International Journal of Public Administration and Management Research (IJPAMR), Vol. 2, No 2, March, 2014 Website: http://www.rcmss.com. ISSN: 2350-2231 (Online) ISSN: 2346-7215 (Print)
Alani, G. O. & Sani, John, 2014, 2(2):66-79

Effects of Microfinance Banks on the Rural Dwellers in Kogi State, Nigeria

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Manuscript ID: RCMSS/IJPAMR/14010

Abstract
The study assesses the effects of microfinance banks in Kogi State on rural dwellers in Kogi state. A survey research method was adopted. A sample of five microfinance banks was selected using judgmental sampling method. Data were generated through questionnaire, interview and of course, the internet. Z – Test statistical tool was used to test the formulated hypotheses. The study reveals that the establishment of microfinance banks has significant impact on the life of the rural dwellers in Kogi State by mobilizing savings for financial intermediation and providing employment opportunities. The implication is that Microfinance banks have the potential of improving the economic potentials of the active poor in the rural communities, thereby increasing their productive output. The study recommends that the Central Bank of Nigeria should reduce their prime rate charged in order to enable microfinance financial institutions reduce their interest rates. Also rural dwellers should be trained on how to establish, manage, sustain and expand their business outfits to making the services of microfinance worthwhile.
Key words: Microfinance, intermediation, employment, active-poor, timely-service

Introduction

It is now common knowledge according to Egbe (2000) that the 1980s witnessed a rapid growth of commercial banking activities in many Nigerian rural communities where banking habits, culture, commitment and community development was poor if not non-existent. It is instructive to note that during this period, community funds among rural dwellers were hardly gathered for financial intermediation in order to stimulate domestic economic activities. Suffice it to say that in rural communities, the rural business class hardly seeks formal institutional credits to improve their economic base.It would be observed that, despite the presumed developments in the Nigerian economy, the country is still largely being regarded as a developing country (Onyema, 2006). Before the emergence of formal microfinance institutions, informal microfinance activities flourished all over the country. Traditionally, microfinance in Nigeria entails traditional informal practices such as local money lending, rotating credit and savings practices, credit from friends and relatives, government owned institutional arrangements, poverty reduction programmes etc (Lemo, 2006). The Central Bank of Nigeria Survey in 2001 indicated that the operations of formal microfinance institutions in Nigeria are relatively new, as most of them never registered after 1981.

Before now, commercial banks traditionally lend to medium and large enterprises which are judged to be credit-worthy. They avoided doing business with the poor and their micro enterprises because the associated costs and risks are considered relatively high (Anyanwu, 2004). Today, many rural communities in Nigeria have one or more of this microfinance bank, and they have had far more reaching implications for the entire socio-economic development of rural communities in Nigeria. It is worthwhile to note that lack of funds often caused the collapse of small businesses and the extinction of ingenious ideas before they could be translated into reality. It is now widely believed that following government's policies on rural development, rural investment will be given a boost via microfinance banking as all efforts of our hardworking, but under-privileged masses would come to an end without this veritable institution. However, the idea behind microfinance banking is to encourage banking habits through among dwellers and their commitment to modern financial institutions within the rural environment. Thus, microfinance banking is supposed to be the machineries for financial and economic emancipation as its growth is connected with the community in which it serves. The latent capacity of the poor for entrepreneurial advancement would be significantly enhanced through the provision of microfinance services to enable them engage in economic activities and be more self reliant, increase employment opportunities, enhance household income and create wealth in the rural areas (Iweala, 2005).

