TAX REVENUE AND ECONOMIC GROWTH IN SELECTED ECOWAS COUNTRIES

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TITLE PAGE

EVALUATING THE IMPACT OF MICROFINANCE INSTITUTION ON POVERTY AND WELFARE IN BENUE STATE NIGERIA

APPROVAL PAGE

The research work titled: "Evaluating the Impact of Microfinance Institution on Poverty and Welfare in Benue State Nigeria" has followed due process and has been approved to have met the requirement for the award of the Master of Science Degree in Economics, University of Nigeria, Nsukka.

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CERTIFICATION

This is to certify that this dissertation titled: "Evaluating the Impact of Microfinance Institution on Poverty and Welfare in Benue State Nigeria" is the original work of Mr. Kaakaa Lawrence Terungwa and is hereby submitted for the award of Master of Science Degree in Economics. We also certify that the work has not been submitted in part or full for any other diploma or Degree of this University or any other University.

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DEDICATION

This Research work is dedicated to my Beloved Dad; Late Mr. Iorpuu John Kaakaa who laid the foundation for this programme but death could not allow him to celebrate this achievement even as he died when I was almost completing the programme. Rest in peace Dad till we shall meet to path no more in heaven when our creator will call me also at my appointed time.

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ABSTRACT

The increasing poverty level and dwindling welfare conditions of the residents of Benue state even in the midst of high expanding microfinance institutions motivated the urgent need for a study to evaluate the impact of both formal and informal MFIs jointly to see their impact on poverty alleviation and welfare in Benue state since there have not been any study of such for the state and the poverty rate in the state is on a continuous increase. To achieve this, the study analyzed a primary data that was obtained using a standardized questionnaire from 405 household randomly selected from the three senatorial districts in the state using a Logit regression analysis. The result indicates that policies that promote informal microfinance institutions likely increase the poverty level, while policies to promote formal microfinance institution reduce poverty level. Also that informal microfinance institution has a higher impact on welfare than formal microfinance institutions and that microfinance institution increases household access to credit. Based on these findings, the study recommended among others that Microfinance institutions should be empowered financially to increase their pace both in giving out loans and in canvassing for savings too as this will go a long way in increasing their level of impact on the households.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Poor standard of living is one of the major challenges in developing countries of the world today. Statistics from World Bank 2011 shows that about three billion people live below US$1.90 per day (World Bank, 2011). Also, one and half billion people from the world population of about seven billion live below US$1 per day. It is glaring that 70-90 per cent fraction of the people in the developing countries are poor. Poverty reduction is number one among the eight Millennium Development Goals (MDGs). It appears as if all the strategies applied in the past to fight poverty in developing countries failed to yield the expected results.

From observed evidence, sustainable economic growth cannot be achieved without setting in place well-articulated programmes that will help reduce poverty; this would be done by empowering the people through increasing their access to factors of production and credit (National Bureau of Statistics, (NBS) 2012). Entrepreneurship would be a meaningful tool that would be used to combat poverty because with the provision of finance for entrepreneurship activities (mostly through micro-finance institutions) many people would be enabled to engage in economic activities and become self-reliant which in turn would create wealth (Central Bank of Nigeria, 2005).

Microfinancing provides financial services; such as loans, savings and payments facilities to low income groups through micro-finance institutions (MFIs), this service enables the poor engage in productive activities which in turn boost their micro enterprises and in turn take care of immediate family expenditure, such as expenditure on housing, health, education and food. Micro-finance institution is an effective weapon that can be used to help the poor to increase their economic security and consequently reduce their poverty level, this is because MFIs enable the poor to manage their limited financial resources, reduce the impact of economic shocks and increase their assets and income (Robinson, 2001).

The microfinance sector render services to the low income group by consistently focusing on understanding the plights of the poor and strategizing better means of delivering services in line with their requirements by developing the most reliable and effective technics to deliver finance to the poor. Continuous efforts towards mechanization of operations are steadily improving in efficiency; automated systems have also helped to quicken the growth of the microfinance sector. MFIs provides financial services to low income population, virtually all of these institutions give loans to her members, and some offer deposit, insurance and other financial related services. Microfinance institution plays a significant role in bridging the gap between the formal financial institutions and the rural poor.

From literature among which are that of Kondo-Okamoto, Shaw and Okamoto (2008), Imai and Arun (2008), Zeller and Myer (2003), Ashamu and Ogundina (2015), affirm that informal microfinance institutions have operated for centuries across the world and they have positively impacted the poor. Thus, it is very clear that the surest strategy for most developing countries to meet the demands of the poor is through micro-financing. As earlier stated, poverty and poverty reduction is a major challenge and concern in Nigeria of which Benue state is one of the most ravaged states in Nigeria. (Clifford, 2016).

Benue state was created on February 1976, from the old Benue-Plateau, the state has 23 Local Government Areas with an estimated population of 4,253,641 Million people (National Population Census (NPC), 2006**)**. Benue state is acclaimed to be the nation’s food basket because of her rich and numerous agricultural endowments which include yam, rice, beans, cassava, potatoes, soybeans, sorghum, millet, coco yam, among many others. The state produces 70% of the Nation's Soya-beans and is the home to one of the longest rivers in the country (River Benue) which provides fish for food and tourism as a source of revenue. The river possesses the capacity to generate electricity, to support dry season farming through irrigation and also improved transportation through inland waterways. There are also proven availability of unexploited solid minerals like Limestone, Gypsum, Kaolin, Salt, Lead and Zinc, Clay, Coal, Calcite, Gemstones and Magnetite in the state (Gurgur, 2016). The Benue Basin shows proven quantities of natural gas and there is likelihood of crude oil as well (Vanguard, 2012). The state has many tourism assets such as; Enemabia Warm Springs, Dajo Pottery, Tiv Anger Weavers, Ikwe Holiday Resort, Ushongo Hills, and many other traditional festivals. The Tiv traditional music and dance in Benue state attract thousands of tourists; both local and foreigners, the cultural music of the state has potentials for significant development of the state (Gurgur, 2016).

There is no doubt that despite all the available economic resources that the state is endowed with, poverty rate is astronomically high. Poverty is the driving force behind the prevailing poor welfare of the citizens in the state. In view of this, John (2012) observed an increased level of poverty and unemployment rate as one of the critical socio-economic problems confronting the State. As the labour force increases, with a corresponding increase in the proportion of youths, employment growth is inadequate to absorb labour market entrants. Thus, most of the citizens are poor.

More so, the citizens are prone to be employed in jobs of low quality, working long hours for low wages, underemployed, engaged in dangerous work or receive only short term or informal employment arrangements since the state government had only been able to employ just 6% of her entire population (Ikwuba, 2011). With the prevailing poverty rate, it has become more difficult to invest in key sectors like agriculture, health, education, etc. that can increase the people's productive capacity which would in turn improve their livelihood (Geoff Handley, et al, 2009). NBS poverty profile of 2012 has it that based on data gathered up to 2010, 61.9% of the population of the North Central Zone is relatively poor, 27.4% is absolutely poor and 10.7% are food poor, an irony indeed for a zone with such numerous agricultural endowments. The state's poverty incidence was recorded to be as high as 36%, which connotes that more than one out of every three persons in the state is poor; as compared to one in every seven persons for Lagos i.e (46%) and more than half (58%) in Yobe state. Also, Benue States has recorded one of the highest incidences of HIV infections in Nigeria, accounting to a ratio of one out of every eight infections nationally (Nasir, 2012).

With the high rate of poverty largely due to unemployment, NBS (2010) ranked Benue state as the 8th poorest state in Nigeria, with one of the highest unemployment rates. Also this rate has increase since then with the relative increase in the rate of HIV/AIDS in the State. Since Benue State is ranked one of the highest states with HIV/AIDS prevalence. Most companies that use HIV/AIDS test as a prerequisite for employment found most Benue indigene unqualified for the vacant positions (Nasir, 2012). This has worsened the welfare and increased the poverty profile in the State. The rate of poverty in the state has actually lead to increased crime rate, as most people see it as the only means for survival.

As it can be seen from statistics as contend in the background of the study that poverty and poor welfare is a critical problem in the life of Benue state citizens, thus undertaking a study gearing towards providing lasting solution to the present situation of the state is worthwhile and hence an urgent need for a study like this.

1.2 Statement of the Research Problems

Shortly after the post-independence (oil boom era), Nigerian experience with Micro-credit institutions has been limited to Rotating Savings and Credit Associations, Cooperative Unions Community, Cooperative Bank, Self-Help Groups, Savings Collectors and Local Money Lenders. All these associations are informal and basically unregulated. They were particularly Micro-Credit savings instruments. The major strength of these associations was attributed to her good repayment records and other cultural mechanisms. However, their major challenges were low level access to capital and limited range as a result of informal non-structured framework.

In 1990s the Federal Government of Nigeria boarded on other initiatives, such as the Nigerian Agricultural Insurance Corporation (NAIC), Community Banks, National Poverty Eradication Programmes (NAPEP), Peoples Bank and the Family Economic Advancement Programme (FEAP) among others which were all targeted towards rural and community small-scale financing. However, they could not achieve the desired goal because of poor implementation of the policies. Between the years 2000 to date, there have been other initiatives such as; Family Economic Advancement Programme (FEAP), National Agricultural Cooperative and Rural Development Bank (NACRDB), the National Economic Empowerment and Development Strategy (NEEDS), the merger of the Peoples Bank (PB), and the launch of Micro-finance Policy in 2005. These were regarded as more interactive initiatives that will produce better success than their predecessors. Paradoxically, these government initiated programmes have not been able to sufficiently help the poor in spite of all the rhetorics.

Informal MFIs have significantly impacted the South-Western region more than the formal MFIs (Taiwo, 2012). The Informal MFIs are very huge in Benue state and are unregulated, however all the attention of policy makers in Benue state has been focused on using the formal MFIs to alleviate poverty, since CBN (2005) viewed MFIs as one of the major tool for welfare improvement.

Policy makers in Benue state have failed to consider the impact of informal MFIs that has been on a progressive increase in the state. Hence, there is urgent need for a study to evaluate the impact of both formal and informal MFIs jointly to see its impact on poverty alleviation in Benue state since there have not been any study of such for the state and the poverty rate in the state is on a continuous increase.

1.3 Research Questions

The research intends to provide answers to the following questions at the end of the study:

i. What is the impact of MFIs on poverty in Benue state?
ii. What is the impact of MFIs on welfare in Benue State?
iii. Has MFIs enhanced household's access to credit in Benue State?

1.4 Research Objectives

The broad objective of this study is to evaluate the impact of the formal and informal micro-finance institutions on welfare and poverty alleviation in Nigeria. Thus the specific objectives of the study are:

i. To investigate the impact of MFIs on poverty in Benue state
ii. To examine the impact of MFIs on welfare in Benue State.
iii. To ascertain if MFIs enhances households access to credit by households in Benue state.

1.5 The Research Hypotheses

The research hypotheses are as follows:

H_{01}: There is no significant impact of MFIs on poverty in Benue state.

H_{02}: There is no significant impact of MFIs on welfare in Benue state.

H_{03}: MFIs does not significantly enhance household access to credit by households in Benue state.

1.6 Scope of the Study

The study examined the effect of micro-finance institutions on welfare and poverty alleviation in Benue state, Nigeria. The research made use of cross-sectional data which was collected from selected respondents from three local governments' areas each of the three senatorial zones of Benue State respectively. The cross-sectional data was obtained through the use of a questionnaire that was administered which enabled the researcher assessed the impact and effectiveness of both formal and non-formal micro-finance institutions in alleviating poverty in Benue state, Nigeria. The variables of concern here include welfare variable which in this study is proxied with the ratio of total consumption and size of the household; another is poverty proxied by the World Bank poverty index and lastly, access to credit.

1.7 Significance of the Study

It is aimed that, at the end of this study, the findings will be of help; to the state government of Benue state as it will become a useful tool to help improve the welfare and reduce poverty of her citizens through the recommendations the study will proffer. It is also targeted that the research findings will help improve the already existing enterprise operators in the state and also stimulate more investment. Again the research finding will impact Small and medium-sized enterprises (SMEs**)** highlighting MFIs as a source of funding. More importantly, the recommendations from the study will also help policy makers in making appropriate policies that will aid the development of the people of Benue state and Nigeria in general. The study will also increase the stock of existing literature that will instigate further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Literature

2.1.1 Poverty

According to Obadan (1997) poverty has been seen as a situation of low consumption or low income. This has been used for the construction of poverty line, values of income or consumption that are necessary to purchase the minimum standard of nutrition and other necessities of life. People are regarded poor when their measured standard of living in terms of income and consumption is below the poverty line. Thus, the poverty line is what helps in separating the poor from the non-poor. Obadan further continued that it is not so difficult to identify the poor. To Obadan the poor are those who are unable to find a stable job, obtain an adequate income, maintain healthy living conditions or own property. They also lack an adequate level of education and cannot satisfy their basic health needs. The World Bank's opinion which is similar to Obadan's states that the poor are often illiterates, have short life span, poor in health, and have little or no access to the basic necessities of life such as clothing, decent shelter and food; thus making them unable to meet any social and economic obligations (World Bank, 2012). Olayemi, (1995), averred that the poor lack basic skills and gainful employment opportunities; and most times lack self-esteem. Chambers (1995) adds that poverty is a subdivision of the general state of deprivation whose dimension includes isolation, social inferiority, physical weakness, powerlessness, seasonality, humiliation and vulnerability.

