AN ASSESSMENT OF THE CONTRIBUTION OF MICROFINANCE INSTITUTIONS TO THE DEVELOPMENT OF THE NATIONAL ECONOMY

BY
Abdulrahman Zubairu Anono\(^1\)

ABSTRACT

Microfinance bank, are established with the purpose of giving financial services to its customers on the basis of their self-recognition and credit worthiness so as to improve their economic growth and development. The aim of this paper is to examine the socio-economic assistance of this bank to Okengwe people. The scope of the study is limited to Okengwe microfinance bank of Kogi State. Data were collected from both the staff and customers of the bank. The analysis using the simple percentage via the table method revealed that; the bank is effectively carrying out its main banking objectives thereby uplifting the socio-economic development of the people and the Okengwe at large. There is prompt repayment of loans, thereby making the loans available for recycling to other beneficiaries. In view of the findings, the study recommends among other things that the banks should enlighten the people in the rural and urban areas about the services provided by the banks so as to attract more customers.

INTRODUCTION

In the past two decades creating access to financial services for owners of micro and small businesses has become a thriving industry. The fabricators on the streets of Nairobi; street traders of Lagos and farmers in Ethiopia and food vendors in Las Paz are increasingly turning to microfinance institutions for financial services of various types and sizes. In response to these demands, institutions have emerged and developed across developing countries.

Lending to micro-enterprise is no longer just a nice thing to but is equally profitable. For good and for bad, microfinance has left the domain of charity. Microfinance has been acknowledged as an important instrument for meaningful development. Strategy for delivering financial services to the poor has become a feature of major development policies and initiatives of international development agencies. Agencies and institutions, which provide support services to the emerging industry, have also emerged. As commercial funds gradually replace grants, investment companies and banks are springing up to provide portfolio refinancing debt and equity funds to microfinance institutions and banks.

Microfinance is usually conceived of as the provision of small units of financial services to low-income clients who are usually excluded from mainstream financial system." It is a form of financial intermediation, which primarily focuses on alleviating poverty through provision of financial services to the poor or owners of micro enterprises. Service users include artisans, smallholder farmers, food processors; petty traders and other persons who operate micro-enterprises.

In practice, micro finance means more than delivery of small units of financial services. It goes beyond disbursement and collection of loans. It also refers to the flexible structures and processes by which affordable financial services are delivered to the owners of micro-enterprises on a sustainable basis. At the onset of what is now termed micro finance resolution, credit was the dominant financial service. Working

\(^1\) Department of Management Technology, Federal University of Technology, Yola (FUTY) Adamawa State
capital loan was in most cases the only product delivered to clients. This explains the appellation of micro credit. Over the years the scope of financial services has been expanded to include savings, consumer's loans, micro-leasing, micro-insurance, money transfers and micro-investment.

Modern micro finance practice has moved towards commercialization and promotion of innovations. This is largely in response to the fact that owners of micro enterprises like other economic actors need a wide range of financial services that are flexible, dependable and reasonably priced. For instance, the poor need financial services to build up assets, meet consumption needs, hedge against business risks and other emergencies.

THEORETICAL FRAMEWORK
HISTORY OF MICROFINANCE

The rise of microfinance practice was prompted by the apparent failure of conventional development paradigms and approaches to achieve meaningful development, which is poverty alleviation. Growth-led development perspective, which gained ground in 1950s and 1960s with its resurgence in the last decade, has always yielded fantastic statistics with discouraging impact on the lives of the people. For instance, while growth rates were rising, the number of persons in poverty was also on the increase. Microfinance therefore seeks to provide low-income people with capital for income generating activities. Microfinance is premised on the fact of economic relations, that the poor remain poor because they are deprived of access to life transforming opportunities such as affordable financial services. As a development strategy, microfinance believes in the ability of the poor to meaningfully improve their conditions of living, if they can access financial support on affordable terms.

While micro finance practice especially community based saving 'contribution' schemes is not new in most communities, modern microfinance or what has become known as 'microfinance revolution' on the other hand, is a creation of deliberate efforts at addressing poverty. The experiment of Muhammad Yunus the 2006 Nobel Peace Prize winner for his work in credit for poor and other initiatives across the world have taken micro finance from the realm of charity. Microfinance banks and institutions today are not in business for charity.