Statement of the Problem

The size of the un-served market by the existing financial institutions is large. A study carried out by Enhancing Financial Innovation and Access (EFInA) in August, 2010 revealed that 39.2 million representing 46.3 per cent of the adults in Nigeria, was excluded from financial services. Out of the 53.7 per cent that had access, 36.3 per cent derive their financial services from the formal financial institutions, while 17.4 per cent exclusively patronized the informal sector. Also, the results of the survey revealed that Nigeria was lagging behind South Africa, Botswana and Kenya with 26 per cent, 33 per cent and 32.7 per cent in financial exclusion rate respectively. This is alluded to the fact that 79 per cent of the total population in Nigeria is unbanked out of which 86 per cent are rural dwellers. Also in 2005, the aggregate microcredit facilities in Nigeria accounted for about 0.2 per cent of Gross Domestic Product (GDP) and less than one per cent of total credit to the economy.

This revealed the existence of a wide gap in the provision of financial services to a large number of the economically active poor and low income households in the rural communities. The effect of not addressing this situation appropriately would further accentuate poverty and slow down growth and development in this area. The Central Bank microfinance policy of 2005 stated that the establishment of microfinance banks has become imperative. While the above problems are observable, the effects of microfinance banks on rural dwellers in Kogi state remain an empirical one. The main problems addressed in this study are: have microfinance banks mobilized savings for intermediation in Kogi state? Have microfinance banks provided timely and affordable banking services to the economically active poor in Kogi state? And have microfinance banks provided employment opportunities to the rural dwellers in Kogi state?

Objectives of the Study

The main objective of the study is to critically assess the effects of microfinance bank in Kogi State on the rural dwellers. The specific objectives are as follows, to:

1. determine whether microfinance banks have mobilised savings for intermediation and rural transformation;
2. find out whether the microfinance banks are providing timely and affordable banking services to the economically active poor in Kogi state.
3. determine whether microfinance banks provide employment opportunities to the rural dwellers in Kogi State.

Research Questions

In order to provide answers to the stated objectives the following questions must be provided answers.

1. To what extent have microfinance banks mobilized savings for intermediation and rural transformation?

2. To what extent has microfinance banks provided timely and affordable banking services to the economically active poor in Kogi state?
3. To what extent have microfinance banks provided employment opportunities to the rural dwellers in Kogi State?

Formulation of Hypotheses

In order to arrive at reasonable conclusion and provide reliable answers to the already stated research questions, the following hypotheses are formulate and tested. These are stated in their null form as follows:

Ho$_{1:}$ Microfinance banks in Kogi State have not mobilized savings for intermediation and rural transformation.

Ho$_2$: Microfinance banks are not providing timely and affordable services to the economically active poor in Kogi State.

Ho$_3$: Microfinance banks do not provided employment opportunities to the rural dwellers in Kogi State.

Significance of the Study

This study would be a useful tool for the Central Bank of Nigeria and Nigerian Economic Planners in Nigeria especially as it affects rural areas. Also, it is envisaged that the result of this study would help to create an awareness of the importance of microfinance banks to the rural dwellers and the policy makers in fine-tuning appropriate credit policy for the rural dwellers in Nigeria. This would enable the nation to adopt strategies which will help in the strengthening of the economy of the rural dwellers. Finally, the findings of the study would provide data base for further research work.

Scope of the Study

This study is on the effects of microfinance banks on the rural dwellers in Kogi State of Nigeria and covers particularly the Kogi east senatorial district and covers a period of 2003 to 2012.

Conceptual Framework and Literature Review

Microfinance is the supply of loans, savings and other basic financial services to the poor. The owners of micro and small enterprises require a diverse range of financial instruments to meet working capital requirement, build assets stabilize consumption and shield themselves against risks (Ehigiamusoe, 2005). Financial services to meet these needs of the poor include working capital loans; consumer credits savings products pension plans insurance schemes and money transfer facilities. In practice, microfinance is much more than the disbursement, management and collection of bits of loans.

