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Microfinance and Poverty Reduction Strategy for Promoting National Development: The Challenge of Social/Financial Inclusion

M.E. Egharevba, A. Eguavoen, D. Azuh, T.C. Iruonagbe and I.A. Chiazor
Department of Sociology, College of Business and Social Sciences,
Covenant University, 10 km Idiroko Road, Ogun State, Ota, Nigeria

Abstract: Development involves the sustained elevation of an entire society and social system toward a better life by equipping the populace with the means of overcoming poverty, helplessness and misery. The core essence of development includes sustenance, self-esteem and freedom from servitude which constitute the fundamental human needs of humanity. When these goals are absent or in short supply, condition of underdevelopment exists. Development becomes an indispensable goal of meeting life sustaining basic needs; gaining esteem, respect and emancipation from social servitude, oppressive institutions and expanding the range of choices for societies and their members without external constraints. Thus, microfinance institutions represent one of the catalysts to extricate people from poverty and advance economic growth and national development. Using secondary sources of data, the study obtained that the role of microfinance institutions in promoting financial/social inclusion and poverty reduction in Nigeria is far from been attained. This is evidenced by the country's inability to attain the Millennium Development Goals (MDGs) target 1; over 70% of Nigerians are living below the poverty line, including poor employment opportunities. Furthermore, many of the microfinance institutions are still encumbered with the myriad of problems that confronted the erstwhile community banks which include lack of access to financial services for the poor especially in the rural areas, insufficient credit facilities, high interest rates for loans, poor saving culture, low level of financial literacy and urban bias in banking services. The study stressed that poverty challenge in the country remains daunting as many of the disadvantaged and economically active poor remain financially excluded, thereby impeding economic growth and human development. The study concludes with the recommendation that there is a critical need to revise the statutory framework for the establishment of microfinance institutions in Nigeria with strict monitoring mechanism put in place to ensure these institutions adhered to their goal of promoting poverty reduction among the poorest segment of the population, majority of which live in rural areas. In all, microfinance should not been seen as an avenue for profit making purpose by the rich but a mechanism to help people out of poverty.

Key words: Development, poverty alleviation, microfinance, social inclusion, financial inclusion

INTRODUCTION

Financial services provision play a vital role in the economic growth and development of communities, nations and the world at large. Similarly, human capital- health, education and skills are vital to promoting economic growth and human development. It has been argued by scholars that the level and distribution of education is the most fundamental determinants of future development prospects (Todaro and Smith, 2009). Thus, the ability of any country to exploit its natural resources and to initiate and sustain long-term economic growth is dependent on among other things, the ingenuity, managerial and technical skills of its people and their access to critical market and product information at minimal cost (Romer, 1993; Homer, 1995).

Development, therefore is about the sustained elevation of an entire society and social system toward a better life. Thus, meeting the fundamental human needs of sustenance, self-esteem and freedom from servitude represents the common goals sought by all humanity. The realization of human potential will be impossible when any of these is absent or in critical short supply and when this happens a condition of underdevelopment seems to exist. The basic function of all economic activity, therefore, should be to provide as many people as possible with the means of overcoming the helplessness, misery, poverty

Corresponding Author: M.E. Egharevba, Department of Sociology, College of Business and Social Sciences, Covenant University, 10 km Idiroko Road, Ogun State, Ota, Nigeria

and insecurity arising from inability to meet life-sustaining basic human needs and well-being (Sen, 1999). Thus, the elimination of poverty, creating greater employment opportunities and lessening income inequalities constitute the necessary conditions for development.

Attaining a holistic development will entail creating human freedom which involves the emancipation of people from alienating material conditions of life and from social servitude to nature, other people, misery, oppressive institutions and dogmatic beliefs, especially that poverty is predestination. Furthermore, freedom involves an expanded range of choices for societies and their members with a minimization of external constraints in the pursuit of some social goals (Sen, 1976). It also encompasses various components of political freedom, including but not limited to personal security, the rule of law, freedom of expression, political participation and equality of opportunity (UNDP, 1992). In the light of this, the existence of wealth or income as well as access to it, can enable people to gain greater control over nature and the physical environment (for instance, through the production of food, clothing and shelter). It also increases happiness and the range of human choices. Thus, human development become jaundiced when people do not have the material means to help them realize their full potential and address other socioeconomic challenges such as poor infrastructure, poor education and health conditions and inadequate/substandard housing which raises the fundamental questions in all societies regarding what, where, how and for whom goods and services should be produced? Who actually makes the socioeconomic decisions and for whose principal benefits these decisions are made?

Ultimately, a country's standard of living is determined not only by its per capita income but how that income is distributed. Experiences all over the world show that the distribution of income in the developing countries is much more inequitable than in economically developed countries (Handelman, 2006). This is evident in the wider gap between the "haves" and "have- nots" or the rich and the poor which has often exacerbated the conditions of income inequality resulting in perennial poverty among the people. For instance, Nigeria has a Gini Index of 48.8 which is one of the highest in the world (World Bank, 2013a). This Gini Index compares poorly with other countries such as India (33.9), Mali (33.0), Mauritania (40.5), Pakistan (30.0) and Botswana (38.1) (World Bank, 2013b). The Gini Index measures the extent to which the distribution of income (or in some cases consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of zero represents perfect equality while an index of 100 implies perfect inequality. Furthermore, the total income earned by the poorest 20% is 4.4 and that earned by the richest 20% of the population is 55.7%.

The lack of income by majority of the populace often result in the inability to satisfy basic needs which ultimately exposes them to various vulnerabilities such as avoidable infections and diseases, destitution, misery, insecurity and hopelessness. For instance, the number of the populace living below the poverty line of US$1.25 dollar in Nigeria has risen above 70% in 2014, life expectancy is >52 year, 10.5 million children are out of school, infant/child and maternal mortality is still one of the highest in the world and the unemployment rate has risen from 23.90% in 2011 to 24.20% in 2015. This is coupled with other problems such as the lack of access to credit by micro entrepreneur particularly self-employed individuals, corruption, high prices for goods and services, poor savings, bad governance, social and class stratifications, self-improvement, the values, roles and attitudes of political and economic elites which are essentially critical in interrogating the question of poverty and its attendant consequences for individuals and the society at large. It also bring to fore the question of what contributions are microfinance institutions making in tackling the issues of poverty and financial/social inclusion which underline the basis for their existence? And what role does the poor play in the decision making process of poverty reduction strategies that directly affect them?

