DOES MICROFINANCE IMPROVE THE STANDARD OF THE POOR?

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ABSTRACT: *Access to microfinance is expected to improve the standard of living of the poor that are economic active and microfinance clients by enabling them to increase their household income. This study examined the contributions of Microfinance institutions to poverty reduction in Southwest Nigeria, using both primary and secondary data collected from Microfinance institutions (MFIs) and randomly selected customers (micro, small and medium enterprises) of the same Institutions. The study adopted a multistage sampling technique. The data from the survey was used to analyze the impact of loan received on earnings using a loan-impact probability model. The study found that Microfinance is an effective poverty alleviation strategy as it reaches the target customers more effectively and helps to a large extent in improving their standard of living and social status and also impacts greatly on Customers' savings habit and income generation. The study therefore recommended that MFIs should embark on funds mobilisation drive to be able to reach out to more viable customers for provision of financial services. It also recommended that there should be provision of incentives by government to sustain MFIs in order to further extend their services to the rural areas and capacity building of MFIs in Nigeria should be made mandatory so as to develop appropriate policies that will enhance sustainability and stability.*

KEYWORDS: Microfinance, Poverty, Microfinance Institutions (MFIs), Incentives, MSMEs

INTRODUCTION

Microfinance, and the impact it produces, go beyond just business loans. The poor use financial services not only for business investment in their microenterprises but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs that they encounter. The range of services microfinance provides includes loans, savings facilities, insurance, transfer payments, and even micro-pensions in some institutions. Evidence from the millions of microfinance clients around the world demonstrates that access to financial services enables poor people to increase their household incomes, build assets, and reduce their vulnerability to the crises that are so much a part of their daily lives. Access to financial services also translates into better nutrition and improved health outcomes, such as higher immunization rates. It allows poor people to plan for their future and send more of their children to school for longer period. Microfinance has made women clients more confident and assertive and thus better able to confront gender inequities (Littlefield, Murduch, and Hashemi, 2003). Microfinance clients manage their cash flows and apply them to whatever household priority they judge most important for their own welfare. Thus microfinance is essentially participatory and non-forceful development input. Access to flexible, convenient, and affordable financial services empowers and equips the poor to make their own choices and build their way out of poverty in a sustained and self-determined way.

Microfinance is unique among development inputs in the sense that it can deliver social benefits on an ongoing, permanent basis and on a large scale. Many well-managed microfinance institutions throughout the world provide financial services in a sustainable way, with many of them free of donor support. Microfinance thus offers the potential for a self-propelling cycle of sustainability and massive growth, while providing a powerful impact on the lives of the poor, even the extremely poor (Littlefield, Murduch, and Hashemi, 2003). Evidence documented from microfinance practice shows that impact is stronger when clients stay longer with a given program, thereby breaking the virtuous cycle of poverty. Unfortunately poor people in most countries have virtually no access to formal financial services. Their informal alternatives such as family loans, savings clubs, or moneylenders are usually limited by amount, rigidly administered, or available only at exorbitant interest rates. The challenge ahead is to ensure access to financial services for the poor majority. This study, therefore fills the gap in the literature by probing further the extent of the success of microfinance in sub-Saharan Africa in terms of improving the standard of living of the participants. Babajide (2011) finds that regular participation in microfinance and regular contact with loan officers are commonly used strategies for accumulating savings, making profits, and ultimately converting capital back into investments. The hazard ratio of the variable "no regular participation in micro finance" is 1.10. which implies that businesses that do not participate regularly in micro finance are 1.10 times more likely to fail in comparison with businesses that participate regularly in microfinance programme. The rest of the paper is organized into five sections. Section two is devoted to the review of the related literature. Section three presents the methodological framework while the discussion of results is in section four. The conclusion and recommendations are presented in section five.

LITERATURE REVIEW

Microfinance allows poor people to protect, diversify, and increase their sources of income, the essential path out of poverty and hunger. The ability to borrow a small amount of money to take advantage of a business opportunity, to pay for school fees, or to bridge a cash-flow gap, can be a first step in breaking the cycle of poverty. Similarly poor households will use a safe, convenient savings account to accumulate enough cash to buy assets such as inventory for a small business enterprise, to fix a leaky roof, to pay for health care, or to send more children to school. Microfinance also helps safeguard poor households against the extreme vulnerability that characterizes their everyday existence. Loans, savings, and insurance help smooth out income fluctuations and maintain consumption levels even during the lean periods. The availability of financial services acts as a buffer for sudden emergencies, business risks, seasonal slumps, or events such as a flood or a death in the family that can push a poor family into destitution. Various studies both quantitative and qualitative document increases in income and assets and decreases in vulnerability of microfinance clients.

MkNelly and Dunford (2001), report that the incomes of two-thirds of CRECER (Bolivia) clients had increased after joining the program. Moreover clients reported "consumption smoothing" over the year as a result of diversifying income sources and purchasing food in bulk. Eighty-six percent of clients said their savings had increased; percent did not have any savings prior to program participation. In another study of Freedom from Hunger clients in Ghana, MkNelly and Dunford found that clients had increased their incomes by $36 compared to $18 for non-clients. Clients had also significantly diversified their income

sources. Eighty percent of clients had secondary sources of income versus 50 percent of non-clients.

In Indonesia borrowers increased their incomes by 12.9 percent compared to increases of 3 percent in control group incomes (Remenyi and Quinones Jr., eds., 2000). Another study on Bank Rakyat Indonesia borrowers on the island of Lombok in Indonesia reports that the average incomes of clients had increased by 112 percent and that 90 percent of households had moved out of poverty (Panjaitan-Drioadisuryo, Rositan, and Cloud, 1999). Simonwitz (2002) in a study of SHARE clients in India documented that three-fourths of clients who participated in the program for longer periods saw significant improvements in their economic well-being (based on sources of income, ownership of productive assets, housing conditions, and household dependency ratio) and that half of the clients graduated out of poverty. There was a marked shift in employment patterns of Clients from irregular, low-paid daily labor to diversified sources of earnings, increased employment of family members, and a strong reliance on small business. Over half of SHARE clients indicated that they had used their microenterprise profits to pay for major social events rather than go into debt to meet such obligations.