The concept of poverty reduction has attracted the attention of some scholars. Studies have identified some variables like inflation, age, household size, health problem, lack of savings and inadequate assets as the major causes of poverty (Chaudhry, 2009; Roslan & Abd Karim, 2009; Taylor & Xiaoyun, 2012; Yusuf, Shirazi, & MatGhani, 2013). There are different measures of poverty which include the World bank measure of less than 1.5 dollars daily expenditure.
Therefore, for this study, the World Bank's Poverty line Index set at $1.25 per day was used as a benchmark to measure the level of poverty. That is, those whose income per day is below the Index were regarded as poor and those people that earn $1.25 and above per day were categorized as non-poor.

2.1.2 Welfare

Welfare and utility are related but not identical concepts: welfare takes its meaning and shape from the consumption of goods and services either directly or may be of the features of the commodities or services involved. Consumption or income is usually a proxy for welfare, currently however, asset-based wealth indices are now being used as an alternative metric measure of welfare and it has become increasingly prominent. Indeed, asset indices shows the only way to examine distributional aspects in uniquely detailed large-scale surveys such as MICS (Multiple Indicator Cluster Surveys) and DHS (Demographic and Health Surveys) that lack information on income and/or consumption (Howe, 2008).

Researchers have argued profusely on the advantages and disadvantages of the various welfare indices, thereby reaching a clear consensus in favour of consumption over income, more especially in the context of an emerging economy. Initially, individuals get material well-being through the consumption of commodities and services instead of through the receipt of income (Citro and Michael, 1995); therefore consumption seems to be better measure of the concept of ‘welfare’. Also, Deaton and Zaidi (2002) argued that consumption better reflects long-term earning as it is not neatly glued to short-term variation in earning and is sharper and less variable than income. There is the possibility that income will be affected more by seasonal patterns leading to either in an underestimation or overestimation of real income. Consumption is more stable especially in agricultural societies as it is smoothed over the seasons, therefore better reflecting (or approximating) the real living standard.

Moreover, although collecting data on consumption is usually very time consuming, the concept of consumption is usually clearer than the concept of income. For this reason it is extremely difficult to accurately measure household income, especially for self-employed households and those working in the informal sectors. In consideration of the above argument, this study adopts a measure of welfare by getting the ratio of total consumption and size of the household.

2.1.3 Credit Access

Salahuddin (2006) refers to credit access as the ease or difficulty of acquiring credit from borrowers to enhance business performance. Access to credit (also referred to as financial inclusion) is the absence of both price and non-price barriers in the use of financial services. Therefore, in this study, access to credit is represented by the availability of credit facility to the concerned sector.

2.1.4 Financial Systems in Africa

2.1.4.1 The Tontine

The tontine is designed to meet the domestic needs of the economy where income is weak and asymmetrical. The tontine system relays on extending contributions over time and on the principle of: the members pays dues and the amount collected are paid out in turn to one of the dues-payers. The contributions are collected as often as there are dues-payers, so that each one receives the same capital. The tontine is not a medium for accumulating capital for an economically profitable investment. It only makes it possible to meet the primary family demands. In addition, tontine also provide a definite response through a short-term savings effort. The success of the tontine depends on the principle of trust, non-hierarchical control and strict equality.

2.1.4.2 Door-to- Door Bankers

Coordinators move on daily basis to their clients to receive a fixed amount of money on the agreed-upon due date (at the end of 31 or 62 days as the case maybe), the door-to- door banker returns the money collected with the exclusion of one payment out of 31, which represents the interest or the price of safety service provided to each saver.

2.1.4.3 Village Banks

Village savings and credit banks are true banks used by villagers to make their savings safe and productive by granting loans to individuals or groups who belong to them. The villagers jointly establish the operating rules of their bank by appointing one or several managers, while a credit committee reviews and decides how to grant loans, provides monitoring and the assisted collection of the manager. In this principle, the village bank mobilizes local savings and in turn recycles it into the village economy through giving of loans to her members.

2.1.4.4 Savings and Credit Cooperative Societies

Savings and credit cooperatives societies, on her part usually channel their members' savings that essentially classifies the need to grant loans oriented in respect to handcrafts, small business and social needs. The members are the sole savers, sole decision-makers and sole beneficiaries. Their proximity or association with other consumer-based cooperatives production makes them more integrated and effective tools for rural development.

2.1.5 Microfinance in Africa

The origin of microfinance in Africa can be traced back to the 16^{th} century where we find evidence of microfinance in the form of 'susu' or 'esusu'; a form of rotating savings and credit association (ROSCA) among the Yoruba. The 'esusu', a type of social capital used for transportation during the slave trade to Caribbean islands (Bascom, 1952), this is a situation where both the term and the institution still exist, and are now carried by a new trend of migrants to major cities of America.

With the introduction of money and commercialization, these transactions were interchanged with money such as pounds, cowries and later naira. In Nigeria, informal financial institutions has continue to move wave in their role such that there may be only few Nigerians who are yet to join one or more of such institutions (Seibel, 1970). Both the institution and the name 'esusu' have spread as far as Zarie, Congo and Liberia.

Micro credit market in South Africa began in 1980s with a variety of institutions such as for-profit companies, NGOs and the government playing an important role. Its growth can be studied in four distinct phases such as the pioneer phase (1980s to 1994), the breakout phase (1995 to 1999), the consolidation phase (2000 onwards) and the maturity phase (not yet reached). Various players from NGOs and government agencies to MFIs in the private sector have contributed to the growth of modern microfinance sector in South Africa (David, 2003)

The informal sector in South Africa has undergone transformation from the mid-nineties onwards. 'Susu' (savings) collectors no more go from door to door to collect savings, instead they have established offices (kiosks) at different locations in cities and their clients can actually walk up to them to carry out their businesses. Their savings collection is institutionalized and record keeping is more systematized. This transformation, however, has not hindered the growth of 'susu' collectors (Barclays Bank of Ghana, 2006). Other aspects such as collecting deposits and lending informally have not changed much (Andah, 2005) even after reforms were introduced in the 1990s in Ghana the informal sector is still vibrant. So many banks in Africa have shown ardent interest to acquire more information about the informal sector to strengthen their group schemes for micro credit programmes. Merger of Peoples Bank of Nigeria, Family Economic Advancement Programme (FEAP) and Nigerian Agricultural and Cooperative Bank (NACB) to form Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), was aimed at strengthening and providing micro credit. In Tanzania, Akiba Commercial Bank (ACB) and Cooperative and Rural Development Bank Ltd. (CRDB) have created financial links with the informal sector by offering a whole range of financial services to MFIs (Pipreke, 2005).

In Uganda, we have several institutions such as Esquity Bank, Centenary Rural Bank (CERUDEB) and Kenya Rural Entrepreneurship Programme (K-REP) in Kenya, Afriland Bank, BICEC, Union Bank in Cameroon and MFRC in Malawi, and CNCA in Senegal, all have proven that commercial banks in Africa can be effectively provide microfinance on a considerable scale to her customers. Banks in Benin, Chad and Zimbabwe have established microfinance subsidiaries to provide micro financial services to the financially excluded. Barclays Bank is considering starting informal banking operations in South Africa, Zambia, Kenya, Tanzania, Botswana and Zimbabwe.
According to Priya Basu (2005), "The African experience shows that MFIs has been built on pre-existing informal sector mechanisms to create feasible channels through which capital is infused from formal sector governments, banks and donors".

2.1.5.1 Microfinance in Nigeria

The licensing of formal Microfinance institutions (Microfinance Banks MFB) in Nigeria is one of the statutory obligations of the Central Bank of Nigeria. The operation of microfinance in

Nigeria is culturally rooted and dated back to several centuries. The traditional microfinance institutions made available credit to the urban and rural low-income earners. They operate mainly in form of the informal Rotating Savings and Credit Associations (ROSCAs) or Self-Help Groups (SHGs) types. Other providers of microfinance services include co-operative societies and savings collectors. The informal financial institutions generally have limited capacity mostly due to paucity of loanable funds to meet the demands of her customers.

In order to improve the stream of financial services available to rural areas, Government has in the past, introduced series of publicly-financed rural/micro credit policies and initiatives targeted towards the poor. Worthy of note among such programmes were the sectoral allocation of credits, the Rural Banking Scheme, the Agricultural Credit Guarantee Scheme (ACGS) and a concessionary interest rate. Among other institutional arrangements were the establishment of the National Directorate of Employment (NDE), the Nigerian Agricultural and Co-operative Bank Limited (NACB), the Peoples Bank of Nigeria (PBN), the Nigerian Agricultural Insurance Corporation (NAIC), the Family Economic Advancement Programme (FEAP) and the Community Banks (CBs). In the year 2000, Government combined the PBN with the NACB and FEAP to produce the Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB) to improve and promote the provision of finance available to the agricultural sector. The National Poverty Eradication Programme (NAPEP) was also established with the responsibility of providing financial services to help reduce poverty. In spite of all the measures put in place by the government, it was still evident that poverty became increasingly such governmental policies targeted towards the poor failed to grant financial assistance to those mostly in need (i.e. the rural poor) and this caused the programs to be largely unsustainable.

The CBN at her sixth Annual Microfinance Conference and Entrepreneurship Awards held in 2012 concluded that the microfinance development fund would be established in 2012 and would in-cooperate both social and commercial mechanisms that would promote its operations and scope. The fund will also aim at enhancing access to sustainable and affordable means of finance by microfinance banks and microfinance institutions. This, being the second time that the CBN will be making such pronouncement, the first one was pronounced at her 5th Annual Microfinance Conference and Entrepreneurship Awards in 2011, where Kingsley Moghalu, the deputy governor, financial system stability said the CBN would establish a microfinance development fund to stimulate accessibility to financial services to low income earners, but till date the pronouncement have not been implemented.

2.2 Theoretical Literature

Under theoretical literature, the study reviewed some economic theories with keen interest to linking some of the theories relating to the impact of microfinance on; welfare improvement and poverty alleviation. To establish a linkage and come up with a working theory(s) for this study we shall be looking at some economic theories relating to welfare and poverty.

2.2.1 Theories of Welfare

Optimality Theory of Pareto (1906)

The first person to consider the medium to measure a community's welfare was Pareto (1906), in his analysis; he pointed out two important factors which are production order (pattern) and income distribution. However he was unable to study the income distribution since there was no particular information that will aid his studies. This made Pareto to focus mainly on the effects of production order as it affects community's welfare.

According to Pareto's analysis, when an event ensues which increases even one person's welfare without affecting that of others' negatively, then it shows that the general welfare is enhanced. Again the optimal level at which the welfare can be sustained is where there is this opportunity to raise even one person's welfare. Nevertheless, to maximize the communities welfare two important things are to be considered; the pricing mechanism and the existence of full competitive conditions.

This theory provides researchers interested in studying economics with a sure viewpoint and basis for judging the efficiency of a distributive structure. Also, this way of looking at income distribution and economic efficiency helped Pareto and other modern-day economists develop microeconomics as a discipline and field of study.

The Equal Satisfaction Capacity Theory of Pigou

Pigou (1962), in his analysis of welfare, said welfare is measured in monetary terms. Pigou provided solution to the problem of maximum welfare utilization, not as advocated by Pareto through management techniques, but rather through income distribution. According to Pigou's discovery, a particular product would have the same benefit and effect for all individuals. Thus, he postulated the 'Equal Satisfaction Capacity' theorem. However his analysis was based on the assumption that as the bulk of the product increased, the satisfaction level will be decreased.

According to Pigou, in other to maximize the general welfare, income should be equitably distributed. Nevertheless, Pigou has been criticized on the fact that equal income distribution would hinder capital stock which will lead to decrease in the total production. Again another criticism was outstretched by positivists who are of the view that equal satisfaction capacity as attributed by Pigou was subjective and hence lack certain science for value judgment.

Hicks-Kaldor's Compensation Principal Theory

The contemporal economics of welfare is subjected to the compensation principal theory according to Hicks-Kaldor. This theory views welfare theory from the point of income distribution. To Hicks-Kaldor it is impossible to value social welfare, however they outlined three conditions which have to be considered when measuring the social welfare. These happen when income and productivity are increased within an economy.

In the first instance, all persons' incomes might increase, secondly, some persons' incomes might increase whereas others might not and lastly, some persons' incomes might have increased why others might have decreased.

In the first and second conditions, it is clear that the social welfare has risen, however, the third condition needs to be carefully measured and, it's at this point that Hicks-Kaldor's principal comes play. When the person whose income have increased reimburse the others' income loser and as a result they are still in better condition after this exchange, then it can be said that the general income has increased. Though, Hicks-Kaldor's principle and the equal marginal benefit of money for all individual as advocated by Hicks-Kaldor's principle was criticized on the bases that it failed to in cooperate income distribution to production.