From the foregoing, it is evident that the issue of poverty is one of the essential challenges of development in Nigeria. Available economic statistics reveal a puzzling contrast between Nigeria's rapid economic growth of 7% over the decade and quite minimal welfare improvements for much of the population (World Bank, 2007). Despite the high economic growth reported, Nigeria has yet to find a formula for translating its resources into significant welfare improvements for its citizenry. Job creation and poverty reduction are not keeping pace with population growth, implying that the number of underemployed and impoverished continue to grow. With a median age of 14 and population growth at close to 3%, the very stability of the country depends on a major acceleration in the creation of jobs, opportunities and basic services for the population. Correspondingly, Nigeria's progress toward the MDGs has been largely disappointing as she ranked 153 out of 186 countries in the 2013 United Nations Human Development Index with indicators in many areas resembling those of the poorest countries in Africa (UNDP, 1997). Furthermore, Nigeria's poverty rate and trends in poverty levels are not encouraging as presented in Table 1 and 2, respectively.

Table 1: Nigeria's poverty rates (percentage of population)

Variables	2013-2014	2009-2010
Per capita		
Poverty rate	64.2	62.6
Urban poverty	52.2	51.2
Rural poverty	73.4	69.0
Adult equivalence		
Poverty rate	48.3	46.1
Urban poverty	36.8	34.3
Rural poverty	57.4	52.9

National Bureau of Statistics, Bank Calculations, 2013

Table 2: Trends in poverty levels

Years	Poverty levels (%)	Estimated population (m)	Total population in poverty (m)
1980	27.2	65.0	17.7
1985	46.3	75.0	34.7
1992	42.7	91.5	39.3
1996	65.6	102.3	67.1
2004	54.4	126.3	68.1
2010	69.0	167.0	112.5

National Policy on poverty Eradication, National Bureau of Statistics, 2013

Over the years, a variety of public strategies and programmes have been designed by various governments to tackle the problem of poverty in Nigeria. These include the Directorate of Food, Roads and Rural Infrastructure (DFRRI), the National Directorate of Employment (NDE), the Better Life Programme (BLP), the Family Support Programme (FSP), Agricultural Development Programme (ADP) and the People's Bank of Nigeria (PBN).

This was followed by the Poverty Alleviation Programme (PAP) which was later changed to Poverty Eradication Programme (PEP). While implementing PEP, the Federal Government embraced the Poverty Reduction Strategy Process (PRSP) initiated by the World Bank in 1999. This was later abandoned for the National Economic and Empowerment Development Strategy (NEEDS). This strategy was meant to accelerate growth, reduce poverty and achieve the Millennium Development Goals. Specifically, in order to address the challenge of unequal access to resources, particularly capital that largely explains the incidence of poverty and deprivation for the poor, the government had to approve the establishment of Community Banks which was later transformed to Microfinance Banks in order to bring financial services and micro-credit facilities closer to the poor and ensure their financial inclusion in the financial system with the objective of bringing them out of poverty. This is borne out of the fact that without redistributing resources, it is impossible to address poverty on a sustainable manner.

Microfinance banking came into operation as a result of the policy, regulatory and supervisory framework released by Central Bank of Nigeria. The policy was designed to boost capacity of Micro, Small and Medium Enterprises (SMEs) towards economic growth and financial development through financial intermediation. The guidelines setting up microfinance institutions was to enable them achieve the objectives of financial inclusion and poverty alleviation. By law, microfinance banks were licensed to carry on the business of providing financial services such as savings and deposits, domestic fund transfers, other financial and non financial services to microfinance clients which include the economically active low-income earners, low income households, the un-banked and under-served people, in particular, vulnerable groups such as women, physically challenged, youths, micro-entrepreneurs, informal sector operators, subsistence farmers in urban and rural areas.

However, given the potential goal of microfinance institutions in helping to bring about poverty alleviation and advance economic growth and development as shown by the Grameen Bank of Bangladesh and Banco Solidario in Bolivia to mention but a few; the presence of microfinance banks activities and performance in Nigeria over the last decade have tended to raise question about their capacity to attain the objectives for which they were set up. This is borne out of the high incidence of poverty among the poor in Nigeria over the last decade, the continuing lack of access to credit by micro entrepreneurs from these institutions, inadequate provision of professional advice to low income persons regarding investment in small businesses, high interest on loans, demand for collateral, insufficient outreach to the poor, especially the rural poor on a sustainable basis, predominant presence in urban centres compared with the rural areas, poor financial inclusion resulting from inaccessibility of financial services products such as payment services (money transfer), ATMs, POS (Point of Sale) devices, savings, pensions etc by many Nigerians particularly those in the rural areas. Also, available statistics have revealed that 36.9 million Nigerians (representing 39.5% of the adult population) are excluded from financial services and only 28.6 million (representing 32.5% of the population) were banked; mobile money awareness and usage is as low as 11.9 million (representing 12.7% of the population); 2.6 million adults (representing 2.8% of the population) have a microfinance bank account. These concerns, therefore have raised the following questions about the essence of microfinance institutions and their capacity to fulfill their primary objective of promoting poverty reduction and financial inclusion. These critical questions include:

- How many poor people are aware of the services of microfinance institutions
- How accessible are microfinance services to the people

- How has the microfinance services brought the poor out of poverty
- How has microfinance banks activities succeeded as a tool for poverty reduction
- What are those factors that hamper the effective operation of Microfinance activities in Nigeria

It is these issues that this study set out to address and proffer solutions which when implemented could help to put microfinance institutions in a better state to deliver on their mandate of poverty reduction and financial inclusion which are critical to promoting economic growth and national development. This is vital because providing the people access to appropriate financial products and services will equip them with the capacity to effectively manage their resources to finance their businesses and financial leverage to take up opportunities that will lead to increase in their income.