In 1997-99, there was a downward trend in food expenditures in Zimbabwe. This was probably a cash-management strategy to cope with the rising cost of living. Participation in the Zambuko Trust, however, led to a positive impact on the consumption of high protein foods (meat, fish, chicken, and milk) for extremely poor client households (Barnes, 2001). A detailed impact assessment study of BRAC in Bangladesh suggested that members who stayed in the program for more than four years increased household expenses by 28 percent and assets by 112 percent (Ara Mustafa, 1996). Another analysis of household level data demonstrated that access to financial services enabled BRAC clients to reduce their vulnerability through smoothing consumption, building assets, and receiving services during natural disasters (Zaman 2000).

A comprehensive study of microfinance conducted by the World Bank in the early 1990s on three of the largest programs in Bangladesh-Grameen Bank, BRAC, and RD-12-found that female clients increased household consumption by 18 takas for every 100 takas borrowed, and that 5 percent of clients graduated out of poverty each year by borrowing and participating in microfinance programs (Khandker, 1998). More importantly households were able to sustain these gains over time. There were also spillover effects in the village economy. Average rural household incomes in program villages increased even for non-program households. One of the programs even influenced village wage rates. Increases in self-employment and subsequent withdrawals from informal labor pools led to a 21 percent increase in wages in the program villages.

An important earlier study of the Grameen Bank also found statistical evidence of economic welfare. Hossain (1998) finds that the incomes of Grameen members were 43 percent higher than incomes of control groups in non-program villages and 28 percent higher than non-members in Grameen villages. Grameen members were also able to rely more on savings and their own funds to cope with crises rather than borrow from moneylenders. Wage rates in program villages increased as well.

This study extends the research further by looking out for increase in earnings and income of microfinance clients in Nigeria. It also provides evidence on savings pattern of microfinance clients.

METHODOLOGY

This research is designed to study the impact of microfinance banks on the small scale businesses and individual customers for which the banks provide services. The purpose is to assess the role of such services in alleviating poverty and promoting economic development. Lagos and Ogun States constitute the scope of field survey. Questionnaires were administered in a survey conducted among the microfinance banks and their customers in Lagos and Ogun States.

According to CBN (2009), there are three hundred and five (305) MFBs in the South-West part of Nigeria. These banks are categorized into those with final licenses (169) and those with Provisional Licenses (136). Out of the total, Lagos State controls the lion share of 147 MFBs with 74 in the licensed category while 73 have provisional licenses. Ogun State, on the other hand has a total of 51 MFBs with 29 licensed, while the remaining 22 have provisional licenses. In total, the two States have 198 MFBs, with 123 of them in the licensed category while the remaining 95 have provisional licenses. The rationale for the choice of the two States is that most of the MFBs in Nigeria are concentrated there. In this respect, of a total of 253 MFIs in the South-West, 243 are located in Lagos and Ogun State. It follows that the samples drawn from the States are, all things being equal, more likely to reveal the characteristics of the MFBs and their customers.

A multistage sampling technique was adopted for this study. At the first stage, the Local Government Areas were purposively selected in which case four LGAs were selected from Lagos State (Ifako-Ijaiye, Ikeja, Mushin and Isolo LGAs) and four were also purposively selected in Ogun State (Ado-Odo Ota, Ifo, Owode and Itori/Ewekoro LGAs). At the second stage, the locations of the MFIs in each LGA were also purposively selected. In this case, the target population is the total entrepreneur-customer base of the selected banks. From the books of the banks, a sampling frame of these classes of customers has been generated from which 10 per cent of these customers has been selected, using the stratified random sampling approach. The micro-entrepreneur-customers were stratified by the average size of last loan taken and divided into three categories: (a) Low loan volume, (b) Medium Loan volume, and (c) High Loan volume customers. Each of the categories (a) through (c) were translated to actual Naira value. Low loan volume was bench-marked at a ceiling of N27,579, medium loan volume at a ceiling of N35,602 and the last category at any amount above N58,227

Both secondary and primary data are used in this research work. The primary data were collected through the use of structured questionnaires, and administered by well trained enumerators in the study area. Secondary data were obtained from the records of those microfinance banks surveyed as well as the records of the micro-businesses being studied. Other secondary data were obtained from the relevant Government publications, text books and publications of the Central Bank and the Nigerian Deposit Insurance Corporation. The questionnaires employed for the primary data were pilot-tested and found very reliable. Using Statistical Package for Social Sciences (SPSS), the cronbach alpha reliability test provided satisfactory score.

The questionnaire is structured in such a manner that brings out maximum information about the lending activities of microfinance banks to the individual household and small scale business customers. The questionnaire contains a combination of closed and open ended questions. The questionnaire seeks information about the personal data of respondents, volume of credit obtained from the banks, the use to which such loans are put, length of time

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for repayment, profit profile of small scale business borrowers etc. The questionnaires were administered directly to respondents and responses were collected immediately, except where the respondent asked for more time. This ensures collection of a high percentage of responses, for analysis and results presentation. The schedule of the questionnaire is attached as an annexure to this paper.

Model Specification

The objective of our study as stated earlier is to determine whether microfinance has helped to improve the standard of living of customers. In an attempt to answer the research question for this study, the data from the survey was used to analyze the impact of loan received on earnings. In addition, an analysis of determinants of earnings was done using the Mincer (1973) model and referred to as Model 1.

Model - Determinants of Income Distribution among MFI Customers

In considering the second objective of this study, the study has adopted the linear probability model. In this respect, we postulate a linear probability model as demonstrated by Ogunrinola and Alege (2007: 100). Thus, a loan-impact probability model is specified as indicated below:

$$Y_j = f(X_i; e_j) \quad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(2)$$

and assuming a linear relation between Y_j and X_i then equation (2) can be written as :

$$Y_j = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \dots + \alpha_k X_k + e_j \quad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(3)$$

where Y_j: a binary variable having a value 1 if there is progress in the business and 0, otherwise

X_{ij}: value of attribute i for micro-entrepreneur j, Vi=1,...,k

Suppose that the expected value of variable Y, given the $X_i's$ is written as:

$$E(Y/X_1, X_2, ..., X_k) = 0 \quad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(4)$$

Then,

$$E(Y/X) = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \dots + \alpha_k X_k \quad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots...(5)$$

Given the binary nature of variable Y, then

$$P(Y = 1/X) = E(Y/X) \quad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(6)$$

This means that the probability of "success", given X, is the same as the expected value of Y so that:

$$P(Y = 1/X) = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \dots + \alpha_k X_k \quad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots..(7)$$

Equation (12) can be re-written more compactly as follows:

$$Y_j = \alpha_0 + \sum_{i=1}^{k} \alpha_i X_{ij} + e_j \quad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots..(8)$$

where Y_j, α_i (i=1,2,...,k), X_{ij} and e_j are as defined above. In equation (8), the vector X_{ij} includes: AGEE, GENE, EDUC, BIZT, LOAF, AGEB, and BLOC.