In Nigeria, modern micro finance began as the visionaries worked. initiated by non-profit institutions to address poverty, In Akure Nigeria, Chief Bisi Ogunleye started a pro-women initiative-Country Women Association of Nigeria (COWAN) while Late Venerable David Ogbonna ran the Nsukka United Self-help organization (NUSHO) in the early 1980s.

In 2000, actions towards the commercialization of microfinance in Nigeria began with the Central Bank of Nigeria led process, which culminated in the launching of the National micro finance policy and regulatory framework with extensive supervisory guideline.

Aminu (2005), argued that most of the developed countries promote rural development through the extension of urban financial institutions services into the rural areas. This is to enable rural populace have access to modern financial system, even though these institutions encounter problem when they operate in the rural areas.

The microfinance banks are identified with the following functions;
(i) Receive money or collect proceed of banking instruments on behalf of their customers.
(ii) Operate equipment leasing facilities, and support credit schemes to ensure access of their customers to farm inputs, including financial inputs purchased on a consignment basis, for groups of clients.
(i) Give guarantee in favour of their customers to give them greater access to credit and other resources.

(ii) Issue redeemable debentures to interested parties to raise funds from members of the public.

(i) Accept various types of deposits including savings, time and target deposits, from individuals, groups and other organizations.

(ii) Pay and receive interest as agreed upon, between micro finance banks and their clients in accordance with public policy.

(vii) Perform non-banking functions that promote grassroots development such as supports individual, cooperatives and group formation activities, assisting clients in marketing of Agricultural, rural industries and other extension services clients, and other community members.

(viii) Do not engage in sophisticated banking service like foreign exchange transaction of international commercial papers; corporate finance in order to enable them retain their local focus and concentrate on community service.

(ix) Provide credit to their customers, especially small and medium scale enterprises based in their areas.

(x) Maintain and operate various types of accounts with or for other banks in Nigeria.

Akpan (2006), holds that by its design is a unit bank owned by community development association or town union; or by trade association such as cooperative society, farmer group, social club, age grade, etc. or it may be owned by the indigenes of the community, the minimum number in this case being 50 with each person maintaining a maximum of the 5% of the banks equity. The management structure of the bank consists of the minimum of five members and a maximum of seven members, as may be amended from time to time. The head of administration (manager) paddles the day-to-day affairs of the bank with the support of banking officer, general service officer and credit development officer. The monthly return of the bank at its inception is sent to the National Board of Community Banks (NBCB), CBN and Nigerian deposit Insurance Corporation (NDIC). These regulatory bodies are expected to send supervisory team at certain intervals in order to scrutinize the affairs of the banks and formerly ensure that they adhere to the guiding laws.

For a Microfinance bank to start, a full fledged operation, it must register with the corporate affairs commission through the NBCB with an equity share capital in cash of not less than two hundred and fifty thousand naira (N250,000) before they can be licensed to operate as microfinance bank. The NBCB would give the banks a provisional license to last for not more than two years. Therefore, base on its satisfactory performance and the recommendation of the NBCB, the Central Bank of Nigeria (CBN) would issue a formal operating license to the bank.

The microfinance banks generate their capital through different sources which include savings and deposit mobilization from their customers. Owing to this fact, the micro finance banks in Nigeria witness a monumental growth in number, their capital Formation and deposit. Although, their figures has reduced lately due to financial melt-down to Uzouga (1985), the aggressive mobilization of domestic savings through direct contact with the people and the use of innovation such as small and seasonal account have contributed significantly to the pool of funds available for national development.

Ason (1994) is of the view that the authority of Microfinance banks are not just grass root banking, but to help the communities in social and economic development. This responsibility entail the banks having pool of knowledgeable staff with skill in project appraisal, mobilization of people towards credit generation, support and involvement in promotion of communities activities, cost benefit analysis, loans recovering strategies, credit evaluation processes. Akpan 1994; Akanji 1998, Ituwe 1983 Nwankwo, 1980
said microfinance banks are vastly at disadvantage not only in providing basic amenities but also in their economic indicators.

