The Social Sciences 2 (1): 106-110, 2007

Perceived Effects of Micro Finance Institutions Programmes on Quality of Life of Rural Households in Niger Delta Area of Nigeria

[1]S.I. Okerenta, [2]J.S. Orebiyi and [3]O.M. Adesope
[1]Department of Operations, National Centre for Social Research Brentwood, Essex CM14 4LX, UK
[2]Department of Agricultural Economics, Federal University of Technology, Owerri, Nigeria
[3]Department of Agricultural Economics and Extension, University of PortHarcourt, Nigeria

Abstract: The study focused on the perceived effects of Micro Finance Institutions programmes on quality of life of rural households in the Niger delta area of Nigeria. Data were collected with the aid of structured questionnaire from 207 randomly selected respondents from the study area. Findings revealed that Micro Finance Institutions programmes has improved the quality of life of rural households in the study area. It is recommended that the government and its institutions including the Central Bank of Nigeria should make concerted effort to promote Microfinance as a means of mobilizing savings, promoting enterprise development, creating employment and income generation and thus reducing poverty. Also, there is urgent need to have in place a policy frame work that will regulate the establishment, operations and activities of MFIs in Nigeria.

Key words: Quality Of life, micro finance institutions programmes

INTRODUCTION

One of the major economic and social problems that Nigeria currently faces is poverty. However defined, poverty has become a major socio-economic scourge and severe hindrance to development in recent times. Efforts to activate the economy through policy reforms and adjustments programmes have met with very little success and economic conditions have remained precarious. The pervasiveness of this phenomenon in Nigeria in the 'midst of plenty' has clearly shown that the hitherto held view that poverty could be tackled by raising general economic standards through the 'trickle down' effect of economic growth is faulty. With low Integrated Poverty Index (IPI) Basic Needs Index (BNI) and Food Security Index (FSI) values of 0.49, 0.40 and 0.837, respectively, Nigeria can be categorized as a country with severe poverty, poor social development particularly in the rural areas and of medium food security status. The 1995 Household Survey Report published by the Federal Office of Statistics (FOS) draws a poverty line in Nigeria at N766 (US $9) which is two-thirds of the mean per capita household expenditure in 1992. According to this report, 36% of the population is core poor (below one-third of the mean per capita household expenditure) while 35% is moderately poor (between one-third and two-thirds of the mean per capita household expenditure). A very large population, therefore, lives below the poverty line, unable to afford the very basic necessities of living[1].

Whenever a large proportion of the population is poor, it may be difficult to achieve meaningful economic growth without involving and stimulating the often un-utilized or severely under-utilized capacities of the poor. The goal of poverty eradication is better achieved through the purposeful involvement of the poor in the country's development process. Improving the overall quality of life of the poor people by increasing their access to income/and or increased income is a major policy option that has been canvassed by developing economists. When this is combined with access to social services like education, health and housing, a major step has been taken to eradicate poverty in the context of sustainable human development this will tend to enhance the income generating capacities of the citizens of the country.

The search for a development strategy, which could lead to significant improvement in the socio-economic condition of farmers led to the focus on microfinance. The underlying assumption of credit for development is that availability of capital is critical to the efforts of enhancing income-generating capacity especially of the rural poor. However, availability of credit has been a critical factor in enterprise development. Large business organisations in most cases are built and sustained by credit facilities. Wide ranges of financial products are available to large businesses, which exclude the rural poor in most cases.

Corresponding Author: S.I. Okerenta, Operations Department, National Centre for Social Research Brentwood, Essex CM14 4LX, UK

This exclusion has been attributed to several factors. Rural farmers have been shut out of formal financial services by features of traditional banking practice, which places premium on the provision of collateral for credit facilities. In the event of default, the lender reserves the right to exercise his control over collateral and may sell it to pay off the loan[2].

The combined outreach of the Micro, Small and Medium Enterprises (MSME) financial institutions in Nigeria is estimated to cover less than 20 million people. This estimate includes the combined clientele of the former Peoples Bank of Nigeria (PBN), Nigeria Agricultural and Cooperative Bank (NARCB), Family Economic Advancement Programme (FEAP), Cooperatives, Non Governmental Organisations (NGO) and Community banks. In a nation where 70% of the estimated 120 million population is living below the poverty level, there are about 80 million poor and low income people that need to be reached with financial services.