MICROFINANCE AND POVERTY REDUCTION IN NIGERIA

Nigeria's economic growth has been growing at an average rate of 6-7% for the past decade. However, the country's poverty rate-measured by those living on less than US$1.25 dollar per day has risen from 52% in 2004-61% in 2010 and over 69% in 2014. Income inequality has widened in every region in the country. According to the Nigerian Bureau of Statistics, "the top 10% earners were responsible for about 43% of total consumption expenditure". While, it has been argued that growing an economy was the sure way to lift people out of poverty by generating gainful employment and higher incomes that will increase their personal spending on education and health, yet economic growth in Nigeria has not created meaningful employment with the rate of unemployment reaching 24.20% in the first quarter of 2015 from 23.90% in 2011. Besides, incomes of the majority of Nigerians have not risen; while access to education and health may have improved marginally in the country, its quality has declined significantly. In the same vein, income redistribution has also not increased the assets of the poor which calls into question the effectiveness of Nigeria's poverty alleviation programmes in lifting the citizenry out of poverty. This is significant in the sense that robust growth cannot be achieved without putting in place well focused and sustainable policy programmes to reduce poverty through empowering the people in terms of increasing their access to factors of production, specifically credit accessibility. It is in the light of this context, therefore that microfinance activities will be interrogated to ascertain whether or not it has served as a tool to lift people out of poverty.

Microfinance scheme came into operation in December 2005 when the Central Bank of Nigeria launched the microfinance policy regulatory and supervisory framework as a tool of poverty reduction in the country. This was against the backdrop of concerns expressed by stakeholders on the need to enhance financial service delivery given that the formal financial system (banking sector) were only able to grant financial access to about 35% of the economically active population while the remaining 65% were excluded; leaving them to source for funds from informal financial sectors such as relatives, friends, credit unions cooperative societies. Also, the issues of collateral security often demanded by commercial banks as a prerequisite for credit lifeline constituted a major hindrance to the entrepreneurial development of the economically poor running micro and small businesses who are denied opportunity to boost, expand, diversify and consolidate on their gains. Microfinance scheme was introduced to create universal access to loans for significant number of low-income persons as well as stimulate and sustain their economic well-being. The scheme was to serve as the gateway through which low-income household get easy access to financial assets in the country. Microfinance mediates the delivery of small credits, low interests and non-collateral loans to poor households in many developing countries. It is a strategic plan for building global financial system that meets the financial and developmental needs of a vast majority of poor people across the world. It is also a potent tool for addressing multiple socioeconomic problems that challenge the survival of the poor in society. According to the CBN, the microfinance policy provides for the setting up of private sector driven MFBs to:

- Provide services for poor and low income groups
- Cover the majority of the poor but economically active population by 2020 including the following targets
- increasing the share of micro credit as a percentage of total credit to the economy from 0.9% in 2005 to at least 20% in 2020
- increase the share of micro credit as a percentage of GDP from 0.2% to at least 5% in 2020
- Promote the participation of at least two-thirds of state and local governments in micro credit financing by 2015
- Improve women's access to financial services by 5% annually

- Increase the number of linkages among universal banks, development banks, specialized finance institutions and microfinance banks by 10% annually (Iganiga, 2008)

Consequently, it is now broadly accepted that robust economic growth that is labour intensive and equitable, combined with larger outlays of social expenditures, especially directed toward the poor represent a winning combination in the fight against poverty. As such, increasing interest in microcredit is vital in promoting growth with greater equity. This is based on the recognition that the latent capacity of the poor for entrepreneurship would be encouraged with the availability of small-scale loans and will also introduce them to the small enterprise sector that allows them to be more self-reliant, create employment opportunities and not the least, engage the women in economically productive activities. For instance, in a country such as Nigeria where about 70% of the population is engaged in the informal sector or in agricultural production, access to credit has been recognized as an essential tool for promoting small and micro enterprises (Olaitan, 2006). Therefore, providing credit to small and medium enterprises serve as an important instrument in fostering the development of industrialization and improving the efficiency of the enterprise as well as expanding productivity. Consequently, microfinance scheme is supposed to be characterized by relatively small short-term loans, payable in not >1-2 years. Women should be a major beneficiary of their activities and the destination of the funds primarily should include agriculture, distribution, trading, small craft and processing industries. The administrative structure is generally meant to be light and the entire process participatory in nature.

Studies have shown that there are limits to the use of credit as an instrument for poverty eradication including difficulties in indentifying the poor and targeting credit to reach the poorest of the poor (UNDP, 1999). Added to this is the fact that many people, especially the poorest of the poor are usually not in a position to undertake an economic activity partly because they lack business skills and even the motivation for business. A growing literature stresses the importance of local perceptions and attitudes in defining poverty and its characteristics. Aspects not commonly included such as dignity and being part of a social mutual network are turning out to be as important as income and social parameters usually considered. Thus, there is the general consensus that lending to the poor can succeed provided it is accompanied by other services, particularly training, information and access to land. For instance, an OECD (2001) study emphasized that credit needs to be supplemented with access to land and appropriate technology. However, such activities require strong support from the public sector. This is critically so as in some of the lowest-income countries, lack of access to land is the most critical single cause of poverty. Besides, microcredit should also be viewed as complementary to the provision of basic services like education, housing, health and nutrition which are indispensable in the fight against poverty.

From 2006 till now, about 793 microfinance banks exist nationwide. However, not many Nigerians are serviced by the microfinance system and this raises the question of the challenge of financial inclusion in the country. Available statistics revealed that 44.7% of Nigerians have never heard of microfinance while 19.8 have heard but never knew what microfinance is all about, even as 35.5% have heard and are aware of what microfinance is all about. This simply indicate that a greater number of Nigerians have no access to financial services and this tend to impair the creation of a large depository of savings, investable funds, investment and national wealth generation. Thus, providing low income earners particularly those persons in the informal sector and women that comprises the larger proportion of the Nigerian population access to financial services will help promote enormous capital accumulation, credit creation and investment boom.