**ELEMENTS AND PRINCIPLES OF MICROFINANCE**

Over the years, certain features have been identified with Microfinance practice. These include

- **Collateral Substitution**
  A distinguishing features of classical microfinance practice is its disregard for tangible collateral requirement. Conventional banking practice places primacy on provision of collateral as condition precedent for credit. Exclusion of the poor and owners of micro enterprises from institutional financial services is attributable to collateral requirement. Collateral requirement is often cited as the reason for the rise of modem microfinance. It's akin to demanding from someone what he or she does not have. Microfinance as a development tool represents an approach which believes in the people (what they are) rather solely in collateral (what they have). Pledged collateral is unnecessary as motivation to meet repayment obligation can be created by other means as peer group guarantees, effective loan utilization monitoring and client friendly practices as prompt approval of larger subsequent loans and convenience of access. Another factor is the emphasis on individual service delivery methodology. The comfort usually provided by peer support and pressure within a credit group is absent. In group methodology, members play vital role in client selection and screening. Credit discipline is more difficult to cultivate and enforced when borrowers acting alone. This pose credit threat to credit discipline hence a resort to demand for collateral.

- **Small Units of Services**
  Usually, financial services are often directed at owners of micro and small enterprises. Services are therefore structured to reflect the absorptive and debt capacity of the service users. Fund absorptive capacity of micro-enterprises is low. Along size of 10,000 naira could be all a client needs to make a difference in her business volume and profitability. Sizes and frequency of savings are determined by the ability of the clients. Delivery methodology is adopted to mitigate cost.

- **Priority focus on Women**
  Women constitute greater proportion of client base of most micro finance providers. There are a number of explanations and opinions for this disproportionate representation of women in client base of most microfinance institutions. Many practitioners are of the opinion that female clients exhibit better credit discipline than their male counterparts therefore microfinance institutions seek them. It however, needs to be sufficiently demonstrated if gender has more impact on portfolio quality than factors as operational strategy, loan utilization, monitoring systems, staff training and motivation. More plausible reasons preponderance of women include relative higher degree of deprivation of women. There are very few societies where women are treated as good as men. Customs, traditional practices and religion in some cases ascribe low social status to women. Women by some customs are denied rights of inheritance. They do not own land and other valuable assets acceptable as collateral security for institutional credit.

- **Access to repeat loans**
  Continuous provision of financial services to identified clients has become a feature of micro financing. Typically, loans of larger sizes are disbursed to clients in subsequent cycles. Small loans are disbursed at earlier cycles according to lower debt capacity of new clients. It also serves to test the credit worthiness of newer clients. Repeat loans ensure that impact of utilization of
financial services is maximized. Micro-enterprises require several cycles of financial support to grow to maturity.

- **Client Centeredness**
  Microfinance is not simply micro-banking. A distinctive feature of microfinance practice is that service users are not related with as faceless customers as in conventional financial institutions where their account numbers identify customers. Beyond the demand for tangible collateral for loan, a major obstacle to credit for the poor is their inability to understand the language and nuances of formal lending. To reach the poor with financial services, the provider must seek to engage them in a creative manner. In micro financing, partnership is essential. Also the microfinance banker must be able to relate effortlessly with poor customers. She must not in language, dressing and general carriage intimidate her customers. In training and orientation, the micro finance banker must be equipped to meet the challenges of being a "banker for the poor".

  Clients are assisted to address a range of challenges beyond the need for financial services. As a poverty alleviation strategy, micro finance institutions provide non-financial services as enterprises development, extension support and healthcare. Micro-business management training could be integrated into pre-loan training for potential clients.

- **Group Delivery Methodology**
  The rising trend of provision of financial services to individuals has not diminished the predominance of group delivery methodology in microfinance. Potential clients are assisted to organize into credit and savings groups. Membership of these groups is self-selecting with members sufficiently familiar with each other. First, it is cost reduction strategy. Contact with borrowers for the purpose pre-loan training, loan appraisal, and monitoring is cheaper. Several visits to clients' individual homes are reduced to few visits to group meetings. Secondly, group lending aids credit discipline. Repayment enforcement is more effective with less rancour by group members themselves.