The peculiar nature and the broader view of microfinance is aptly brought out by Ehigiamusoe (2005) when he stressed that microfinance refers to flexible process and structures by which financial services are delivered to owners of micro enterprises owners. It recognises the inability of the poor to provide tangible collateral securities and promotes collateral substitution. Disbursement and repayment are structured to suit the credit needs and cash flow patterns of small businesses (Aderibigbe, 2001). Kimotha, (2005) used narrower definition of microfinance which is just the provision of very small loans (micro credit) to the poor to help them engage in new productive business activities or to grow/expand existing ones. Thus the narrower definition of microfinance equates it with micro credit. The current view of microfinance, however, includes a broader range of services mainly credit, savings opportunities, insurance and money transfer, which the poor who lack access to traditional formal financial institutions needed have to achieve meaningful improvement in their business activities.

Primarily, microfinance seeks to create access to credit for the poor who ordinarily are locked out of financial services in the formal financial market for reason of their poverty that places limitation on them for proper utilization and complete repayment of borrowed amounts at a high commercial interest rate (Kpakol, 2005). Three features distinguish microfinance from other formal financial products. These according to Ogbunka (2003), are; the smallness of the loans advanced or savings collected, the absence of asset based collateral; and simplicity of operations. Microfinance institution (MFI) has come to be defined in the words of Iganiga (2007), as any institution that provides credit and other financial services to the low income entrepreneurs who are traditionally not served by the conventional/financial institutions.

An Overview of Microfinance Activities in Nigeria

The practice of microfinance in Nigeria is culturally rooted and dates back to several centuries. The traditional microfinance institutions provide access to credit for the rural and urban low-income earners. They are mainly of the informal Self-Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs) types. Other providers of microfinance services include savings collectors and co-operative societies. The informal financial institutions generally have limited outreach due primarily to paucity of loan able funds.

In order to enhance the flow of financial services to Nigerian rural areas, Government has, in the past, initiated a series of publicly-financed micro/rural credit programmes and policies targeted at the poor. Notable among such programmes were the Rural Banking Programme, sectoral allocation of credits, a concessionary interest rate, and the Agricultural Credit Guarantee Scheme (ACGS). Other institutional arrangements were the establishment of the Nigerian Agricultural and Co-operative Bank Limited (NACB), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN), the Community Banks (CBs), and the Family Economic Advancement Programme (FEAP).

In 2000, Government merged the NACB with the PBN and FEAP to form the Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB) to enhance the provision of finance to the agricultural sector. It also created the National Poverty Eradication Programme (NAPEP) with the mandate of providing financial services to alleviate poverty. Microfinance services, particularly, those sponsored by government, have adopted the traditional supply-led, subsidized credit approach mainly directed to the agricultural sector and non-farm activities, such as trading, tailoring, weaving, blacksmithing, agro-processing and transportation.

Although the services have resulted in an increased level of credit disbursement and gains in agricultural production and other activities, the effects were short-lived, due to the unsustainable nature of the programmes. Since the 1980s, Non-Governmental Organizations (NGOs) have emerged in Nigeria to champion the cause of the micro and rural entrepreneurs, with a shift from the supply-led approach to a demand driven strategy. The number of NGOs involved in microfinance activities has increased significantly in recent times due largely to the inability of the formal financial sector to provide the services needed by the low income groups and the poor, and the declining support from development partners amongst others. The NGOs are charity, capital lending and credit-only membership based institutions. They are generally registered under the *Trusteeship Act* as the sole package or part of their charity and social programmes of poverty alleviation**.** The NGOs obtain their funds from grants, fees, interest on loans and contributions from their members. However, they have limited outreach due, largely, to unsustainable sources of funds.

