MICRO CREDIT AS A TOOL FOR POVERTY ALLEVIATION IN OGUN STATE, NIGERIA

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 ABSTRACT

This paper examines the concept of micro credit as a tool for alleviating poverty in Nigeria. Micro credit is about providing specialized credit savings and other financial services of small amount to micro entrepreneurs to enable them expand their business opportunities, increase their income and their living standards. This study utilizes primary data that were obtained through the use of structured questionnaires. The questions were structured in such a way as to gather pertinent and specific information on how micro credit has enhanced the quality of life of rural dwellers of the Ijebu North Local Government Area of Ogun state, Nigeria. This paper employs both descriptive and quantitative techniques in which chi-square technique was used to test the significance difference among the frequencies. The findings indicate that micro credit to some extent enhances the general welfare of rural dwellers thereby reducing the level of poverty in the economy if they are properly financed and managed.

Keywords: Micro Credit, Poverty, Quantitative Techniques, Ogun State, Nigeria

INTRODUCTION

The living condition in Africa especially Nigeria has greatly declined particularly the last decade. Real disposable income has deteriorated, malnutrition rates have increased, food production has hardly kept pace with population growth, the quantity and quality of the health and education services have also declined.

Despite its abundance potentials, Nigeria remains poor. This is mainly because its market has not been explored adequately. Nigeria is ranked among the poorest countries in the world, the clean bill from Paris club not withstanding (Obi, 2006). Although the country is blessed with enormous resources, the citizens are living in penury. The Non-Government organizations (NGOs), which is an informal financial sector, serves 65% of the population in Nigeria. The informal financial services include moneylenders, friend relatives and credit union. While 65% are excluded from access to financial services only the remaining 35% of the economically active populations have success to the formal financial system (CBN, 1999). Though, the Nigeria (Central Bank of Nigeria, (CBN thereafter)) faces difficulty in carrying out one of its most important duty that is promoting monetary stability and sound financial system because of the non-regulative activities of some of those informal financial institutions (Enwere, 1996).

According to Ogwumike (2001), poverty is a situation where a household or an individual is unable to meet the basic necessities of life, which include consumption and non-consumption items, considered as minimum requirement to sustain livelihood. Following the work of Ogwumike (2001), Odusola (2001) referred to poverty as a condition of deprivation which could be in form of social inferiority, isolation, physical weakness, vulnerability, powerlessness and humiliation. Babashola (1997) opined that poverty is relative to country, people and continent. Ojo (1995) percieved poverty as manifestation of hunger which when protracted results in famine, but Desai (1992) believed lack of capabilities to carry out certain activities which may include capabilities to live long and ensure reproduction, capabilities for healthy living and social interaction and capabilities to have knowledge and freedom of expression and thought, Demery and Squire (1996) described poverty as inability to meet basic nutritional needs, lack of good education, health, life expectancy and high child mortality rate. In other studies, Oladunni (2001) and Englama and Bamidele (1997) defined poverty as a state of lack of adequate basic necessities of life such as food, clothing, shelter; inability to meet social and economic obligations, lack of gainful employment, skills, assets and self-esteem, limited access to social and economic infrastructure such as education, health, portable water and sanitation.

The major target for employing micro-finance as poverty alleviation strategy is to assist the poor who cannot otherwise make savings, accumulate assets or invest in any meaningful income generating activity that would help to break the circle of poverty. The possibilities for the commercial involvement have increased. We need to transform it into a viable and truly developmental effort on a mass scale that meets the people's business and micro institution that need it. In many countries, micro credit programme have proved to be an effective tool in freeing people from the poverty and have helped to increase their participation in the economic and political processes of society. It is also important by improving access to credit for small rural or urban producers, landless farmers and other people with low or no income, with special attention to the needs of woman, disadvantages and vulnerable groups.

Ajekaiye, et.al (2003) believed that micro-credit simply is about providing specialized credit savings and other financial services of small amount to micro-entrepreneurs to enable them expand their business opportunities, increase income and consequently improve their living conditions and well-being overtime or it is the extension of every small loan to the unemployed, to poor entrepreneurs and to others living in poverty that are not bankable. Micro credit is a way to extend the same rights and services to low income households that are available to everyone else. Today micro-credit is seen as the answer to poverty reduction in any country. This is because it has been proven in some studies (see, Oladunni et.al 2001; Akerele, 1997; Babashola, 1997) that when poor people especially women receive credit they can play a big part in economic development.