Consequently, Mehrotra and colleagues emphasized that access to financial services allow the poor to save money outside the house and helps in mitigating the risks that the poor faces as a result of economic shocks. Hence, providing access to financial services is increasingly becoming a critical focus for every policymaker for the obvious reason that it has far reaching economic and social implications both for individual and national development. Financial inclusion has become an explicit strategy for accelerated economic growth which engenders inclusive growth and economic prosperity in a country. Financial inclusion is today considered as a right of all citizens to social inclusion, better quality of life and a tool for strengthening the economic capacity and capabilities of the poor in a nation. As such, microfinance should be seen as a social good aimed at bringing people out of poverty and not a profit making venture that it has become today in Nigeria. In this regard, financial exclusion result in the inability of the individual, household or group to access particularly the formal financial products and services. Financial exclusion signifies lack of access by certain large segments of the society to appropriate low cost, fair and safe financial products and services from mainstream providers (Mohan, 2006). In all, financial inclusion can be summarized as a state in which all people have access to banking and insurance services as well as financial literacy and capabilities. It also include a system where every member of society has access to appropriate financial products and services for efficient management of their resources; get needed resources to finance their businesses; and financial leverage to take up opportunities that will lead to increase in their income (Stephen *et al*., 2009).

Thus, to achieve a higher financial inclusion level for Nigeria and other developing countries, there is the concerted need to remove all barriers, including education, gender, age, irregular income, regulation and geographical locations that have together contributed to the dearth of access to financial services by the larger population. Accordingly, Sanusi, the former Central Bank governor, attributed the rise in poverty level in Nigeria to the challenges of financial exclusion. According to him, achieving optimal level of financial inclusion in Nigeria means empowering 70% of the population living below poverty level and this would boost growth and development. Inclusion of this segment of people in the society would generate multiple economic activities, cause growth in national output and eventually reduce poverty. Hence, the consequences of financial exclusion is to minimize the scale of economic activities that can be financed and hence, limit the potential for higher economic growth. Financial inclusion requires that attention be given to human and institutional issues such as quality of access, affordability of products, provider sustainability and outreach to the most excluded populations particularly women and those living in the rural areas.

THE CONCEPT OF POVERTY, CAUSES AND CONSEQUENCES

The last two decades or more have seen significant advances in understanding and providing financial services to better advance development and eradicate poverty. This includes providing the financial means to save, access credit and start small businesses with the potential to enhance community development as well as local and national policy making. However, microfinance is not a panacea for poverty and related development challenges but rather an important tool in the mission of poverty eradication. When properly harnessed and supported, microfinance can scale-up as a sustainable vehicle of the process of economic empowerment by which the poor can lift themselves from poverty.

Poverty is a multidimensional problem, embedded in a complex and interconnected political, economic, cultural and ecological system. Owing to poverty's large scope and multiplicity of actors, there is no single guaranteed approach to its eradication. Within this context, solutions are as multifaceted as the causes. Thus a system's perspective is critical in creating an enabling environment for sustainable poverty eradication to subsist. Problems and solutions are not isolated phenomena but occur within an interconnected system in which actors and actions have reciprocal consequences. Consequently, poverty eradication is a complex mission and requires commitment, cooperation and cohesion at all levels of development-individuals, household, community, national and global. Poverty alleviation, encapsulates the effort by government, non-governmental organization and international development agencies, directed towards improving the conditions of the poor. Its main focus is to create a general condition which allows people to live in dignity where they are free to take their own decisions in life, where the poor gets increasingly empowered enough to participate in social, political and economic decision-making. The central feature of poverty alleviation is empowerment which entails the total transformation of the economic, social, psychological, political and legal circumstances of the powerless. Be that as it may, it is critical to interrogate the causes and consequences of poverty on the well-being of the populace, including the politics that underline the framing and implementation of poverty reduction strategies in Nigeria, including assessing the contribution of microfinance toward poverty reduction or eradication.

At this juncture, it is significant to state that Nigeria's most valuable resources and ally in poverty eradication is its own people and institutions. As such, microfinancing, like any other strategy for poverty eradication, must involve the people themselves in examining the problems of the poor and creating the solutions for it to be sustainable with those upon whom development is targeted. Poverty has been recognized as a universal social problem that commands the attention of governments and international organizations. For instance, the Millennium declaration in 2000 consented to globally by world leaders symbolized their growing concern and pledge to end extreme poverty and hunger. By definition, poverty entails a condition characterized by severe deprivation of basic human needs including food, safe drinking water, sanitation facilities, health, shelter, education and information (World Bank, 2005). According to the UNDP (1998) Human Development Report, poverty refers to inadequacy and deprivation of choices that would enable people to enjoy decent living conditions. Yunus (1994) sees it as the denial of human rights relating to the fulfillment of basic human needs. OECD (2001) described poverty as an unacceptable human deprivation in terms of economic opportunity, education, health and nutrition, lack of empowerment and security. The World Development Report (WDR) and the World Bank observed that conditions could be expressed as poor if people live on per capita <US$ 370 at any given time or as being extremely poor by living on <US$ 1 per day and moderately poor by living on <US$2 daily. The CBN sums up the definition of poverty as:

> A state where an individual is not able to cater adequately for his or her basic needs of foods, clothing and shelter; is unable to meet social and economic obligations, lacks gainful employment, skills assets and self-esteem; and has limited access to social and economic infrastructure such as education, health, portable water, sanitation and consequently has limited chances of advancing his or her welfare to the limit of his or her capabilities

In general, poverty is the inability of people to meet economic, social and other standard of well-being. Furthermore, poverty can be delineated into two broad categories of absolute and relative terms. Absolute poverty refers to "a state in which an individual lacks the resources necessary for subsistence" while the relative definitions refers to the individual's or groups' lack of resources compared with that of other members of the society (Marger, 2005). In other words, absolute poverty is simply a socioeconomic condition in which people are unable for whatever reason, to meet their fundamental human needs and relative poverty is defined by the standards and expectations of people in a particular society at a particular time. Thus, impoverished people often suffer from under nutrition and poor health have little or no literacy, live in environmentally degraded areas have little political voice and are socially excluded. Also a broader interrogation of the nature of poverty and inequality problem goes beyond just economic poverty and inequalities in the distribution of income and assets to include inequalities in power, prestige, status, gender, job satisfaction, degree of participation and freedom of choice. This is significant in the sense that like most social relationships we cannot really separate the economic from the non economic manifestations of inequality (Watts, 2003). Each reinforces the other in a complex and often interrelated process of cause and effect. From the economic perspective, it implies material deprivation leading to low income, lack of basic necessities of life. From the social context, poverty manifest in terms of social inferiority, low status, lack of dignity, insanity, vulnerability and social marginalization. Politically, poverty is manifested in lack of political power, exclusion from decision making and denial of basic natural and political input.

