Journal of Economic Theory 6 (4-6): 107-115, 2012
ISSN: 1994-8212
© Medwell Journals, 2012

An Analysis of Microfinance and Poverty Reduction in Bayelsa State of Nigeria

[1]Appah Ebimobowei and [2]John M. Sophia
[1]Department of Accounting, Faculty of Business Education,
[2]Department of Economics, Faculty of Social Sciences,
Bayelsa State College of Education, Okpoama, Brass-Island, Yenagoa, Nigeria

Abstract: This study investigates the relationship between microfinance and poverty reduction in Bayelsa State of Nigeria. Relevant literatures were reviewed for the study. To guide the study, four hypotheses were developed. They were used to measure the main variables of the study. The target population for this study was all women involved in small scale business in Bayelsa State, Nigeria. A sample of 286 respondents was purposively selected for the study. The instrument for the study was a questionnaire titled microfinance and poverty reduction. To analyse the data generated, the Chi-sqaure, ANOVA and descriptive statistics were used. The analysis of the data revealed that there is a significant relationship between microfinance and poverty reduction in Bayelsa State, there is a significant difference between microfinance and traditional rotating system there is significant difference between loan repayment by the women and poverty reduction in Bayelsa State and significant difference between microfinance and the status of women in Bayelsa State, Nigeria. The conclusion drawn from this study, therefore, was that microfinance alone cannot reduce poverty in any society where basic infrastructures like good roads, steady power supply, good transportation system, etc., are nearly not available for the women to benefits from the introduction of microfinance in Nigeria. The study, therefore, recommends among others that the governments in developing economies like Nigeria should as a matter of national priority provide the basic infrastructural facilities to enable small business owners grow; the National Poverty Alleviation Programme (NAPEP) should be well strengthened to reduce the level of political manipulation by political leaders in the country and a reduction in the interest rate for microfinance institutions and other stringent issues about microfinance model of poverty reduction should be adequately and seriously applied to minimize the level of poverty in Nigeria.

Key words: Microfinance, poverty reduction, Bayelsa State, business, national priority, Nigeria

INTRODUCTION

Poverty reduction has been an important development challenge over decades. One of the identified constraints facing the poor is lack of access to formal sector funds to enable them to take advantage of economic opportunities to increase their level of output, hence, move out of poverty. The wide-spread poverty with all the problems that comes with it is the greatest challenge of the time. Traditional aid has not helped in solving this problem. One kind of development work, which promotes financial sustainability for poor individuals in the society, is microfinance (Lindvert, 2006). The microfinance revolution has changed attitudes towards helping the poor in many countries and in some has provided substantial flow of finance often to very low-income groups or households who would normally be excluded by conventional financial institutions (Kurmanalieva *et al*., 2003). According to Morduch and Haley (2002), microfinance has proven to be an effective and powerful tool for poverty reduction. Like many other development tools, however, it has insufficiently penetrated the poorer strata of the society. The poorest form the vast majority of those without access to primary health care and basic education; similarly, they are the majority of those without access to microfinance. Also, Hussien and Hussain (2003) say there is increasing reliance on microfinance as an instrument of poverty alleviation in Pakistan.

The unwillingness or inability of the formal financial institutions to provide financial services to the urban and rural poor, coupled with the un-sustainability of government sponsored development financial schemes contributed to the growth of private sector led microfinance in Nigeria (Anyanwu, 2004). Shastri (2009) maintain that:

Corresponding Author: Appah Ebimobowei, Department of Accounting, Faculty of Business Education, Bayelsa State College of Education, Okpoama, Brass-Island, Yenagoa, Nigeria

> The credit policy for the poor involves many practical difficulties arising from operation followed by financial institutions and the economic characteristics and financing needs of low-income households. For example, commercial banking institutions require that borrowers have a stable source of income out of which principal and interest can be paid back according to the agreed terms. However, the income of many self employed households is not stable. A huge number of micro loans are needed to serve the poor but banking institution prefers dealing with big loans in small numbers to minimize administration expenses. They also look for collateral with a clear title which many low income households do not have