It is through the dissemination of information about the present scenario of financial situations in most countries that we are able to take one little steps in uplifting their way of life. Micro-credit still have a long way to go, especially in third world countries but knowing that people are now able to have access to a little credit is already a big step. A little credit could mean the difference between life and death in the third world (Obi, 2006).

The occurrence of micro credit in Nigeria is culturally rooted and is dated back to several centuries. The traditional micro-finance institutions provide access to credit for the rural and urban low income earners in other to enhance the flow of

financial services to Nigeria rural areas: The government has in the past initiated a series of publicly-financed micro/rural credit programmes, sectoral allocations of credit, the National Directorate of Employment (N.D.E), the Family Economic Advancement Programme (F.E.A.P) etc. These policies have benefited from wide consultations through the conduct of a base line surveys on the activities of micro finance institutions (MFIs) in Nigeria, national and international consultative stakeholders for, as well as study tours to Indian, Pakistan, Indonesia, Philippines and Uganda.

Out of 135 million Nigerians, 70 million are able-bodied, which means they can work to earn a living about 18.5 million of these number is unemployed, while 28 million are underemployed. With all the noise about communications, bank and oil companies employing people as well as other organization, the total numbers of Nigerians that are employed are 2 million. The rest able-bodied men and women are in small medium business scattered everywhere. It is good to note that 45 million of the active Nigerians live in the rural areas (Obadan, 1996).

Only about five percent of the Nigerian economy is controlled by micro finance unlike India and china that have successfully grown their micro finance market. Despite all these, Nigeria is still considered the third largest micro-finance market in the world in terms of potentials. (Obi, 2006)

The aim of this paper is to examine the role of micro-credit as a tool for poverty alleviation in Nigeria taking cognizance of experiences on other countries. The dominant concern of Nigeria is the issues of poverty and ways in which it could be eradicated. Many programmes re-established by the Nigerian government in an attempt to address the issue of poverty one of which is the micro-credit system. With the different programmes established and has failed, the fastest means of reducing poverty is to create productive assets through gainful employment, especially in agricultural and micro business sectors.

Foreshadowing our findings, micro credit in its own little way has enhanced the general welfare of rural dwellers. The implication of these findings is that micro credit scheme can be well designed and conscientiously implemented; it can serve as a veritable and reliable option for reducing the high poverty level evident in rural Nigeria.

The remainder of the paper is organized as follows. Following section one, section two deals the research methodology of the study is pursued while the empirical results are discussed in section three. Section four concludes the paper.

METHODOLOGY

RESEARCH DESIGN

The research work employs both descriptive and quantitative techniques. In order to facilitate the application of the mentioned tools, this study made use of primary data. The primary data were obtained with the use of structured questionnaires and selected interviews. The questions were structured in such a way as to provide sufficient information on how micro credit has served as a policy tool for poverty alleviation in Nigeria.

These questions were made simple and straight forward in order to ensure maximum responses from the respondents. For the questionnaire, we have both open-ended and close-ended questions. The close-ended questions are restrictive and in fact limit

the response of the respondents to "yes" or "no" and the likert scale of "strongly agree (SA)", "Agree (A)" Uncertain (UC)", Disagree (D)"and "Strongly Disagree (SD).

The open-ended questions, however, allow the respondents to express their opinion on some specific issues. Interviews were equally conducted with some key persons namely: members of selected thrift and credit societies, managers and beneficiaries of selected formal credit schemes and the general public. This enables us to have a balanced picture regarding the significance of micro credit in the alleviation of poverty; it also alleviates the incidence of bias as well as ensures reliability of results.

POPULATION OF THE STUDY AND SAMPLING DESIGN

No doubt, it will be cumbersome and in fact unrealistic to cover the whole of the beneficiaries of micro credit schemes in Nigeria in the research work. Hence, the need for a reasonable sample size that can sufficiently capture the interest of the population.