The Microfinance Policy

In Nigeria, Soludo (2007) opined that the formal financial system provides services to about 35 % of the economically active population. The under banked population is often served by the informal financial sector, through NGO-MFIs, money lenders, friends, relatives and credit unions. The non-regulation of the activities of some of these institutions has serious implications for the CBN monetary policy. A microfinance policy which recognizes the existing informal institutions and brings them within the supervisory purview of the CBN would not only enhance monetary stability, but also expand the financial infrastructure of the country to meet the financial requirements of the micro, small and medium enterprises (MSMEs). It was only with the launch of the CBN Microfinance Policy Guidelines in 2005 that such a policy could be said to have taken off in Nigeria. Features of this new policy include: licensing of Microfinance Banks (MFBs), promoting the establishment of NGO-based microfinance institutions, promoting the participation of government in microfinance industry by encouraging states and local government to devote, at least, one percent of their annual budgets to micro credit initiatives administered through MFB. Others are; promoting the establishment of institution that support the development and growth of microfinance service providers and clients, strengthening of the regulatory and supervisory framework for MFBs, promoting sound microfinance practice by advocating professionalism, transparency and good governance in microfinance institution, increasing the minimum capital base of community bank, broadening the scope of activities of microfinance institution, and collaborating with donors, and coordinating and monitoring donor assistance in microfinance in line with the provision of the microfinance policy.

The Goals of Microfinance Banks

The microfinance policy (MFP) (2010), states that the establishment of microfinance banks has become imperative to serve the following purposes: (i) Provide diversified, affordable and dependable financial services to the active poor, in a timely and competitive manner, that would enable them to undertake and develop long-term, sustainable entrepreneurial activities; (ii) Mobilize savings for intermediation; (iii) Create employment opportunities and increase the productivity of the active poor in the country, thereby increasing their individual household income and uplifting their standard of living; (iv) Enhance organized, systematic and focused participation of the poor in the socio-economic development and resource allocation process; (v) Provide veritable avenues for the administration of the micro credit programmes of government and high net worth individuals on a non-recourse case basis. In particular, this policy ensures that state governments shall dedicate an amount of not less than 1% of their annual budgets for the on-lending activities of microfinance banks in favour of their residents; and (vi) Render payment services, such as salaries, gratuities, and pensions for various tiers of government.

Empirical Studies on the Impact of Microfinance Banks

Opue, Anagbogu, & Udousoro, (2011), in their study of the role of microfinance banks in social economic development of rural communities used long linear model to investigate whether microfinance banks actually impacts on small scale businesses in the rural communities. The model developed for the study explains how credit supply, credit policy, microfinance operations resulted to socio economic growth. Mustapha (2009) asserted that Microfinance banks have played a great role especially in promoting entrepreneurial activities in rural areas; they are however faced with the problems of high operating costs.

Yahaya , Osemene, & Abdulraheem, (2011), in their study on effectiveness of microfinance on poverty alleviation in Kwara State, using t- test and analysis of variance (ANOVA) revealed that microfinance played significant role in the economy, as it helped in reducing poverty by providing financial services to the economic active poor, in generating employment opportunities and also provide loans to grow small scale businesses. Olusanya and Oyebo (2012), investigated the impact of microfinance on standard of living of hair dresser in Oshodi, Isolo local Government of Lagos state using spearman correlation coefficient analysis as an estimation technique and discovered that there is a significant relationship between microfinance banks' efforts and standard of living of hairdressers in Oshodi, Isolo local Government area of Lagos state, and the implication of this is that due to the existence and help of microfinance bank, poverty was significantly reduced among the hairdressers in Oshodi.

Onafowokan (2011), researched on the impact of informal microfinance on rural enterprises using cross tabulation analysis, Pearson product moment correlation, chi square test and independent sample t-test. The results showed that members who had access to loan improved their businesses significantly through expansion of business facilities, addition of new product lines and hiring of more workers more than those without loan. Kudi, Odugbo, Banta, & Hassan, (2009), carried out their study on the impact of the UNDP Micro-finance Programme on the poverty status of farmers in selected local Government in Kaduna State. The data collected were analysed using descriptive statistics, independent t-test and Cobb-Douglas production function model. The result of their analyses showed that the average income of participating farmers in the study was higher than those of non-participating farmers. The study also established that participating in the UNDP microfinance programme had a positive impact on the income and profit level of the farmers.

