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**MICRO FINANCING AND POVERTY ALLEVIATION: THE NIGERIAN EVIDENCE**

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**Abstract**

*Motivated by the high rate of poverty in Nigeria, the study evaluated the implication of micro-financing on poverty alleviation in Nigeria over the period of 1992 to 2020. The study employed secondary data culled from the Central Bank of Nigerian Statistical Bulletin and the World Bank. The study adopted the human poverty index as a measure of poverty alleviation. The study employed the Augmented Dickey-Fuller (ADF), Johansen Co-integration Test, Parsimonious Dynamic Error Correction Model and Granger Causality Test. In predicting poverty alleviation, the study observed that only microfinance to the mining and quarrying and manufacturing and food processing proved significant in reducing the poverty level in Nigeria while all other microfinancing ends showed complacency. The positive coefficient from agricultural and forestry sector and Manufacturing and Food processing shows that the microfinance activities has worsened the level of poverty in the nation. Due to the poverty increasing nature of some selected variables, public personalities and authorities ought to curtail significantly borrowing from microfinance banks to prevent crowding out and empower the banks address all the more adequately, the requests of the developing private area which will probably acquire on premise of effectiveness of venture choices. Other sectorial microfinancing operations should be reviewed and revamped according to their level of significance.*

**Introduction**

Poverty is major phenomenon and problems confronting developing countries today and is at the centre of development policy (Onuka, 2021). Nigeria has one of the world's highest economic growth rates, averaging 7.4% according to the Nigeria economic report released in July 2014 by the World Bank. Poverty still remains significant at 33.1% in Africa's biggest economy. Poverty in Nigeria can also be caused by the political instability of the country (Monyei, Adewumi, Obolo, & Sajou, 2018).

A key way to reducing poverty incidence is through microfinance institution. One of the key schemes mobilized to address the issue of poverty is the microfinancing scheme. Successive government in Nigeria have countlessly initiated programmes aimed at providing financial services to the unbanked and the active poor in a bid to channel finance to the

productive economic units in the low end of the nation's socio-economic strata (Ochonogor, 2020). These programmes include Agricultural Development Programs (ADPs), National Directorate of Employment (NDE), Better Life for Rural Dwellers, which was subsequently called Family Support Programmes), the Directorate of Food, Roads and Rural Infrastructure (DFRRI), which were tracked during 1986 to 1999. Other establishments that have also attempted rendering micro-credit services to the citizens were the rural banking scheme (1977-1990); People's Bank (1987-1990); Community Bank (1990-2007). The programs had the potentials to improve the economy because it is anticipated to reduce poverty, create employment, and enhance economic development, among others. However, these schemes were confronted with challenges, as such the programmes could not achieve their set objectives and were subsequently scrapped, until the microfinance policy was launched in 2005.

In Nigeria, microfinancing has been accepted as an essential tool for promoting financial development which in turn leads to poverty reduction and development of a country, various scholars in the likes of Schumpeter (1934), Goldsmith (1969), Shaw (1973) and Mckinnon (1973) have stressed the crucial place of financial sectors and its intermediating activities to be catalytic to stimulating positive economic performance as observed by Nnamdi and Nwiyordee (2014), The Federal and State governments have recognized that for sustainable growth and development of the populace, there is an overriding need for financial empowerment of the people (Huybrechs *et al.*, 2015). If this growth strategy of financing at all level is adopted and the latent entrepreneurial capabilities of this large segment of the people are sufficiently stimulated and sustained, then positive multiplier effects will be felt throughout the economy. To give effect to these aspirations various policies have been instituted over time by the Federal Government to improve the formal and grassroots sectors (Arifin, Suman, Ekawaty, & Kaluge, 2020).

Microfinance Bank is a metamorphosis of community banks. It is a type of bank established to provide financial services to very low-income group in the society, who excluded from the services of conventional bank (Khan, Khan, Fahad, Ali, Khan, & Luo, 2021). According to Ehigiamusoe (2008), it is a type of financial intermediation which primarily focuses on alleviating poverty through provision of financial services to the poor or owners of micro-enterprises services. Successive governments have come up with special programs whose principal targets are the overall empowerment of low income earners in urban centers. These programmes range from Agricultural Development Projects (ADPs), the establishment of Agricultural Credit Banks to Better Life Programme for Rural Women and the like. Unfortunately most of the programmes failed to achieve the desired result. That led to the emergence of microfinance banks which aim at extending credits to micro enterprises and encouraging entrepreneurship (Arifin et al., 2020).