  Finally, group approach builds solidarity among borrowers. It provides for beneficial interaction among borrowers and the lending institutions.

- **Door-step Service Delivery**
  Unlike the practice in the conventional financial sector, microfinance service providers take financial services to customers in their homes. Business and meeting locations the microfinance banker must be prepared to "take" banking to the clients rather than wait for them in exquisitely furnished branch office.

- **The Poor Need a Variety of Financial Services, Not Just Loans**
  Early attempts at providing financial services to the poor or owners of micro enterprises emphasized credit. This in part, earned the practice its early microcredit appellation. This was understandable.

  Micro-insurance has emerged to assist the poor address the problem of vulnerability. Vulnerability is the bane of persons with limited means. The poor face enormous risks. For their paper-thin economic base, fire out-breaks in the market or flood can wipe out gains of years of access to financial services. To hedge against these risks, micro finance institutions integrate responsive insurance services into their product mix. Frontiers of microfinance have also been expanded to include provision of cash transfers and micro investment.
Microfinance is a powerful instrument against poverty

The search for a development strategy, which could lead to significant improvement in the socio-economic conditions of members of poor households, led to the focus on credit. The underlying assumption of credit for empowerment is that availability of capital on affordable conditions is critical to efforts at enhancing income earning capacity of the recipient. Microfinance is foremost a poverty alleviation tool. It is assumed that the poor know what to do and have enormous potentials to enhance their conditions and that they remain poor because they operate from slim economic base. Access to sustainable financial services can result in overall improvement in the conditions of service users. With increased contribution to household budget, female members are accorded greater respect and have increased say in decision making. In a female beneficiary of SEWA Bank a pro-poor and pro-women bank in Ahmedabad, India boasted "my husband used to instruct me around and beat me up before. But when I had joined SEWA he cannot do that now" (Ehigiamusoe, 2000).

Microfinance means building financial systems that serve the poor

Supporting the poor has always been on the agenda of developing agencies and governments, In addition it has always been believed that the poor have peculiar needs, which require unique delivery approach. A common operating assumption of early non-profit organizations was that 'the poor are too disadvantaged to benefit from credit schemes operated by formal institutions;. Personal and business characteristic of the poor as lack of formal education and business skills and assumed little returns on their investments were cited. It was reasoned by early interventionists that separate credit delivery structures and procedures be designed and those excluded from the formal financial markets. Targeted credit programme were established in most cases for farmers. Microfinance practice was at the fringe of the financial market. To give loans to small business person was considered good and socially- responsible.

MICRO FINANCE AND ECONOMIC DEVELOPMENT

The search for a development strategy which could lead to significant improvement in the economic condition of members of poor households, led to the focus on microcredit. The underlying assumption of micro finance for development is that availability of capital is critical to the effort of enhancing income earning capability of the poor. It is assumed that the poor know what to do to enhance their economic condition and that they remain poor because they operate from a slim economic base. This base, according to proponents of micro finance, can be strengthened by funds borrowed on affordable terms.

The rapid spread of micro finance in developing countries is attributed to its capacity to impact positively on poverty. Professor Muhammad Yunus of the Grameen Bank calls it "development from the bottom" Most development initiatives in agriculture, health, female empowerment enhance their impact with integration of credit programme. The improving condition of living in Bangladesh is a good example of how to develop with small loans. The South East Asian nation was in mid-1970s branded a 'basket case' by Henry Kissinger, a US Secretary of State, on accounts of the nation's hopeless development prospects. Small are effective weapons for addressing mass poverty. Impact of microfinance could be addressed at personal and household as well as national dimension. It has been demonstrated that little loans availed much.

On a general note, injection of new funds on appropriate conditions into a small businesses take them from the vicious cycle of small investment little returns small investment to the virtuous cycle of prosperity of little capital -injection of funds (credit) - greater output greater investment.
Microfinance has been demonstrated to have enormous capacity to boost economic development through support for micro, small and medium scale businesses. Microfinance as a strategy for economic development is driven by the emerging paradigm of "the fortune at the Button of the Pyramid" popularized by C.K. Parahald.