Social Welfare Function Theory

According to Kenneth (1963), all economic factors that have effect on community's welfare can be expressed as a function. Social welfare function have supplemented the logical and mathematical aspect of the economics of welfare in theory, however in reality it does not have any precedence above practice. Because all of such functions are not feasible to any practical duties. Though it looks as if democracy is the surest way to practice this function, it contains some inconsistencies in itself such as the public's irrational decisions patenting choices.

2.2.2 Theories of Poverty

The Divine Theory

According to this theory, poverty emanate as a result of divine design (Erone, 1992). As a result it is necessary to have differences in terms of people's material possession and asset acquisition. Hence poverty is seemed as a natural phenomenon ordained by God. According to this theory the poor are expected to accept their poor state with a gladsome heart as it's the original design from creation for them and have expectations for better. Anikpo (1996) criticized the views of Erone (1992) saying that his justifications are only theological and mostly not true in reality. According to Anikpo, Erone only succeeded in confusing the man-made occurrences with natural ecological imbalance by promoting slip and legitimizing fraud thus making religion seem as the bases for having the knowledge and eradication of poverty.

The Trickle-Down Theory

The advocates of this theory argued resolutely that there exist some transmission techniques between poverty and some macroeconomic variables. This usually leads to increase in government expenditure on key issues such as socio-economic development facilities like government subsidies to the production of essential commodities and provision of infrastructure that can benefit the poor. As government increases her expenditure, these lead to increase in savings which cause an increase in the demand for more money thus increasing investment. It further paves way for excess demand for goods that would increase labor, jobs and hence poverty reduced. In developing countries, savings is not only stimulated by income alone but also interest rate. Therefore increase in government spending will automatically raise savings vis-à-vis investment discreetly assumes that all other factors are held constant, which is a static view.

To Akeredolu (1975) a theory of poverty identify the forces which govern and determine the pattern of ownership of the factors of production since it is that pattern that eventually determines the structure of inter-personal and inter-group differentials in wealth and income in the society. He has identified four major theories; The Individual-Attributes Theory, The Necessity Theory, The Power Theory and the Natural-Circumstantial Theory.

The Necessity Theory

This theory has three alternates which are the functionalist variants, the evolution alternate and the capitalist entrepreneurial variant. To the functionalist variant, it suggests that specialization is what leads to proficiency and as different roles are differently assessed; some functions are given healthier benefits than others. Therefore, those who act in such functions are regarded higher in the economic and social hierarchy in the society. This is how the poor are seen to form or emerge. In this theory, the emergence of the unfortunate is almost natural. Most of the questions that eagerly come to the mind of the poor which are still unanswered are: who does the assessment of the roles? Is it the powerful few or the society?

Again, Akeredolu, (1995), what seems unarguable is the fact that the emergence of the poor class and inequalities are not as impulsive as claimed by the functionalist theory of stratification. The second alternate, which is the evolutionist theory, is of the opinion that the poor in the society arise naturally with poverty and inequality acting as eliminators of the most appropriate fit. The third alternate that originates from the economic history of capitalist (free enterprise) economies does not uphold the view of naturality. This alternate argued that crude manipulation and mistreatment serve as a major factor in the determinacy of the poor class in the society. According to this theory, the crude mistreatment and manipulation can pave way to an increase in savings and aggressive entrepreneurship that will result in individualization.

The Individual-Attribute Theory

This theory is of the view that the poor in the society are the once responsible for their own misfortune. This theory is based on the argument that an individual's position in the society's hierarchy of wealth and income is assumed to be determined mainly by what motivates the individual, ability and aptitudes. The individual's characteristics can be contributory to his position in the society's status-hierarchy, which operates only within a structure of options, limits established and guided by forces outside the jurisdiction of the individual. These forces are normally determined by the prevailing system of property class relations and authority (Akeredolu, 1975).

The Natural-Circumstantial Theory

This theory is more concern directly with the problem of poverty. The major concern of this theory is to identify some key explanatory variables that are accountable for poverty. Some of these factors are the natural endowment of the individual's environment, geographical location, old age, and unemployment, etc. One of the major advantages of this theory is of the opinion that poverty reduction can be achieved without substantial changes in the larger political, social and economic environment.

The Power Theory

This theory is also called the Theory of Exploitation. The cardinal argument of the Power Theory is that the system in which political powers are structured in society determines the degree and distribution of poverty among the population. In a clearer view, poverty is a distinctive feature of a scenario in which the few that possess the political authority structure the economic system to fit their own selfish benefits. The degree to which the exploiting class will succeed depend on the revolutionary awareness of the oppressed or subject class on their structural capacity to oppose the manipulation and overthrow the oppressive property structure (Akeredolu, 1975). The Theory of Exploitation or the Power Theory clearly explains the current scenario with the developing countries, where conditions such as high degree of centralization of natural resources which the ruling class could exploit, coexist and low political consciousness on the part of the masses (Johnson 1968). A major policy implication of this theory is that to attain poverty free society requires thorough changing of the structure of authority in the society such as a military coup de tarter or a massive revolution of the masses as in the French revolution. This has made the theory look gloomy due to the visualized implementation difficulty yet it remains the most relevant and working theory to this study because among the theories reviewed it best fit into the contemporal scenario of Benue state. These prevailing theories of poverty direct attention to the causes and effects of poverty in Benue State, Nigeria.

2.2.2.1 Causes and Effects of Poverty in Benue State

There are number of factors that have been identified as causes of increased poverty and reduction in the general welfare in Benue state and Nigeria at large. These factors are summarized below:

Lack of Access to Basic Needs

This perspective is basically consumption or economic oriented. It explains poverty in terms of material acquisition and specially employs consumption based on categories to ascertain the degree and severity of poverty and establishes who is poor and who is not.

These basic goods and needs may be defined as the bundle of public and private goods and services that an individual requires to guarantee his/her socio-cultural, economic, and physical substance. These basic goods may be summarized into six categories as follows: healthcare, nutrition, housing, shelter, water and productive resources e.g. working skills, education and tools; and civil/political rights to take in decisions regarding socio-economic environments (Dike 2011).

The first three categories deal with the basic goods and needs essential for existence. Outside of just survival, the individual struggles for more economic authority, his demands for basic skills, basic education and some resources for production, e.g. land, working tools, etc, increase. The last three categories are aspect of elementary life goals, which include non-economic basic needs; that is socio-cultural desires, the sovereignty to participate in and influence decisions regarding one’s living and working conditions.

Macroeconomic Distortions

Poor Monetary and Macroeconomic policies leads to reduced economic growth and the persistent slide in naira value which according to the National Planning Commission (2004) depreciates, from ₦1.0 to ₦40.0 to $1.0 between June 1998 and March 2000 in the parallel market has an adverse effect on our economy and growth rate. It is also responsible for the immense waste of human resources in Nigeria

Inadequate Access to Productive Resources.

The impaired or lack of productive access to resources leads to absolute high unemployment, malnourishment, low income etc. productive resources in this context can be viewed in the form of financial assets, agricultural income derived either from marketing agricultural produce, services rendered or both. In some others, where a landed aristocracy dominates land, the poor depend majorly on income acquired from agricultural services rendered. In the latter context, it is the agricultural wage level or the productivity of the agricultural sector that determines the income level.

Impaired Endowment of Human Capital

This is another key cause of poverty. For several poor persons, the extent of skill endowment and education that determine human capital is too low to permit any significant improvement in living conditions in the immediate and long term. According to Dike (2005) the poorer strata in society have very few resources for productive purposes outside of their unskilled labour which itself is often adversely affected by disease, malnutrition and hunger. The importance of this perspective is that it shifts the emphasis on poverty and its causes to the capacity of individuals to transform available productive means into a higher quality of life (World Bank, 2002). Poor individuals are not seen as passive, but as capable of transforming their circumstances by taking advantage of opportunities open to them even though the social and natural environments admittedly limit these opportunities.

Ineffective Governance

Ineffective governance over the years had disadvantaged many Nigerians of the standards and benefits of democracy. It is the mandate of the present government to tap through the democratic procedure, the energy and creative endowments of the individuals and harvest the nation’s endowment to improve the general welfare of the country. This is the mission to create a more robust economy and establish a free, democratic and just society which will facilitate and constantly cultivate a style of governance that places purity on accountability, openness, probity, transparency, and effective leadership (APC Presidential Party Manifestoes 2015).

According to Odusola (2007) inadequate access to sanitation, water, education, and health services, which originates from the inadequate provision of social services, makes it difficult for the poor to live a healthy, active life and take complete advantage of employment prospects. The destruction of natural resources, which reduces productivity in agriculture, foresting and fisheries, which often is the means of survival for the poor, contributes to the poverty of a nation. Odusola stated that lack proper help rendered to temporary poverty victims of floods, drought, war and pests could result to unnecessary long-term suffering while proper engagement of the poor in the design and implementation of development programmes results to poverty.

The government in power exhibit conspicuous consumption and wasteful life styles. Example of this is the act of mortgaging national asset for personal benefits by stacking resources acquired for national development to individual accounts outside the country for private gain. This was why Alimeka (2001) thinks that poverty reduction programmes in the country have only benefited those who designed and implemented them while the poor are left drier when he stated that the fact is that the various programmes supposed to better the life of Rural Women and the Family Support Programmes, supported and advanced the monetary and property urge and interests of the wives of heads of state, governors and local government chairman who embezzled and stole the vast resources appropriated for poverty reduction in Nigeria during the past four decades. According to Odusola (1998), the conscious neglect of capital formation, particularly human capital formation habitually leads to the deterioration in the whole educational system also relates this reason to poverty.

Finally, inadequate attention is paid to social welfare programmes that should have helped to improve the living standard. Edo (2003) and others state that to concentrate on, or emphasize economic variables alone is to miss the dynamics of the problem. They further stated that although, they shared the views expressed by Yakwenda (2000) and Tsikata (2000) that productivity of a nation's economy is critical to its level of poverty, but that Nigeria's case of poverty must be taken together with a host of other social, political and cultural factors. Against this background they identified some other causes of poverty in Nigeria. These are: poor leadership, corruption, lack of sound agricultural policy and protracted neglect of the sector, lack of comprehensive national poverty alleviation policy, rapid population growth and excessive external debt burden, lack of basic infrastructure, lack of political will and commitment have been responsible for poverty in Nigeria. An assessment of the Nigerian economy from 1976 to the year 2015 (structural changes and transitions in government) would present a clearer view of the country's economic background.

2.2.3 Credit Access Theories

The credit theory was postulated by Bernanke and Gertler (1995). This theory states that the direct effects of monetary policy on interest rates are strengthened by internal changes in the external finance premium. The authors described external finance premium as the difference between the cost of funds raised internally and funds raised externally by the borrower. However, the imperfection of credit market depends on a change in monetary policy that results in higher or lower open market interest rate and on the size of the finance premium that tends to change external finance in the same direction. Furthermore, both authors linked the monetary policy and external finance premium through "Bank lending credit channel" and "Balance sheet credit channel".

Another theory of concern here is the Wicksell's "Pure Credit" System by wicksell (1946) who was fully aware of the importance of the concept of credit in relation to the understanding of monetary phenomena, like walras he was too engrossed in metallism to be able to formulate a satisfactory credit theory of money. "A promise to pay". he writes, " if properly secure and redeemable at will is just as good a pledge or reserve as is a supply of the [metallic] medium of exchange" Wicksell (1946). Thus in his view money is a primary and credit a derived fact, a substitute of money.

Nevertheless, implicitly he makes credit primary in his "imaginary system of pure credit' described as a system in which checks serve as the sole means of payment, Wicksell (1946). Theoretically this system is of extraordinary interest, in so far as it provides a very important means of appraising the factors influencing the value of money, Wicksell (1946). Although he used such a system with great advantage in his analysis, Wicksell failed to notice its relevance to the investigation of the nature and origin of money. He remained entirely confined within the tangible medium-of-exchange paradigm, relying on metallic money and the velocity of its circulation" as the primary concepts of monetary theory.

"Credit is very powerful, indeed the most powerful means of quickening the circulation of money," Wicksell (1946). Demand deposits are forms of credit and the "influence of credit on the currency may, under all circumstances be regarded as accelerating the circulation of money", Wicksell (1946).The occasions on which credit actually replaces money (by which he means gold) and thereby renders it superfluous may, quite simply be regarded as special cases of the general acceleration of circulation.

He was also convinced that the actual payment systems in various countries were evolving in the direction of complete reliance on deposit banking. In other words, developments occurring in economic theory and in the actual payment systems were showing clearly that credit constitutes the permanent substratum of all payment systems and to this day economists consider money as a primary and credit as a derived notion.

The Quantity Theory of Credit is also a major credit theory postulated by Werner (1993) in his work towards a quantity theory of disaggregated credit and international capital flows. He represented the quantity theory of credit with a key focus on different equation of exchange differentiating between money used for GDP-transactions and money used for non GDP-transaction. He further reiterated the need for money not to be defined as bank deposits or other aggregates of private sector savings. However the bank should not be seen as not being financial intermediaries that lend existing money but should be rather seen as creators of new money through the lending process. Moreover, GDP growth requires an increased transactioin economic activities, which on the other hand requires larger amount of money to be used for such transactions; hence, the money used for transaction can only increase if the banks create more credits. The bank credit can be divided into credit for non-GDP transactions and credit for GDP transactions. The latter drives assets transaction values and the former drives nominal GDP. However, the effect of bank credit depends on its quality and quantity which is described as whether it is used for unproductive transactions (credit for consumption or asset transactions, asset inflation and producing unsustainable consumer respectively). Credit for asset transactions aims at capital gains and is considered unsustainable while credit used for productive transactions aims at income growth and is considered sustainable, Werner (1993).

