The Social Sciences 11 (13): 3286-3293, 2016
ISSN: 1818-5800
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Widening Inequality and Poverty in the Developing World-Micro-Financing as a Viable Solution

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Abstract: In developing regions such as Africa and Latin America, the income disparity between the rich and the poor is very wide. No doubt, Inequality is on the rise in recent years and, following the turn of the global financial crises, so is the poverty index within the developing nations of the world. With advancements in technology, globalization and changing social norms, the complex nature of income inequality and poverty today has led economists and sociologists alike to become more critical of this growing phenomenon. Despite, the extensive literature that exists on this subject matter, there seems to be conflicting opinions as to 'the best' solution to address this increase in inequality in the developing world. The one thing experts do agree on, however, is that even if there may be other impersonal causes for the rise in inequality and poverty, governments' adoption of microfinance strategies on a macro scale may be one of the most effective ways to curb this increase. The aim of this study is to highlight the vast potential that microfinance has as a tool for poverty alleviation. This study begins by briefly presenting some of the main causes for inequality and poverty in the developing world and how these factors are measured. A detailed analysis on the social consequences of inequality is then presented as well as the role of microfinance in poverty alleviation in developing nations. The study concludes by highlighting the major challenges that governments face in adopting microfinance strategies and the best ways to mitigate these challenges. It is established that Microfinance if well managed is a powerful tool for lifting the poor out of poverty or turning their fortunes around and thereby help bridge the frightening gap between the rich and the poor in developing countries that are so rich, yet the majority of their citizens are poor.

Key words: Inequality, poverty, microfinance, income, developing nation, poverty alleviation

INTRODUCTION

In recent years, inequality in many countries has been increasing and this seems to be irrespective of whether the countries are growing economically or not. The OECD report why inequality keeps rising highlighted that in OECD member countries over the last two decades, the average income of the richest 10% of the population has grown to be about nine times that of the poorest 10% a ratio of 9-1. The Gini coefficient of these countries was said to have increased by almost 10% from an average of 0.29-0.32 between the 1980s to the late 2000s.

Within many developing nations in Sub-Saharan Africa and East Asia the income disparity between the rich and the poor seems to be increasing even though the number of people in living in extreme poverty has reduced since the 1980s. Indeed, the world bank (2012) opines that the share of the global population living in extreme poverty has reduced by half from 52% in 1981 to just 22% in 2008 (Olinto and Saavedra, 2012). The same world bank report however pointed out that while it may seem that global inequality between world citizens has only increased slightly in statistically insignificant proportions between 1980s-2005 (Gini coefficients of 0.68 and 0.70, respectively) but when individual countries are looked at in detail, a totally different picture is seen about the state of the widening inequality among each country's citizens. In East Asia for instance, there has been noticeable increments in inequality in China, Indonesia, Mongolia and Vietnam with China recording the highest increase (its Gini coefficient climbing from 0.30 in 1980s-0.45 in 2005). The highest levels of income inequality are recorded within Sub Saharan African countries so far with Gini coefficients close to 0.45. In 2011, South Africa, Namibia and Zambia led the pack with considerably high Gini coefficients of 0.64, 0.61 and 0.57, respectively.

While the declining trend in global poverty levels (mentioned earlier) is welcome, the scourge of poverty and growing inequality is biting hard in different parts of the developing world, especially in Sub-Saharan Africa where the poverty levels remain unacceptably high. Recent World Bank data reveals that about half of

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Sub-Saharan Africa live below the poverty line of <$1.25 a day. Furthermore, of the 2.2 billion people that live under $2 a day, three quarters of Sub-Saharan region fall into this category (United Nations, 2010). Consequently, there exists massive deprevations in the promise of a 'better life' for all. In this region, inequality and exclusion is dominant.

In sum while global poverty levels have been significantly reduced over the past 30 years, there has been an increase in the income disparity within countries, with some of the highest figures recorded in Sub-Saharan Africa.

The reason for this incessant uptrend in income inequality has been debated by economists and sociologists the world over. As such, there already exists extensive literature that may attempt to pinpoint some of the factors responsible for this rise in inequality. It is imperative that these factors and the long term consequences of growing income inequality are understood in context if one is to proffer a feasible strategy to curb the trend. This study will now look at some of these factors contributing to increasing income disparity in developing nations and proceed to propose the wide scale adoption of microfinance strategies as a viable tool to bridge the widening gap.