The limited scale and outreach of lending to MSMEs does not correspond to the high level of government, donor and banking sector resources invested in this sector over the past 20 years. The total NGOs MFI client base is between 150,000-200,000 borrowers, not including all the members of numerous cooperatives, government agricultural financing schemes and informal Rotating Savings and Credit Associations (ROSCAS) that rural people have come to rely on. The gap is vast given Nigeria's acknowledged high potential for achieving significant growth in the MSME sector.

Current Nigerian policy makers consider MSME development as the key to a viable strategy for addressing the issues of poverty alleviation. The government of Nigeria's just released National Economic Empowerment and Development Strategy (NEEDS) will help to define this development strategy further. The focus on MSMEs is more demonstrated by the discussion underway at the Central Bank of Nigeria (CBN) and the Ministry of Finance regarding the establishment of standards regulating the activities of providers of microfinance services. They want to ensure that NGOs, community banks and non-financial intermediaries that constitute the fabric of microfinance and Small and Medium Enterprise (SME) lending industry play a sustainable role as resource providers and ensure the protection of the public's financial resources.

In order to enhance his capabilities, the farmer must have access to funds needed to execute farm plans. Some farmers are opportune to generate funds internally to prosecute their farm programmes. Unfortunately, however, a majority of the Nigerian farmers cannot generate enough financial resources from their farming operations and are, therefore, compelled to look for required funds from outside sources. Oladele and Adesope[3] justified the need for credit to small scale farmers as it plays a great role in poverty reduction initiatives by increasing the flow of investment for agriculture. Several programmes and schemes have been instituted by government to make credit available to small scale farmers, however, this has not improved their inadequate or lack of access to credit. Non Governmental Organizations have helped to address this situation to a large extent through the provision of micro credit. Several Micro Finance Institutions (MFIs_jhave been established in the Niger delta areas. Micro Finance Institutions have made useful services of providing micro credit available to the benefit of rural people. It is however, not certain whether their services have improved the quality of life of rural people they serve or not. This study therefore intends to investigate perceived effects of Micro Finance Institutions programmes on quality of life of rural households in the Niger delta area of Nigeria.

MATERIALS AND METHODS

The Federal Government during the implementation of development programmes for the area through Oil Mineral Producing Area Development Commission (OMPADEC) and Niger Delta Development Commission (NDDC) has delineated the following states as members of the Niger Delta. They are: Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers states. The Niger Delta covers an area of about 70,000 km^2 and consists of distinct ecological zones which are characteristics of a large river delta in a tropical region: Coastal ridge barriers, mangroves, fresh water swamp forests and lowland rainforests[4]. The Niger Delta states share common characteristics of a rural setting. However, there are micro-variations that accentuate the variation in the pattern of agricultural change and rural diversification[5]. Such a variation in the pattern of agricultural change can further explain possible changes in household income and income earning opportunities among the rural areas. The purposive sampling technique was used in selecting seven states among the nine states of Niger Delta. These are: Abia, Bayelsa, Imo, Rivers, Edo, Delta and Ondo states. The activities of the Microfinance Institutions were studied. The activities of these NGO MFIs are more predominant in the areas selected for the study.

There are several MFIs in the study area but eleven major MFIs providing microfinance services to rural farmers in the selected states of Niger Delta were purposively selected. The purposive selection was based

Table 1: Distribution of beneficiaries' perception of the effects of MFI programmes on their quality of life

Respondents perception effects of MFI programme on their quality of life	Mean %	Remarks
MFI services provided has increased our family's access to health facilities	42.63	Low
MFI services provided have helped my family to have more food to eat	51.45	Average
MFI services have helped my family to have fixed assets (Radio/TV) etc	43.60	Low
MFI services have increased myability to send my wards/children to school more regularly	60.75	High
MFI services have provided my family with access to good drinking water	53.26	Average
Grand mean	50.34	Average

Sources: Field data, 2005, N.B:Very poor perception = 0-25%, poor perception = 26-49%, Good perception = 50-75%, Excellent perception = 76-100%; Any mean score < 50% suggests unfavourable perception with item statement