Finally, the neo Keynesian theory of credit creation falls squarely within the New Keynesian paradigm as defined by Mankiw and Romer (1991); it states that fluctuations in nominal variables influence fluctuations in real variables; it further posits that the central role of imperfect in formation in understanding economic fluctuations; in particular, contra real business cycle theory, business fluctuations may have financial origins. As with other schools of thought, there are significant differences within New Keynesianism; in setting out an account of New Keynesian theory here, the focus will be on those contributions which seem to have most in common with Post Keynesianism.

At the macro level, New Keynesian theory is similar to monetarism in arguing that business fluctuations are seen as having financial elements. But, unlike monetarism, the New Keynesian approach rejects a focus on the demand for money on the grounds that it has been rendered redundant by financial innovation. Rather the focus is on credit, of which money is a by-product. Empirical work is adduced which shows the relationship between macroeconomic aggregates and credit as being more stable than the relationship with money, Blinder and Stiglitz (1983) and implications are drawn for understanding business fluctuations and for the conduct of monetary policy. The emphasis has thus been shifted from the liability side of the banks' balance sheet to the asset side.

As with other New Keynesian theories, the key lies in micro foundations. The importance of credit is seen as stemming from imperfect substitution between different sources of finance, which in turn are generally seen as seen from different information sets. New Monetary economics, which see banks as having no intrinsically special role; the New Keynesian rationale for that special role refers to banks' comparative advantage in information collection. Indeed, information is the key concept in New Keynesian credit theory: 'The essence of the credit creation process is the gathering and transmission of information', Bernanke (1993).

2.3 Empirical Literature

Empirical literature regarding this research will be divided into two; Works showing the impact of microfinance institutions on welfare improvement and impact of microfinance institutions on poverty alleviation.

2.3.1 Empirical Literature on Microfinance Institutions and Welfare Improvement

There has been controversy in empirical literature regarding the effect of microfinance on the welfare of the beneficiaries. Some scholars in their school of thought are of the view that microfinance has no significant effect on the welfare of the household and gender empowerment, while the second school of thought supports the view that it has a significant effect. Coleman (1999) in his study using panel data analysis came to the conclusion that the contradictory empirical evidence on the impact of microfinance could be attributed to issues such as failure to control for selection bias and endogeneity, differences in what actually constitute positive impact and differences in methodology. Duvendack et al (2011) in his survey research opposed that microfinance impact estimations suffer from data inadequacy and weak methodological approaches, thus the reliability of impact evaluations are negatively affected which eventually pave way to misconceptions about the actual impact of microfinance. Kabeer (2001) also noted in his survey study that the contradictory effects of microfinance on women empowerment is as a result of differences in understanding of intrahousehold power relations by the authors.

Hulme and Mosley (1997), based on their study of 13 microfinance institutions carried out in seven developing countries, came to the conclusion that microfinance has a significant and positive impact on household income. Okurut et al (2013), in their survey study carried out in Kgatleng District in Botswana, of 150 households, came up with the conclusion that microfinance has a significant and positive effect on the general household welfare and gender empowerment. Binswanger and Khandker (1995) also discovered in their cross sectional study that access to credit assists the poor people in the society to smooth out their consumption pattern over the challenging periods of the year; therefore credit plays a vital function in improvement of household welfare. Other researchers also observed that availability of credit empowers the rural poor households to improve their production capacity with potential implications for improved employment opportunities that give rise to improvement in household income. (World Bank, 1989, Adugna and Heidhues, 2000, Heidhues, 1995). Hossain (1988), in his comparative study of Grameen Bank customers, was of the opinion that the income of the microfinance borrowers was significantly higher as compared to non-borrowers, thus proving that there is a positive influence of microfinance. Confirmations from Hashemi and Morshed (1997) also proved that household's participation in the Grameen Bank has led to an enhancement in their welfare and also improved the household's ability to sustain their achievements over time. Kamal (1996) in his survey research concluded that microfinance has a significant effect on the welfare of the borrowers as shown by the circumstance that the borrowers per capita income was higher than that of non-borrowers.

Johanna (2013), used cross sectional data for Burma, observed that availability of microfinance had a significant and positive influence on women empowerment at one percent significance level. Chowdhury et al. (1991), in their comparative study carried out in Bangladesh, came to a conclusion that women who partook in BRAC microfinance programme had extra income and acquired greater assets than nonparticipants. Mustafa et al. (1996) also observed in their survey study that the BRAC microfinance participants had better coping mechanisms, more assets and increased household expenditures in lean times as likened to non-participants. On the other hand, Okurut and Bategeka (2006), in their panel data set for Household Integrated Survey 1992/93 and the National Household Survey for Uganda 1999/00, came to the conclusion that having contact with microfinance and its services did not have any significant benefit on the general welfare of the households in Uganda.

Coleman (1999), in his study carried out in Northeast Thailand, with a sample of 445 households observed that access to village bank credit did not yield any positive impact regarding household income and physical asset accumulation. The women who benefited were noted to be imprisoned in a vicious cycle of debt such that all loans collected from the village bank were used solely for consumption needs. To sustain the village bank and its activities, the women were constrained to borrow at higher interest rates from money lenders to repay the money collected from the village bank. The main findings of Coleman (1999) study was summarized that credit is not the actual tool needed to enhance the capacity of the economic well-being of the poor. Diagne and Zeller (2001) and Burger (1989) in their separate empirical analysis came to the conclusion that microfinance is just a stabilizer instead of increasing income, and tends to reserve instead of creating new jobs. Banerjee et al (2013), in his study carried out in Hyderabad India using a randomized control evaluation techniques, came to the conclusion that access to microfinance does not have significant impact on the treatment group's average monthly expenditure per capita. Consumption in treatment areas was not different, and the average business was still not more profitable as compared to the control group. Murduch (1998) carried out a cross sectional study drawn mainly from Pitt and Khander's (1998) 1800 household survey carried out in Bangladesh served mainly by the main MFI's namely; BRAC, the BRDBA and Grameen Bank with a control group of households from areas that were not covered by any MFI's. His findings showed that individual contact to credit does not result to poverty reduction as popularly believed but however it has a significant impact on the alleviation of vulnerability.

Ngwu, (2005) in his analysis pointed out that indeed microfinance can help to attain one of the goals of the Millennium Development Goals (MGDs). This assessment was based on the empirical observation of the National Poverty Eradication Programme (NAPPEP) in Nigeria who pointed out that one of the role of microfinance is lifting people out of complete poverty. He further stated that in 2004. NAPPEP provided non-collateral micro-credit to 45 cooperatives groups in Enugu State. These co-operative societies lend the money to not fewer than ten of her members. Thus, on the average, family size of 6 people, the scheme was able to impact not less than 2,700 family members. Based on a baseline data that was collected from all participants regarding their social, income and economic status before the commencement of the programmes, which was later revalidated bi-annually showed a significant improvement in all the parameters in 88.8% of the participants. Goetz and Gupta (1994) in their survey study using Ordinary Least Square analysis showed a negative impact on gender empowerment even with access to microfinance. This conclusion was based on the findings of the study that women were the ones who usually sign for the loan contracts with microfinance institutions, however, the control and utilization of loans collected by the women is majorly taken over by the men. Nevertheless the sole responsibility of loan repayment remains that of the women, whom in many situations end up repaying from their personal savings. The conflict concerning loan control usually result to domestic violence against the women, mostly in developing countries.
Montgomery (1996) also came to a conclusion in her time series analysis that access to microfinance has little impact to women empowerment because decision concerning loan

utilization is dominated by men. The same opinions were articulated by Ackerly (1995) in his study who agreed the view of (Montgomery 1996) that access to microfinance only result in subjecting women to be overworked and fatigued, but leaving them without control over loans.

In conclusion, empirical evidence on the impact of microfinance regarding welfare of the beneficiaries shows that it is at best mixed.

2.3.2 Empirical Literature on Microfinance Institutions and Poverty Alleviation

Earlier studies concerning micro-financing, as to whether micro-credit programs such as popular in Nigeria have actually reach the target groups (the relatively poor and vulnerable people) in their operations. Contemporal studies (Irobi, 2008; McCulloch and Baulch, 2000; Adam, 2007; Zaman, 2000; and Wrigth, 2000), have proven positive influence as it relates to first six among the eight Millennium Goals. All the scholars came to the same conclusion in their separate studies that microfinance is a powerful and an effective mechanism for poverty reduction. For instance Amin, Rai, and Topai (2003) in their cross-sectional study concluded that MFIs has the ability to influence the poor and acknowledged that microfinance has effectively served people above and below the poverty line. Again, Hossain (1988), carried out a study on "Credit for the Alleviation of Rural Poverty in Bangladesh'' found out that members of Grameen who are landless and poor have an average of 43 percent household above that of marginal landowners.

The outcome of the empirical findings show that the poorest can also benefits from microfinance from both socio and economic well-being view point, and that this can be achieved without endangering the financial sustainability of the Micro-financial institutions (Dahiru and Zubair, 2008; Robinson, 2001; and Zaman, 2000). For example, Khandker (1998), who conducted several related studies with the use statistical method of assessment of the impact of microfinance among three Bangladesi programs found out that every extra taka that is lend to a woman leads to additional 0.18 taka of her annual family spending. Also, in an updated panel data study carried out in Bangladesh, Khandker (2005), came to the conclusion that every extra 100 taka of credit given to women will increase her total annual family spending by over 20 taka. These studies showed the awesome advantage of improvement (increase) in income and reduction of vulnerability.

Microfinance plays several major roles in micro, small and medium enterprises. Kefas (2006) in his comparative analysis concluded that Microfinance was habitually regarded as one of the most flexible and effective approaches in the fight against global poverty. These strategies are sustainable and can be applied on a substantial scale necessary to react to the urgent needs of the global poorest people. Microfinance has also filled up certain gaps which the main stream banking has neglected in serving the people, particularly the poor. The nature of the gaps and examples of how such gaps have been filled by the microfinance institutions has been well documented.

(i) Provision of Seed Money: Malama Umma, a housewife from Bauchi State, Nigeria, as reported by Kefas (2006) that she took a first loan from the Development Exchange Centre (DEC) microfinance institution and used it to buy a spaghetti making machine. She used the profit she made to buy a sewing machine and within one year, she was able to repay the loan. This is an example of microfinance institution providing seed money for an individual to start a successful enterprise.

(ii) Business Training and Social Rehabilitation: As reported in Units Innovative Solutions to Global Poverty Publication (2005), Susan, aged 30, single, with two children lived in Nairobi, Kenya. She grew up in a poor area of Kenya and got married, but the husband left her when he learnt that Susan contacted HIV. She ended up in prostitution as she was not able to find work, and had to support the two children and herself. Later she learnt about Jamii Bora, a Nairobi based microfinance institution from her neighbor in the slum. The microfinance institution provided Susan with some form of business training skills and gave her a loan to start sales business and clothes mending. Jamaii Bora‟s microfinance services assisted Susan to stop prostitution and moved her family away from slum into a safer house. Here is evidence of rehabilitation and business training provided by a microfinance institution.

(iii) Social Rehabilitation: Marcelino, a Colombian was forced to flee from his village in rural Colombia as a result of warfare (guerilla) to Barrio Nelosn Mandela, a shanty town just outside of Cartagena. He took a loan of $95 from Mario Santo Domingo (microfinance) opened with the express purpose of helping migrants like Marcelino. The loan was used to open a small variety store. After a year, Marcelino owned the most impressive store in the neighborhood. This rehabilitation gap filling scenario was reported in the book “Access for All: Building including financial systems” (2006).

(iv) Start Up Funding and Training in Business Practices: Jumba, a widow who lives in Gar, Bauchi State, Nigeria, as reported by Kefas (2006) belonged to a women's group and took a loan of N2, 000 from DEC. She said that she was not afraid because the microfinance (DEC) had taught her many things such as good farming practices and how to utilize a loan. She bought a goat and two rams fattened the rams and sold them at great profit, and repaid the loan. This is a testimony of a widow who had access to credit from a microfinance institution which also taught her good business practices, particularly how to raise animals and provided the startup finance.

(v) Promotion of Socio-Economic Conditions and General Welfare: Agbobli, *et.al* (2007) in their contribution to the publication "UNDP, UNCDF Mid-Term Evaluation Reports" identified Non-Governmental Organizations (NGOs) that are noted for their commitment to poverty alleviation, particularly in areas of promotion of socio-economic conditions and general welfare of the communities where they provided service. Farmers Development Union (FADU) located in Ibadan Oyo State is one of such NGOs. It provides development programmes targeted towards reaching the poor and the vulnerable groups with basic and social services for improved employment, rural income, nutrition and raising the standard of living conditions. These are services which the mainstream banks hardly provide. This indeed is filling a huge gap in the financial and economic landscape of the nation and of humanity in general.