For the purpose of this study and particularly given the factor of proximity, the Ijebu North LGA was taken chosen as the study area. A total number of 100 questionnaires were among the beneficiaries of micro credits spread across different thrift and credit societies. The study cover the drift and credit societies in the assessment of the impact of micro credit because it has been conventionally established that these informal societies seek credit facilities on behalf of members and consequently distribute the allocated credit to eligible members

Figure 1: MAP OF OGUN STATE, NIGERIA

The random sampling techniques are intended to be employed in the distribution of the questionnaires. This simply implies that every member (as highlighted above) found eligible stands the chance of being selected until the required sample size is obtained

METHOD OF DATA ANALYSIS

This section of the methodology defines the techniques adopted in analyzing the collected data. In this study as earlier stated, we employed both the descriptive and quantitative techniques. The descriptive statistics involve the analysis of data in frequencies, tables, percentages, etc while a Chi-square technique was used as the quantitative technique.

The Chi-square statistic (X^2) is a statistical sample distribution that is used to test the significant difference between the observed and the expected frequencies. The formula for computing the Chi-square statistic

(X^2) is given as:

$$X_c^2 = \sum (O - E)^2 / E$$

X^2 = Chi-square statistic

$\sum$ = Summation of all quotients

O = Observed frequencies

E = Expected frequencies

In case $X^2 = O$; it shows agreement between the observed and the expected frequencies. However, if $X^2 > O$; it shows that there is no agreement in essence, the longer the value of X^2, the greater is the variation between the observed and the expected frequencies.

To calculate the Chi-square statistic regarding a sample, the expected value is always given but in the case of two samples; the expected values are computed by obtaining the column total and row total. To obtain the expected value of any cell in the contingency table, we multiply the row total by column total and divided by ground total. This is express below

$E_v = $ RT.CT
————
GT

TEST OF STATISTICAL SIGNIFICANCE

To test the expressed research hypothesis and also assess the statistical significance of micro credit on poverty alleviation in Nigeria, the following decision criteria shall be considered; If X_c^2 (Chi-square calculated) is greater than X_t^2 (chi-square

Tabulated, will reject the null hypothesis (H0) and accept the alternative hypothesis (H$_1$) that micro credit has statistically significant impact on property alleviation in the country. However, accept the null hypothesis (H$_o$) and, therefore, reject the alternative hypothesis (H$_1$). If $X^2_c < X^2_t$.

Obviously, the calculate chi-square is obtained from the application of the formula presented above. In ascertaining the chi-square tabulated, however, the degree of freedom must first be determined before checking the appropriate section in the chi-square table.

Degree of freedom (df) = (r-1) (c-1)

Where:

C = number of columns

R = number of rows.

EMPIRICAL ANALYSIS

Analyses of Questionnaire

This section of the study focuses on the presentation and analysis of data collected from survey that was specifically conducted for the successful completion of this research work. Data utilized for the research analysis are primary data and were obtained through the use of structured questionnaire. The questions were structured in such a way as to gather pertinent and specific information on how micro credit has enhanced the quality of life of rural dwellers of the Ijebu North Local Government Area of Ogun state, Nigeria.

The total number of questionnaire distributed was hundred (100) and exactly the same number (i.e. 100) was returned and was consequently analyzed. The analysis of the data collected was carried out with the use of both descriptive and quantitative techniques. Descriptive techniques involve the use of coded responses, tables, frequencies, ratios and percentages while the quantitative techniques involve the use of chi-square statistic of data analyses.

Analyses of Personal Data

Table 1: Distribution of Respondents by Sex

Respondents	Frequency	Percentage
Male	55	55
Female	45	45
Total	100	100

Source: Author's Field Survey, 2012

Table 1 above indicates that 55 percent of the respondents are male while the rest of them (45) are female.

Table 2: Distribution of Respondents by Age

Respondents	Frequency	Percent
Less than 18 years	01	01
18 – 25 years	21	21
26- 40 years	42	42
41-55 years	32	32
Above 55 years	04	04
Total	100	100

Source: Author's Field Survey, 2012

As shown in table 2, inequity of the respondents administered fall within the age bracket 26 – 40 years followed by those occupying the age range 41-55 years in the frequency of 32. Only one respondent is less than 18 years. While 21 of them are between 18 and 25 years, exactly 4 of the respondent are 55 years. This is a reflection of the fact that the making population of Ijebu North Local Government Area and most likely in various local government in Nigeria, is between 18 and 55 years. This further authenticate the principal underpinning the demand and supply of labour suggesting there is an age bracket within which an individual is considered employable in a country.