MAIN CAUSES OF INCOME INEQUALITY

The institutional framework of a country is a major factor in determining the trend of income inequality. Indeed, few other factors are seen to have a profound and immediate impact on income inequality as government policies. Higher taxes can be an effective tool used by governments to redistribute some of the higher incomes earned by skilled workers. Furthermore, it is clear that economic policies that promote neoliberalism have left many developing nations, most notably in Sub-Saharan Africa, 'marginalised' during the past three decades. Economic neoliberalism basically involves the deregulation of business, flexibilised labour markets, privatization of state-owned enterprises and the elimination of subsidies amongst others (Bond and Dor, 2003). Pro neoliberalists have argued that such policies actually reduce inequality by creating an equal 'playing field' for all stakeholders. Nevertheless, as developmental data from some Southern African nations (Mozambique, Lesotho, Malawi, Botswana and Zambia) would suggest, this is not the case. Over reliance on such policies tends to reduce the government's role in development to nothing more than just creating a conducive investment climate for private (usually Foreign capital). This then creates an enclave economy that is highly dependent on external factors like foreign direct investment leading to unsustainable economic development and ultimately, an increase in the income disparity within the region.

Globalization is also regarded as one of the major drivers of income inequality. The collapse of the Soviet Union and the rise of China brought over a billion new workers into the global economy. This, coupled with the relative ease of migration of citizens of developing nations from around the world changes the supply of labour in both source and destination country. Migration of high skilled labour, tends to put a downward pressure on the wages for low skilled labour as there would be more people competing for the same low skilled jobs this in turn increases the income inequality. Furthermore, with globalization, the boundaries of smaller markets are broken down and so traders and farmers are able to sell their products into new markets abroad. Such cheap low skill exports and outsourcing reduce wages among the low skilled, thereby increasing inequality. Globalization and regional agreements have favored certain nations at the expense of others. Many African countries have lost not only their potential foreign capital inflows but also markets for their exports. This is very true of Nigeria that is currently groaning under the pains of the drastic drop in her oil exports earnings.

The impact of technology advancements on inequality cannot be over-emphasized. Technological progress in both developing and developed countries has radically changed the way we all live and work. Consequently, it has also changed the types of labour needed to support the way we live and work. Technology progress has shifted the labour demand from low skilled labour to high-skilled thereby exacerbating income inequality. Thus, it can be said that technological progress is somewhat correlated with income inequality. It is widely believed that there are several other innate 'personal factors' that may play a role in widening income inequality. People with different abilities tend to earn more. For instance highly self motivated people may keep on improving themselves and acquiring more skills which in turn earn them a better wage. It is also debated that intelligence may play a role in determining one's income.

It is very likely that all the factors mentioned policy, globalization, technology advancement and personal factors have played a role in increasing income inequality. Whatever the cause may be, government intervention via sound policies can still go a long way in stemming the uptrend in income inequality.

Why then should governments be concerned about this growing trend? Why does the rising income disparity within developing nations always tend to be a hot topic in every major social science and economics forum all over the world? Well, one of the most direct consequences, if the growing income inequality is left

unchecked is credit rationing-since the markets excludes the poor without collateral. The exclusion denies the poor vital access to credit and savings needed to raise incomes, get access to more food and acquire other necessities (education, skills, health care, etc). This in turn leads to further income disparity between the rich and the poor. This vicious cycle creates an inequality trap that threatens the sustainable development of many countries and if not dealt with can reverse the gains already made in global poverty eradication over the past two decades. Thus, in order to ease inequality and develop the financial sector, it is necessary to deal with such market failures (Kai and Hamori, 2009). It is the view of this study that one of the most potent tools that can be used to check this trend is microfinance. As a financial service primarily designed for the poor, microfinance has proven to be a formidable tool to develop sustainable financial systems. The declaration of the First Decade for Eradication of Poverty (1997-2006) by the United Nations shows how important microfinance has become so much so that a World Summit was devoted to it in Washington DC in 1997 by the United Nations. UN agencies have also developed several micro credit programmes. For instance, UNESCO in 1995, established its own microfinance unit in order to promote microfinance as a tool in poverty alleviation. Many see microfinance as a bridge that delivers not only credit but also, adequate education, health and social services. It is a tool which if properly utilized will help improve the quality of lives of the poor and low income groups. This study will now proceed to give a detailed analysis of the immense potential of microfinance as a tool for poverty alleviation and inequality reduction as well as present a number of success stories from developing nations around the world.

