IMPACT OF MICROFINANCE ON RURAL ECONOMIC GROWTH IN NIGERIA

BY

UMAR HALIDU AHMAD

PG/M.Sc/09/54174

DEPARTMENT OF BANKING AND FINANCE

FACULTY OF BUSINESS ADMINISTRATION

UNIVERSITY OF NIGERIA

ENUGU CAMPUS

2014

Abstract

This study examines the impact of microfinance activities on rural economies in Nigeria for the period: 1999-2010. The study used the Ordinary Least Square (OLS) regression technique to estimate the hypotheses formulated in line with the objectives of the study. Values of aggregate loan and advances-to- aggregate deposit ratio was used as proxy for Microfinance activities and adopted as the independent variable, while the dependent variables include agricultural sector contributions to Nigeria's gross domestic product (GDP), rural savings (RS) and poverty index (PI). Three hypotheses were considered along this line. Descriptive statistics on both the dependent and independent variables were computed and graphed to compliment the regression results. The result emanating from the findings reveals that the regression coefficient of microfinance activity is negative in explaining agricultural contribution to gross domestic product and rural poverty in Nigeria. However the regression coefficient of microfinance activity is positive and significant in explaining rural savings in Nigeria. Based on these findings, the study recommends interalia; government should improve infrastructures that will enhance the intermediation function of Microfinance Banks in the rural areas; policies should be put in place to restrict the flow to micro credits from rural to urban areas; among others.