Table 1: List of Variables and Description

S/No.	Variable Name	Variable Description	Measurement
1.	AGEE	Age	Years
2.	GENE	Gender	Male/Female
3.	EDUC	Education	Categorical
4.	BIZT	Business Type	Categorical
5.	LOAF	Loan frequency	Categorical
6.	AGEB	Age of Business	Years
7.	BLOC	Business Location	Categorical
8.	LOAT	Loan Amount	Naira
9.	MARS	Marital status	Single, Married, Divorced, Widow
10.	TBEL	Training Before Loan	Yes/No

Model 1: Mincer's (1973) Model of Determinants of Earnings among MFI customers

It is postulated that income is influenced by the vector of variables **X, B, P** and **H.** Thus the extended Mincer Model is of the form:

$$LN\ Y = f(\textbf{X}, \textbf{B}, \textbf{H}, \textbf{P}) \dots\dots\dots\dots\dots\dots \quad (9)$$

where:

Y is the weekly earnings in Naira.

H is a vector of Human Capital variables such as education (D, measured in years of schooling), labour market experience (G, proxied by respondent's age), square of age, (G^2), as well as dummy variables for different age groups (G1, <30 years; G2, 30-44 years; G3, 45 years and over) and educational attainments (D0, No Schooling; D1, Primary Education; D2, Secondary Education; D3, Post-Secondary) to measure the differential impact of each variable group. **P** is a vector of other personal characteristics of the respondents such as Gender (N, and NM=Male; NF=Female); marital status (M, and MS=, Single, MM=Married, MS=Separated/Divorced/Widowed), Religion (RG and RG1=Islam; RG2=Christianity), region of origin (R and RN=North; RE=East; and RW=West), State of operation (S, and SL, Lagos; SG=Ogun), Nature of employment (E and ES, Self-employment; EW, Wage employment) among others. **X** is a vector of MFI variables such as Type of MFB being used (MF and MF1, LAPO; MF0, Other MFIs); Whether loan is received, and amount of first loan received (LA, and L1 respectively) by the respondent, length of banking with the MFIs (BKYR) measured by the number of years when first account was opened MFIs. **B** is a vector of business variables. These are Type of business (B); (BT, Trading; BC, Contractor/Supplier; BF, Tailoring/Fashion Designing; BO, Others).

Re-specifying equation (9) we have:

$$Ln\ Y = f(D, G, G^2, N, M, RG, R, S, E, MF, L1, LA, BKYR, B) \dots\dots\dots\dots\dots\dots\dots (10)$$

The equation will be run in such a way as to isolate the MFB impact on the distribution of income. At first stage, Ln Y is regressed on the traditional human capital variables together with the personal variables; the second stage includes the MFI variables, such that we have:

$$Ln\ Y = \alpha_0 + \alpha_1 D + \alpha_2 G + \alpha_3 G^2 + \alpha_4 NM + \alpha_5 MS + \alpha_6 MM + \alpha_7 RG1 + \alpha_8 RE + \alpha_9 RW$$
$$+ \alpha_{10} SL + \alpha_{11} ES + \mu_1 \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (11)$$

The second stage includes the MFI and Enterprises variables, such that we have:

$$Ln\ Y = \beta_0 + \beta_1 D + \beta_2 G + \beta_3 G^2 + \beta_4 NM + \beta_5 MS + \beta_6 MM + \beta_7 RG1 + \beta_8 RE + \beta_9 RW$$
$$+ \beta_{10} SL + \beta_{11} ES + \beta_{12} MF1 + \beta_{13} L1 + \beta_{14} LA + \beta_{15} BKYR + \beta_{16} BT + \beta_{17} BC$$
$$+ \beta_{18} BF + \mu_2 \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (12)$$

A priori, the coefficient estimates of D, G and BKYR are expected to be positive, while that of G^2 is expected to be negative. The coefficients of other variables cannot be determined *a priori.*

The outputs of the analysis are presented in tables and figures. However, the use of linear probability model poses some econometric problems. These include non-normality of the disturbance e_j; heteroscedasticity of the variances, and the possible non- fulfillment of the restriction $0 \le E(Y/X) \le 1$. These econometric problems will be solved through the solution method proposed by Gujarati (1995: 543) and Ogunrinola and Alege (2007: 101). The specified will be analyzed using Ordinary Least Squares technique of estimation. In this case, multiple regression analysis is employed to make tentative predictions concerning the outcome variable.   The analytical tool used is the Statistical Package for Social Sciences (SPSS).

DATA ANALYSIS AND DISCUSSION OF RESULTS

Savings

One of the principal functions of the MFIs in their respective locations is the development of savings habit among the low income people that were not being reached by the conventional banking system. The provision of microfinance vehicle for the working poor is a means of encouraging the working poor to save, which is a way of promoting investment, employment, and enhanced income through the multiplier process in line with the neo-classical theory of income and employment. For instance, to access loan facilities from the MFIs, a customer must have opened an account and must have saved regularly for a given period of time, which in most cases is not less than six months in Nigeria. From the respondents to this study, as many as 97% of MFI customers interviewed saved regularly since their accounts were opened while only 3% admitted not to be saving regularly. As shown in the foregoing sections above, many of the respondents have obtained loan facilities which have been utilized for various purposes, most of which have been channeled to development purposes, through micro-enterprises for the self-employed, and investment in passive income-generation sources for those in self-employment. Evidence from the survey data showed some improvement in nominal savings of respondents before and after opening an account and receiving loans from the MFIs. For an average of about three years for which MFI accounts were operated by the respondents, nominal average savings volume increased from N2,868 to N4,547 per week. This translates to an aggregate percentage change of 58.5% and an annual compound growth rate of 18.6% (Table 2).

Table 2 shows the volume as well as the percentage change (both total and annual) in nominal savings before and after receiving loans from the MFIs. In general, nominal savings increased for all respondents which is not unconnected with the micro-credit received from MFIs by the respondents. Disaggregated by age, Table 2 shows that the volume of savings declines as age increases, in other words, there is a negative relationship between age of respondents and savings. Thus, while those in age-group <30 years achieved a total percentage increase of 127.6%, those in age group 45 years and above have 5% percentage change. This result conforms to apriori expectations. In terms of education, those with secondary education had the highest percentage increases in savings relative to those in other education categories.

