Profession or Occupation? b. Dependent Variable: TOTALWELFARE					

Source: Author's Analysis

6 Conclusion and recommendation

Investigating for impact, our regression analysis, shows that credit obtained from corporative societies are more significant in the alleviation of poverty than those gotten from microfinance banks, as their effect on poverty was found to have an insignificant effect in the improvement of the welfare. Which we adduce to the high interest rate charges which the respondent customers report to be on the high side. Extending further, it was discovered that government provision of infrastructure and sound education are vibrant tools for the alleviation of rural poverty. Both were found to have significant positive effects on welfare. The same was noted for improvement in age. It was however discovered that increase in family size (number of children) and prolonged years in a particular occupation (absent innovation and expansion, leading to motononicity) will aggravate the level of poverty. In conclusion, the study has discovered that microfinance from corporative societies, does have a significant impact in the alleviation of poverty in the rural area but not microfinance banks. Thus, for poverty in the rural area to be reduced to minimal, there is need to encourage corporative society activities, organize workshops for training and innovation, encourage improvement of educational learning and family planning. The study therefore recommends the need for a broader implementation of microfinance scheme and then proper monitoring screening of members to ensure that loans granted are used for the intended purpose. Then, the government needs to be more proactive in drafting and providing more infrastructural facilities like; clean water, power supply, motorable roads, better educational facilities, affordable health care system, etc. as these will promote business, income, savings and help reduce poverty which is a threat to the country today. Finally, people need to be more enterprising by considering the establishment and investment and re-investment of borrowed funds so as to allow for a multiplier effect of credit loans thereby creating expansion of job; and not just a temporary improvements in living standard caused absents of private investment and increasing consumption.

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