Momoh said with an effective and efficient microfinance system operating in rural areas of developing countries, coupled with other enabling factors; such as, legal and policy framework, good governance and adequate physical infrastructure, the poor rural people will undertake diversified business activities and also be able to adopt more appropriate modern farming technologies. This, it is assumed, will lead to the reduction of rural poverty and an increased overall standard of living of the rural poor in developing countries in general and the Least Developed Countries (LDCs) like those in sub-Saharan Africa and South Asia, in particular. Latifee (2003) also argues that the poor live in a high risk and vulnerable conditions. Their ability to take advantage of opportunities that will lead to increasing their income or economic status to protect themselves against risks of crises and to cope with these when they occur is very significant. Reduction of poverty is partly a process of increasing income and economic stability which enables fulfillment of basic needs and access to different kinds of services. This may also be understood in the form of developing a range of assets that will reduce the vulnerability of the poor of physical, economic and social shocks.

Therefore, several studies have been published on microfinance and poverty reduction. In some of these studies, microfinance has brought positive impact to the life of clients, boost the ability of poor individuals to improve their conditions and others have indicated that poor people have taken advantage of increased earnings to improve their consumption level, health and build assets. However, other studies have shown that microfinance is said to play insignificant role towards poverty reduction. These various arguments on the role of microfinance in reducing poverty in different parts of the world necessitated the researchers to ask the following questions in Bayelsa State: Can microfinance be an effective strategy for poverty reduction? What are the problems of microfinance institutions in the state? What are the differences between microfinance and traditional savings rotating system? What is the difference between loan repayment and poverty reduction? How do women perceive their status in relation to the advent of microfinance? It is an attempt to find answers to these and similar questions that motivated these research works.

Theoretical and empirical literature

The nature and scope of microfinance: Microfinance is coined as the financial service rendered to the deprived group of the people and small entrepreneurs to help them in developing self-employment opportunities and various income generating activities. The small size of the loan, regular savings, small scale entrepreneurs, diversified utilization and simple and flexible terms and conditions are the determining features of its definition.

Microfinance is the provision of financial services to poor and low income households without access to formal financial institutions. According to Rajasekhar and Vikas (2004), microfinance is the strategy for providing to the poor in rural and urban areas, especially women with savings and credit facilities to set up or expand business, invest in self-employment activities and increase household security. Also, Schreiner and Colombet (2001) define microfinance as:

> The attempt to improve access to small deposits and small loans for poor households neglected by banks. Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector

Lindvert (2006) said there are two main approaches in the area of microfinance today. One is described as subsidized credit delivery. Which means poor people are considered unable to lend and save and therefore, are in need of subsidized credit services. The other approach is known as commercialized sustainable microfinance which is based on the idea that poor people can and do save and repay their loans to a market-oriented interest rate but need secure financial institutions for doing this. He said this approach has a more long term perspective with the purpose to create sustainable organizations, communities and markets. Akanji (2001) in her study on microfinance as a strategy for poverty reduction enunciated the following principles: Simplify services, offer small initial loan, offer

short term loan, localize services, focus on scale, short turn around time, motivate repayment and recognize that the poor do save.

Commentators such as Littlefield *et al.* (2003), Simanowitz and Brody (2004) and IMF (2005) have commented on the relevance of microfinance in achieving the millennium development goals of eradication of poverty and hunger, achieve universal education, promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability and develop a global partnership for development. Simanowitz and Brody (2004) stress that:

> Microfinance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people

The nature and scope of poverty: Poverty has been described by scholars and experts depending on its nature, place and volume. Poverty is a multi-faceted concept being perceived by different people while using different criteria to assign a meaning to it and therefore, this makes it difficult to give a concise meaning to the term (Kurfi, 2009). According to United Nations Development Program, around 2.7 billion people are considered to be living in poverty. These people have a consumption level of <2 US Dollars per day. Extreme poverty is defined as living in <1 US Dollar per day. Around 1.1 billion of the poor live in extreme poverty. People living in extreme poverty often lack opportunities to have their basic needs met, meaning access to food, clean water, clothes and decent shelter. Most lack education and are vulnerable to diseases (Lindvert, 2006). In a similar vein, Momoh note that:

> Poverty is a multi-dimensional phenomenon related to the inadequacy or lack of social, economic, cultural and political entitlements. Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job is fear for the future and living a day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom

Oyeranti and Olayiwola (2005) maintain that there are three dominant views in the literature on the meaning of poverty. The first view considers poverty in terms of deprivation in some materials of well being which can usually be assessed in terms of money. World Bank defines it as the lack of what is necessary for material well-being. The second view considers poverty as being multi-dimensional in nature entailing lack of adequate livelihood, assets and failure to achieve basic capabilities in nutrition, health, economic and social life, etc. The third view considers poverty as a phenomenon that is difficult to objectively determine. According to Adebayo (2009), it is subjective in nature and has both physical and psychological dimensions that predispose its sufferers to hunger, violence and crime, insecurity, discrimination, victimization and political repression, etc. According to Brock and McGee (2002), the dynamics of poverty are complex and mostly not easy to explain only by using economic models; such as, price equilibrium, perfect competition and surplus extraction and so on.

There are different types of poverty; such as, income, absolute, relative and consistent poverty. Income poverty is type of poverty that is a result of lack of money or limited income. Absolute poverty is a type of poverty where people are starved, living without proper housing, clothing or medical care people who struggle to stay alive. Relative poverty is a type of poverty where people are considered to be living substantially less than the general standard of living in the society. Consistent poverty is a type of poverty that is the combination of income poverty and deprivation.

Mboho and Ibok (2009) argue that poverty alleviation strategies are approaches designed to tackle underdevelopment. These strategies adopted depend on the developer, individuals, groups and institutions. According to Ogwumike (2002), poverty reduction can be group into four strategies. These strategies include:

Economic growth strategy: This strategy focuses on ensuring growth, especially through increased focus on human capital formation via education, health, nutrition and housing need of the labour force.

Basic needs strategy: This is the provision of basic needs; such as, food, shelter, water, sanitation, health care and basic education, etc.

Rural development strategy: This strategy considers poverty as a rural phenomenon and that traditional measures of poverty reduction may not research in the rural areas because of its peculiarities. This strategy recommends a multi-dimensional, multi-pronged, integrated strategy to poverty reduction through development programmes that provides basic needs and creates income generating opportunities for rural dwellers in general and the poor in particulars.

Targeting strategy: This strategy focuses on specific groups (women, youths, disabled, etc.) in the reduction of poverty in the society.

The third view of the concept of poverty grouped poverty reduction into four approaches, namely; pro-poor, rights based, resource based approach and sustainable livelihood approach. The pro-poor approach aims at ensuring macroeconomic policy that are favourable to the poor to ensure stability of the economy, conducive business climate, growth enhancing technological innovation and improved output leading to increased earnings for the poor people (Adebayo, 2009). The rights approach ensures the empowerment and redistribution of political power. This approach emphasize issues; such as, improved political participation, good governance, rule of law, credit availability, skill enhancement and accountability, etc. The resource based approach aims at redistribution of assets by the promotion of security against risks; such as, ill health, natural disaster and economic shocks. The sustainable livelihood approach is people centred and a combination of all the other three approaches.

Microfinance and poverty reduction: There is an ongoing debate concerning the idea of microfinance alone or microfinance plus being capable of reducing poverty. There are views that microfinance alone is inadequate to fight poverty. The need for other services is also important in this respect. Such views, although, do not negate the role of microfinance; fail to appreciate the role of microfinance on its own advantage. Latifee (2003) says nobody says that microfinance alone is cure for all. Most experts and practitioners believe that microfinance plays a vital role as an instrument of intervention for a poor person to discover her potential and to stride for better living. Muhammed Yunus advocates that microfinance is a human right. Once this right is established, the entitlement to other rights for leading a dignified life becomes easier. It empowers to break the vicious cycle of poverty by instantaneously creating self-employment and generating income. When in the ultimate analysis nothing can be said to be the panacea, by overemphasizing that microfinance is not a panacea is in a sense overreacting and underestimating the role of finance as an instrument to combat poverty. Microfinance has proved to be a powerful instrument for poverty reduction that enables the poor to build assets, increase incomes and reduce their vulnerability to economic stress. But, if it is combined with others, it is definitely more empowering.