THE EQUALIZING POTENTIAL OF MICROFINANCE

Since, its inception in the mid 1970s, microfinance has proven to be a very viable tool in raising the income of the poor. Kai and Hamori (2009) opine that microfinance lowers inequality and that it can be used as an effective redistribution tool. According to them, it does this by providing loans to the poor with a high repayment rate using its array of ingenious lending techniques, thus easing the credit constraints of the poor and ultimately lowering inequality. Ahlin and Jiang (2008) further assert that microfinance lowers inequality by raising the income of the poor and consequently reducing that of the wealthy since the wages paid by employers increase. Specifically, they described a model wherein microfinance can either raise incomes without sacrificing equality or lowers inequality at the cost of lowering income.

To understand the reasoning behind the assertion that microfinance has a strong equalizing potential, the term ‘microfinance’ and its evolution must be properly defined and understood. In the post war era, subsidized government lending schemes and rural co-operatives were introduced in a bid to provide small credit to rural communities and small farmers. However, in no time it was evident that such policies were a dramatic failure. Hulme and Moore (2006) assert that such policies failed to get credit to poor people, did little to improve agricultural yields and had high rates of default so that viable rural finance institutions could not be established. The poor were viewed as just not bankable by many of the financial service providers at the time and political manipulation of the policies made the scheme particularly inefficient in achieving its main mandate. It became clear that these schemes were inadequate to address the many barriers that had hitherto excluded the poor from having access to the formal financial sector (Hulme and Moore, 2006).

In an attempt to address these setbacks in lending to the poor, an innovation in financial services, known as ‘microcredit’ was birth. Microcredit basically involves the provision of small credit loans to the economically active poor and low-income people to be used as capital for further income generating activities. This revolutionary tool meant that for the first time, poor people could access credit with very low interest rates and no collateral. The loans are typically small ($100-500) and usually short term (typically 12 months or less). As borrowers promptly meet their repayment obligations, they are eligible to borrow larger sums from the system. In place of collateral, borrowers must make regular savings as a precondition for getting such loans (Elahi and Rahman, 2006).

Borrowers are also organized into groups which act as a form of collective guarantee wherein group members are mutually responsible for ensuring that individual loans are repaid on time. Furthermore, unlike previous post-war attempts, the microcredit scheme was spearheaded by NGOs who, by definition are independent from the government and do not seek to make a profit. This remarkable innovation which was first a tremendous success in Bangladesh in the mid 1970s has now transformed the lives of millions all across the globe. It has helped the poor escape the poverty trap by raising their incomes and providing a means for sustainable income generation.

With time, it became clear that providing only one kind of service loan distribution and recovery was necessary but not sufficient to entirely cater for the credit needs of the poor and help them climb out of

poverty. Thus, the revolutionary microcredit scheme witnessed a natural transformation into what is today known as 'microfinance'. Microfinance refers to the provision of a wide range of financial and non-financial services, including microcredit to the poor and low income earners. These services include microcredit (loans and savings), insurance, money transfers, skills training, workshops, marketing, health and education and other financial products designed to develop the all round financial capacity of the borrower putting them on a solid foundation towards sustainable income generation. Thus, it is a much broader concept than microcredit. The main proponents of microfinance are not just NGOs but also other financial institutions (non-bank financial institutions, specialist commercial banks, microfinance departments of larger formal banks, informal moneylenders and shopkeepers) collectively referred to as Microfinance institutions or MFIs. Unlike microcredit schemes that are run only by non-profits organizations, microfinance however is a for-profit venture. From the onset, MFIs set out to make a profit and eventually become self sustaining. This subtle conceptual difference is perhaps one of the critical reasons why microfinance programmes have witnessed huge success around the world today as compared to earlier microcredit initiatives. Microcredit programmes are financed by micro-lenders who use their own money to do their business (Elahi and Rahman, 2006). This makes them unsustainable in the long run and ultimately limits their reach. Robinson opines that Profitable microfinance institutions can provide financial services at a moderate cost to far more of the economically active than can any alternative provider. Today, MFIs across the globe are making tremendous progress in empowering the poor to raise their incomes and consequently reducing the huge income disparity between the rich and the poor.