According to Diamond, "the deepest root cause of poverty is not lack of resources. Rather, it is the lack of good governance which results from the unwillingness of leaders in power to apply public resources effectively to generate public goods." Public goods include physical structures such as roads, bridges, ports, sanitation, portable water, electricity, public transport, telecommunications; social, economic and political infrastructure-schools, clinics, courts, improved agricultural techniques, a neutral and capable state bureaucracy. Scholars of development have provided empirical evidence to show the harmful effect of lack of good governance on the issue of poverty (World Bank, 2005; UNDP, 1999). Good governance is an indispensable imperative for the management of a country's resources through adherence to the principles of transparency, accountability, rule of law in the provision of public goods to the citizenry. It also entails providing the mechanism for participation and dialogue that enable the public to make input to the policy process, design and implementation. In Nigeria, for instance, massive corruption, lack of transparency and accountability has been a thorn in the development of sustainable development policies to improve the living conditions of the people. For development to take place in any society there must be serious transformation in the quality of governance and this is very critical in the case of Nigeria. For instance, Nigeria has all the resource endowment to overcome poverty but it is ironically being ravaged by chronic and devastating poverty due to bad governance and massive corruption both in the public and private sectors.

This reality corroborates the World Bank's description of Nigeria as a paradox where the poverty level contradicts the country's immense wealth (World Bank, 1996). Nigeria is a country of immense wealth endowed with human and material resources, yet her citizens continue to wallow in abject poverty. World Bank (2005) estimated that Nigeria has earned over US$ 300 billion from crude oil revenue in the last three decades of the twentieth century; regrettably, Nigeria has regressed to become one of the 25 poorest countries at the threshold of the 21st century (Obadan, 2001, 2004;

Table 3: The poverty profile of Nigeria 1980-2013

Year	Estimated Population (million)	Population in poverty (million)	Poverty incidence (%)	Year	Estimated population (million)	Population in poverty (million)	Poverty incidence (%)
1980	64.6	18.1	28.1	1994	96.2	52.6	54.7
1981	66.7	21.3	32.0	1995	98.9	59.3	60.0
1982	68.4	24.2	35.5	1996	102.3	67.1	65.6
1983	70.6	29.5	39.0	1997	104.0	67.6	65.5
1984	73.0	31.4	43.0	1998	106.3	68.0	69.5
1985	75.4	34.9	46.3	1999	109.3	72.3	72.0
1986	77.9	35.8	46.0	2000	111.3	77.0	74.0
1987	80.4	36.6	45.4	2001	14.0	81.2	83.1
1988	83.1	37.4	45.0	2002	116.4	86.0	88.0
1989	84.9	37.7	44.5	2004	126.3	68.7	54.4
1990	86.6	38.0	44.0	2010	163.0	112.4	69.0
1991	88.5	38.5	43.5	2011	165.0	115.5	70.0
1992	91.3	39.0	42.7	2012	167.0	116.9	70.0
1993	93.5	45.8	49.0	2013	173.6	112.0	67.0

National Bureau of Statistics; HNLSS, 2013

World Bank, 2002; 2010). Therefore, increasing the welfare of the poor in low income countries like Nigeria will require institutional and governance reforms that enhance the accountability by the state, raise the quality of service delivery and improve the overall economic and social environment. Furthermore, poverty could be caused or exacerbated by:

- The lack of capacity of the poor to influence social processes, public policy choices and resource allocations
- Inadequate access to the means of fostering rural development in poor regions
- Low capacities through lack of education, vocational skills, entrepreneurial abilities, poor health and poor quality of life
- The disadvantaged position of women in society
- Inadequate access to markets for the goods and services that the poor can sell
- Exposure to risks through lack of financial, social or physical security
- Low levels of consumption through lack of access to capital, social assets, land and market opportunities
- Exposure to shocks due to limited use of technology to stem effects of drought, floods, army worms, crop pests. Crop diseases and environmental degradation
- Inadequate environmental protection measures
- Lack of macro-economic stability that erodes the resources of the poor through inflation and other variables
- The inability of national economy to optimize benefits within the global system
- Habits and conventions based on superstition and myths giving rise to anti-social behaviour
- Inadequate access to employment opportunities for the poor. This is caused most times by stunted growth of economic activities or growth without labour savings devices
- Inadequate access to education, health, sanitation and water services
- Other factors leading to vulnerability and exclusion (Iman, 1998; Ogwumike, 2001; Fafowora, 2002)

Consequently, the economic policies of government also exacerbate the incidence of poverty in the country. Following Nigeria's government implementation of the economic reform policy of neoliberalism since the 1980's, the living conditions of the larger segment of the population has worsened following government tightened controls on public expenditure and removal of subsidies on essential services which mostly hurt the poor, particularly the vulnerable groups such as women and children who mostly are at the receiving end of these draconian policies. The national leaders and their policy makers engages in deleterious economic policies that are not pro-poor and lack human face in terms of the impact they have on the living conditions of the people. The economic reform policies of privatization, deregulation, liberalization and a minimalist role of the state in the running of the economy have not been able to engender growth that includes the poorer segments of the society in order to bring them out of the trap of poverty and deprivation. The economic policies of government have also not engendered a social contract that creates an "opportunity society" where the human and productive potential of every individual regardless of gender, region, ethnicity, parental background is not marginalized. Besides most government policies lack a multi-sectoral agenda with a particular lens-one that has as its priority, the welfare of the less-off. This reality is evidently manifested by the nation's poverty profile as showed by the (Table 3).