Table 3: Distribution of Respondents by Level of Education

Level of Education	Frequency	Percent
No formal Education	37	37
Primary School Education	49	49
Secondary Education	11	11
Post-Secondary Education	03	03
Others	-	-
Total	100	100

Source: Author's Field Survey, 2012

As seen above (in table 3), the majority of the respondents only managed to have primary school education. Specifically, 49 of them have primary education. 37 of them do not have any form of formal education while 11 percent of them have secondary education, only 3 percent of them have qualification up to the level of post-secondary education.

Table 4: Distribution of Respondents by Marital Status

Marital Status	Frequency	Percent
Single	08	08
Married	74	74
Divorced	11	11
Separated	-	-
Widow	7	7
Total	100	100

Source: Author's Field Survey, 2012

Table 4 above shows that majority of the respondents are married. As high as 74 out of 100 are married, 8 of them are single, 7 are widow while the rest (11) are either divorced or separated.

Analyses of Research- Related Questions

Table 5: How effective is the Credit Delivering System of The Micro Credit Programme?

Respondents	Frequency	Percent
Very Effective	77	77
Less Effective	21	21
Not Effective	02	02
Total	100	100

Source: Author's Field Survey, 2012

As Presented in table 5 above, it is seen that the majority of the respondents were of the view that micro credit programme rated through thrift and credit association has been very effective. While 21% of them were of the opinion that the programme has been less effective, 2 of them picked 'Not Effective'

Table 6: How adequate are the Resources Provided by the Micro credit Managers

Respondents	Frequency	Percent
Very Effective	Nil	0
Less Effective	46	46
Not Effective	54	54
Total	100	100

Source: Author's Field Survey, 2012

The result as shown in table 6 indicates that responses provided by the credit managers are not sufficient to meet the business demand of members.

Table 7: To what Extent as the Micro Credit Provided Enhanced your Business?

Respondents	Frequency	Percent
Very High Extent	49	49
High Extent	51	51
Very Low Extent	00	00
Low Extent	00	00
Total	100	100

Source: Author's Field Survey, 2012

The result presented in table 7 above shows that all the respondents acknowledged the fact that their business have received a boost consequent upon the delivery of micro credit with them.

Table 8: Do You See Micro Credit Programme as a Veritable Option For Reducing Poverty in Nigeria?

Respondents	Frequency	Percent
Yes	100	100
No	00	00
Total	100	100

Source: Author's Field Survey, 2012

The result presented in table 8 indicates that all the respondents believe that micro credit programme is a veritable option for reducing the high poverty level evident in rural Nigeria. We also gathered from the interview conducted that with the micro credit programme, the unemployed youth can become self-employed and possibly, self-relevant.

Table 9: How Favorable Are the terms and conditions of credit facilities provided by the micro credit managers?

Respondents	Frequency	Percent
Very Favourable	100	100
Less Favourable	-	-
Not Favorable	-	-
Total	100	100

Source: Author's Field Survey, 2012

From table 9, we have it that the respondents confirmed that the terms and conditions of credit facilities provided by the micro credit managers are very favorable.

Table 10: Micro financing as improved the welfare of rural dwellers.

Respondents	Frequency	Percent
S/A	30	30
A	62	62
D	05	05
S/D	02	02
I	01	01
Total	100	100

Source: Author's Field Survey, 2012

Table 10 above tells us that substantial percentage of the administered respondent, subscribed to the position that review financing as improved the welfares of rural dwellers.

Table 11: The coverage of micro credit in rural area is satisfactory.

Respondents	Frequency	Percent
S/A	42	42
A	37	37
D	08	08
S/D	10	10
I	03	03
Total	100	100

Source: Author's Field Survey, 2012

The above table indicate that an appreciable proportion of the respondents are administered were of the view that the coverage of micro credit in rural area is satisfactory. From the information gathered in the cause of the interview conducted, we have it that the major and possibly only means of business survival in rural Nigeria is credit delivered by thrift and credit societies.