Rweyemamu, Kimaro, & Urassa (2010), studied the effects of micro-finance services in agricultural sector development with particular reference to semi-formal financial institutions in Tanzania. The study using descriptive and regression analyses revealed that despite the fact that rural micro-finance institutions in Tanzania are rather new and operate in a difficult environment, they are playing very important roles in the agriculture sector development. However, the analysis further showed that micro-finance services are inadequate and do not solve all the agricultural sector problems due to transaction costs and high interest rates that are significant determinants of the demand for credit and this made the farmers to borrow less.

Research Methodology

The researchers used survey research design in this study. Under this method, group of items are critically studied by collecting and analyzing data from few members considered being representative of the entire group. Since the researchers cannot study the entire population, this method is considered mostly appropriate (Tatikonda, 2010). The population of the study comprises of all the Microfinance banks in Kogi State. The names of the banks are as presented below:

Table i

	Names	Location
1.	Confluence Microfinance Bank	Lokoja
2.	Gains Microfinance Bank	Dekina
3.	Kogi Microfinance Bank	Lokoja
4.	Akwengwu Microfinance Bank	Okenne

5. Ohon Microfinance Bank	Ayegunle Gbede, Ijumu L. G. A.
6. Okengwe Microfinance Bank	Okengwe, Okenne
7. Progress Link Microfinance Bank	Isanlu, Yagba West
8. Unyogba Microfinance Bank	Ejule Ofu L. G. A.
9. Amuro Microfinance Bank	Mopa Muro L. G. A
10. Mopa Microfinance Bank	Odole Mopa
11. Gbede Microfinance Bank	Ayetoro-Gbede
12. Kabba Microfinance Bank	Kabba
13. Ovidi Microfinance Bank	Okenne
14. Idah Microfinance Bank	Idah
15. Iyamoye Microfinance Bank	Iyamoye, Ijumu L. G. A.
16. Ajeko Microfinance Bank	Iyale, Dekina L.G. A.
17. Ibiraidu Microfinance Bank	Abocho, Dekina L. G. A.
18. Egbe Microfinance Bank	Egbe
19. Ihima Microfinance Bank	Ihima
20. Solid Base Microfinance Bank	Kabba
21. Odu Microfinance Bank	Odu, Odekina. L. G. A.

Source: NDIC list of Microfinance Banks in Nigeria (2009)

Sample Size

The researchers judgmentally selected five Microfinance banks at the Eastern senatorial district of Kogi State. The five microfinance banks selected are adequate to make a valid representation of the population of the study. This is because the mode of operation of all the Microfinance banks is virtually the same.

Table ii: Distribution of Customers by Bank

Name of Banks	No. of Customers	No. of Staff
Idah MFB	1002	25
Gains MFB	833	13
Ajeko MFB	621	25
Unyongba MFB	1010	20
Odu MFB	971	57
Total	4437	120

Source: Field Survey 2011

The elements in the population are the customers of the banks and staff in the various selected banks in Kogi East for the study. The total is 4557.
The sample Size determination was carried out using Yaro Yarmene

$$n = \frac{N}{1+Ne^2}$$ Yaro (1967) formula and

Kumar (1967) formula $n_h = \frac{n\ \ Nh}{N}$

$$n = \frac{4557}{1+(4557).05^2}$$

n = 368

Where, N = population size, n = sample size, e = error estimate (5%) and h = group number.
The table 3 below represents the sample size using the above formula.

Table 3: Sample Size by Banks

Name of Banks	No of Customers	No of Bank Staff	Total Population (N)	Sample Size (n)
Idah MFB	1002	25	1027	82

Gains MFB	833	13	846	68
Ajeko MFB	621	25	646	52
Uyongba	1010	20	1030	83
Odu MFB	971	57	1028	83
Total	4437	120	4557	368

Source: Field Survey 2011

Method of Data Collection

Questionnaire was used in getting data from the respondent. A five point likert scale was used to extract data. The respondents were made to indicate in the questionnaire the extent they agree or disagree to the stated problem.