on the number of loan beneficiaries from the MFIs and social responsibility services of the MFIs to their host communities. The states were stratified into the existing agricultural zones. Three agricultural zones were purposively selected from each of the chosen states of the Niger Delta region, making a total of 21 agricultural zones. Two local government areas were purposively selected from each zone making a total 42 L.G.As. The lists of communities in each of the selected LGAs were collected from the L.G.A headquarters and from these lists one community was purposively selected from each L.G.A making a total of 42 communities in the Niger Delta region. From each selected community, 6 participants were randomly selected making a sample size of 252 respondents, but data for only 207 respondents were used for the study. Participants as used in this study are those that take part in the credit and savings programmes of microfinance institutions operating in the study area. Structured questionnaires were administered on the participants of MFIs' programmes. Generally data were analysed using mean scores and the Scoring Technique (ST). Scoring Technique was used to compute standard of Living. This was used by Puhazhendhi and Satyasai[6] in their study of Microfinance for Rural People in India-an Impact evaluation. Also Singh and Chand used this technique in their study of quality of life approach for Identification of Poor. Composite Index of Standard of Living was computed for respondents combining the social and economic parameters using the scoring technique. The Index of Social Indicators of i^{th} household (S_i) is given by the following mathematical expression

$$\Sigma S_i/\Sigma S_{i(max)} \text{ X100} \quad (1)$$

The index of Economic Indicators (E_h) is given by

$$\sum E_j/\sum E_{j\,(max)} \text{ X100} \quad (2)$$

Combined Index of Standard of Living (SLI_h) is given by

$$W_1 S_h + W_1 E_h \text{ X } 100 \quad (3)$$

Where

S_i = i^{th} social indicator

E_j = j^{th} economic indicator

$S_{i(max)}$ = the maximum scores of the i^{th} social indicator

$E_{i(max)}$ = the maximum scores of the j^{th} economic indicator

W_1 = Weight $_1$ is given by $\Sigma S_{i(max)} / \Sigma S_{i(max)} + \Sigma E_{i(max)}$ (4)

$$W_2 = 1 - W_1 \quad (5)$$

RESULTS AND DISCUSSION

Perception of participants on the effects of MFIs programmes on their quality of life Perception of the beneficiaries of MFIs programmes explains the acceptability of these programmes among the beneficiaries. Table 1 reveals a generally favourable perception of effects of MFIs programmes on quality of life of the beneficiaries. Most of the respondents believed that MFIs services have assisted their family access to healthcare and this represents 42.63 %. Also 51.45% of the beneficiaries believed that MFI services have assisted their family to have more food to eat. Furthermore, beneficiaries believed that MFI services have not helped their family to acquire more fixed assets such as radio, TV etc. This represented by 43.60 %. Beneficiaries agreed that MFIs have increased their ability to send their children to school more regularly this is represented by 60.75%. Finally, the beneficiaries asserted that MFI services have provided their families with more access to drinking water representing 53.26%. The grand mean of the beneficiaries perception on the effects of MFIs services on their quality of life is represented 50.34%. This shows that the beneficiaries have favourable perception of the MFIs services as a contributory factor to the improvement of their quality of life.

Composite index of standard of living: The findings of this study, the aggregate measure of MFI programmes on quality of life rural farmers are measured by computing the Composite Index of Standard of Living. This comprises the social and economic indicators as presented in this section. The Index has been worked out using Scoring Technique (ST).

Table 2: Distribution of social indicator scores of standard of living index

Assets value Score (N'000)	1-20	21-40	41-60	61-80	81-1000	>100
Annual house income (N'000)	1	2	3	4	5	6
Savings (N'0000)	1-20	21-40	41-60	61-80	81-100	>100
Score	1	2	3	4	5	6
Loan (N'0000)	1-20	21-40	41-60	61-80	81-100	>100
Score	1	2	3	4	5	6
Loan repayment (N'000)	1-20	21-40	41-60	61-80	81-100	>100
Score	1	2	3	4	5	6

Source: Computed from field survey data, 2004-2005. Any percentage >100% suggests a good Standard of Living

Table 3: Distribution of social indicator scores of standard of living index

Portable water	River	Stream	Borehole	Tap	Rain
Score	1	2	3	4	5
Health services	Reproductive health	HIV/AIDS	Family planning	Malaria control	Sanitation
Score	1	2	3	4	5
Educational facilities	School block	Teaching aids	Scholarship	School furniture	Text books
Score	1	2	3	4	5
Employment	Women Development centre	Business centre	Sloop	Land transport	81-100
	1	2	3	4	5

Computed from field survey data, 2004-2005 Any percentage >100% suggests a good Standard of Living