Moreover, the critical issue that needs to be examined in the discourse of poverty which many poverty alleviation programmes in Nigeria have failed to focus on has to do with human development and human poverty. Human development deals with the process of enlarging peoples' choices including freedom, dignity, self-respect and social status. Human poverty refers to deprivation of essential capabilities such as a long and healthy life, economic resources, knowledge and community development. Thus, to address the question of deprivation or poverty, emphasis must be focused on addressing the four basic dimensions of human life a long and healthy life expectancy, knowledge, economic provision and social exclusion all of which encapsulate the different aspect of human development. For instance, a look at Nigeria's Human Development Index (HDI) trend over the years shows that the speed of human progress has not been encouraging as she has consistently occupy the lowest positions in the HDI and Human Poverty Index (HPI) which is a multidimensional measure of poverty. Therefore, poverty should not be seen as only a matter of low incomes, it also relates to social conditions which are usually measured through outcome indicators in health and education. For instance, expanding education, particularly raising literacy rates is a major prerequisite for economic and political modernization. An educated population can contribute to higher labour productivity at all levels. Increased education and literacy also expand mass political participation and increase government accountability to the governed. Also, increased availability of health care, adequate nutrition and safe drinking water and sanitation greatly influences the life expectancy of a nation. Besides, healthy citizens, skilled or unskilled, enhance an economy's productive capacity by being both physically and mentally apt (Jaunky, 2013). More than per capita income or any other social indicator, the HDI is considered one of the best measures of a nation's living standard. The HDI represent a composite measurement of school enrollment, literacy, infant mortality, life expectancy and income.

In all of this, the existence of poverty in any society brings with it diverse consequences that hinders the quest for development and which needs to be urgently addressed. Accordingly, the major social costs of poverty include the following.

Poverty undermines national security:

- It is certainly a contributory cause of the prevalence and continuing escalation of violent crime against property and life
- The poor and deprived segment of society, no doubt, constitutes a ready pool from which young criminals are recruited continuously

Poverty hampers both human development and the formation of social capital:

- It reproduces illiteracy and ignorance
- It impairs health and the ability to work
- It demoralizes the poor and creates serious motivational and productivity problems for the economy at large and for the political systems (attitude to work, work habits, loyalty, business ethics)

Poverty poses a serious threat to the nation's solidarity and political stability:

- Relevant features of the poverty situation in this case include, inequality and social stratification, emergence of a deviant culture of poverty and the tendency of the poor to congregate
- Thus, through various means, poverty tends to reduce social solidarity, increase social conflict, especially along the poor/non poor demarcation; generate social crisis and threaten social order
- The disruptive potential of poverty is also enhanced by the exposure of the poor to callous manipulation by professional politicians
- Though one cannot make any definitive assertion regarding the revolutionary potential of the Nigerian poor, the lessons of history suggest that widespread poverty tend to provide a fertile ground for social revolution

Poverty hampers economic growth:

- The increased cost of protecting life, investment and other property tends to raise the cost of doing business in Nigeria, reduce profitability and discourage investment
- Corruption has cost-implementations and consequences similar to those of insecurity
- The retardation of human development and the low level of social capital constitute an impediment to high productivity, to investment and to economic growth
- Poverty invariably, entails a high level of unemployment and under-employment and therefore, implies a huge proportion of the nation's manpower is kept idle and out of the production stream; that means that the workforce is not being fully mobilized
- The income-poverty of the masses is one of the fundamental causes of the low/inadequate aggregate demand which has grounded most manufacturing enterprises in Nigeria

Poverty degrades the environment and, thereby, poses a more direct threat to life itself:

- Slums and the degradation of the urban environment
- Deforestation and the rural environment

- The link between poverty and prevailing ignorance regarding environmental issues

Other costs:

- Public expenditure on poverty eradication which would become available for other objectives
- Escalation of prostitution and its effects on the health status of the society
- Worsening of the HIV/AIDS problem and other major health problems of the population.
- Religious fanaticism and intolerance
- The costs of dependency (to the non poor)
- The weakening of the family life, especially by conflicts and tensions arising mainly from income-poverty and associated resource scarcities (Todaro and Smith, 2009)

THE POLITICS OF POVERTY ALLEVIATION STRATEGIES IN NIGERIA

Successive governments have tried to address the prevailing incidence of poverty through the enunciation of poverty reduction related programmes. The first civilian administration at the national and regional levels carried out various entrepreneurial development initiatives aimed at combating poverty in Nigeria. These are in addition to the development Plan such as the First Development Plan (1962-68), Second Development Plan (1970-74), Third Development Plan (1975-1980), Fourth Development Plan (1981-1985); also the three yearly National Rolling Plans (1990-1999). In Nigeria, the various poverty alleviation measures implemented so far have bordered on economic growth and rural development approaches. These approaches have been utilized as an attempt to grapple with the beleaguered poverty situation of the citizens (Ogwumike, 2001). Accordingly, Ogwumike (2001) grouped the strategies for poverty reduction in Nigeria into three eras the pre-SAP era; the SAP era and the Democratic era. In the pre-SAP, the measures were predominantly the Operation Feed the Nation, the River Basin Development Authorities, the Agricultural Development Programmes, the Agricultural Credit Guarantee Scheme, the Rural Electrification Scheme and Green Revolution. In the SAP era, the following poverty reduction measures were introduced: the Directorate of Food, Roads and Rural Infrastructure (DFRRI), National Directorate for Employment (NDE), the Better Life for Rural Women, the Peoples' Bank, the Community Banks, the Family Support Programme (FSP) and Family Economic Advancement Programme (FEAP). The Democratic era witnessed the introduction of Poverty Alleviation Programme (PAP). By 2001, PAP was phased out and fused with the newly created National Poverty eradication Programme (NAPEP) which was an integral part of the National Economic Empowerment and Development Strategy (NEEDS) in 2004.