TABLE 2: MEAN AMOUNT SAVED BEFORE AND AFTER RECEIVING LOAN AND PERCENTAGE CHANGE

Main Variables	Derived Variables	Savings Before	Savings After	Total % Change	Annual % Change
ALL RESPONDENTS		2868	4547	58.54254	0.186118
Age	<30 years	2696	6138	127.6706	0.356238
	30-44 Yrs	2744	4333	57.90816	0.184358
	45 and over	3509	3698	5.38615	0.01962
Education	None	2060	3020	46.60194	0.152214
	Primary	3271	4107	25.55793	0.08795
	Secondary	2252	4374	94.22735	0.278738
	Post-Sec	3719	5691	53.02501	0.170659
Gender	Male	2615	3917	49.78967	0.161431
	Female	2961	4794	61.90476	0.195373
Marital Status	Single	1916	4808	150.9395	0.40601
	Married	3005	4576	52.27953	0.168544
	Div./W/Sep	2911	3500	20.2336	0.070629
MFI	LAPO	2991	4582	53.19291	0.171135
	Others	1966	4287	118.057	0.334739
Religion	Christianity	3172	4910	54.79193	0.175648
	Others	1966	4287	118.057	0.334739
Location	Lagos	3429	5000	45.81511	0.14992
	Ogun	855	2483	190.4094	0.484176
Nature of Empt	Self	2922	4531	55.06502	0.176415
	Wage	2264	4800	112.0141	0.320918

Region of Origin	North	3715	5142	38.41184	0.127941
	East	2146	3534	64.67847	0.202918
	West	3024	4900	62.03704	0.195735
ALL		**2868**	**4547**	**58.5425**	**0.18612**

Source: Field Survey 2010

The females saved more than the males both before and after joining the MFI while total and annual percentage increase in savings was also achieved by the women. While the women achieved a 61.9% increase in savings with an annual compound growth rate of 19.5%, their male counterparts had 49.8 and 16% comparable figures respectively. Thus, the female appears to be optimizing the benefits of microfinance more than the males in the study area. With respect to marital status, the single achieved the highest percentage increase of 151% and an annual growth rate of 41% as compared to the married and the Divorced/Separated/Widowed category. The respondents located in Ogun State had higher increase in savings than their Lagos State counterparts who having higher before- and after-micro financing savings level. In terms of the region of origin, the respondents from the East saved more than the others. This conforms to expectation, given the high level of entrepreneurial activities among the Easterners in Nigeria.

Earnings

For those that responded to the question on the nominal weekly income, the result shows that the average weekly income prior to enjoying loan facility from MFI was as low as N8,706 per week or about N35,000 per month which is about $230 per month. After having received the loan facility, average weekly income rose to N16,534 which represents an increase of 88% within an average of about three years within when account was opened and loan facilities enjoyed by the average customer. The weekly current income level translates to about N66,000 (or USD $441) per month as shown in Table 3.

TABLE 3: DISTRIBUTION OF RESPONDENTS BY AVERAGE NOMINAL INCOME BEFORE AND AFTER LOAN FACILITY WAS RECEIVED

	N	Mean	Std. Deviation	Std. Error Mean
Average weekly Income before taking MFB loan	150	8,706.00	12,582.88	1,027.388
Average weekly Income now	151	16,354.30	29,090.076	2,367.317

Source: Field Survey, 2010

Table 3 shows the distribution of respondents' nominal weekly income (classified by some selected personal and business characteristics) before and after receiving credit facilities from the MFI. Income was classified into three groups: Less than N10,000; N10,000 to less than N20,000; N20,000 and above. The first classification is termed very low income group (V), the second, low income group (L) and the third, medium income group (M). With respect to income before loan facilities for all the respondents, 72.7%, 16.7% and 10.6% are in V group, L group and M group respectively. After receiving and utilizing the loan facilities, the

V group dropped to 48.3%, the L group increased to 31.8% while the M group moved to 19.9%.

Table 4: Distribution of Respondents by Weekly Earnings Before and After Receiving Loan Facilities from MFIs and By Some Selected Characteristics.