The Index of Social Indicators of h^{th} household (S_h) is given by the following mathematical expression

$$\sum S_i / \sum S_{i\,(max)} \text{ X } 100$$

The index of Economic Indicators (E_h) is given by

$$\sum E_j / \sum E_{j\,(max)} \text{X } 100$$

Combined Index of Standard of Living (SLI_h) is given by
$W_1\, S_h + W_2 E_h$ X 100
Where
S_i = i^{th} social indicator
E_j = j^{th} economic indicator
$S_{i(max)}$ = the maximum scores of the i^{th} social indicator
$E_{j(max)}$ = the maximum scores of the j^{th} economic indicator
W_1 = Weight $_1$ is given by $\Sigma Si_{(max)} / \Sigma S_{i(max)} + \Sigma E_{j(max)}$
$W_2 = 1\text{-}W_1$

Computation of economic indicator index

$\sum E_j / \sum E_{j\,(max)}$ X 100
= Σ Ej = Annual Income 6 + Savings 6 + Low 6 + Repayment 6
= 24
= Σ Ej = Annual Income 3+ Savings 3 + Low 3 + Loan repayment 3
= 12
$\sum E_i / \sum E$ (max) X100
= 24/12 = 2

Computation of social indicator index

Σ Si = Σ S (max)
Σ Si = Score of water = 5 + Health = 5 + Education = 5 + Employment = 4
= 19
Σ Si (max) = Stream = 2 + Malaria control = 4 + Women Domestic = 1 + School Furniture = 4
=11
Σ Si (max) X100
= 19/11 = 1.7 =170

Computation of combine index of standard of living (SLIh)

= Wi Sh + W2 Eh
= Wi = Σ Si (max)

$$\frac{\sum S_i \text{ (max)}}{\sum S_i \text{ (max)} \sum E_j \text{(max)}}$$

$$\frac{= 11}{11 + 12} = 0.47$$

W2 =. 1 – W1
= 1- 0.47
= 0.53
:. Combined Index of Standard of Living (SLIh)
= W1Si + W2 Ej
= 0.47 (2) + (0.53) 1.7 X100
86+ 90
= 176

The estimated value of index separately for social and economic aspects as well as a combination of these two is presented in Table 2 and 3. The estimated average composite index for social indicators was 170% for participants of MFIs programmes. This shows a high standard of living for the beneficiaries. The index for economic indicators shows an average of 200% for participants.

The overall index of 176% for participants shows that there is a relatively better quality of life for participants of MFIs'programmes. Therefore, this result shows that the effects of MFIs' programmes on participants' quality of life are more pronounced on economic indicators than in social indicator

CONCLUSION

From the study, the participants' perception is that the programmes of MFIs have favourable effects on the quality of life. The grand mean of 50.34 was recorded which implies an favourable perception. The economic and social indicators were aggregated to calculate the standard of Living of participants. The Composite Living of Standard Index as calculated showed an overall Index of 176% for the participants of MFIs programmes. This confirms that the programmes of the MFIs have a positive effect on the quality of life of the participants. Based on the findings of the study it is recommended that the government and its institutions including the Central Bank of Nigeria should make concerted effort to promote Microfinance as a means of mobilizing savings, promoting enterprise development, creating employment and income generation and thus reducing poverty. Also, there is urgent need to have in place a policy frame work that will regulate the establishment, operations and activities of MFIs in Nigeria. It is very important for all MFIs that mobilized funds from the public for which there is need for confidence building, efficiency of operation and safety of deposits of the rural poor. The current situation of lack of policy framework encourages multiple standards and lack of uniformity in financial transactions.

REFERENCES

1. Chinsman, B., 1997. Poverty Alleviation for Sustainable Human Development Paper presented at the Workshop on Poverty Alleviation in Nigeria organized by Vision 2010 Committee, Abuja.
2. Ikhide, S., A. Akinlo and K. Mochizuki, 1998. Microfinance: A Case Study of The Community and Peoples' Bank in Nigeria' Joint Research Programme Series No 123, Institute of Development Economies Tokyo Japan.
3. Oladele, O.I. and O.M. Adesope, 2004. Credit supply services of Non-Government Organiizations tos small-scale farmers in Nigeria. J. Rural Dev., 23: 375-383.
4. Niger Delta Environmental Survey, 1996. Terms of reference. Lagos: NAL Towers.
5. Okafor, E.E., 1991. Population Pressure, Agricultural Change and Environmental Consequences in South-Eastern Nigeria' New York Social Science Council.
6. Puhazhendhi,V. and K.J.S. Satysai, 2000. Microfinance for Rural People and An impact Evaluation National Bank for Agriculture and Rural Development Kamatak Orion Press, Fort Mumbai