Studies have shown that microfinance has been successful in many situations. According to Little field *et al.* (2003):

> Various studies on microfinance and poverty reduction have recorded increases in income and assets and decreases in vulnerability of microfinance clients

They refer to projects in India, Indonesia, Zimbabwe, Bangladesh, Ethiopia and Uganda which all shows very positive impacts of microfinance in reducing poverty. Majoux (2001) states that while microfinance has much potential, the main effects on poverty have been:

- Credit making a significant contribution to increasing incomes of the better-off poor including women
- Microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies

Khandker (2003) states that it is clear that what microfinance can do for the poor depends on the poor's ability to utilize what microfinance offers them. He further said that microfinance provides a window of opportunity for the poor to access a borrowing and saving facility. In other countries, these facilities also provide organizational help, training, safety nets, empowerment and financial and other help during crises. Microfinance organizations can alleviate liquidity constraints, stabilize consumption and enhance both income and consumption for the poor thereby augmenting the poor's welfare. Kurmanalieva *et al.* (2003) submission on microfinance and poverty reduction is very interesting. They argue that if access to microfinance can be improved, the poor can finance productive activities that will allow income growth, provided there are no other binding constraints. This is a route out of poverty for the non-destitute chronic poor. For the transitory poor, who are vulnerable to fluctuations in income that bring them close to or below the poverty line, microfinance provides the possibility of credit at times of need and in some schemes the opportunity of regular savings by a household itself that can be drawn on.

Survey of empirical literature: Several empirical studies have shown that microfinance reduces poverty. For example, Goldberg (2005) reported that the poor no longer remained as poor as a result of microfinance in Bangladesh. Khandker (2003) found that microfinance helped in poverty reduction and Zubair informed that microfinance has reduced vulnerability to domestic violence in Bangladesh. Studies conducted by other scholars concluded that there is no positive impact on microfinance (Majoux, 2001). Table 1 summarizes the methodology, sample and main results of these studies.

Table 1: Methodology, sample and main results of study (Hypothesis 1)

Author(s)	Methodology	Main results
Asemelash (2002) Ethiopia	Structured questionnaire using descriptive statistics, Chi-square test and ANOVA for the analysis and testing of hypothesis	The microfinance provided to the poor has brought a positive impact on the life of the clients as compared to those who do not get access to these microfinance services. He showed that microfinance has brought a positive impact on income, asset building and access to schools and medical facilities in the study area
Alemu (2006)	A sample of 500 households from five different zones in the Amhara region. Using Chi-square, paired t-test, ANOVA and logistic regression	The study has found out that the poor have smoothed their income in the study area. However, there was fungibility in the sense that clients were using the loan for unintended purposes
Rajendran and Raya (2010)	A sample of 180 randomly selected leaders of self help groups in Vellore district, India. Structured questionnaire and using simple statistical tools and ANOVA	Microfinance and self help groups are effective in reducing poverty, empowering women, creating awareness and ensure sustainability of environment which finally results in sustainable development of the nation
Imai *et al.* (2010)	The study covered a sample of 20 small industries development bank of India partner microfinance institutions and 5260 households using descriptive statistics and Tobit Regression Model	The study show that loans for productive purposes were more important for poverty reduction in rural than urban areas and significant positive effect of microfinance institution productive loans on multi-dimentional welfare indicator
Green *et al.* (2006)	A sample of secondary source of case studies and empirical work	The causal linkages among financial policy, enterprise development and poverty reduction remain a key challenge given the commitment to achieve the MDGs by 2015

Adapted from various authors

MATERIALS AND METHODS

The design employed to carry out this study was the descriptive research with particular reference to the case study method. The instrument used for the study is the structured questionnaire which comprises items that generated data for answering the research hypothesis. The content validity of the questionnaire was established by making use of two experienced experts for their comments. Baridam (2001) stated that a test is valid if it measures what it is supposed to measure. The reliability of the questionnaire was determined by using inter-rater reliability approach. This approach was adopted based on the recommendation of Osuala (2005). He recommended that the pooling of the ratings of several judges about an individual will produce a composite that is more reliable.