A weighting was given to each point in the scale as follows:

Strongly Agree (SA) = 5 points
Agree (A) = 4 points
Undecided (U) = 3 points
Strongly Disagree (SD) = 2 points
Disagree = 1 point

Method of Data Analysis

Data Collected for this study were analyzed using Z-test. This method is applicable if one wants to test whether the means of two populations differ. The researchers wish to know whether the responses differ from the selected population mean. A mean score of three (3) and above is regarded as an accepted mean score, while a mean score of 2.99 will be rejected.

Data Presentation and Analysis

This section deals with the presentation and analysis of data collected via questionnaires administered. Data were analyzed using mean and standard deviation. Z-score was used to test the hypothesis. The test was based on 5% level of significance.

Decision Rule

If Z cal. value > Z table value, reject **Ho** and if otherwise, accept **Ho.**

Presentation of Data

The questionnaire presented in the Appendix was administered to 368 bank customers and bank staff respectively but proper responses could only be collected from 240 customers and 46 bank staff. Accordingly, our sample size for analysis purpose is 286 people, divided into bank staff and the bank customers. Below is the table for the responses to the questions in the questionnaire

Table iv: Distribution of Customers and Staff by Bank

Branch	No. of Customers	No. of Distributed	No. Returned	No. of staff	No. of questionnaires distributed	No. returned
Idah	1002	72	56	25	10	8
FPI	833	60	52	13	8	7
Ajaka	621	42	34	25	10	8
Ugwolawo	1010	72	50	20	11	8
Ejule	971	61	48	57	22	15
Total	4437	307	240	120	61	46

Source: Field Survey 2011

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Table v: Analysis of Questionnaires

The table showing responses to whether Microfinance banks in Kogi State have mobilized savings for intermediation and rural development**.**

S/N	Methods	S A 5	A 4	U 3	D 2	S D 1	Total
1.	Savings made with the MFBs have not resulted to much economic value among the rural dwellers	28 (140)	34 (136)	7 (21)	85 (170)	132 (132)	286 (599)
2.	MFBs have not improved the saving habit among the rural dwellers.	26 (130)	31 (124)	5 (15)	74 (148)	150 (150)	286 (567)
3.	MFBs have not been able to use the savings collected to support rural development in Kogi state	39 (195)	47 (188)	16 (48)	117 (234)	67 (67)	286 (730)
4.	The people in the community do not have enough money to save with the microfinance banks	16 (80)	16 (64)	9 (27)	109 (218)	136 (136)	286 (525)
5.	The interest granted on saving investment by MFBs is poor compared with other financial institutions	28 (140)	25 (100)	18 (54)	95 (190)	120 (120)	286 (604)
6.	MFBs does not encourage savings through daily contributions by the rural dwellers in order to enhance intermediation	27 (135)	35 (140)	11 (33)	125 (250)	88 (88)	286 (646)

Source: Field Survey 2011

Note: Figures in parenthesis represent raw frequencies multiplied by the assigned weight while the others are the raw frequencies.

Table vi

The table showing the responses to whether Microfinance banks are providing timely and affordable services to the economically active poor in Kogi State.

Methods	S A 5	A 4	U 3	D 2	S D 1	Total
1. Microfinance banks delay at releasing funds to the active poor in Kogi state	28 (140)	34 (136)	7 (21)	85 (130)	132 (132)	286 (559)
2. MFBs conditions for granting loan and credit facilities to the rural dwellers in Kogi State are too stringent	26 (130)	31 (124)	5 (15)	74 (148)	150 (150)	286 (567)
3. MFBs services and operational designs do not support rural development in Kogi state	39 (195)	48 (192)	16 (48)	116 (232)	67 (67)	286 (734)
4. The people in the community are not ready to bank with the microfinance banks because of poor service delivery	16 (80)	16 (64)	9 (27)	109 (218)	136 (136)	286 (525)
5. The interest charged and commission on turnover (COT) of microfinance banks are too high for rural economic development	28 (140)	24 (96)	18 (54)	96 (192)	120 (120)	286 (602)
6. There is no significant relationship between the microfinance bank services and the economy of the active poor in	38 (190)	40 (160)	5 (15)	70 (140)	133 (133)	286 (618)