- **Creating access to affordable financial services.**
  The greatest constraint of small business and other actors in the informal sector is constrained access to affordable institutional credit. The existence of vibrant microfinance institutions would sufficiently address this challenge. China, India and other economics of Asia owe their vibrancy to viable small-scale industries/businesses adequately supported by viable and appropriate financial arrangements. In spite of dearth of statistics on volume of services provided by microfinance institutions (MFIs).

- **Reaching the undeserved**
  Agriculture has under performed largely due to absence and inappropriate finance support. Microfinance institutions reach rural dwellers and women who ordinarily are locked out of conventional financing systems through innovation products and procedures. Therefore existence of viable Microfinance banks/institutions with responsive products and services in rural communities would have impact on productivity of small-scale farmers.

- **Building economic actors**
  Beyond access to financial services, strict credit discipline of loan repayment and savings support clients to cultivate requisite discipline for business success. Economic actors hitherto outside the mainstream economy are integrated with attendant benefits for capital formation, improved productivity and over-all national economic development.

- **Generating employment**
  By their large number and spread, small businesses development/support is a potent strategy for addressing mass unemployment. Microfinance creates self-employment, which obviously is the most sustainable form of employment. Several beneficiaries start or manage their businesses no matter how small. In an economy where microfinance has been sufficiently developed, the informal sector depends mainly on microfinance institutions for financial support.

**MAXIMIZING THE GAINS OF MICROFINANCE**

There are enormous opportunities for microfinance development in Nigeria. Here is a nation of huge market of exceptionally enterprising people. Microfinance exists to create a positive value for the country beyond that of corruption. The face of microfinance has taken over from the images of corruption, cyclones and poverty in Bangladesh. It is helpful to add that these benefits would not come without the existence of a microfinance sector with the following:

- **Supportive enabling policy environment;**
- **Sustainable refinancing arrangement; and**
- **Abundance of skilled operators.**
- **Regulation and supervision**

Without any prejudice to the emerging refinancing arrangement. We wish to propose the following refinancing arrangement with the following features:

1. The establishment of a FUND provides refinancing facility to fledging MFBs and poverty-focused microfinance institutions. While these institutions are desirable for their reach to rural areas, they will certainly be disadvantaged in competing for on-lending funds with participating deposit money banks...
2. Contributions to the FUND should come from sources as varied as development agencies, private sources and even the microfinance institutions themselves. There are still developments agencies interested in microfinance development but at a lost on how to intervene in an environment of ultra-commercialization.

3. The Management of the FUND should be as independent and professional as possible.

4. The FUND operationally to have two (2) windows for funding viz i.
   i. Development window through which funds be channeled to fledging microfinance institutions and banks.
   ii. Commercial support window, which will support mature microfinance institutions with loans on commercial interest rates.

   - **Human resources development**
     Microfinance is no miniature commercial banking. The practice requires a unique set of skills and attitude. Their emphasis should be on training of operators for the sector. Attention should also be given to research and documentation. Institutions of higher learning should go beyond seeing elements of microfinance as novelty and appendix to business and banking courses.

   - **Complementary enterprises development programmes.**
     It is obvious that lack of money is not the only factor that constrains viability of micro and small businesses. Some forms of micro-business management training are required to enable maximum utilization of borrowed funds to ensure impact and excellent repayment performance. For efficiency, such capacity enhancing interventions do not need to be elaborate.

   - **Awareness creation on microfinance**
     Microfinance practice is new. There are a lot of myths and misconceptions that need to be addressed for the development of the sector. One is that microfinance has been highly romanticized as instant and only cure for poverty. There is need for massive awareness creation of microfinance. What is, what it is not, its gains and development potential.

**METHODOLOGY OF THE STUDY**

The study is conducted at Okengwe in Okene central senatorial district of Kogi state, Nigeria. To achieve the study objective two sets of questionnaire were administered to ten staff of the banks and fifty customers (small business operators) of the Bank selected using the simple random sampling technique in order to give each an equal chance of representation. The analysis of the data was based on the thirty-five questionnaires that were correctly filled, returned by the respondents using percentage analysis in order to interpret the data accurately.
Table 1: SOURCE OF FUNDS AVAILABLE TO THE BANK

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving/current A/C</td>
<td>15</td>
<td>42.86</td>
</tr>
<tr>
<td>Fixed A/C</td>
<td>11</td>
<td>3.43</td>
</tr>
<tr>
<td>LOANS</td>
<td>9</td>
<td>25.71</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey 2009.