The samples of the study include 400 entrepreneurs in various areas randomly selected from three local government areas from the three senatorial districts in Bayelsa State (Bayelsa East, Bayelsa West and Bayelsa Central). The stratified random sampling technique was used to select the three local government areas from the three senatorial districts while the convenience sampling was adopted to draw elements or respondents to be included in the study. A total of 286 questionnaires were collected and used for the analysis.

The study used descriptive statistics, Chi-square and ANOVA statistical tools in testing the hypothesis of the study. Chi-square test is used for hypothesis one because the data generated is measured in nominal scale while ANOVA test is used for hypothesis 2-4 because the data generated is measured in nominal scale. Excel software helped us to transform the variables into a format suitable for analysis after which the Statistical Package for Social Science (SPSS Version 15.0) was utilized for data analysis.

RESULTS AND DISCUSSION

This study discusses the descriptive statistics, Chi-square and analysis of variance results on the effect of microfinance on poverty reduction in Bayelsa State. The results obtained from the analysis were used to test the hypothesis of the study which is stated in the null forms as:

Hypotheses 1

Ho_1: There is no significant relationship between microfinance and poverty reduction in Bayelsa State. Table 2 shows that the Pearson Chi-square (291.995) is greater than p-value of 0.000, the likelihood ratio of 277.199 is greater than p-value of 0.000, linear by linear association of 3.855 is greater than p-value of 0.050; hence, the null hypothesis is rejected that there is no significant relationship between microfinance and poverty reduction in Bayelsa State and the alternative hypothesis is accepted that there is a signigicant relationship between microfinance and poverty reduction in Bayelsa State, Nigeria. This result is consistent with the studies conducted by Asemelash (2002), Khandker (2003) and Goldberg (2005) that microfinance assists in the reduction of poverty.

Table 3 shows the mean, standard deviation, variance, skewness and kurtosis for microfinance and poverty reduction of (19.80, 3.463, 11.994, -0.512 and -0.835) and (18.4321, 13.75820, 189.288, 15.508, 254.969). The descriptive statistics is consistent with the Chi-square result in Table 2.

Hypothesis 2

Ho_2: There is no significant difference between microfinance and traditional savings rotating system in Bayelsa State.

Table 2: Chi-square test (Hypothesis 1)

Tests	Values	df	Assmp. Sig (2-sided)
Pearson Chi-square	291.995[a]	195	0.000
Likelihood ratio	277.199	195	0.000
Linear by linear Asso.	3.855	1	0.050
No. of valid cases	286.000	-	-

[a]222 cells (99.1%) have expected count <5; the minimum expected count is 0.01

Table 3: Descriptive statistics (Hypothesis 1)

Variables	N statistics	Mean statistics	SD statistics	Variance statistics	Skewness statistics	SE	Kurtosis statistics	SE
MC	286	19.8000	3.46300	11.994	-0.512	0.144	-0.835	0.287
PR	287	18.4321	13.75820	189.288	15.508	0.144	254.969	0.287

SPSS output Version 15.0 for data collected from field survey, 2010

Table 4: ANOVA (Hypothesis 2)

Sources	Sum of squares	df	Mean square	F-value	Sig.
Corrected model	389.126[a]	14	27.795	2.478	0.003
Intercept	49759.820	1	49759.820	4436.587	0.000
TSR	389.126	14	27.795	2.478	0.003
Error	3039.479	271	11.216	-	-
Total	115877.000	286	-	-	-
Corrected total	3428.605	285	-	-	-

SPSS output Version 15.0

Table 5: Descriptive statistics (Hypothesis 2)

Variables	N statistic	Mean statistic	SD statistic	Variance statistic	Skewness statistic	SE	Kurtosis statistic	SE
MF	286	19.83	3.468	12.030	-0.509	0.144	-0.844	0.287
TSR	286	17.72	3.270	10.695	-0.011	0.144	-0.877	0.287
Valid N	286	-	-	-	-	-	-	-