(vi) Literacy Campaigns: Agboli (2007) also detailed out the contributions of the Anambra Self Help Organization (ASHO). The NGO, apart from providing micro-credit services to its members, it also conducts literary campaigns within its community with emphasis on boys" school enrolment.

On the other hand, some writers have contrast view on the conclusion that microfinance has a positive effect on poverty alleviation. For example, Hulme and Mosley (1996) admitted the role of microfinance and its relevance towards poverty reduction, but however concluded in their comparative studies that "most contemporary schemes of MFIs are less effective than they might be". According to then microfinance is not a remedy for poverty alleviation and in many cases the poorest people are usually made worse-off by microfinance. Also, Adam (2007) discovered in his study that microfinance institutions in Nigeria have grown remarkably, driven majorly by expansion in the informal sector activities and the adverse nature of commercial banks towards funding the emerging microenterprises. The numbers of people who benefit from microfinance institutions services are insignificant as compared to the proportion of the people who require microfinance services. Projections show that formal microfinance institutions only serve less than a million customers, in a nation where over 70% of the nation's population live below the poverty line (Dahiru and Zubair, 2008). The study also advocated that microfinance is not successful towards reaching out to the target groups (the vulnerable poor and those that are mostly prone to destitution).

The foremost challenges associated with microfinance in Nigeria include: lack of standardize reporting and performance monitoring system for MFIs, less attention on financial sustainability of MFIs, lack of adequate loan or equity capital to increase loan-able funds, insufficient support from governments, illegal government and NGO operations that spoil the market, high turnover of MFI staff, limited support for human and institutional capacity building, inadequate donor funding and Inadequate awareness and communication gaps (Irobi, 2008).

2.4 Identified Gap in Previous Studies and Value Added

From literature, (which were mostly considered from Nigeria and other developing countries) on evaluation of the impact of MFIs towards welfare improvement reviewed includes the works by; Hulme and Mosley (1997), Okurut et al (2013), Binswanger and Khandker (1995), Hashemi and Morshed (1997), Kamel (1996), Johnanna (2013), Heidhues (1995), Adugna and Heidhues (2000) and Hossain (1988) who came to the same conclusion in their different studies; that access to credit facilities helps the poor households whom are mostly in rural areas to improve their productive capacity with likely hood for increased employment opportunities and household income.

However there are few other literatures that showed a contrary view. Some of the works include that of; Okurut and Bategeka (2006) in their panel studies for set of integrated household survey. Coleman (1999), Burger (1989) and Ackerly (1995) came to a conclusion that access to microfinance has insignificant effect on improved household welfare, it only stabilizes instead of increasing income, and tend to reserve instead of creating new jobs opportunities. Also, literatures on studies to determine whether the influence of micro-financing on micro-credit schemes as popular in Nigeria, have actually reach the target groups (relatively poor and vulnerable) in their operations were reviewed. Among this works are: Adam (2007), Zaman

(2000) Robinson (2001) Irobi (2008), Wrigth (2000), McCulloch and Baulch, (2000), Amin and Topai (2003), and Hossain (1988) which in their separate studies came to the conclusion with empirical evidence that the poor can be beneficiaries of microfinance from both social and economic well-being view point, and this can be done without endangering the financial sustainability of the MFIs.

As earlier identified in the statement of the problems and literature review, several works have been done on the impact of MFIs on welfare and poverty alleviation for Benue state and Nigeria, however for Benue state which is my case study, all the works done on this subject: Ajegi (2015), Abur and Torruam (2012), Ikwuba, (2011) and Akighir *et.al* (2011) were all focused only on the impact of formal microfinance institutions (microfinance banks only) on welfare and poverty alleviation, therefore to the best of my knowledge and evidence from literature there is no work done for Benue state that considered the impact of the informal microfinance institutions in the state which is very huge.

Also, despite the contributions of the previous researchers towards the quest to device measures that will improve the welfare of the low income earners who are mostly in rural areas within the state, not much has been achieved. Therefore, it’s on this premise that this study intends to incorporate jointly the impact of both formal and informal MFIs within the state to ascertain its level of significance towards welfare and poverty reduction in Benue state since no work of such have been previously done for the state.

CHAPTER THREE

RESEARCH METHODOLOGY

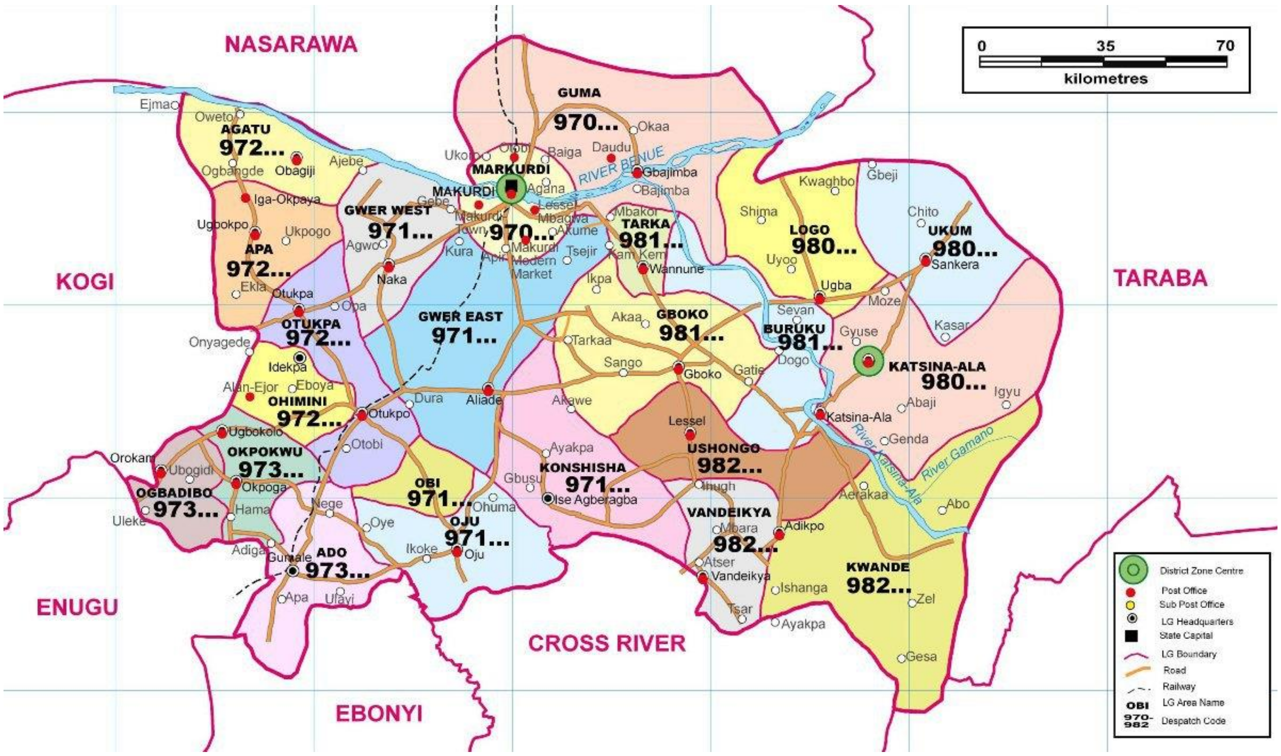
3.1 Research Design

This study is designed to evaluate the impact of MFIs on small scale businesses and individual customers for which the service providers render services to. The purpose is to assess the role of such services in alleviating poverty and improving welfare among the people of Benue state. In carrying out this study, the researcher made use of survey techniques to obtain responses from the sampled population. This enabled the researcher and his research assistants have personal contact with the respondent to elicit vital information required for the investigation.

3.2 Area of the Study

Benue state of Nigeria constitutes the area of study, among which six local governments have been selected, two local governments each representing the three senatorial zones in the state. The state has her headquarters at Makurdi. It shares boundaries with Enugu state to the South-west, Taraba state to the East, Nasarawa state to the North, Kogi state to the West and Cross-River state to the South. The state also shares mutual boundary with the Republic of Cameroon on the south-east. Benue state has a landmass of 34,059 square kilometres. The state has a population capacity of 4,253,641 people with many subsisting in farming (NPC 2006).

Economic activities in the study area include the presence of Insurance companies and Banks. Banking services is made available as all registered banks in Nigeria have their branches in the state capital with the regional headquarters of Central Bank of Nigeria in Makurdi. Other economic activities in the state include; Dangote Cement Company, telecommunication service providers, public and private educational institutions, Zaki-biam yam market, among many others. Benue State has a large capacity to accommodate a whole number of industries using the abundant mineral and local agricultural resources however the capacities are yet to be exploited. Private (individual) enterprises regarding investment, industry and commerce mostly by indigenes is on a subsistence level and hence narrowed mostly to shoe repairs, subsistence manufacturing, carpentry, rice mills on a small scale, catering, plastic and leather industries, printing, block making, food processing, weaving etc. Commerce and industry have been grossly underdeveloped in Benue state due to the absence of startup and sustained capital, frequent changes in the political system and lack of basic infrastructure.



Map of Benue State

3.3 Population of the Study

The population for this study is comprised of all the residents of Benue state. According to the 2006 National population census, Benue state has a total population of 4,253,641 (NPC, 2006)

3.4 Sample and Sampling Technique

Using the Yamane sample size selection formula of

$$n = \frac{N}{1 + N(e)^2}$$

405 households were selected for this study using a multi stage sampling technique. The sample cut across the three senatorial zones in the state. The first stage comprised a random selection of three local governments' areas from each of the zones making a total of nine local government area used for this study, while the second stage comprised a random selection of 45 households

from each of the local government areas using a household selection grid obtained from the Nigerian Bureau of Statistics. The local government areas used for this study include Kwande, Ushongo, Vandeikya, Gboko, Tarka, Makurdi, Otukpo, Okpokwu and Ogbadibo. Under the senatorial sphere, the areas selected are the center of administration for all other parts of that zone. These same areas also command high economic activities as compared to the remaining parts of the areas under study.

3.5 Research Instrument

The study adopted the use of structured questionnaire titled “Microfinance institutions as key to welfare and poverty alleviation” as the sole instrument for data collection from the respondents. The questionnaire was divided into two (2) sections namely section A and B. Section A of the questionnaire containing 12 items which sought demographic and similar information from the respondents’ while section B, sought answer to the items relating to Microcredit, Savings and Investment.

3.6 Validation of Instrument

The draft copy of the questionnaire alongside the research questions and purpose of the study were submitted to the researcher’s supervisor, two other lecturers in the department of Economics, University of Nigeria and two other lecturers from the Measurement and Evaluation, Department of Science Education, University of Nigeria to ascertain the face and content validity. They were requested to check for the suitability of the language and appropriateness of the items for the study. Their corrections and contributions were noted after which some items were restructured while others were dropped.

3.7 Reliability of the Instrument

According to McCormick and Tiffin (1975) Reliability refers to the “ability of an instrument to produce the same consistent results over time when applied to the same sample”. The questionnaire was administered to 30 households selected from Nsukka Local government area, Enugu state, who are different from the subjects of this study. The result was collected and subjected to reliability test to determine the internal consistency of the instrument using the

Cronbach's alpha. Reliability coefficient of 0.76 was obtained for the instrument which shows high reliability. A copy of the reliability test result is attached at appendix of this work.

3.8 Method of Data Collection

The researcher administered the questionnaire with the aid of two research assistants that were trained for this purpose. The researcher administered the questionnaire directly to the respondents. 405 copies of the questionnaire were administered to the respondents after obtaining permission from relevant Management authorities of the microfinance institutions under the scope of the study.

3.9 Model Specification

3.9.1 Model 1 (For Objective One)

The objective one of this study is to investigate the impact of MFIs on poverty in Benue state. In a bid to estimate the variables that determine Poverty reduction which may include belonging to a microfinance in Benue state, the Binary logistic regression model was explored. Following Gujarati and Porter (2009) in the estimation of Logit model, we estimate the equation as follows:

$$L_i = \ln\left(\frac{p_i}{1-p_i}\right) = Z_i = \beta_1 + \beta_2 X_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots..3.1$$

Meaning that L, the logged odds ratio, is linear in X and in the parameters.
Note that as P varies from 0 to 1, Z goes from - ∞ to + ∞.
In the same vein, model for this study can be specified as follows:

Pov = f (Mic, Gender, Age, Marital, Educ, Housize,)………………. 3.2
Econometrically 3.2 becomes

$$Prov_i = \beta_0 + \beta_1 Mic_i + \beta_2 Gender_i + \beta_3 Age_i + \beta_4 Marital_i + \beta_5 Educ_i + \beta_6 Housize + \mu_i \text{ ----3.3}$$

where:
Pov is a binary Dependent variable. Pov=1; if the person is poor, Pov =0; if the person is not poor. Recall that the World Bank's Poverty line Index set at \$1.25(₦460) per day and this was used in this study as a measure of poverty. That is, if your income per day is less than the Index

you will be regarded as poor and if your income is above \$1.25 per day you will be regarded as not being poor.