Main Variables (1)	Derived Variables (2)	Less than N10,000 (3)		N10,000 – N19,999 (4)		N20,000 and over (5)		Mean Income (6)		No. (and %) of Respondents (7)	
	(2)	Before (3a)	After (3b)	Before (4a)	After (4b)	Before (5a)	After (5b)	Before (6a)	After (6b)	Before (7a)	After (7b)
AGE	<30 Yrs	70.0	50.0	30.0	40.0	0.0	10.0	6,863	10,870	30 (20)	30 (19.9)
	30-44 Yrs	76.4	47.8	10.1	32.2	13.5	20.0	9,438	13,997	89 (59.3)	90 (59.6)
	> 44 Yrs.	64.5	48.4	22.6	22.6	12.9	29.1	8,387	13,177	31 (20.7)	31 (20.5)
	ALL	**72.7**	**48.3**	**16.7**	**31.8**	**10.6**	**19.9**	**8,706**	**16,354**	**150 (100)**	**151 (100)**
FORMAL EDUCATION ATTAINED	None	54.5	41.7	45.5	41.7	0.0	16.7	7,300	12,033	11 (7.3)	12 (7.9)
	Primary	51.5	26.5	24.2	29.4	24.2	44.1	11,233	19,185	33 (22.0)	34 (22.5)
	Secondary	83.6	56.7	10.4	35.8	6.0	7.5	7,043	13,651	67 (44.7)	67 (44.5)
	Post-Sec.	78.8	56.3	9.1	25.0	12.1	18.8	7,916	15,333	39 (26.0)	39 (25.1)
GENDER	Male	62.2	35.1	24.3	45.9	13.5	18.9	12,592	23,757	37 (24.7)	37 (24.5)
	Female	76.1	52.6	14.2	27.2	9.7	20.2	7,434	13,952	113 (75.3)	114 (75.5)
	ALL	**72.7**	**48.3**	**16.7**	**31.8**	**10.6**	**19.9**	**8,706**	**16,354**	**150 (100)**	**151 (100)**
MARITAL STATUS	Single	68.8	56.3	12.5	18.8	18.8	25.0	12,831	21,238	17 (10.7)	16 (10.6)
	Married	74.2	48.3	15.8	32.5	10.0	19.2	8,222	15,803	120 (80.0)	120 (79.5)
	D/S/W	66.7	50.0	22.2	30.0	11.1	20.0	8,142	15,553	14 (9.3)	15 (9.9)
	ALL	**72.7**	**48.3**	**16.7**	**31.8**	**10.6**	**19.9**	**8,706**	**16,354**	**150 (100)**	**151 (100)**
TYPE OF BUSINESS	Trading	77.2	50.0	13.0	31.9	9.8	18.1	7,378	14,295	92 (62.6)	94 (63.5)
	Supplier/Con	71.4	47.6	9.5	28.6	19.0	23.8	11,824	24,538	21 (14.3)	21 (14.2)
	Tailoring/Fas	57.9	36.8	31.6	42.1	10.5	21.1	8,821	14,095	19 (12.9)	19 (12.8)
	Others	66.7	50.0	26.7	28.6	6.7	21.4	12,613	22,250	15 (10.2)	14 (9.5)
	ALL										
MFI	LAPO	71.1	46.7	19.8	35.2	9.1	18.1	7,743	13,589	121 (83.4)	122 (83.0)
	Others	83.3	56.0	0.0	16.0	16.7	28.0	12,813	27,668	24 (16.6)	25 (17.0)
	ALL										
RELIGION	Islam	82.1	45.2	7.7	38.1	10.3	16.7	7,184	19,060	39 (26.0)	42 (27.8)
	Christianity	69.4	49.5	19.8	29.4	10.8	21.1	9,240	15,312	111 (74.0)	109 (72.2)
	ALL										
STATE OF OPERATION	Lagos	67.7	43.2	20.2	36.0	12.1	20.8	9,602	16,494	124 (82.7)	125 (82.8)
	Ogun	96.2	73.1	0.0	11.5	3.8	15.4	4,431	15,685	26 (17.3)	26 (17.2)
	ALL										
REGION OF ORIGIN	North	53.3	40.0	26.7	13.3	20.0	46.7	14,267	21,687	15 (10.1)	15 (10.1)
	East	73.7	43.2	15.8	45.9	10.5	10.8	8,187	16,666	38 (25.7)	37 (24.7)
	West	74.7	51.5	15.8	28.9	9.5	19.6	8,072	15,552	95 (64.2)	97 (65.2)
	ALL	**72.3**	**48.3**	**16.9**	**31.5**	**10.8**	**20.1**	**8,076**	**16,354**	**148 (100)**	**149 (100)**
EMPLOY-MENT YPE	Self-employed	72.9	49.6	16.4	30.5	10.7	19.9	8,692	16,227	140 (93.3)	141 (93.4)
	Others	70.0	30.0	20.0	50.0	10.0	20.0	8,900	18,140	10 (6.7)	10 (6.6)
	ALL	**72.7**	**48.3**	**16.7**	**31.8**	**10.7**	**19.9**	**8,706**	**16,354**	**150 (100)**	**151 (100)**

Source: Computed from the Field Survey (2010)

In terms of change between the different age groups, the age group <30 years experienced the highest nominal income growth rate of 58.39%, followed by the age-group 45 years and above with 57.11%, while those in age-group 30-44 years experienced the least growth rate

of 48.30% (Table 4). The change within groups is as presented in Table 5 which is derived from Table 2.

TABLE 5: GROWTH RATE OF NOMINAL WEEKLY INCOME

MAIN VARIABLE	DERIVED VARIABLES	MEAN INCOME BEFORE LOAN	MEAN INCOME AFTER LOAN	GROWTH RATE OF INCOME IN PER CENTAGE	ANNUAL COMPOUND GROWTH RATE
AGE	<30	6,863	10,870	58.39	16.57
	30-44	9,438	13,997	48.30	14.04
	45+	8,387	13,177	57.11	16.25
	ALL	**8,706**	**16,354**	87.85	23.39
EDUCATION	None	7,300	12,033	64.84	18.13
	Pry	11,233	19,185	70.79	19.53
	Sec	7,043	13,651	93.82	24.68
	Post-Sec	7,916	15,333	93.70	24.65
GENDER	Male	12,592	23,757	88.67	23.57
	Female	7,434	13,952	87.68	23.35
	ALL	**8,706**	**16,354**	87.85	23.39
MARITAL STATUS	Single	12,831	21,238	65.52	18.29
	Married	8,222	15,803	92.20	24.33
	D/S/W	8,142	15,553	91.02	24.08
	ALL	**8,706**	**16,354**	87.85	23.39
NATURE OF BUSINESS	Trading	7,378	14,295	93.75	24.67
	Supp/Con	11,824	24,538	107.53	27.55
	Tailoring	8,821	14,095	59.79	16.91
	Others	12,613	22,250	76.41	20.83
	ALL	**8,706**	**16,354**	87.85	23.39
MFI	LAPO	7,743	13,589	75.50	20.62
	Others	12,813	27,668	115.94	29.25
	ALL	**8,706**	**16,354**	87.85	23.39
RELIGION	Islam	7,184	19,060	165.31	38.44
	Christianity	9,240	15,312	65.71	18.34
	ALL	**8,706**	**16,354**	87.85	23.39
STATE OF OPERATION	Lagos	9,602	16,494	71.78	19.76
	Ogun	4,431	15,685	253.98	52.40
	ALL	**8,706**	**16,354**	87.85	23.39
REGION OF ORIGIN	North	14,267	21,687	52.01	14.98
	East	8,187	16,666	103.57	26.74
	West	8,072	15,552	92.67	24.43
	ALL	**8,076**	**16,354**	102.50	26.52
NATURE OF EMPLOYMENT	Self	8,692	16,227	86.69	23.13
	Others	8,900	18,140	103.82	26.79
	ALL	**8,706**	**16,354**	87.85	23.39

Source: Derived from Table 2

TABLE 6:   PER CENTAGE CHANGES WITHIN INCOME GROUPS

MAIN VARIABLE	DERIVED VARIABLE	CHANGES WITHIN INCOME GROUPS (%)		
		V GROUP	L GROUP	M GROUP
AGE	<30	-20.0	10.0	10.0
	30-44	-28.6	22.1	6.5
	45+	-16.1	0	16.2
	ALL	**-24.4**	**15.1**	**9.3**