Table 6: ANOVA (Hypothesis 3)

Sources	Sum of square	df	Mean square	F-value	Sig.
Corrected model	418. 161[a]	14	29.869	2.769	0.001
Intercept	37419.857	1	37419.857	3468.688	0.000
PR	418.161	14	29.869	2.769	0.001
Error	2923.521	271	10.788	-	-
Total	116187.000	286	-	-	-
Corrected total	3341.682	285	-	-	-

$R^2 = 0.125$ (Adjusted $R^2 = 0.080$)

Table 7: Descriptive statistics (Hypothesis 3)

Variables	N statistic	Mean statistic	SD statistic	Variance statistic	Skewness statistic	SE	Kurtosis statistic	SE
LRP	286	19.86	3.424	11.725	-0.485	0.144	-0.801	0.287
PR	286	17.92	3.136	9.833	-0.056	0.144	-0.823	0.287
Valid N	286	-	-	-	-	-	-	-

Table 4 shows the analysis of variance for hypothesis 2. The corrected model gave an F-value of 2.478 which is greater than the p-value of 0.003 and the traditional savings rotation system F-value of 2.478 which is still greater than the p-value of 0.003; hence, researchers reject the null hypothesis that there is no significant difference between microfinance and traditional savings rotating system and accept the alternative hypothesis that there is significant difference between microfinance and traditional savings rotating system in Bayelsa State, Nigeria.

Table 5 shows the descriptive statistics of the difference between microfinance and traditional savings rotating system. Microfinance mean, standard deviation, variance and skewness and kurtosis values are 19.83, 3.468, 12.03, -0.509 and -0.844 and the traditional savings rotating system values were 17.72, 3.270, 10.695, -0.011, -0.877. These values showed differences between microfinance and the traditional savings system.

Hypothesis 3

Ho_3: There is no significant difference between loan repayment and poverty reduction in Bayelsa State.

Table 6 shows the analysis of variance between loan repayment and poverty reduction in Bayelsa State, Nigeria. The corrected model F-value of 2.769 is greater than the p-value of 0.001 and the poverty reduction F-value of 2.769 is also greater than the p-value of 0.001. Hence, researchers reject the null hypothesis and conclude that there is significant difference between loan repayment and poverty reduction in Bayelsa State, Nigeria.

The descriptive statistics in Table 7 shows the mean, standard deviation, variance, skewness and kurtosis for Loan Repayment (LRP) of 19.86, 3.424, 11.725, -0.485 and -0.801 and Poverty Reduction (PR) of 17.92, 3.136, 9.833, -0.056 and -0.823. This descriptive statistics values also showed differences that is consistent with the analysis of variance result.

Table 8: ANOVA (Hypothesis 4)

Sources	Sum of squares	df	Mean square	F-value	Sig.
Corrected model	485.258[a]	13	37.328	2.864	0.001
Intercept	60357.763	1	60357.763	4630.700	0.000
SW	485.258	13	37.328	2.864	0.001
Error	3545.319	272	13.034	-	-
Total	117991.000	286	-	-	-
Corrected total	4030.577	286	-	-	-

[a]$R^2 = 0.120$ (Adjusted $R^2 = 0.078$)

Table 9: Descriptive statistics (Hypothesis 4)

Variables	N statistic	Mean statistic	SD statistic	Variance statistic	Skewness statistic	SE	Kurtosis statistic	SE
MF	286	19.96	3.761	14.142	0.063	0.144	1.742	0.287
SW	286	17.90	3.202	10.250	-0.011	0.144	-0.926	0.287
Valid N	286	-	-	-	-	-	-	-

Hypothesis 4

Ho_4: There is no significant difference between microfinance and the status of women in Bayelsa State. Table 8 shows the analysis of variance result for the difference between microfinance and the status of women in Bayelsa State, Nigeria. The corrected model F-value of 2.864 is greater than the p-value of 0.001 and the status of women F-value of 2.864 which is also greater than the p-value of 0.001. Hence, researchers reject the null hypothesis and accept the alternative that there is a significant difference between microfinance and status of women in Bayelsa State, Nigeria.