Kogi State						

Source: field survey 2011

Table vii
The table showing the responses to whether Microfinance banks have provided employment opportunities to the rural dwellers in Kogi State.

Methods	S A 5	A 4	U 3	D 2	S D 1	Total
1. Microfinance banks do not create more job opportunities for the active poor in Kogi state	28 (140)	34 (136)	7 (21)	85 (170)	132 (132)	286 (599)
2. The loan and credit facilities policy of MFBs do not focus on employment	26 (130)	31 (124)	5 (15)	74 (148)	150 (150)	286 (567) (1045)
3. MFBs have not been able to provide loans and credit facilities in order to provide employment opportunities to the active poor in the community.	39 (195)	47 (188)	16 (48)	116 (232)	68 (68)	286 (731)
4. The loan and credit facilities granted by MFBs are not directed towards economic productivity in order to provide employment	16 (80)	16 (64)	9 (27)	109 (218)	136 (136)	286 (525)
5. MFBs services delivery and performances have not enhanced development of small and medium scale enterprises in Kogi state	52 (260)	29 (116)	14 (42)	107 (214)	84 (84)	286 (726)

Source: field survey 2011

Hypothesis Testing

Three hypotheses were formulated and tested for the purpose of providing answers to the already stated objectives. The hypotheses stated in their null form.

Decision Criterion:

Where the z- calculated value is greater than the z- critical tabulated value, we accept the alternative hypothesis and reject the null hypothesis. If otherwise, we reject the the alternate hypothesis and accept the null hypothesis.

Hypothesis one

Ho_1: Microfinance banks in Kogi State have not mobilized savings for intermediation and rural development.

The respondents' data to questions from table v are collated for the test of the hypothesis above.

Means of population (u): $\frac{3*286*6}{6} = 858$

Mean of sample ($\bar{X}$): $\frac{\sum x}{n} = \frac{3671}{6} = 612$

Standard Deviation (б): $\sqrt{\frac{\sum(x-\bar{x})^2}{n}} = \frac{24538}{6}$

$\sqrt{4089.6667}$= 63.951

z-test statistic = $\frac{\bar{X}-U}{\sigma}$

= 612- 858 = -246

= $\frac{246}{63.951}$

= 3.85

Decision

Since z-test calculated of 3.85 > 1.96 z-table value at 5% level of significance, we reject the null hypothesis, which states Microfinance banks in Kogi state have not mobilized savings for intermediation and rural development and conclude that microfinance banks mobilized savings for intermediation and rural transformation.

Hypothesis two

Ho_2: Microfinance banks are not providing timely and affordable services to the economically active poor in Kogi State.

The respondents' data to questions from table vi are used for the test of hypothesis two above.

Means of population (u): $\frac{3*286*6}{6}$ = 858

Mean of sample ($\bar{x}$): $\frac{\sum x}{n} = \frac{3605}{6}$ = 601

Standard Deviation (б): $\sqrt{\frac{\sum(x-\bar{x})^2}{n}} = \frac{26675}{6}$

$\sqrt{4445.8333}$= 66.677

z-test statistic = $\frac{\bar{X}-U}{\sigma}$

= 601- 858 = -257

= $\frac{257}{66.677}$ = 3.85

Decision

Since z-test calculated of 3.85 > 1.96 z-table value at 5% level of significance, we reject the null hypothesis, which states Microfinance banks are not providing timely and affordable services to the economically active poor in Kogi and conclude that microfinance banks are providing timely and affordable services to the economically active poor in the state.