EDUC	None	-12.8	-3.8	16.7
	Pry	-25	5.2	19.9
	Sec	-26.9	25.4	1.5
	Post-Sec	-22.5	15.9	6.7
GENDER	Male	-27.1	21.6	5.4
	Female	-23.5	13	10.5
	ALL	**-24.4**	**15.1**	**9.3**
MARITAL STATUS	Single	-12.5	6.3	6.2
	Married	-25.9	16.7	9.2
	D/S/W	-16.7	7.8	8.9
	ALL	**-24.4**	**15.1**	**9.3**
TYPE OF BUSINESS	Trading	-27.2	18.9	8.3
	Supp/Con	-23.8	19.1	4.8
	Tailoring	-21.1	10.5	10.6
	Others	-16.7	1.9	14.7
	ALL	**-24.4**	**15.1**	**9.3**
MFI	LAPO	-24.4	15.4	9
	Others	-27.3	16	11.3
	ALL	**-24.4**	**15.1**	**9.3**
RELIGION	Islam	-36.9	30.4	6.4
	Christianity	-19.9	9.6	10.3
	ALL	**-24.4**	**15.1**	**9.3**
STATE OF OPERATION	Lagos	-24.5	15.8	8.7
	Ogun	-23.1	11.5	11.6
	ALL	**-24.4**	**15.1**	**9.3**
REGION OF ORIGIN	North	-13.3	-13.4	26.7
	East	-30.5	30.1	0.3
	West	-23.2	13.1	10.1
	ALL	**-24**	**14.6**	**9.3**
TYPE OF EMPT	Self	-23.3	14.1	9.2
	Others	-40	30	10
	ALL	**-24.4**	**15.1**	**9.2**

SOURCE: Derived from Table 2

Within the age groups, the change in income among the V group after loan facilities were received and utilized was greatest among the 30-44 years group where there was a drop of 28.6%. This is closely followed by the <30 years age cohort with a drop of 20% while the over 45 years age group experienced the lowest change of 16%. In the L group, the age group 30-44 experienced the highest percentage increase of 22%, those in the <30 years group had 10% increase while the 45 years and above group experience no change in this group. The M group had the highest increase among the 45 years and over (16.5%) while the 30-44 years experience the least increase of 6.5%.

With respect to formal educational attainment, there is a positive relationship between the level of educational attainment and percentage change in nominal income up to the secondary educational level (Table 6, last column). However, there seems to be no difference between those with secondary education and those with post-secondary education. For change in income within group, Table 4.5 shows that the secondary educated experienced the greatest

drop in V group by 26.9% and closely followed by those with primary education (25%). Within the L group, those with secondary education experienced a rise of 25% but had the least increase of 1.5% within the M group. This shows that an attainment of primary and/or secondary education helps in income growth via the use of the credit facilities of MFIs, while there appears to be much difference between those with secondary and post-secondary educational attainment. There appears to be no significant difference between the growth rate of income of males and females as the growth figures are 88.67% and 87.68% respectively. However, the within group distribution shows that the males experienced a higher drop in the V group (27.1%) relative to the females (23.5%); this trend was replicated in the L group where the males experienced a higher rise of 21.6% relative to 13% for the females but in the M group the female had a higher income growth of 10.5% as compared to 5.4% for the males. With respect to marital status, the married respondents experienced the highest overall income growth of 92.20% (Table 4.1.2); while the same group had the highest within-group income growth of -25.9%, 16.7% and 9.2% in the V, L and M income groups respectively (Table 6). Among the different types of business enterprises, those engaged in supply/contract occupations had the highest overall income growth rate of 107.53%, followed by those in trading occupations (93.75%).

In terms of the type of MFI being used by the respondents, the other MFBs have greater impact on income growth than LAPO. Although the latter has a greater outreach (83%, Table 4.1.2) yet it has a 75.50% income growth effect, compared to 115.94% for other MFIs (Table 6). In terms of the state of operation, those in Ogun state experienced a higher income growth of about 254% relative to those in Lagos State with about 72%. However, in terms of region of origin, those from the Eastern, Western and Northern parts of Nigeria experienced 103.57%, 92.67% and 52.01% growth respectively in their nominal income levels. The following section examines the factors affecting the distribution of current income among the respondents to establish the statistical significance or otherwise of some of the variables examined in this section.

Determinants of Income Distribution Among MFI Customers

Table 7 gives the descriptive statistics of the variables used in the model. The result of the regression analysis is reported in Table 6 while Table 7 reports the F-value and its level of significance. As stated in equation (10), the dependent variable is the logarithm of weekly earnings. Since the model is semi-logarithmic (otherwise known as log-lin model), the slope coefficient measures the constant proportional or relative change in Y for a given absolute change in the value of the regressors (Gujarati, 2009; pp.162-163).

TABLE 7: DESCRIPTIVE STATISTICS OF THE VARIABLES USED IN THE MODELS

	Mean	**Std. Deviation**	**N**
Log (natural) of income after loan	9.1908	.91402	126
No schooling dummy	.0794	.27139	126
Primary educ dummy	.2222	.41740	126
Secondary educ dummy	.4841	.50174	126
NCEond educ dummy	.1825	.38783	126
Gender_Male=1	.2540	.43702	126
Married =1, others zero	.7857	.41196	126

Amount approved & paid on 1st loan	34,422.22	66,118.426	126
Lapo=1, others zero	.8095	.39424	126
Number of years account opened with MFB	2.5556	1.35974	126
Trading=1, others zero	.6111	.48944	126
Contractor=1, others zero	.1667	.37417	126
Farming=1, others zero	.0397	.19599	126
Fashion=1, others zero	.1190	.32514	126
age group dummy for 30-44 years	.5714	.49685	126
age group dummy for 45+ years	.2302	.42261	126
Christianity=1, others zero	.7381	.44143	126
Location Lagos=1, 0 otherwise	.8413	.36688	126
Self empt =1 zero otherwise	.9365	.24482	126

Source: Computed from Survey data.

TABLE 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.317(a)	.100	.044	.98707

Predictors: (Constant), West=1, others zero, Married =1, others zero, Number of years of formal education, Gender_Male=1, Christianity=1, others zero, Location Lagos=1, 0 otherwise, Age of Respondents, Self empt =1 zero otherwise, Single =1, others zero, East=1, others zero, Square of age of the respondents.