Table 9 shows the descriptive statistics of microfinance and status of women in Bayelsa State, Nigeria. The mean, standard deviation, variance, skewness and kurtosis values of 19.96, 3.761, 14.142, 0.063 and 1.742 and 17.90, 3.202, 10.250, -0.011 and -0.926 for microfinance and status of women. The statistics is consistent with the analysis of variance result mentioned earlier.

CONCLUSION

Microfinance is a very important means of reducing the level of poverty in developing economies like Nigeria. Poverty is a threat to the poor because he cannot meet up his primary or basic needs of life that of his family or his dependents. Poverty is like that which sucks the blood for its livelihood. It exists where people are unable to make both ends meet for better livelihood. This study set out to establish the relationship between microfinance and poverty reduction, the difference between microfinance and status of women in the society, microfinance and traditional savings rotating system and loan repayment and poverty reduction. After a theoretical and empirical exploration of relevant literatures, the study found that there is a significant relationship between microfinance and poverty reduction; significant difference between microfinance and traditional savings rotating system; loan repayment and poverty reduction and microfinance and status of women in the society. On the premises of the revelations from this study, researchers conclude that thus, microfinance alone cannot reduce the level of poverty in any given society except the government provide the basic infrastructural facilities; such as, good road, constant power supply and good transport system, etc., that is when microfinance will play an effective and efficient role of poverty reduction instrument in contemporary society.

RECOMMENDATIONS

The following recommendations were provided to stimulate the use of microfinance as a poverty reduction strategy in modern societies:

- The government should provide the basic infrastructural facilities; such as, good roads, schools, hospitals and constant power supply, etc., in the state to enable individuals achieve the benefits of microfinance
- The level of corruption in Nigeria should be reduced to prevent the misplacement of microfinance funds to the hands of the politicians in the society
- The National Poverty Alleviation Programme (NAPEP) should be restructured to meet the needs of the less privileged members of the society mostly the women that are in serious need for microfinance
- The interest rate for microfinance funds should be kept in an acceptable rate to enable people pay principal and interest as at when due
- The government should place proper supervision and regulation of most of the microfinance institutions in the country to prevent the collapse of such institutions as witnessed in the banking sector in Nigeria

REFERENCES

Adebayo, A.A., 2009. Theoretical perspectives on poverty reduction: Challenges for policy in Nigeria. Int. J. Econ. Dev. Issues, 8: 34-43.

Akanji, O.O., 2001. Microfinance as a strategy for poverty reduction. CBN Econ. Financial Rev., 39: 111-134.

Alemu, B.A., 2006. Microfinancing and poverty reduction in Ethiopia. A Paper Prepared under the Internship Program of IDRC, ESARO, Nairobi. http://www.acsi.org.et/case%20study.pdf.

Anyanwu, C.M., 2004. Microfinance institutions in Nigeria: Policy, practice and potentials. Proceedings of the G24 Workshop on Constraints to Growth in Sub Saharan Africa, November 29-30, Pretoria, South Africa, pp: 1-31.

Asemelash, 2002. The Impact of Microfinance in Ethiopia: The case of DCSI in Ganta Afeshum Woreda of Eastern Tigray. M.A. Thesis, Addis Ababa University, Addis Ababa.

Baridam, D.M., 2001. Research Methods in Administrative Science. Belk Publisher, Nigeria.

Brock, T. and R. McGee, 2002. Knowing Poverty: Critical Reflections on Participatory Research and Policy. Earthscan Publication, London.

Goldberg, N., 2005. Measuring the Impact of Microfinance: Taking Stock in What We Know. Grameen Foundation, USA.

Green, C.J., C.H. Kirkpatrick and V. Murinde, 2006. Finance for small enterprise growth and poverty reduction in developing countries. J. Int. Dev., 18: 1017-1030.

Hussien, M. and S. Hussain, 2003. The Impact of Microfinance on Poverty and Gender Equity: Approaches and Evidence from Pakistan. Pakistan Gender Report Document. http://www.wemanresources.info/documents/Page3_GenderMainstreaming/3_5_FinancialServices/Gender%20Impact/PakistanGenderReport.pdf.