Nowhere has this microfinance revolution been more striking than in Bangladesh which has been able to transform itself from a symbol of famine to a symbol of hope. Arguably, one of the most famous gifts that this nation of 160 million people has given to the world is the Grameen Bank of Bangladesh. Pioneered by the Nobel Laureate Mohammed Yunus, Grameen is no doubt an excellent illustration of the huge equalizing potential of microfinance as a tool for poverty alleviation and financial empowerment of the poor. What began as an action and research project in the mid-1970s has today grown into a chartered financial institution with over 6 million borrowers and a very extensive outreach. Today the bank runs as a public cooperative which is 94% owned by its borrowers. From its inception till date, the Grameen bank has been hugely successful in helping millions of poor people start up or upgrade their businesses. Much of Grameen's initial success is owed to the innovative approach and tenacity of its visionary founder. Professor Yunus' iterative approach of experimenting on a small scale, implementing the lessons learned, improving the efficiency and large scale expansion over several years is perhaps what laid the solid foundation upon which the Grameen model has thrived for over three decades. Furthermore, according to Hulme and Moore (2006), there are many other overlapping reasons why the Grameen model worked. Some of the reasons they highlighted include approaches such as innovative Targeting, Screening, Ensuring Payment, administrative efficiency, Learning and adaptability. In order to reach the most people in need of the services and products they offer, the Grameen bank used a combination of direct and indirect targeting coupled with membership obligations such as compulsory attendance in meetings. To screen out non viable clients, the Grameen model places an emphasis on client involvement in group selection. The model has managed to ensure very high repayment rates (98.28%) by carrying out a combination of intensive supervision of its clients by staff, peer monitoring and compulsory savings. From an administrative perspective, the Grameen model is highly efficient because of its emphasis on group lending, high performing staff incentives and the use of standardized products and procedures which can be easily replicated. Furthermore, Grameen's ability to learn and adapt has over the years, seen it become flexible and responsive to the borrowing needs of its members. For instance, through its education loan schemes, numerous families are now witnessing the first members of their families to ever attend world renowned institutions of higher education; the Grameen housing programme finances houses being built or rebuilt and Grameen also introduced their life insurance program and loan insurance scheme to its members. Even the beggars are not left out. Grameen extends its loan services to beggars under a scheme called the struggling members programme in a bid to reach out to beggars (blind, disabled, retarded, sick and old people) by providing interest free loans with very long repayment periods there are over 90,000 beggars under the scheme and over 80% of the loans have been paid off already. Zaman opines that it is such visionary leadership, coupled with a supportive policy/regulation environment, suitable donor funding and a suitable physical environment that has made the Grameen model (and indeed Microfinance as a whole) a huge policy success in Bangladesh. In 1995, the Grameen Bank decided not to receive anymore donor funds owing to its large amount of deposits and annual profits realized. Today the bank is financially sustainable and 100% of the loans disbursed are financed from the bank's deposits. Indeed, the financial soundness and replicative nature of the Grameen model saw it quickly adopted by several other NGOs and institutions across

Bangladesh, establishing the country as a microfinance powerhouse. Today, there are over 1200 MFIs in Bangladesh providing credit to a remarkable 13 million poor households. This has considerably increased the income of the poor in Bangladesh, reduced their vulnerability and has also indirectly affected their social conditions-better education, feeding, health care and housing.

The ideas and methods of the Bangladeshi microfinance models have not just diffused across Bangladesh but spread across the world formally and informally. In 1999, The Grameen Bank began a Replication Program in the US in order to support institutions and individuals across the world who seek to replicate the Grameen ideology. Today the program has partners in over 22 countries collectively changing the lives of close to 1.2 million of the poorest people in the world. Another Bangladeshi MFI, BRAC, expanded its operations to two foreign countries, Afghanistan and Sri Lanka in 2002 and 2005, respectively. By 2003, just a year later, BRAC Afghanistan had already lent almost $1 million to over 10,000 borrowers with a 100% repayment rate.