Mic = is categorical independent variables. Mic = 0 if the households head does not belongs to any microfinance institution, Mic = 1 if the household head belongs to formal microfinance institution and Mic = 2 if the household head belongs to informal microfinance institution.

Gender = a binary independent variable. Gender = 1 if the household head is male, Gender = 0 if the household head is female.

Marital = Marital Status. A categorical independent variable. Marital = 1 if the household head is married. Marital = 0 if the household head is single. Marital = 2 if the household head is divorced. Marital = 3 if the household head separated. Marital = 4 if the household head is widowed.

Educ = years spending in formal education

Housize = Household size

μ = error term

F = the logit distribution functional form.

$_i$ = observation of the $_i$th individual or household.

3.9.2 Model 2 (For Objective Two)

The second objective of this study is to examine the impact of MFIs on welfare in Benue State.

To ascertain if MFIs has enhances households' access to credit in Benue state. In a bid to estimate the variables that determine welfare which may include belonging a microfinance in Benue state, the linear probability regression model was explored. We estimate the equation as follow:

Welfare = f (Mic, Gender, Age Marital, Educ, Housize, Asset)………………. 3.4

Econometrically 3.2 becomes

$$welfare_i = \beta_0 + \beta_1 Mic_i + \beta_2 Gender_i + \beta_3 Age_i + \beta_4 Marital_i + \beta_5 Educ_i + \beta_6 Housize + \beta_7 Occupation_i + \mu_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.5$$

where:

Welfare= household welfare proxied with the ratio of total monthly consumption expenditure and size of the household

Occupation = a categorical variable indicating the nature of job of the head of household

Other variables are as defined above.

3.9.3 Model 3 (For Objective Three)

The third objective of this study is to ascertain if belonging to MFIs enhances households access to credit by households in Benue state. In a bid to estimate the variables that determine access to bank credit which may include belonging to microfinance in Benue state, the Binary logistic regression model was explored. Following Gujarati and Porter (2009) in the estimation of Logit model, we estimate the equation as follows:

$$L_i = \ln\left(\frac{p_i}{1-p_i}\right) = Z_i = \beta_1 + \beta_2 X_i \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.6$$

Meaning that L, the logged odds ratio, is linear in X and in the parameters.
Note that as P varies from 0 to 1, Z goes from - ∞ to + ∞.
In the same vein, model for this study can be specified as follows:
Access = f (Mic, Gender, Age, Marital, Educ, Housize, Asset)………………. 3.7
Econometrically 3.7 becomes

$$Access_i = \beta_0 + \beta_1 Mic_i + \beta_2 Gender_i + \beta_3 Age_i + \beta_4 Marital_i + \beta_5 Educ_i + \beta_6 Housize + \beta_7 Asset_i + \mu_i \ldots\ldots\ldots\ldots\ldots\ldots 3.8$$

Where

Access = is a binary Dependent variable. Access=1; if the person have access to Bank credit, Access =0; if otherwise.

Others variables are as defined earlier.

3.10 Diagnostic Tests

This include test that will be carried out to make sure that the models of this study conform with econometric criteria. These tests include the heteroscedasticity test, specification error test and goodness of fit test.

3.11 Econometric Package

Stata version 13 Econometric software will be used for the data analysis, while SPSS version 20 will be used for coding of the collected data. Stata is chosen because of its expertise in cross sectional analysis.

CHAPTER FOUR

PRESENTATION AND ANALYSES OF RESULTS

This section presents the results of the field study; it shows the descriptive information of the respondents, the results of each of the research questions and the test of hypothesis.

4.1 Demographic Information of the Respondents

Table 4.1: Distribution of the Respondents based on their Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	11	2.7	2.7	2.7
	26-35	62	15.3	15.3	18.0
	36-45	141	34.8	34.8	52.8
	Above 45	191	47.2	47.2	100.0
	Total	405	100.0	100.0	

Source: Researchers' Computation 2017.

From the responses on table 4.1 above which depicts the distribution of the respondents based on the age group of the household heads of the respondents, it can be observed that majority of the respondents are above 45 years of age indicating a bit sense of maturity and responsibility in handling the questions on the questionnaire

Table 4.2: Distribution of the Respondents based on sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	184	45.4	45.4	45.4
	Female	221	54.6	54.6	100.0
	Total	405	100.0	100.0	

Source: Researchers' Computation 2017.

The table 4.2 above indicates that about 54.6 percent of the respondents for this study are female, while the rest are male and this indicates the readily availability of ladies in addressing family issues than the men who are the household heads.

Table 4.3: Distribution of the Respondents based on Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Christianity	210	51.9	51.9	51.9
	Islam	86	21.2	21.2	73.1
	Others	109	26.9	26.9	100.0
	Total	405	100.0	100.0	

Source: Researchers' Computation 2017.

Likewise, about 51 percent of the respondents for this study are Christians, while the rest are either Muslims or traditional worshipers. This shows the dominance of Christian religion in the study area.

Table 4.4: Distribution of the Respondents based on the Educational Attainment of the Head of the Households

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No formal Education	48	11.9	11.9	11.9
	Primary/Secondary	144	35.6	35.6	47.4
	NCE/National Diploma	48	11.9	11.9	59.3
	HND/First Degree	123	30.4	30.4	89.6
	Post Graduate Degree	42	10.4	10.4	100.0
	Total	405	100.0	100.0	

Source: Researchers' Computation 2017.

From the result on table 4.4 above which indicates the distribution of the respondents for this study based on the educational qualification of their households head, it can be inferred that majority of the households heads in the study area are holders of first school leaving certificate and SSCE, this is attested to by the responses of about 35.6 percent of the respondents as indicated on the table above.

Table 4.5: Distribution of the Respondents based on the Marital Status of the Head of the Households

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	88	21.7	21.7	21.7
	Married	249	61.5	61.5	83.2
	Divorced	34	8.4	8.4	91.6
	Widowed	34	8.4	8.4	100.0
	Total	405	100.0	100.0	

Source: Researchers' Computation 2017.

From the responses of the respondents as indicated on the table above, it can be observed that about 61.5 percent of the respondents are married, while about 21.7 percent of them are still single. The fact that the majority of the respondents are married is plausible as they have a good knowledge of the happenings in the family.

Table 4.6: Distribution of the Respondents based on the Occupation of the head of the household

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Selling/Trade	73	18.0	18.0	18.0
	Agriculture/Farming	142	35.1	35.1	53.1
	Civil Service	60	14.8	14.8	67.9
	Transport	30	7.4	7.4	75.3
	Artisan/Handcraft	40	9.9	9.9	85.2
	Teacher	30	7.4	7.4	92.6
	Others	30	7.4	7.4	100.0
	Total	405	100.0	100.0	

Source: Researchers' Computation 2017.

The table above depicts the distribution of the respondents based on the occupation of the head of households, the table indicates that majority of the respondent (about 35.1 percent) are farmers which shows that the dominant income making venture in Benue state is farming as the state is named the food basket of the nation.

Table 4.7: Distribution of the respondents based on the households housing unit type

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Flat	68	16.8	16.8	16.8
	Duplex	51	12.6	12.6	29.4
	2-room apartment	135	33.3	33.3	62.7
	one room apartment	68	16.8	16.8	79.5
	Others	83	20.5	20.5	100.0
	Total	405	100.0	100.0	

Source: Researchers' Computation 2017.

Table 4.7 depicts the distribution of the respondents based on their households housing type as observed by the field officers. The table indicates that majority of the respondents for this study live a 2 room apartment kind of building, while just a few of them live in a duplex as indicated on the table above.

4.2 Estimation Results

4.2.1 Estimation Results for Model one (objective one)

Table 4.8: Estimation result for model one (objective one)

```
Iteration 0:   log pseudolikelihood = -268.99487
Iteration 1:   log pseudolikelihood = -233.40999
Iteration 2:   log pseudolikelihood = -232.95056
Iteration 3:   log pseudolikelihood = -232.95022
Iteration 4:   log pseudolikelihood = -232.95022

Logistic regression                             Number of obs     =        405
                                                Wald chi2(11)     =      61.47
                                                Prob > chi2       =     0.0000
Log pseudolikelihood = -232.95022               Pseudo R2         =     0.1340
```

pov	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf.	Interval]
MicroType						
Formal	-.8264842	.4376366	-1.89	0.059	-1.684236	.0312677
Informal	.6818775	.4627956	1.47	0.141	-.2251853	1.58894
Gender						
Female	-.1777957	.2401653	-0.74	0.459	-.6485111	.2929197
Age						
26-35	.0381371	.7066723	0.05	0.957	-1.346915	1.423189
36-45	-.2802171	.6664273	-0.42	0.674	-1.586391	1.025956
Above 45	-.204646	.6535557	-0.31	0.754	-1.485592	1.0763
Marital						
Married	.1081267	.3057092	0.35	0.724	-.4910524	.7073058
Divorced	-.0590387	.4835844	-0.12	0.903	-1.006847	.8887693
Widowed	.1253433	.4435864	0.28	0.778	-.7440701	.9947567
Educ	.0579076	.020653	2.80	0.005	.0174285	.0983868
Housize	.0297499	.0164899	1.80	0.071	-.0025698	.0620695
_cons	-.0548105	.8864946	-0.06	0.951	-1.792308	1.682687

Table 4.8 shows the mean representation of being poor in Benue state across those who belong to a microfinance institution which is categorized into three various age groups. Age groups were categorized into: ages 26 - 35, age 36 - 45, and ages 45 and above the base category age12 for ages 15 - 25 was not included in the logit regression to avoid collinearity. In the same vein the based category for MicroType is not belonging to any microfinance institution. From the result presented on the table above, it can be observed that belonging to a formal microfinance institution instead of not belonging at all to microfinance institution decreases the likelihood of being poor by about 0.82, while being a member of an informal microfinance institution instead of not belonging to any microfinance institution at all increases the likelihood of being poor by 0.68.

However, it is expected from apriori expectations that being a member of any form of microfinance institution will help a lot in poverty reduction as microfinance institutions provide a lot of incentives to its members that push them out of the poverty line (David, 2003).

The objective here is to investigate the impact of MFIs on poverty in Benue state and the result clearly found that it is only when one belongs to a formal microfinance institution that the likelihood of poverty reduction exists, where that of informal microfinance institutions actually increases the poverty level. While this result is trivial, it actually opens a vista in the study of the components of formal and informal microfinance institutions. While the result of the formal microfinance is in agreement with apriori expectation, that of the informal microfinance is not and it is contrary to the findings of Irobi, (2008), while it is partly in agreement with the studies of Amin, Rai, and Topai (2003) and Hossain (1988). The contrary result of the informal microfinance institution could as well be attributed to the fact that informal microfinance institutions are not well regulated in the state, therefore, most of them do not play their functions as they ought to do.

Likewise, the result on the table also indicates that being a female instead of male decreases the chances of being poor in Benue state by 0.1 ratios all things being equal. Being divorced instead of being single, decreases the likelihood of being poor by 0.05 ratio.

The model diagnostics are presented on Table 4.8 The total observation for the logistic regression (N) is 405. Most test statistics - LR (61.47), Pseudo R^2 (0.1340) and the Log likelihood ratio (-232.95022) - suggests that the model estimates provided a good fit to the data. The log-likelihood (-232.95022) shows fast convergence in five iterations.

Next, we proceed to the post-estimation test to know if the model for gender was correctly specified.

4.2.2 Test for Model one Specification

First, we use the Lagrange Multiplier (LM) post - estimation test to show if the linear specification given in model one is correct. The null hypothesis for this test states that the logit model is correctly specified. Rejecting the null hypothesis which indicates that the specification is well stated and the functional form are correct.

(1) [pov]xbhatsq = 0

chi^2 (1) = 0.09

Prob > chi^2 = 0.7590

Given the above LM analysis, we do not reject the null hypothesis. The result above shows that the p-value = 0.7590 is greater than the critical value (0.05) indicating that the model is well specified.

Furthermore, we conduct a goodness-of-fit test to show the percent model is correctly predicted i.e. the number of times the predicted pov^ matches actual pov (which is 1 or 0) for gender. This is given in the table below.

4.2.3 Goodness of fit for Model one

Table 4.9: Table for the test of Goodness of fit for Model one

Logistic model for pov

Classified	True D	True ~D	Total
+	205	69	274
-	46	85	131
Total	251	154	405

Classified + if predicted Pr(D) >= .5
True D defined as pov != 0

Sensitivity	Pr(+| D)	81.67%
Specificity	Pr(-|~D)	55.19%
Positive predictive value	Pr(D| +)	74.82%
Negative predictive value	Pr(~D| -)	64.89%
False + rate for true ~D	Pr(+|~D)	44.81%
False - rate for true D	Pr(-| D)	18.33%
False + rate for classified +	Pr(~D| +)	25.18%
False - rate for classified -	Pr(D| -)	35.11%
Correctly classified		71.60%

The percentage of correctly specified outcomes of poverty is 71.60. The table shows that 69 of poverty level in the study area are misclassified across independent variables when the correct classification is not poverty (0), and 46 are classified across Microfinance as not poor (0) when the correct classification of poverty (1). The overall success rate of correctly classified observations is (205 + 85). The sensitivity measure (205/251 = 81%) shows the fraction of observations with pov = 1 that are correctly specified across the independent variables. Specificity (85/154 = 55.2%) measures the ratio of observations with pov = 0 that are correctly specified across independent variable.