TABLE 9: REGRESSION COEFICIENTS OF THE DISTRIBUTION OF INCOME(H AND P VARIABLES ONLY)

Variables and Constant	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	8.420	1.404		5.999	.000
Number of years of formal education	.040	.017	.179	2.394	.018
Age of Respondents	.108	.067	.888	1.606	.110
Square of age of the respondents	-.001	.001	-.774	-1.402	.163

Gender_Male=1	.301	.171	.129	1.763	.080
Married =1, others zero	-.307	.271	-.120	-1.132	.259
Single =1, others zero	.072	.365	.022	.198	.844
Christianity=1, others zero	.091	.172	.039	.530	.597
Location Lagos=1, 0 otherwise	-.006	.191	-.002	-.031	.976
Self empt =1 zero otherwise	-.173	.359	-.037	-.482	.631
East=1, others zero	-.492	.262	-.209	-1.875	.062
West=1, others zero	-.442	.230	-.210	-1.924	.056

Dependent Variable: Log of average weekly income after loan

TABLE 10: ANOVA TABLE FOR THE REGRESSION ESTIMATE [IN TABLE 4.2.3]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	19.125	11	1.739	1.784	.060(a)
	Residual	171.478	176	.974		
	Total	190.603	187			

a.Predictors: (Constant), West=1, others zero, Married =1, others zero, Number of years of formal education, Gender_Male=1, Christianity=1, others zero, Location Lagos=1, 0 otherwise, Age of Respondents, Self empt =1 zero otherwise, Single =1, others zero, East=1, others zero, Square of age of the respondents

b Dependent Variable: Log of average weekly income after loan

In line with the *a priori* expectation, the coefficient estimate of age and education variables are positive on their effects on the log of weekly earning, while that of the square of age is negative thus capturing the predicted non-linearity in the age-earning profiles. All other variables are binary (0, 1), with one of the sub-categories excluded from the regression analysis to avoid perfect linearity and hence, a situation of dummy-variable trap in the model. For instance, in the Gender variables, the Female sub-category is excluded to serve as the reference. In the same way, the Separated/Divorced/Widowed sub-category is excluded from the marital status dummies, Islamic Religion is the reference category for Religion, Ogun State is the reference point for Location variable, The North serves as the reference for region of origin, while wage employment stands as reference for the type of employment variable.

From Table 4 which gives the summary of the first model, the R^2 (which is the coefficient of multiple determination) is 10% while the Adjusted R^2 is 4%, showing that only 4% of the variations in the log of income is explained by the included explanatory variables. In terms of statistical significance, only education (measured by the number of years of formal education), gender, and region of origin (East, West) are significant at the 5%, 10%, and 10% levels respectively for each of the three variables. This means that as formal education level increases, weekly income increases for MFI customers, while the males earn more than their female counterparts (See Tables 4.1.4 and 4.1.5), and finally, those MFI customers who are

of Northern origin earn more than their counterparts who are origins of Eastern and Western parts of Nigeria (since the slope coefficients of 'East' and 'West' variables have negative signs). The F-statistic (shown in Table 4.2.2) is statistically significant at 10% level, and thus shows that the model has an acceptable fit.

Second Model: A stepwise regression model when both the MFB and other variables are included:

The second model investigates the impact of MFIs on income distribution, using equation 4 above. In other to save computer time, the stepwise approach was adopted. The stepwise regression procedure includes in the estimated model only those explanatory variables that make important contributions to the variations in the independent variable. Table 4.3.1 reports the summary of the four models that came up from the stepwise procedure when the MFI and Enterprise variables were included in the model as summarized by equation (4).

TABLE 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.282(a)	.080	.072	.88045
2	.385(b)	.148	.134	.85058
3	.447(c)	.200	.180	.82768
4	.475(d)	.225	.200	.81772

a Predictors: (Constant), Amount approved & paid on 1st loan

b. Predictors: (Constant), Amount approved & paid on 1st loan, Primary educ dummy

c. Predictors: (Constant), Amount approved & paid on 1st loan, Primary educ dummy, Number of years account opened with MFB

d. Predictors: (Constant), Amount approved & paid on 1st loan, Primary educ dummy, Number of years account opened with MFB, No schooling dummy.

The model summary shows continuous improvement in the regression fit as the number of explanatory variables increases. The Adjusted R^2 improves from 7.2% when only one predictor variable (the most important) was included in the model to 13.4% when the second predictor variable was included as shown by the result in the model summary (Table 4.3.1).

TABLE 12: REGRESSION COEFFICIENTS OF INCOME DISTRIBUTION FUNCTION (H, P, MFI AND ENTERPRISE VARIABLES USING STEPWISE APPROACH)

Model	Variables and (Constant)	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.057	.089		102.328	.000
	Amount approved & paid on 1st loan	3.90E-006	.000	.282	3.273	.001
2	(Constant)	8.925	.095		93.737	.000
	Amount approved & paid on 1st loan	4.02E-006	.000	.291	3.494	.001
	Primary educ dummy	.573	.182	.262	3.141	.002

3	(Constant)	8.536	.166		51.292	.000
	Amount approved & paid on 1st loan	3.92E-006	.000	.284	3.500	.001
	Primary educ dummy	.576	.177	.263	3.246	.002
	Number of years account opened with MFB	.153	.054	.228	2.811	.006
4	(Constant)	8.437	.172		49.127	.000
	Amount approved & paid on 1st loan	4.00E-006	.000	.289	3.610	.000
	Primary education dummy	.633	.178	.289	3.564	.001
	Number of years account opened with MFB	.169	.054	.251	3.103	.002
	No schooling dummy	.551	.276	.164	1.998	.048

Dependent Variable: Log (natural) of income after loan

Finally in model 4, when four predictor variables were included in the model, the R^2 increased to 20%. As explained earlier, the R^2 measures the proportion of variation in the dependent variable explained by the regression model. In this model, therefore, the explanatory variables included explained 20% of the variations in the logarithm of weekly earnings of the respondents. The details regarding the coefficients of each of the explanatory variables and the statistical significance of each are as reported in Table 12.

TABLE 13: ANOVA TABLE FOR MODELS 1 TO 4

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.304	1	8.304	10.712	.001(a)
	Residual	96.125	124	.775		
	Total	104.429	125			
2	Regression	15.440	2	7.720	10.671	.000(b)
	Residual	88.989	123	.723		
	Total	104.429	125			
3	Regression	20.852	3	6.951	10.146	.000(c)
	Residual	83.577	122	.685		
	Total	104.429	125			
4	Regression	23.520	4	5.880	8.794	.000(d)
	Residual	80.909	121	.669		
	Total	104.429	125			

a. Predictors: (Constant), Amount approved & paid on 1st loan, b. Predictors: (Constant), Amount approved & paid on 1st loan, Primary educ dummy, c. Predictors: (Constant), Amount approved & paid on 1st loan, Primary educ dummy, Number of years account opened with MFB

d. Predictors: (Constant), Amount approved & paid on 1st loan, Primary educ dummy, Number of years account opened with MFB, No schooling dummy, e. Dependent Variable: Log (natural) of income after loan

The result shows the importance of micro-financing through the MFIs in the distribution of income of respondents. Of the four variables that were selected as the best in the stepwise procedure specified for the SPSS software that carried out the data analysis, two of the variables were MFI variables (Loan Amount, and the Number of years account opened with MFI), while the last two are human capital variables (Education). Thus, micro-financing variables (in addition to human capital variables) positively affected earnings and these variables are statistically significant at no worse than 5% confidence level as shown in Table 13. In terms of the goodness of fit, the result shown in Table 14 shows a relatively high adjusted R^2 of 20% (Model 4) compared to 4% reported in Table 13(b) when only human capital and personal variables were considered. Also, the F-statistic improved significantly to 8.794 (at the significance level of 0.000) showing a very good fit, econometrically. This represents an unparalleled improvement on the model reported in Table 13 when the F-statistic is as low as 1.784 at a significance level of 0.064.