Over the years, a handful of other MFIs in various nations have demonstrated not only the bankability of the poor but also the potential for sustainability of financial institutions that serve the poor. As in the case of Grameen, full financial sustainability is reached when administrative, loan loss, inflation and financial costs are covered entirely by revenues. The successful transformation achieved by PRODEM in India and Bancosol in Bolivia have served to encourage other NGOs and MFIs around the world to design their own transformation to gain capability to fund their expansion by mobilizing deposits and accessing the capital markets. This kind of transformation enabled a Philippine NGO, the Centre for Agriculture and Rural Development (CARD) to move its clients base of 23,000 women in rural villages to over 40,000 repeat borrowers and savers in less than four years. In Indonesia, microfinance is spearheaded by the formal financial sector. With these three large players (BRI units, BPRs and the Pegadaian) the formal financial sector outperforms the semiformal and informal sectors by a large margin. The innovative Unit Desa Network of the Bank Rakyat Indonesia (BRI) is bringing hope to untold millions of poor people in Indonesia. The Unit Desa microfinance system has >2 million active loan accounts and 12 million depositors.

It is clear from the remarkable achievements of MFIs across the world that microfinance is indeed making quantum leaps in the push for poverty alleviation and the reduction of income disparity the world over. The effectiveness of the innovative microfinance programs pioneered by institutions in various countries has demonstrated that low-income clients can use small loans productively, repay them back fully and on time. When given the reason to do so, they can and are willing to pay high interest rates for their loans and often need savings services as much as or more than credit services. The findings correct earlier notions that the poor cannot use credit effectively, do not have the capacity to repay loans, cannot afford high interest rates that reflect the real cost of funds and do not generate sufficient surplus funds to enable them to save.

A number of breakthroughs have made microfinance program an imperative to alleviating poverty and reducing income inequality especially in developing nations. This paper argues that the wide scale adoption of the microfinance program will help check the widening inequality and poverty that currently exists in these countries. This will help put resources and power into the hands of the poor and low income people, who form the majority of the world's population and thereby enable them make those everyday decisions and chart their own paths out of poverty. The potential of microfinance as a tool for helping to achieve this feat in the developing world is enormous especially amongst the group of the poor the hardest hit women and children.

Women have been identified over time by development experts as a key to successful development through financial inclusion. For example, Women's Development Business (WDB) in South Africa, a 'Grameen bank replicator', strives to ensure that rural women are given the tools to free themselves from the chains of poverty through the allocation of financial resources directly to women including enterprise development programmes. The idea is to use microfinance as a market-oriented tool to ensure access to financial services for disadvantaged and low income people and thereby fostering economic development through financial inclusion. According to the World Bank, "investing in women" speeds economic development by raising productivity and promoting the more efficient use of resources; it produces significant social returns, improves child survival and reduces fertility. It has intergenerational pay-offs. Research shows that a greater female control of household income is associated with better outcomes for children welfare.

These outcomes will come through only when the poor, including women have unhindered access to microfinance. Studies show that permanent access to sustainable finance enables the poor to increase incomes and move from everyday survival to planning for the future, investment in better nutrition, children's health and education. Access to a broader range of services would certainly improve the lives of the poor dramatically.

LARGE SCALE ADOPTION OF MICROFINANCE STRATEGIES-CURRENT CHALLENGES AND FUTURE ROADMAP

Major reductions in world poverty and inequality are possible. Improving the lives of the poor requires developing institutions, improving government performance and changing political structures and attitudes. Delivering financial services to larger numbers of ever poorer and more remote clients than are currently reached presents a challenge to the microfinance industry, especially in sub-Saharan Africa. The overall concentration of current clients around the poverty line suggests that innovations are necessary to better meet the needs of a broader range of potential clients, extending from the extreme poor to the vulnerable non-poor.