4.2.4 Heteroskedasticity Test for Model One

Here, we present the result of White's joint test for heteroskedasticity, skewness and nonnormal kurtosis (Cameron and Trivedi, 2005). Thus, the null hypothesis states homoskedasticity, symmetry and normal kurtosis of the conditional mean, as against the alternative hypothesis.

Table 4.10: White'sTest for Heteroskedasticity for model one

White's test for Ho: homoskedasticity

against Ha: unrestricted heteroskedasticity

chi^2 = 346.11

Prob > chi2 = 0.0000

Cameron & Trivedi's decomposition of IM-test

Source	chi2	df	P
Heteroskedasticity	346.11	217	0.0000
Skewness	55.84	21	0.0001
Kurtosis	3415.85	1	0.0000
Total	3817.79	239	0.0000

In Table 4.10 above, chi^2 indicates the critical value with 2 degrees of freedom. The chi^2 = 346.11 has p-value = 0.0000 which is less than 5% level of significance implying heteroskedasticity i.e. the variance of the error term varies across all observations. The overall joint IM test rejects the null hypothesis because p = 0.0000 in the Total row. The decomposition of the Cameron & Trivedi's decomposition of IM-test indicates that all the three assumptions of homoskedasticity, symmetry and normal kurtosis are rejected. Thus, we say that the error term varies across all observations, and the conditional mean are heteroskedastic, has skewness and a nonnormal kurtosis. However, to remedy this problem of heterskesdasticity, a robust standard error of the coefficients was presented as seen on table 4.8 above.

4.2.5 Estimation Results for Model two (objective two)

Table 4.11: Estimation result for model two (objective two)

```
Linear regression                                      Number of obs =     405
                                                       F( 11,   393) =   16.70
                                                       Prob > F      =  0.0000
                                                       R-squared     =  0.3056
                                                       Root MSE      =  5177.5
```

Welfare	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
MicroType						
Formal	706.7699	627.7122	1.13	0.261	-527.324	1940.864
Informal	853.0893	698.2617	1.22	0.223	-519.7062	2225.885
Gender						
Female	889.8534	538.5414	1.65	0.099	-168.9291	1948.636
Age						
26-35	747.0807	1025.815	0.73	0.467	-1269.692	2763.853
36-45	1892.345	856.1176	2.21	0.028	209.2023	3575.489
Above 45	1619.138	870.9135	1.86	0.064	-93.09372	3331.371
Marital						
Married	-336.6367	739.3726	-0.46	0.649	-1790.257	1116.984
Divorced	-1636.17	844.8036	-1.94	0.053	-3297.07	24.72914
Widowed	-612.9704	905.4631	-0.68	0.499	-2393.128	1167.187
Educ	41.26239	45.64132	0.90	0.367	-48.46929	130.9941
Housize	-418.8174	33.59745	-12.47	0.000	-484.8706	-352.7641
_cons	7614.749	1496.01	5.09	0.000	4673.566	10555.93

The table above depicts the long run determinants of welfare in Benue state Nigeria, the result shows that belonging to a formal microfinance institution rather than not belonging to any microfinance institution which is the based group here, increases the household welfare by 706.8 units, while belonging to informal microfinance institution rather than not belonging to any microfinance institutions at all increases welfare by 853.1 units. Furthermore, having a female household head instead of a male household head increases the household welfare by 889.9 units, however, the results are not statistically significant except household size which indicates that a unit increase in the size of the household decreases household welfare by 418.8 units.

Nonetheless, it is expected by economic theory and standard that belonging to a Microfinance institution will contribute in the welfare improvement of the household as microfinance provides a means for small savings and capital for investment and procurement of other relevant welfare enhancing household articles. (Dahiru and Zubair, 2008) and Agbobli, et.al (2007).

However, the objective here is to examine the impact of MFIs on welfare in Benue State. And based on the result depicted on table 4.11 above, it can be inferred that microfinance bank has a positive impact on welfare, though, belonging to an informal microfinance institution has a higher impact on welfare than belonging to a formal microfinance institutions. However, the result is not statistically significant probably due to the data generation procedure since this is a survey of sampled households. This notwithstanding, the result is in conformity with apriori expectation and in line with the works of Adam (2007), Kefas (2006) and Zaman, 2000 who all found positive contribution of microfinance on welfare, however, the finding of this study that informal microfinance institution contributes more to welfare than formal microfinance institution seems to be a striking revelation that requires more studies in this area for confirmation.

Likewise, the result of the other variables in the table indicates that there is positive impact of years of education on welfare, which is, increasing the years of schooling by one unit, increases welfare by 41.3 units. The results also inferred that being single counts more to welfare than being married, divorced or widowed in Benue state.

The model diagnostics as presented on Table 4.11shows the total observation for the ordinary least square regression (N) is 405. Most test statistics – F state (16.70) with a probability of 0.0000 shows that though most of the variables are not individually significantly, they are jointly significant in the model. The R^2 (0.31) suggests that the model estimates provided a good fit to the data. The R^2 explains that about 31 percent of the variations in the dependent variable (Welfare) are explained by the variables in the independent variables. Though the R^2 is relatively small, it is not an issue since the study is a cross sectional study.

Next, we proceed to the post-estimation test to know if the model for gender was correctly specified.

4.2.6 Test for Heteroskedasticity

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of Welfare

         chi2(1)      =    91.78
         Prob > chi2  =   0.0000
```

The null hypothesis for this test is that the model is homoscedastic. Based on the probability value of 0.0000 we reject the null hypothesis of homoscedastic indicating that the model would have a problem of unequal variance. To address this problem a robust standard error was estimated as presented on table 4.11.

4.2.7 Specification Error Test for Model Two

Ramsey	**RESET test using powers of the fitted values of welfare**
Ho: model is well specified	
F(3, 390) = 42.68	
Prob > F = 0.1465	

The null hypothesis for this test is that the model is well specified and based on the probability score of 0.1465 which is higher than 0.05, we fail to reject the null hypothesis and conclude that the model two of this study is well specified.

4.2.8 Estimation Result for model three (Objective three)

Table 4.12 Estimation Result for model three (Objective three)

```
Iteration 0:   log pseudolikelihood = -215.77665
Iteration 1:   log pseudolikelihood = -149.99811
Iteration 2:   log pseudolikelihood = -144.02379
Iteration 3:   log pseudolikelihood = -142.73076
Iteration 4:   log pseudolikelihood = -142.72511
Iteration 5:   log pseudolikelihood = -142.72511