Kilby (1969) sees microfinance banks as a quasi-sponge for urban employment and a provider of inexpensive consumer goods with little or no import content, serving an important pressure-releasing and welfare-augmenting function. The growing spate of poverty in the country also shows the need to embrace policies such as microfinancing in Nigeria. However, despite government efforts in Nigeria to reduce poverty, not much progress seems to have been achieved, judging by rising anomalies and spate of poverty in the various regions of the country. It therefore becomes imperative to evaluate how microfinance institutions have fared in terms of poverty reduction in Nigeria.

### **Statement of the Problem**

Nigeria has the largest extreme poverty population (June 2019). The over 86.9 million Nigerians now living in extreme poverty represents nearly 50% of its estimated 180 million population. As Nigeria faces a major population boom—it will become the world's third largest country by 2050—it's a problem will likely worsen (Tijani & Bala, 2019).

Recently, Nnamdi and Nwiyordee (2014) identified that there is still a prevalence of a crowding out effect by banks at the grassroot (i.e. microfinance institutions) as a result of deviation from timely laid down scheme, as majority of them focused more on the disbursement of short term credit facilities which was counter to their operational parameter which consequently exposed the active poor to other informal financial sector exploitative arrangements with consequent erosion of their profit margins, thereby, keeping them perpetually poor., coupled with the paucity of observations on sectorial stratification as to the utilization of micro credit building on the financial liberalisation theories of Shaw (1976).

It would be observed that, despite the presumed developments in the Nigerian economy, the country is still largely being regarded as a developing country (Onyema, 2006). More so, its industrial growth is not quite impressive. Before the emergence of formal microfinance institutions, informal microfinance activities flourished all over the country. The deregulation of the Nigerian financial system since 1986 resulted to high interest rates, persisting liquidity crisis and credit rationing in favour of large companies. The policy somersault that characterized the post-deregulation period left Nigerian SMEs under severe financial stress and extreme financing gaps (Onuka, 2021).

Despite the dearth of financial institutions which cater for long and medium term credit needs of businesses operating in the economy. Small scale enterprises are no exceptions to these, and they suffer a great deal for want of capital for development and expansion of the economic survival of the country. Arifin et al (2020) evaluates the challenges faced by African microfinance banks in providing adequate funding to SMEs and proffers strategies for increasing SMEs' access to risk capital. The findings show that shareholder loans, as opposed to pure equity, reduce investors' risk and increase their current income. Risk capital intermediaries may capitalize their funds using diverse financial instruments which reflect investors' differing return objectives.

In light of the above, it therefore becomes imperative to evaluate the influence of Microfinance credits on sectoral output growth in a developing economy like Nigeria.

### **Theoretical Framework:**

There are few major theories underlying Microfinance operations and poverty incidence and reduction. They are presented as follows.

#### **Financial Repression Hypothesis**

This is associated with the work of Mckinnon (1973) and Shaw (1973). The theory emphasizes that financial development would contribute most significantly to poverty reduction if the authorities were not to interfere in the operations of the financial institutions. According to the proponents of the theory, poor performance by banks and other financial institutions is thus often attributed to interest rate regulation, ceiling on deposit and loan rates and official guidelines pertaining to lending operations.

Such interferences results in a low and often negative real case of return on financial assets and therefore inefficient savings mobilized and channeled into investment projects. To this end, the theorists advocated a positive real interest rate and financial liberalization which would ensure an optimal financial structure for development as well as eliminating the fragmentation of market. It is on these premises that this study choose to base its theoretical framework on the financial repression hypothesis (Udoka, 2015).

### **The Theory of Financial Intermediation**

This theory is predicated on the intermediation functions of Banks, Banks by nature of their operations are net risk takers. Their intermediation capacity emanates from their ability to mobilize funds. Credits when effectively sent, hypothetically constitutes an important vehicle for transmission of the impacts of saving money operations to the economy. Schumpeter (1934) sees financial organizations as assuming run of the mill request taking after parts and just capacity to benefit and/or bolster endeavour.

In such manner, the causality relationship between the economy and financial development would hypothetically stay unidirectional with causality spilling out of the economy to the financial division. Proving Schumpeter's position, Robinson (1952) sees financial establishments as unimportant handmaids to local undertaking and to that degree, generously stay latent to the indispensable variables that prompt financial development.

Later studies by Goldsmith (1969) and Shaw (1976) among others, watch to a great extent that powerful loan cost administration would build reserve funds, profitable ventures and therefore, financial development. In like manner, these concentrates to a great extent contend that the degree of financial development and orderly level of financial liberalization approaches winning in an economy would clearly, represent the predominant level of financial development. Inside the domain of these studies, back on a very basic level capacities to assume supply-driving parts and would hypothetically, apply noteworthy causal impact on monetary development.