Micro finance in Sub-Saharan Africa faces some major challenges at all levels of the system that limit it from achieving its full potential on the continent in the fight against poverty and income inequality. At the micro (financial services provider) level MFIs in Africa generally have internal weaknesses in their governance, financial sustainability, human resources and asset management, inadequate credit guarantee. On a meso (support services provider) level, the Sub-Saharan African microfinance climate is characterized by low capacity, limited number of skilled service providers, limited transfer of skills, uneven quality of audit, unavailability and unreliability of information in a few countries. On a macro (policy and supervision) level, it is plagued by a lack of clarity of the roles of different ministries, weak supervision, ineffective legal system and low levels of financial literacy. All of these challenges severely inhibit the sustainability and reach of microfinance in Sub-Saharan African countries. As such, the poor are not adequately catered for and are often excluded from policies derived for the formal financial system in these countries.

In line with the main tenets of the Maya Declaration of 2011, this study calls for a more inclusive financial system that benefits the poor people both indirectly, through increasing growth and directly as they gain access to needed services. Currently, many potential clients remain excluded. There is the need to build financial systems in developing countries that are inclusive, systems that serve the entire population and not just a tiny minority. Building inclusive financial systems on a massive scale will rely majorly on public and private sector backs.

The subject of financial inclusion has been gaining more and more attention amongst international development agencies in recent years. The United Nations General Secretary in 2009, designated a Special Advocate for Inclusive Finance for Development (UNSGSA) in the person of Her Majesty Queen Maxima of the Netherlands. Queen Maxima and her team work tirelessly with global stakeholders to encourage government leaders and top finance experts in a bid to foster action towards financial inclusion. As at 2013, 43 different developing countries have made commitments at the highest levels of government to advance financial inclusion by developing national strategies that foster the same. The 2013 Annual Report of the UNSGSA defines financial inclusion as universal access, at a reasonable cost to a wide range of financial services, provided by a variety of sound and sustainable institutions. In addition to access to financial services, the United Nations Capital development Fund further include the sustainability of financial institutions and the presence of multiple financial providers as the mark of an inclusive financial system.

Experts agree that to achieve the vision of an inclusive financial system, There is need to integrate financial services for the poor into all levels of financial systems: micro, meso and macro. Microfinance services should not be marginalized or relegated to a narrow space within the financial system. Their integration would open financial markets to the majority of people living in developing countries, including poorer and more geographically remote clients than are currently reached. Achieving this feat requires well thought out, deliberate and innovative global and national finance strategies.

This study supports the key principles and models for a sound microfinance strategy outlined by the Consultative Group to Assist the Poor (CGAP). These principles emphasize the need to place as top priority, access to microfinance and a market-based for-profit approach when developing a comprehensive poverty alleviation strategy. The principles also emphasize the need for integrating the microfinance sector with the formal financial system. To put into focus all the key elements that would be entailed in a comprehensive microfinance strategy, this paper proposes a 3-P approach partnership, policy and publicity.

Partnership: The United Nations holds the view that microfinance agenda would work if carried out in a partnership a partnership in which governments provide the enabling environment; external development partners (Donors) provide financing and technical support and the MFIs and meso-level players take maximum advantage of the enabling environment and the support of development partners to develop and deliver services. This partnership should be built on the principles of the Paris Declaration and the Accra Agenda for Action.

Policy: In the pursuit of financial inclusion, the primary goal of national policy makers is to achieve a regulatory

environment and supervisory framework that can produce robust, effective and sustainable microfinance institutions. As mentioned earlier, there is dire need in Sub-Saharan Africa for innovative national strategies and action plans that are clear in their mission and in the roles of the various industry stakeholders. Following years of extensive research, the CGAP has been developing a methodology that may prove to be an invaluable blue print for developing countries that have committed to making financial inclusiveness a priority in their financial policy making. Traditional objectives of national financial policies have always focused on three things financial stability, financial integrity and consumer protection. Now, the new methodology developed by the CGAP, referred to as the I-SIP Model, aims at understanding how policy making changes with the addition of financial inclusion as the fourth core objective to the traditional objectives (i.e., inclusion, stability, integrity and protection). This will provide valuable insights to policy makers, showing them how these four objectives are interlinked and how to successfully minimize the trade offs in order to build a solid and sustainable national financial system. Successful research and trial of the I-SIP Model in South Africa and Pakistan (2012 and 2014, respectively) has yielded valuable insight into the viability of this model. There is now increasing consensus in the international community that this model is definitely a game changer.