The above table shows that 35 respondents representing 100% accepted all of the above as ways by which the bank obtained additional funds. However Fifteen respondents representing 43% accepted customers savings/current account, while Nine respondents representing 26% accepted loans from Government/Financial Institutions and Eleven respondents, representing 31% accepted fixed deposit.

Table 2: CUSTOMERS’ PERCEPTION ABOUT THE BANK

<table>
<thead>
<tr>
<th>PERCENTAGE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Satisfactory</td>
<td>25</td>
<td>71.43</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>6</td>
<td>17.14</td>
</tr>
<tr>
<td>Not Satisfactory</td>
<td>4</td>
<td>11.43</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey 2009.

The table shows 25% representing about 71 % are very satisfactory with bank’s loans & credit while 4 representing 11 % are not satisfactory.

Table 3: SOURCES OF INCOME AVAILABLE TO THE BANK

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission</td>
<td>22</td>
<td>62.86</td>
</tr>
<tr>
<td>Profit From Non-Banking</td>
<td>8</td>
<td>22.86</td>
</tr>
<tr>
<td>Operation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest Done</td>
<td>5</td>
<td>14.28</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Survey 2009.
The table shows the opinion that all the avenues stated above are sources of income that are available to the banks, while twenty two respondents representing 62.85% accepted commission and interest charged on customers as sources income. Eight respondents representing 22.86% accepted profit from non-banking operation and the remaining respondents representing 14.28% accepted interest received on investment as the five source of income for the banks.

**Table 4: TYPES OF LOANS AVAILABLE IN THE BANK**

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Business Loan</td>
<td>10</td>
<td>28.57</td>
</tr>
<tr>
<td>Agric Loans</td>
<td>20</td>
<td>57.14</td>
</tr>
<tr>
<td>Personal Loan</td>
<td>5</td>
<td>14.29</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35</td>
<td>100%</td>
</tr>
</tbody>
</table>


The above table shows that twenty respondents representing 57.14% accepted that the bank give commercial/small business loans, while ten respondents representing 28.57% accepted that the bank do give Agricultural loan and only five respondents representing 14.29% accepted that the bank do finance personal loan.

**Table 5: TYPES OR CLASSES OF CUSTOMER**

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small business owners</td>
<td>25</td>
<td>71.43</td>
</tr>
<tr>
<td>Large business owners</td>
<td>7</td>
<td>20.00</td>
</tr>
<tr>
<td>All of the above</td>
<td>3</td>
<td>8.57</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35</td>
<td>100%</td>
</tr>
</tbody>
</table>


The table above shows that the majority of the respondents representing 71.43% are of the opinion that, the banks gives loans only to the small business owners. Three respondents representing 8.57% reiterated that both the under privileged and big businesses are given loans. The remaining seven representing 20% is of the opinion that the banks do give loans to big business owners only.
Table 6: TYPES OF SECURITIES OFFERED FOR BANK'S LOAN

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Security</td>
<td>20</td>
<td>57.14</td>
</tr>
<tr>
<td>Land</td>
<td>4</td>
<td>11.43</td>
</tr>
<tr>
<td>Guarantee</td>
<td>10</td>
<td>28.57</td>
</tr>
<tr>
<td>Goods &amp; produce</td>
<td>1</td>
<td>2.86</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey 2009.

The above table shows that twenty respondents representing 57.14 agreed that the banks do not take collaterals for loans. While ten respondents equivalent to 28.57% accepted that the banks take guarantee letters and other assets as securities for loans. The remaining four respondents representing 11.43 accepted that the banks take securities for loans inform of certificate of occupancy. This implies that the idea of no collateral is adopted because of the economic position of the beneficiaries even though it has a hanging risk on the bank.