Logistic regression                               Number of obs   =        405
                                                  Wald chi2(12)   =     115.66
                                                  Prob > chi2     =     0.0000
Log pseudolikelihood = -142.72511                 Pseudo R2       =     0.3386
```

Access	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf.	Interval]
MicroType						
Formal	5.437862	.6371441	8.53	0.000	4.189082	6.686641
Informal	3.104234	.5500063	5.64	0.000	2.026242	4.182227
Gender						
Female	.1367138	.3174299	0.43	0.667	-.4854375	.758865
Age						
26-35	.1832331	.9500903	0.19	0.847	-1.67891	2.045376
36-45	.3301038	.9314672	0.35	0.723	-1.495538	2.155746
Above 45	.4975643	.9188686	0.54	0.588	-1.303385	2.298514
Marital						
Married	-.3184639	.4623561	-0.69	0.491	-1.224665	.5877375
Divorced	.1972703	.6577165	0.30	0.764	-1.09183	1.486371
Widowed	-.3643826	.6492968	-0.56	0.575	-1.636981	.9082157
Educ	-.1395546	.031852	-4.38	0.000	-.2019833	-.0771259
Housize	-.0171788	.0209032	-0.82	0.411	-.0581483	.0237906
Asset	-5.75e-06	7.58e-06	-0.76	0.448	-.0000206	9.10e-06
_cons	-.2188796	1.346014	-0.16	0.871	-2.857019	2.419259

Table 4.12 shows the mean representative of household access to credit in Benue state across those who belong to a microfinance institution which is categorized into three various age groups. Age groups were categorized into: ages 26 - 35, age 36 - 45, and ages 45 and above, the base category ages is 15 - 25 which was not included in the logit regression to avoid collinearity. In the same vein the based category for MicroType is not belonging to any microfinance institution. From the result presented on the table above, it can be observed that belonging to a formal microfinance institution instead of not belonging to any microfinance institution increases the likelihood of having access to credit by about 5.2 units, while being a member of an informal microfinance institution instead of not belonging to any microfinance institution at all increases

the likelihood of having access to credit by 3.1 units.

However, it is expected from apriori expectations that being a member of any form of microfinance institution will help a lot in gaining access to credit as microfinance institutions provide a lot of incentives to its members to borrow especially to make investments.

The objective here is to ascertain if MFIs enhances households access to credit by households in Benue state and the result clearly found that actually in Benue state, microfinance institutions enhances access to credit to households, though the magnitude of the effect of formal microfinance institutions is higher than that of the informal microfinance institutions, indicating that being a member of a formal microfinance institution give a household in Benue a greater probability of gaining access to credit. While this result is trivial, it actually opens a vista in the study of the components of formal and informal microfinance institutions. This result actually confirms the applicability of theory in the case of Benue state and it is in line with apriori expectations. Also, the result is partly in agreement with the studies of Salahuddin (2006) and Johnanna (2013).

Likewise, the result on the table indicates that being a female instead of male increases access to credit in Benue state by 0.1 ratio all things being equal. Being married instead of being single, decreases the access to credit by 0.3 ratio. However, all these are not statistically significant. The result also indicates an insignificant impact of education, household size and value of asset on access to credit which is quite abnormal probably due to data generation problem.

The model diagnostics as presented on the table shows that the total observation for the logistic regression (N) is 405. Most test statistics - LR (115.26), Pseudo R^2 (0.34) and the Log likelihood ratio (142.72511) suggests that the model estimates provided a good fit to the data. The log-likelihood 142.72511 shows a fast convergence in five iterations.

Next, we proceed to the post-estimation test to know if the model for access to credit in Benue state was correctly specified.

4.2.9 Test for Model Three Specification

First, we use the Lagrange Multiplier (LM) post - estimation test to show if the linear specification given in model one is correct. The null hypothesis for this test states that the logit model is correctly specified. Rejecting the null hypothesis which indicates that the specification is well stated and the functional form are correct.

(1) [pov]xbhatsq = 0

chi^2 (1)=37.91

Prob > chi^2 = 0.4754

Given the above LM analysis, we do not reject the null hypothesis. The result above shows that the p-value = 0.4754 is greater than the critical value (0.05) indicating that the model is well specified.

Furthermore, we conduct a goodness-of-fit test to show the percent correctly predicted i.e. the number of times the predicted pov^ matches actual pov (which is 1 or 0) for gender. This is given in the table below.

4.2.10 Good of fit for model three

Table 4.13: Goodness of fit table for model three

Logistic model for Access

Classified	True D	True ~D	Total
+	309	63	372
-	5	28	33
Total	314	91	405

Classified + if predicted Pr(D) >= .5
True D defined as Access != 0

Sensitivity	Pr(+| D)	98.41%
Specificity	Pr(-|~D)	30.77%
Positive predictive value	Pr(D| +)	83.06%
Negative predictive value	Pr(~D| -)	84.85%
False + rate for true ~D	Pr(+|~D)	69.23%
False - rate for true D	Pr(-| D)	1.59%
False + rate for classified +	Pr(~D| +)	16.94%
False - rate for classified -	Pr(D| -)	15.15%
Correctly classified		83.21%

The percentage of correctly specified outcomes of poverty is 8321. The table shows that 63 of access to credit in the study area are misclassified across independent variables (1) when the correct classification is not Access (0), and 5 are classified across either being in formal microfinance or not as not having access to credit (0) when the correct classification is having access to credit (1). The overall success rate of correctly classified observations is (309+28). The sensitivity measure (309/314 = 98%) shows the fraction of observations with Access = 1 that are correctly specified across the independent variables. Specificity (28/91 = 31%) measures the ratio of observations with Access= 0 that are correctly specified across independent variable.

4.2.11 Heteroskedasticity Test for model three

Here, we present the result of White's joint test for heteroskedasticity, skewness and nonnormal kurtosis (Cameron and Trivedi, 2005). Thus, the null hypothesis states homoskedasticity, symmetry and normal kurtosis of the conditional mean, as against the alternative hypothesis.

Table 4.14: White'sTest for Heteroskedasticity

White's test for Ho: homoskedasticity

against Ha: unrestricted heteroskedasticity

chi^2 = 341.43

Prob > chi^2 = 0.0000

Cameron & Trivedi's decomposition of IM-test

Source	chi2	df	p
Heteroskedasticity	167.08	73	0.0000
Skewness	158.99	12	0.0000
Kurtosis	15.36	1	0.0001
Total	341.43	86	0.0000

In Table 4.10 above, chi^2 indicates the critical value with 2 degrees of freedom. The chi^2 = 341.43 has p-value = 0.0000 which is less than 5% level of significance implying heteroskedasticity i.e. the variance of the error term varies across all observations. The overall joint IM test rejects the null hypothesis because p = 0.0000 in the Total row. The decomposition of the Cameron & Trivedi's decomposition of IM-test indicates that all the three assumptions of homoskedasticity, symmetry and normal kurtosis are rejected. Thus, we say that the error term varies across all observations, and the conditional mean are heteroskedastic, has skewness and a nonnormal kurtosis. To address this problem, a robust standard error statistics was presented on the estimation table.

4.3 Evaluation of Research Hypotheses

Hypothesis l (H_{01}): There is no significant impact of MFIs on poverty in Benue state

Decision Rule: Reject H_0i if $t_{cal} > t_{tab}$, accept Ho otherwise.

Conclusion: From the result discussed in section 4.2.1 (tables 4.8) the probability value for both formal and informal microfinance institutions variables are 0.059 and 0.141 respectively. None is less than 0.05. We therefore, fail to reject the null hypothesis and conclude that there is no significant impact of microfinance institutions on poverty in Benue state.

Hypothesis 2 (H_{02}): There is no significant impact of MFIs on welfare in Benue state

Decision Rule: Reject H_0ii if $t_{cal} > t_{tab}$, accept Ho otherwise.

Conclusion: following the result from section 4.2.5 table 4.11 above, the probability value for both formal and informal microfinance institutions variables are 0.261 and 0.223 respectively. None is less than 0.05. We therefore, fail to reject the null hypothesis and conclude that there is no significant impact of microfinance institutions on welfare in Benue state

Hypothesis 3 (H_{03}): MFIs does not significantly enhance household access to credit by households in Benue state.

Decision Rule: Reject H_0iii if $t_{cal} > t_{tab}$, accept Ho otherwise.

Conclusion: Following the result shown in table 4.7, the probability value for both formal and informal microfinance institutions variables are 0.000 and 0.00 respectively. The values are less than 0.05. We therefore, reject the null hypothesis and conclude that MFIs does significantly enhance household access to credit by households in Benue state

CHAPTER FIVE

SUMMARY, RECOMENDATION AND CONCLUSION

5.1 Summary of Findings

The study was set out to evaluating the impact of microfinance institutions on poverty and welfare in Benue state Nigeria. It established that the policies to enhance the operations of formal microfinance institutions in the state are likely to lead to poverty reduction in the state, while policies that promote informal microfinance institutions will likely increase the poverty level. While this result is trivial, it actually opens a vista in the study of the components of formal and informal microfinance institutions. The result is however in agreement with the studies of Amin, Rai, and Topai (2003) and Hossain (1988).

The result of the second model shows that microfinance institutions has a positive impact on household welfare in Benue state, though, belonging to an informal microfinance institution has a higher impact on welfare than belonging to a formal microfinance institutions. However, the result is not statistically significant probably due to the data generation procedure since this is a survey of sampled households. This notwithstanding, the result is in conformity with apriori expectation and in line with the works of Adam (2007), Kefas (2006) and Zaman, 2000.

Finally, the result of the last model for the study indicates that actually in Benue state, microfinance institutions enhances access to credit to households, though the magnitude of the formal microfinance institutions is higher than that of the informal microfinance institutions, indicating that being a member of a formal microfinance institution gives households in Benue state greater probability of gaining access to credit.

5.2 Conclusion

This work focuses on evaluating the impact of microfinance institutions on poverty and welfare in Benue state Nigeria. The study estimated the impact of microfinance on poverty in Benue state, the impact of microfinance on welfare in Benue and also the effect of microfinance on household access to credit. The study adopted the World Bank poverty bench mark as a proxy for poverty in the state and also adopted a welfare index of the ratio of household expenditure and number of household members.

The work addresses three specified objectives and three hypotheses as listed above after careful review of related literature. For the regression analysis, the study used the logit model to address objectives one and three, while an ordinary least square estimation was adopted in addressing the objective two of the study with most of the independent variables modeled as categorical variables.

Theoretical literature ranging from the theories of welfare, where the optimality theory of Pareto, the equal satisfaction capacity theory of Pigou, Hicks-Kaldor's compensation principal theory, and social welfare function theory. Also theories of poverty which include the divine theory, the trickle-down theory, the necessity theory, etc were equally reviewed as well as so many related empirical literatures.

The result showed that policies that promote informal microfinance institutions likely increase the poverty level, while policies to promote formal microfinance institution reduce poverty level. Also that informal microfinance institution has a higher impact on welfare than formal microfinance institutions and that microfinance institution increases household access to credit.

5.3 Policy Implications of Findings and Policy Recommendations

1. The first significant policy implication arising out of the empirical finding of the study is that the both microfinance variables (formal and informal) are insignificant in the model of poverty and welfare in Benue state. This goes a long way in expunging the fact that whatever impact the microfinance institutions are making in the lives of the mass in the state are not significantly felt by the households. This calls for more action and possibly a reform of the microfinance system in the state in particular and Nigeria in general. Microfinance institutions should be empowered financially to increase their pace both in giving out loans and in canvassing for savings too as this will go a long way in increasing the number of households they will impact.

2. From the findings of this study, it was discovered that while formal microfinance institutions leads to reduction in poverty level, informal microfinance institution actually leads to increase in the poverty level in the state. This is an indication of the effect of lack of regulation of the informal microfinance institutions in Nigeria which are really growing huge in recent times. It is therefore pertinent for government regulatory agencies to beam its

torchlight on the informal market of microfinance in the states in bid to set standard and rules of engagement for them.

3. From the findings of this study, it is also discovered that there is a positive impact of microfinance institutions on welfare in Benue state. This also depicts the huge opportunity of the present day government in the state to tap in addressing the problem of welfare in the state. In a bid to win more votes for the upcoming election, there is need for the government to invest heavily in microfinance in the state to boost household income and encourage households to go into small and medium scale enterprises, this will reduce unemployment and improve the welfare of the citizens of the state and gather more support and legitimacy for the present government in the state even as the election year approaches.

4. From this study, our knowledge of the various measurement issues associated with welfare and poverty has been enhanced and we have identified that both measures are potent and robust but not significant for the Benue state economy. Thus, we recommend that more proactive measures should be adopted to reflect the nature of our society. This calls for more research in this field by experts to develop more relevant measurements for both welfare and poverty in Nigeria.

5. Emphasis should be placed on more robust domestic economic structural reforms in Benue state such as promoting a competitive and viable domestic microfinance system, with adequate regulatory and supervisory framework. This should be complemented by other macroeconomic stability policies. That is, fiscal deficits, corruption and high interest rate should be put in check. This is one of the ways to ensure that microfinance institutions continue to contribute to growth while lowering output volatility in the state.

5.4 Limitations of the Study

In carrying out a study, researchers usually encounter a lot of challenges which sometimes might border on data availability, research methodology and finance. The present study encountered some of these. The first challenge was the inability of the study to obtain a secondary data on poverty for states in Nigeria. This was what necessitated the use a survey research and primary data for the study. The use of survey/questionnaire for data collection comes with its data mining challenges which the author had to tackle given his level of knowledge and understanding.

The second limitation of the study is limitation of the scope of the study to Benue state alone. This study would have covered all the states of Nigeria. But owing the unavailable of secondary data on state level for Nigeria and lack of resources to carry out such studies for the whole 36 states of the federation, the study was limited only to Benue state.

Finally, the study only adopted one measure of welfare and poverty in the midst of some other measures, taking into cognizance the weakness of measuring welfare and poverty with just one variable (measure) each. Another better measure could have been added as a support to the already adopted measures, however, due to the need to make the questionnaires as simple as possible and to easily solicit responses from the respondents since there was no incentive for the respondents some were skipped from the questionnaire.

5.5 Research Recommendations for Further Studies

This study is on evaluating the impact of microfinance institutions on poverty and welfare in Benue state Nigeria. However, the following areas are recommended for further research.

i. Evaluating comparatively the impact of microfinance institutions on poverty and welfare in all the states of Nigeria
ii. Applying other measures of welfare and poverty and repeat the study in Benue state.
iii. A time series analysis of the impact of microfinance institutions on poverty and welfare in Nigeria

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APPENDIX A

Department of Economics,

University of Nigeria,

Nsukka.

14th March, 2017.

Dear Prof. /Dr.

REQUEST FOR VALIDATION OF A RESEARCH INSTRUMENT

I am a postgraduate student of the above named department undertaking a study on: Evaluating the Impact of Microfinance Institution on Poverty and Welfare in Benue State Nigeria. I hereby solicit your help in the validation of the instrument to be used in collecting data for the study.

Please find attached; the objectives of the study, research questions, research hypothesis and a draft of the instrument. Please vet the instrument for content, language, clarity and suitability to be used in collecting data for the study. Specifically, you are expected to:

(1) Reword/Delete/Add items as appropriate.
(2) Make general comments or suggestions for improving the instrument towards meeting the purpose of the study.

Thank you for your anticipated assistance.

Yours faithfully,

Kaakaa Lawrence Terungwa

PG/Msc/15/76801

Validates Name___________________________________

Signature____

Comment(s)____

APPENDIX B

LETTER TO RESPONDENT

Department of Economics,

University of Nigeria,

Nsukka.

14th March, 2017.

Dear Respondent,

I am a postgraduate student of the above mentioned institution carrying out research on: "**Evaluation of Microfinance Institutions and their Impact on Welfare and poverty Alleviation in Benue State Nigeria",** you have been chosen as a respondent to supply the researcher with relevant information needed to effectively carry out the study. The researcher therefore humbly requests your opinion in completing the attached questionnaire as sincerely as possible.

All information supplied will be used solely for the purpose of this research and treated with utmost confidentiality.

Thank you in anticipation for your assistance.

Yours faithfully,

Kaakaa Lawrence Terungwa

(Researcher)

APPENDIX C

QUESTIONNAIRE ON:

MICROFINANCE INSTITUTIONS AS KEY TO WELFARE AND POVERTY ALLEVIATION:

A CASE STUDY OF BENUE STATE OF NIGERIA.

HOUSEHOLD QUESTIONNAIRE

Section A: Demographic Information

Please provide answers to the following questions accurately as you can by marking (✓) the answer which you consider more appropriate among the options given.

1) Age: 18 – 25 ( ) 26 – 35 ( ) 36 – 45 ( ) Above 45 ( )
2) Sex: Male ( ) Female ( )
3) Religion: Christianity ( ) Islam ( ) Other ( )
4) Educational Attainment:
   i. No formal Education ( )
   ii. Primary/Secondary ( )
   iii. NCE/National Diploma ( )
   iv. HND/First Degree ( )
   v. Post Graduate Degree ( )
5) Number of years spent in Formal Education: ________________
6) Marital Status:

   Single ( ) Married ( ) Divorced ( ) Widowed ( )

7) Occupation of the head of household

   Selling/Trade ( ) Agriculture/Farming ( ) Civil Servant ( )

   Transport ( ) Artisan/Handcraft ( ) Teacher ( ) Others (Specify)…………

8) Number of people currently living in the household -------------------
9) Household total monthly expenditure on food and recurrent ……………………….

10) Households' expenditure on food and recurrent for last 24 hours --------------------------
11) Household total monthly expenditure on furniture and fixed assets …………………
12) Households expenditure on furniture and fixed assets in the last 24 hours -------------------
13) What is your household's monthly income or sales? ______________________
14) Households daily income -----------------------
15) Households assets ……………………….
16) Value of each of the households assets -------------------------
17) What type of housing unit?

    Flat ( ) Duplex ( ) 2 rooms' apartment ( ) a room apartment ( ) Others (Specify)…

Section B: Microcredit, Savings and Investments

18) Do you belong to any Microfinance institution? i. Yes ( ) (ii) No ( )
19) Type of Microfinance Institution you belong to: (i) Formal ( ) (ii) Informal ( )
20) Which of these Microfinance/Credit Means Do you Use?

    Micro finance Bank ( ) Corporative Society/Contribution Group ( )

    Government Sponsored credit scheme ( ) Non-Governmental Organization Micro Credit Scheme ( ) Others (Specify)……………………………………………..
21) Did your income increase after joining the microfinance institution: Yes ( ) No ( )
22) Did your expenditure reduce after joining the microfinance institution Yes ( ), No ( )
23) Have micro financing enable you to improve or increase your investment. Yes ( ) No ( )
24) Have you ever applied for a loan of credit from the MFI? Yes ( ) No ( )
25) Was the loan/credit applied for granted? Yes ( ) No ( )
26) Did the loan improve your status of living? Yes ( ) No ( )
27) Have micro financing enable you to improve or increase your investment. Yes ( ) No ( )
28) If yes, please explain.
    (i) ____
    (ii) ____
29) How would you Evaluate the effort of Micro finance Activities in your Area towards improving the welfare of the Masses. ________________________________

Thanks

APPENDIX D

RELIABILITY TEST RESULT:

Reliability Statistics

Cronbach's Alpha[a]	Cronbach's Alpha Based on Standardized Items[a]	N of Items
.7632 -005	.435	28