IMF, 2005. Benin: Poverty reduction strategy paper-annual progress report. International Monetary Fund Washington, DC., USA., IMF Country Report No. 05/293. http://planipolis.iiep.unesco.org/upload/Benin/PRSP/Benin%20PRSP%20Progress%20report%202005.pdf.

Imai, K.S., T. Arun and S.K. Annim, 2010. Microfinance and household poverty reduction: New evidence from India. World Development, 38: 1760-1774.

Khandker, S.R., 2003. Microfinance and poverty: Evidence using panel data from Bangladesh. World Bank Policy Research Working Paper No. 2945, Washington, DC., USA. http://ideas.repec.org/p/wbk/wbrwps/2945.html.

Kurfi, I.M., 2009. The socio-economic effects of poverty on Nigerian development. Int. J. Econ. Dev. Issues, 8: 173-184.

Kurmanalieva, E., H. Montgomery and J. Weiss, 2003. Microfinance and Poverty Reduction in Asia: What is the evidence?. Proceedings of the ADB Institute Annual Conference on Microfinance and Poverty Reduction, December 5, 2003, Tokyo, Japan.

Latifee, H.I., 2003. Microcredit and poverty reduction. Proceedings of the International Conference on Poverty Reduction through Microfinance, June 9-10, Taksim, Turkey, pp: 1-12.

Lindvert, M., 2006. Sustainable development work and micro finance: A case study of how ECLOF Ghana is working towards financial sustainability. Master Thesis, Department of Social Sciences, Mid Sweden University.

Littlefield, E., J. Murduch and S. Hashemi, 2003. Is microfinance an effective strategy to reach the millennium development goal? CGAP Focus Note No. 24. http://ifmr.ac.in/cmf/wp-content/uploads/2007/06/mf-mdgs-morduch.pdf.

Majoux, L., 2001. Women's Empowerment or Feminisation of Debt?: Towards a New Agenda in African Microfinance Author Linda Mayoux. One World Action, London, ISBN: 13-9781898776345, Pages: 48.

Mboho, S.K. and E.E. Ibok, 2009. Women organisations and poverty alliviation in rural communities in Nigeria: A study of Akwa Ibom state. Int. J. Labour Organisational Psychol., 3: 198-208.

Morduch, J. and B. Haley, 2002. Analysis of the effects of microfinance on poverty reduction. Working Paper No. 1014. New York University Wagner Working Paper Series. http://pdf.wri.org/ref/morduch_02_analysis_effects.pdf.

Ogwumike, F.O., 2002. An appraisal of poverty reduction strategies in Nigeria. CBN Econ. Financial Rev., 39: 1-17.

Osuala, E.C., 2005. Introduction to Research Methodology. 3rd Edn., Africana-First Publishers, Onitsha.

Oyeranti, O. and K. Olayiwola, 2005. Policies and programmes for poverty reduction in rural Nigeria. Interim Research Report Submitted to the African Economic Research Consortium (AERC) Nairobi for the Second Phase Collaborative Poverty Research Project. http://www.sarpn.org.za/documents/d0002274/Poverty_reduction_Nigeria_Oct2005.pdf.

Rajasekhar, D. and G. Vikas, 2004. Micro-finance, Poverty Alleviation and Empowerment of Women: A Study of Two NGOs from Andhra Pradesh and Karnataka. Institute for Social and Economic Change, Bangalore, India, Pages: 152.

Rajendran, K. and R.P. Raya, 2010. Impact of microfinance-An empirical study on the attitude of SHG leaders in Vellore district (Tamil Nadu, India). Global J. Finance Manage., 2: 59-68.

Schreiner, M. and H.H. Colombet, 2001. From urban to rural: Lessons for microfinance from Argentina. Dev. Policy Rev., 19: 339-354.

Shastri, R.K., 2009. Microfinance and poverty reduction in India: A comparative study with Asian countries. Afr. J. Bus. Manage., 3: 136-140.

Simanowitz, A. and A. Brody, 2004. Realizing the potential of microfinance. Insight, 51: 1-2.