Table 7: REPAYMENT ATTITUDES OF RESPONDENT

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>30</td>
<td>85.71</td>
</tr>
<tr>
<td>Not Satisfactory</td>
<td>5</td>
<td>14.29</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey 2009.

The table above shows that five respondents representing 14.29% argued that loan beneficiaries do not pay loans promptly. Thirty respondents equivalent to 85.71 % are of the opinion that the loan beneficiaries are satisfactory.

Table 8: ACTIONS OF THE BANK TOWARDS DEFAULTERS

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>10</td>
<td>28.57</td>
</tr>
<tr>
<td>Persuasion</td>
<td>0.7</td>
<td>20</td>
</tr>
<tr>
<td>Sales of mortgage property</td>
<td>18</td>
<td>51.43</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey 2009.
The table above shows that seven respondents representing 20% accepted that the bank employs persuasions as a strategy recovering their loans defaulters. While eighteen respondents equivalent 51.43 accepted that the bank employ property mortgage as a means of loan recovery from defaulters and the remaining respondents representing 28.57 pointed that defaulters are taken to court as the last resort.

**Table 9: MEASURES FOR EFFECTIVE UTILIZATION OF LOANS**

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring</td>
<td>28</td>
<td>80</td>
</tr>
<tr>
<td>Snap-checks</td>
<td>0.5</td>
<td>14.29</td>
</tr>
<tr>
<td>Repayment time/period</td>
<td>0.2</td>
<td>5.71</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey 2009.

The table above shows that majority of the respondents representing 80% are of the opinion that monitoring is the measure adopted by the banks to ensure the effective utilization of the loans granted to the beneficiaries. While five respondents equivalent of 14.29 accepted snap-checks of the loans and the remaining respondents representing 5.71 accepted repayment time as measures adopted to ensure effective utilization of the loans for the purpose for which it is granted. The question further revealed that the banks should ensure prompt repayment of the facilities in order to improve its services to the respondents even though the conditions regarding the repayment of these facilities are not severe.

**Table 10: THE SOCIO ECONOMIC CONTRIBUTION OF THE BANK**

<table>
<thead>
<tr>
<th>OPTIONS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Income</td>
<td>16</td>
<td>45.71</td>
</tr>
<tr>
<td>Raw-material</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Improved standard of living</td>
<td>12</td>
<td>34.29</td>
</tr>
<tr>
<td>TOTAL</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey 2009.

Table 10 above shows all the respondents (100%) agreed to the fact that the bank has immensely contributed to the socio-economic development of the community in general in terms of provision of employment, income, decrease in societal ills (crime, prostitution, etc.) associated with unemployment, improve standard of living. This analysis is a confirmation of the primary purpose of setting up the bank in order to improve the general environmental condition.

**CONCLUSION**

Microfinance has become a permanent feature of financial landscape and poverty alleviation strategies in developing counties, What began as simple act of "it is possible visionaries" has blossomed into a thriving
industry. Microfinance has demonstrated its capacity to engage the huge masses at the bottom of the economy for meaningful poverty alleviation without the demeaning elements of charity. However, the gains of microfinance are dependent on the presence of certain success imperatives.

RECOMMENDATION

a. The government should assist by establishing adequate infrastructural facilities that will promote and stimulate economic activities.

b. The microfinance banks should reduce their lending rates in order to attach more customers in the environment they are operating in order to gain a substantial competitive advantage over their competitors.

c. The government and its regulatory organ should provide a new system that will boost the establishment of the banks in order to stimulate economic growth and development.

d. The federal government should abolish or reduce the percentage of the excess profit tax to encourage microfinance banks pursue its services in the match for massive economic growth and development.

e. They should also train their personnel in order to embrace the challenges posed by the environment and the work process.

f. The government and its regulatory agencies should allow microfinance banks the opportunity to open their branches and or cash centers outside their area of jurisdiction when they are the capability of doing so in order to expand their services and hence obtain additional profit.

g. The microfinance banks should increase publicity campaign to enlighten the entrepreneurs in the rural and urban communities about the services provided by the banks so as to attract more customers.

h. The bank should also design proper mechanism for the disbursement of the loan facilities to the appropriate entrepreneurs devoid of all sentiments.
REFERENCE