Given these plethora of poverty alleviation strategies, it is sad to note that the incidence of poverty in Nigeria has been exacerbating instead of pruning down over the years. This fact raises the question of interrogating what those factors are that undermine their capacity to deliver on the mandate of empowering the people and bringing them out of poverty. In this light, Obadan (2004) argued that all efforts at poverty alleviation in Nigeria were essentially ad hoc in nature and not integrated into the nation's overall development objectives. Besides, most of the poverty alleviation strategies did not involve policies and programmes which directly targeted the poor. Similarly, Ajakaiye identified the following problems associated with successive poverty reduction programmes to include:

- Policy inconsistency and poor governance
- Ineffective targeting of the poor (leading to leakage of benefits to unintended beneficiaries)
- Unwieldy scope of the programmes resulting in resources being thinly spread among projects
- Lack of accountability and transparency
- Overlapping of functions which ultimately lead to institutional rivalry and conflicts
- Lack of complementarities from beneficiaries
- Uncoordinated sectoral policy initiatives
- Lack of involvement of social partners and other stake-holders in planning, implementation and evaluation
- Poor human capital development and inadequate funding
- Absence of target setting for ministries, agencies and programmes
- Absence of agreed poverty reduction agenda that can be used by all concerned Federal Government, State Governments, Local Governments and International Donor Community

Also, the 1999 Presidential Panel on Streamlining and Rationalization of Poverty Alleviation Institutions and Agencies set up by the Obasanjo administration also corroborated these facts by enumerating reasons that account for the failure of the wide array of poverty intervention measures. The reasons adduced which substantially align with the problems earlier mentioned include:

- Gross mismanagement and lack of financial discipline
- Poor and inconsistent funding

- Policy inconsistencies occasioned by frequent changes in government and absent of in-built sustainability mechanisms
- Absence of a coordinating body necessary for effective planning, implementation, monitoring and evaluations of achievements and constraints

In the same vein, not only has the failure to ensure the successful implementation of the various programmes and policies made the incidence of poverty to loom large, the phenomenon has continued to spread and deepen. Other factors that have tended to compound the poverty situation in Nigeria include: ruthless and voiceless economic growth, economic mismanagement, infrastructural deficiencies, weak political commitment to poverty alleviation programmes and measures and sectoral problems such as inflation, rising unemployment, exchange rate depreciation, external debt overhang. Be that as it may, the salient factor that accounts for the failure of the various poverty alleviation policies and programmes to succeed lies in the policy makers undermining the critical inputs of its primary beneficiaries or targets and not seeing them as active players in the policy formulation and implementation of the poverty reduction strategies. This lack of social inclusion undermined the energy and resourcefulness of the target population in seeing themselves as key stakeholders in the poverty reduction programmes since they are skeptical of their interests and wellbeing being promoted.

Consequently, the continued lack of success of most of the poverty reduction strategies lies in the undemocratic character of formulation which pitched the elite against the poor in appropriating the likely benefits to be derived from the programmes. Similarly, most of the poverty reduction programmes do not focus on women and children as a critical mass in the discourse of poverty issues since they constitute a greater majority in the composition of persons who suffer more from the poverty trap. It has been argued that poverty and development issues cannot be successfully addressed without solving the prevailing problem of gender equity (Hemmati and Gardiner, 2002). This is critical as gender relations should constitute a prime factor in explaining social differentiation and social inequalities in society and also provide the platform for social/policy reforms for sustainable development (Aina, 2012). Thus, if development is not engendered, it becomes endangered (UNDP, 1997).

To fully understand Nigeria's rising poverty levels, we need to also understand the economic constraint imposed by the absence of a real manufacturing sector. No other sector is more important than manufacturing in developing an economy as it provides quality employment and wages, leading to poverty reduction. Currently, Nigeria's manufacturing sector only represents 9% of its GDP, compared to the manufacturing in other emerging economies such as Brazil (20%), China (34%), Malaysia (30%), Thailand (35%) and Indonesia (28%), where structural change in industrialization has already occurred and where millions have been lifted out of poverty (Osita, 2012). Unlike agriculture, manufacturing can generate huge positive externalities. The diffusion of technology, the creation of high value-added products, greater linkages in the economy, a wider employment base and rising incomes are all associated with a robust manufacturing sector. This importance has been attested to by a number of scholars. For instance, Rajadhyaksha, noted that "the Asian experience tells us that no country can banish poverty unless it creates millions of new jobs a year in manufacturing and services". Also, the World Bank Chief Economist, Lin (2012) argued that industrial and technological upgrading are the "key characteristics of sustained growth,' and countries that are less successful at industrial upgrading" are less successful at poverty reduction.

CHALLENGES OF MICROFINANCE IN PROMOTING POVERTY REDUCTION

The increasing role of microfinance in promoting growth with greater equity has been emphasized over the years. The United Nations identified some fundamental factors for recognition in addressing poverty reduction as:

- The poor need access to resources of which appropriate financial services are a key resource in order to improve their condition
- There is high demand among the poor for credit services because provision of this service by commercial or formal sector is limited
- The poor can save, repay loans and effectively utilize resources towards income generation provided that the instruments are appropriate to their needs

Improving access to credit has often been viewed as an important weapon in the combat of urban and more importantly rural poverty. This is based on the recognition that the latent capacity of the poor for entrepreneurship would be encouraged with the availability of small scale loans which usher them into the small-enterprise sector. This could allow them to be more self-reliant, create employment opportunities and engage women in economically productive activities. The recent prominence given to microcredit owes much to the success of a relatively few microcredit programmes and their increasing scale. The Grameen Bank of Bangladesh represents one of the most prominent successful micro credit financing outfits. Similar successful examples include Banco Solidario in Bolivia, Latin America and the Kenya Rural Enterprise Programme, in Africa. These schemes are characterized by relatively small loans with a relatively short repayment period of about a year and women are the major beneficiary of their activities. The destination of the funds from these institutions primarily includes agriculture, marketing, trading, small craft and processing industries. The administrative structure is generally light and the entire process is participatory in nature.

However, evaluating the impact of microfinance in promoting poverty reduction in Nigeria has been mixed. While it is acknowledged that access to credit can empower the poor, it has also been emphasized that this can only succeed if it is accompanied by other services, especially training, information and access to agricultural land particularly for the rural poor. For instance, in the World Development Report 2000/2001 of the World Bank, it was noted that not only do the poor lack income; they also lack adequate food, shelter, education and health. They face extreme vulnerability to ill-health, economic dislocation and natural disasters. They are often exposed to ill treatment by institutions of the state and are powerless to influence many decisions that affect their lives.