SUMMARY AND CONCLUSION

Microfinance is a key strategy for poverty alleviation. Inadequate access to credit by the poor has been identified as one of the contributing factors to poverty. Microfinance's achievements in poverty reduction have been celebrated worldwide. Since the last decade in Nigeria, Microfinance schemes have proved to be a successful adaptation to the domestic credit markets. Microfinance institutions have helped to relax the constraints on the poor's access to productive capital, and consequently, contributed to break the various circles of poverty caused by low income and low investments.

This study examined the contributions of Microfinance institutions to poverty reduction in Southwest Nigeria, using both primary and secondary data collected from Microfinance institutions (MFIs) and randomly selected customers (micro, small and medium enterprises) of the same Institutions. The study contributes to the existing literature by investigating the impact of Microfinance on welfare and the success of micro, small and medium enterprises (MSMEs) and subsequent reduction in poverty.

The savings habit of the customers studied improved with the provision of microfinance services and their monthly income also rose by approximately 88% within an average of about three years within when an account was opened and loan facilities were granted to the respondents.

The results of our study further confirm some findings by other scholars and earlier researchers, and the research work has been able to find answers to the research questions raised in the introductory chapter in the following ways:

i.   Microfinance is an effective poverty alleviation strategy as it reaches the target customers more effectively and helps to a large extent in improving their standard of living and social status.

ii. Microfinance institutions loans are more readily available for development related purposes.

iii. Microfinance institutions can really get people out of their poverty level with consistent utilization of loans for developmental activities by their customers.

This also impacts greatly on Customers' savings habit and income generation. By financing more small and medium scale enterprises, the MFI have made a significant contribution to creation of employment and improving household income.

Microfinance however should not necessarily be seen as a universal remedy for poverty and related development challenges, but rather as an important tool in the mission of poverty alleviation. Poverty is a multidimensional problem, embedded in a complex and interconnected political, economic, cultural, and ecological system. Owing to poverty's large scope and multiplicity of actors, there is no single guaranteed approach to its eradication. As a result, solutions are as multifaceted as the causes. Problems and solutions are not isolated phenomena, but occur within an interconnected system in which actors and actions have reciprocal consequences. As microfinance becomes more widely accepted and moves into the finance mainstream, the supply of financial services to the poor will likewise increase, improving efficiency and outreach, while lowering costs. This, in turn, can have a multiplier effect on people's standard of living. Perhaps the greatest contribution of microfinance is that it empowers people, by providing them with confidence, self-esteem, and the financial means to play a larger role in their development. The potential of microfinance far exceeds the micro-level, scaling-up to address macro-problems associated with poverty eradication.

Microfinance Bank and Personal Welfare of the Respondents

On this aspect of the study, the result obtained showed that all the MFIs have granted N9.1 million, N6.5 million and N4.9 million in each of the earlier analysed three loan categories respectively. The result also shows that the first loan received by the respondents was utilized for business development related issues; the second loan was utilized for business expansion by most of the respondents, while the third loan followed the same trend. Other issues such as children education, land/asset acquisition and consumer durable are the other things the loans were used for. The result also shows that the majority of the respondents saved regularly – which implied that Microfinance has helped them to develop the habit of saving regularly. Most of the respondents' weekly income also showed increase of 88% after receiving and utilizing the loan within a period of three years. The result also showed that those with higher educational qualifications are likely to increase their income faster. There appeared to be no significant difference between the growth of income of males and female gender. In terms of MFIs being used by the respondents, those using other MFIs seemed to have higher income growth than those in LAPO even though LAPO have greater outreach. Those in Ogun State experienced higher income growth than those in Lagos, which may be associated with higher standard of living in Lagos compared to Ogun State. In terms of state of origin, those that are from the Eastern part of the country experienced higher income growth than those from other regions, ostensibly due to the tenacity and shrewdness of an average Easterner in business.

Determinant of Income Distribution among MFI customers

The result obtained for this aspect of the study showed that education (as measured by the number/levels of formal education attained, gender, region of origin (East and West) are significant determinants of income distribution. This implies that as each of these variables increase by a unit, weekly income also increases for MFI customers. The result for the stepwise regression showed that loan amount, number of years of account opened with MFI, and respondent's level of education positively affected earnings of the respondents.

RECOMMENDATIONS

Based on our study, we proffer some relevant recommendations for both the Microfinance Institutions and the government that could enhance the provision of more substantial microfinance to larger number of SMEs in the country's as also suggested by Ojo(2010,ch. 12)

For Microfinance Banks

i.   Higher education, having been found to increase the income of the MFI clients: The MFIs clients should therefore, be encouraged by the MFIs to improve on their current level of education by engaging in adult education or life-long learning as this will have the potency to increase their level of income;

ii. They should embark on funds mobilisation drive to be able to reach out to more viable customers for provision of financial services.

iii. MFBs should seek long term capital from the Pensions and Insurance Companies in the country. This will enable them grant larger volume of loan and to greater number of people who will improve their outreach level;

iv. MFIs should ensure and strive to put in place procedures, policies and products that will enhance the participation of both men and women in their various programmes in order to achieve gender responsiveness and equity; and

v.   The MFIs should design appropriate products that are flexible enough to meet the different needs of the poor for both production and consumption purposes.

For Government

ii. Government should urgently tackle the problems of infrastructural development and maintenance to enable the finance provided to be productively utlised and thereby facilitate loan repayment. These include electricity, water and efficient transportation system which impact greatly on the standard of living of the people;

iii. There should be provision of incentives by government to sustain MFIs in order to further extend their services to the rural areas;

iv. Capacity building of MFIs in Nigeria should be mandatory so as to develop appropriate policies that will enhance sustainability and stability.

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