TEST OF RESEARCH HYPOTHESIS

The hypothesis specified in this study is:

H_0: Micro credit has no statistically significant effects in poverty alleviation in Nigeria.

H_1: Micro credit has statistically significant effect in poverty alleviation in Nigeria

Data utilized in testing the research hypothesis were extracted from tables 10 and 11. Table 10 analyses the respondents' views on how micro credit has enhanced the welfare of rural dwellers. Table 11, however, summarizes the respondent view on the extent of coverage of micro credit societies in Ijebu North Local Government Area.

Table 12: Data for chi-square analyses

Respondent	X	Y	Raw Total
S/A	30	42	72
A	62	37	99
D	05	10	15
S/D	02	03	05
I	01	08	09
Total	100	100	200

Where: X= Impact of Micro Credit in Welfare

      Y= Micro Credit Coverage in Rural Dweller

Recall: Chi-Square formula is given as

$$X_c^2 = \sum (O - E)^2 / E$$

O = Observed Frequencies represented by figures in table 12 above.

E = Expected frequencies determined using the formula: R.T. X C.T._____

                                                GT

RT: Row Total

CT: Column Total

GT: Grand Total

Table 13: Chi-Square Analysis

S/N	O	E	O-E	$(O-E)^2$	$(O-E)^2/E$
1.	30	36	-6	36	01
2.	42	36	+6	36	01
3.	62	49.5	+12.5	156.25	03.16
4.	37	49.5	-12.5	156.25	03.16
5.	05	7.5	-2.5	6.25	0.83
6.	10	7.5	+2.5	6.25	0.83
7.	02	2.5	-0.5	0.25	0.10
8.	03	2.5	+0.5	0.25	0.10
9.	01	4.5	-3.5	12.25	02.75
10.	08	4.5	+3.5	12.25	02.72
					15.62

Source: Author's Field Survey, 2012

From the analysis above,

X^2_c (Chi-Square Calculated) = 15.62

$X^2_{0.01}$ (Chi-Square tabulated at 1 percent level) = 14.68

Degree of Freedom (DF) = (r-1) (c-1) = (10-1) (2-1) = 9

DECISION CRITERIA

As earlier stated, if X^2_c is greater than $X^2_{0.01}$, we reject the null hypothesis (H_o) and therefore accept alternative hypothesis H_1 however, if $X^2_c < X^2_{0.01}$ we accept the null hypothesis (H_o) and, therefore, reject the alternative hypothesis (H_1).

From the chi-square analysis above, it can be seen that X^2_c is greater than $X^2_t.$, these suggest that micro credit obtained through the various thrift and credit societies/associations has a statistically significant impact in poverty alleviation.

Our findings generated from the Chi-square analysis indicate that micro credit in its own little way has enhanced the general welfare of rural dwellers. The implication of these findings is that micro credit scheme can be well designed and conscientiously implemented; it can serve as a veritable and reliable option for reducing the high poverty level evident in rural Nigeria.

CONCLUSION

Over the years, government has recognized the vital roles micro credit societies can play in ensuring meaningful and sustainable economic growth. Towards the end, a number of policies and programmes (like evolving a new financial policy aimed at developing micro credit banks from the grass roots to have access to larger financial institutions and also the scheme

should be divorced from politics so as to achieve the set goals of the programmes) have been introduced to assist the growth of micro-financing organizations. They present a great potential to advance the national goal of economic self-reliance through increased usage of funds and local resources.

The study revealed that proper financing of micro-banks goes a long way in determining the trend on which poverty has been reduced in the Nigeria economic using Ijebu North Local Government as a study area. It was observed that finance is a key instrument to the development of micro credit banks or organizations. It was shown that apart from other problems that affect the effectiveness of micro-credit in alleviating poverty, this study still believe that finance act as a catalyst to micro-bank development.

However, the conclusion, which results from this research work, seems to concur with observations and recommendations made by many studies (see also, Obi, 2006; Desai, 1992; Dittoh, 1994). The micro-credit banks, on the contrary should encourage its development by making it official.

In this case, this study thereby concludes that micro-credit financing helps to alleviate or reduce the level of poverty in Nigeria if they are properly financed.

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