Furthermore, a critical examination of the role of microfinance in promoting poverty alleviation in Nigeria showed that their operations are fraught with many challenges which have undermined their capacity to bring many poor Nigerians out of poverty. Accordingly, Yunus (1994) indentified the following fundamental flaws associated with microfinance banking in Nigeria to include:

- Faulty framework for setting up microfinance: what we have operational in Nigeria are micro commercial banks and not microfinance banks. As such they cannot achieve their cardinal objectives
- High interest rates on loans which many micro entrepreneurs cannot meet
- Lack of development funds by government that can be accessed by microfinance bank to help cushion the rates of interest they charge on loans
- Lack of proper understanding of the philosophy underlining microfinance by both the operators and the regulator which is the Central Bank of Nigeria: the lack of recognition that microfinance is meant for the poorest poor and not for traders, suppliers, importers, contractors, etc
- Most microfinance banks are predominantly domiciled in the cities and urban centres rather than the rural areas where the bulk of the poor resides
- The demand for collateral before lending to micro entrepreneurs
- Inadequate provision of training for business skill acquisition, finance management for clients
- Lack of focus on the women folk
- Most microfinance banks are owned by the rich rather than the poor: microfinance is supposed to be seen as a social business aimed at solving the problem of poverty and not a profit making venture
- Lack of ceiling on interest to be charged by microfinance banks by the regulators: the microfinance banks are allowed to charge any interest they so desire
- Lack of proper information by microfinance banks on the available services provided by them to the public (i.e. education loan, housing loan, income yielding activities)
- Lack of basic infrastructure and high operational costs
- Lack of capacity in reaching out to their customers: microfinance banks are supposed to take banking to the door step of their customers
- Limited knowledge of the poor

In addition to these flaws, microfinance banks in Nigeria are also faced with the challenges of demanding minimum balances before opening account for customers. This requirement scare away potential clients who would want to open account for the purpose of savings and not necessary to borrow loans and this invariably affect the drive for financial inclusion in Nigeria.

The lack of banking culture in the rural areas is another factor militating against the progress of microfinance banks. Traditionally, the micro entrepreneurs (both at the urban and rural levels) still borrow money from friends and relatives and repay the same amount borrowed no matter the tenure of such loans. They therefore find it difficult to understand the payment of interest on bank loans. For instance, in the northern part of Nigeria, the issue of frowning at interest on loans takes a religious dimension. Given the religious orientation of the people who are mostly Muslims which abhors usury, microfinance banks have found it difficult to thrive in such environment. This clearly account for the lopsidedness in the location of microfinance in the country as over 75% of them are situated in the southern part of the country. Another challenge confronting microfinance banks is the issue of manpower. There is a paucity of human and institutional capacity building. Many of the operators and staff of microfinance banks lack the required skills and expertise needed to effectively run the sector. Other human resource problems faced by microfinance banks include lack of training opportunities and poor conditions of service which is reflected in the high levels of fraud, inefficiency and poor performance of many of them.

In the same vein, microfinance banks also face the challenge of having weak relationship with informal institutions particularly those operating in the informal economy, including informal micro credit programme such as the Esusu group, Ajo, Money Lenders, cooperative societies. The framework for linking informal savings collectors to the formal institution is still very weak. Over the years, informal finance mechanism continues to survive and persist alongside microfinance institutions. They are much more extensive and diverse than the formal finance bodies and accounts for most of the financial services provided to the rural sector. Further inquiry into the operations of informal finance is therefore warranted to correct existing misapprehensions and misperceptions in order to fully tap the savings and credit potentials of the informal sector.

CONCLUSION

To evolve an effective and sustainable poverty alleviation programmes in Nigeria, the government should invest massively in provision of basic social services, promotion of efficient and sustainable development that prejudice the poor's interest. In this light, the FOS proffer sustainable poverty reduction anchored on three approaches:

- Policies that promote efficient growth and which makes use of the poor's most abundant asset, labour
- Public expenditure on institutions that provide equitable access to education, health care and other social services. These should properly integrate social safety nets for the most vulnerable groups in the society, i.e., old age, disabled and chronically poor rural dwellers
- Stable macroeconomic policy environment is also considered imperative and vital
- Involvement of the poor in the formulation and implementation of any programme meant for them

While, access to financial services is one aspect of support needed by micro entrepreneurs, there is the necessity to provide them with adequate knowledge skills in business formation, financial management and access to marketing information required in their spheres of human endeavours. Here, government must be ready to subsidize such training or marketing information. On the issue of promoting financial inclusion, it is critical for the government to create the enabling environment through the provision of basic infrastructure particularly electricity and roads which would galvanize economic productivity in the manufacturing of goods and services. Also, the provision of financial services like savings, loans, money transfers, insurance etc must be seen as public good which must be vigorously promoted as a core objective of public policy. In the same vein, government must revise the legal framework of microfinance licensing by including the caveat that they should establish in the rural areas and recognizing the right to open account as a human right of the citizens without the demand for opening balance. Besides, promoting micro entrepreneur's capacity to access finance to either start or consolidate their business venture will make better sense only when we enhance their capacity to meet the material conditions of life.

On the issue of addressing the poverty question in the country, poverty reduction strategies must be seen as an ethical, social, political and economic imperative and not a mere slogan. This will require providing the political will by leadership at all levels of governance to invest resources massively in improving opportunities for all citizens, including women and youth through education, health care and providing safety nets to protect the vulnerable against extreme deprivation. Also very important is the need for the government to promote a social contract which creates a condition that enables women to contribute to the fullest potential in the development process, by dismantling barriers to their participation in the economic, social and political spheres. Gender equality is not just a core development objective; it enhances productivity, improves development outcomes for the next generation and makes institutions more representative. Similarly, the Nigerian state must recognize as its statutory responsibility the investment in its human and physical capital as the key to solving the challenge of poverty and inequality. Thus, a lot of focus must be laid on promoting human development that engender enlarging people's choices, including freedom, dignity, self-respect and social status. Besides, more resources must be invested in the social expenditures directed at the poor. In all, microcredit should be viewed as complementary to the provision of basic services which are indispensable in the fight against poverty.

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