Hypothesis three

Ho_3: Microfinance banks have not provided employment opportunities to the rural dwellers in Kogi State. The respondents' data from table vii are used for the test of hypothesis three above.

Means of population (u): $\frac{3*286*5}{5}$ = 858

Mean of sample ($\bar{X}$): $\frac{\sum x}{n} = \frac{3142}{5} = 628$

Standard Deviation (б): $\sqrt{\frac{\sum(x-\bar{x})^2}{n}} = \frac{35384}{5}$

$\sqrt{7076.8} = 84.124$

z-test statistic = $\frac{\bar{X} - U}{\sigma}$

$= 628 - 858 = -230$

$= \frac{230}{84.124} = 2.73$

Decision

Since z-test calculated of 2.73 > 1.96 z-table value at 5% level of significance, we reject the null hypothesis, which states

Microfinance banks have not provided employment opportunities to the rural dwellers in Kogi State and conclude that microfinance banks provided employment opportunities to rural dwellers in Kogi state.

Summary and Discussion of Findings

In the course of this study, the following findings were made:

(i) The microfinance banks have been able to mobilize savings for intermediation and rural development.

(ii) Microfinance banks are providing timely and affordable services to the economically active poor in Kogi State.

(iii)Microfinance banks have been able to provide employment opportunities to the rural dwellers in Kogi State.

In the course of the study the the researchers discovered that the microfinance banks in Kogi State have been able to mobilize savings for intermediation and the development of the rural areas in Kogi state. It was also observed that Microfinance banks are providing timely saving and affordable services to the economically active poor in Kogi State. It can be deduced from this that Microfinance banks serve as a source of supply of loans, savings and other financial services to the poor. It is the practice of delivering those services in a sustainable manner so that the economically active poor in Kogi State have access to financial services in order to assist them build sustainable microenterprise. The result of the findings further revealed that Microfinance banks in Kogi State have been able to provide employment opportunities to rural dwellers in the state. The implication of this is that employment generation and entrepreneurship development in rural areas of Kogi State have been enhanced through the support of the microfinance banks. This therefore led to the average improvement in the living condition of the people.

Kudi etal (2009), in addition, Yahaya etal and Onafowokan (2011), Ousanya & Oyebo (2012), all in their various studies asserted that Microfinance banks have played a great role especially in promoting entrepreneurial activities in rural areas; they are however faced with the problem of high operating costs. However, Opue etal revealed that micro-finance bank operations (roles) has no significant effect on credit demanded by small scale business enterprises; and that the roles of microfinance banks have no significant effect on the socio-economic development of rural communities in Cross River State. They further emphasised that irrespective of the roles and operations of microfinance banks, the total income of the small scale business enterprises in the rural communities remains unchanged. This is because most of the microfinance banks tend to concentrate their operations in urban and semi-urban towns instead of the rural areas where the poorest of the poor are concentrated.

Conclusion

Rural transformation is all about seeking to bring about improvement in the living condition of the people in the community. The aim of microfinance is not only to extend credits to beneficiaries but to promote entrepreneurial activities and boost rural financial markets that will provide sustainable access to financial services by creating a relationship between those with financial resources and those who need them. It is in this light that Central Bank of Nigeria provides an appropriate policy and regulatory framework for the bank operations for the microfinance sector to gain both public and donor confidence.

Policy implications and Recommendations

Based on the findings of the research, the following recommendations are made:
1. Government should help in creating a national database on citizens or inhabitants.
2. Additional Microfinance banks should be set up in the localities.
3. There should be more co-operations and collaborations between the financial institutions and rural dwellers.
4. The Prime rate charged by the Central Bank of Nigeria should be minimised to allow the other financial institutions to also reduce their interest rates.
5. Rural dwellers should be trained on how to establish, manage, sustain and expand their business outfits.

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