Furthermore, the issue of funding is one that any successful national microfinance strategy must adequately address. Without sufficient financial backing from the government, the reach of MFIs is severely limited and the sustainability of the good work they do is not guaranteed. The recently updated National Microfinance Development Strategy for Nigeria is perhaps a good antecedent in this regard. The strategy saw the establishment of a national Microfinance Development Fund (championed by the country's Apex bank) where contributions from Donors, Development Partners and Philanthropists would be domiciled. Furthermore the policy mandates all the three tiers of the Nigerian government to contribute nothing <1% of their annual earnings into the National Microfinance Development Fund. The fund which was set up at both federal and state levels was created as a means to streamline the operation of the funds so as to preserve the sustainability and effectiveness of the microfinance program. Perhaps more Sub-Saharan African countries can adopt this strategy of creating a national Microfinance Fund and even further establish policies mandating banks (both private and public) to contribute 20% of their annual profit to the fund.

In addition, governments need to provide sound regulatory and legal frameworks at the macro level and support development at the meso level to ensure that the capacity of MFIs is improved as well as set up the standards to ensure that they do comply. As such African governments can adopt several international standards pioneered by development partners (UNCDF, CGAP and others) all in a bid to boost the operational efficiency of MFIs and their outreach. These regulations will address key issues like competition as a result of removing interest rate ceilings for MFIs; the origin of funds utilized to provide microfinance services and the type/range of activities carried out by MFIs. Nevertheless, regulation is only as good as the supervision that follows. Currently, the supervisory capacity within many African countries is deficient and lags behind the current size of active MFIs. Thus, setting up an enabling supervisory environment is imperative. The African Governments may consider hiring consultants to train and build the capacity of national supervisory personnel in the use of high technology and standardized reporting systems to supervise the MFIs.

In collaboration with donors, the government can create an enabling business environment that will enable the donors invest heavily in capacity building initiatives which is a serious threat to MFI growth in Africa. Just a little bit of coordination will be required to make available, world class training programs for various industry stakeholders and MFIs at the various levels.

Publicity: One of the challenges that the microfinance program in Bangladesh faced in its early days, was from the newspapers. The Bangladeshi newspapers regularly issued a challenge to the MFIs to give a detailed account of what they did with their funding and to get them to address other rumors pertaining to political affiliations (Hulme and Moore, 2006). Such misconceptions about MFIs are still prevalent in the society today. Furthermore, Robinson asserts that there seems to be considerable concern in the formal financial sector about whether low-income people are sufficiently educated, motivated and financially knowledgeable to manage their resources rationally and to make effective use of financial services. Thus, there is a need for the public to be enlightened and educated about the products and services that MFIs have to offer them. Thus, A multi-faceted approach, combining the print and the electronic media and using instruments such as fliers, posters, jingles, documentaries, short mobile phone messages (SMS) as well as inter-institutional partnerships/networks is crucial for the successful execution of any national microfinance strategy in the developing world.

CONCLUSION

In recent years, inequality worldwide has been on the increase. This is especially true of the developing

countries where you have the majority of the world's population. In Sub-Saharan Africa and East Asia for example, the disparity between the rich and the poor is widening. Poverty levels in Sub-Saharan Africa remain unacceptably high. About half of the population live below the poverty line of less than $1.25 a day. It is estimated that of the 2.2 billion people that live under $2 a day, about 70% of them are found in this region.

It is pertinent to ask at this juncture, the bugging question that is on the mind of very many people in the world and that is; is it possible to make poverty a thing of history in the world today? Is it possible to make the frightening inequality and biting poverty in the developing world (especially in Sub-Saharan Africa) a thing of the past?

It is the candid view of this study that it is indeed possible to achieve these goals and the weapon to employ in this fight are well thought out microfinance strategies such as those that have been very successful in Bangladesh, Indonesia, Bolivia and part of India. These and much more can be replicated in the developing world.

To achieve this, governments at all levels around the world, the private sector and the capital markets would of necessity be the key drivers in the future envisioned by this paper: a future where inequality and poverty are reduced to the barest minimum, if not completely eradicated. Employing the I-SIP model in the context of the 3P approach (partnership, policy and publicity) as enunciated in the study would no doubt serve as the delivery train the world has been waiting for to stem the scourge of inequality and poverty worldwide.

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