### **Gap, Exigency and Catalyst Theory**

These theories are fundamental in the evaluation of the subject matter. Nwankwo (1985) contends that the expanding approach enthusiasm for improvement in financial institution is an outcome of the subsidizing crevice made by ordinary managing an account establishments' carelessness of smaller scale wanders.

The concentrate too, shows that the exigency proposal stays essentially on the apparent critical need by different governments to start monetary strengthening activities which won't just kick off their financial development handle additionally quicken same. Further, the impetus postulation intensely sees the financially related part as having the natural limit to connection fund suppliers with proficient financial clients like entrepreneurs and in that procedure, catalyse and in the long run speed up financial development procedure of countries even at the smaller scale level.

### **Empirical Literature**

Many Studies have tried to investigate the interrelationship and causality between microfinance and poverty reduction or economic performance towards capturing the role of the financial institutions involved in these credit on the economy as a whole, in this light the following literatures are reviewed towards evaluating the discovery of researchers in relation to the subject matter.

Ngong, Thaddeus, and Onwumere (2021) examined the long-run relationship between microfinancial inclusion and poverty alleviation in Nigeria from 1990 to 2018. The Engle–Granger two-step co-integration and autoregressive distributed lag (ARDL) techniques were employed by the study. Gross domestic product (GDP) per capita proxies' poverty reduction. Number of microfinance banks, borrowers of microfinance institutions, commercial bank branches, commercial bank loan to small-scale businesses and broad money supply ratio measure microfinancial inclusion were utilized variables of the study. The results indicate a long-run relationship between microfinancial inclusion and poverty reduction. The error

correction model reveals that microfinancial inclusion and poverty alleviation converge to long-run equilibrium.

The number of microfinance banks, lagged value of borrowed funds and broad money supply negatively influences poverty while the lagged values of number of microfinance banks and broad money supply positively influence poverty. As recommendation, the study proposes an effective way to improve microcredit channels and liquidity flow to the poor through a microfinance bank's intermediation should be promoted by the Central Bank of Nigeria (CBN) using an aggressive policy, which provides access to credit to the poor.

Onuka (2021) employed a conceptual review of the effect of microfinancing on poverty alleviation during the Covid-19 pandemic. The paper reviews the state of the COVID-19 pandemic in Nigeria and identifies policy gaps in microcredit delivery and governance mechanism. The study also highlights the linkages between COVID-19 and microcredit in poverty alleviation with a view to catalyzing increased and inclusive access to microcredit and sustainability policy in Nigeria. It is argued that acknowledging the role of microcredit in informal economy and poverty alleviation is the critical first step towards framing a sustainable microcredit policy in which primary stakeholders are involved.

Khan, Khan, Fahad, Ali, Khan, and Luo (2021) examined the implication of microfinancing on poverty alleviation by exploring the service delivery opportunities that provide an additional avenue to monitor the usage of loans to enhance the outreach. Therefore, the results showed by PROBIT model that access to MFI was better in urban areas and male borrowers thus achieved more loan. Therefore, it is suggested that for the poverty reduction, there is a dire need to improve and localize the Microfinance institutions in rural areas as well as to promote group lending methodology to avoid risk of getting loans and increase the number of both male and female savers.

Thus, the saving value will be increased and side by side interest rate will be significantly achieved. Hence, it is concluded that the goal of providing sustainable financial services implicitly implies that MFIs provide financial services to the poor, whenever they find it profitable to do so. The removal of subsidy and the absence of interest rate restrictions could make the market for the poor become even worse as the market occupiers may act in their own interest. The powerful push will be needed from national economic and social impacts for the increasing support for microfinance.

Ochonogor (2020) examined the performance of microfinance institutions (MFIs) and its impact in reducing poverty and promoting economic development in Nigeria using error correction model. The OLS was used for long-run analysis following findings from the cointegration result that established the existence of a long run equation. The study found a positive relationship between human development index and microfinance loan. The findings suggest that microfinance institutions promote economic growth and social capital formation in Nigeria.

The paper therefore recommends that relevant stakeholders should create more awareness to the general public on the importance of microfinance loans to the livelihood of the citizens. It is also recommended that, based on the findings, the CBN should coopt MFIs in administering specialized funds set aside to improve microcredit access at low interest rate, especially SME Credit Guarantee Schemes to further human development index trajectory in Nigeria.

Arifin, Suman, Ekawaty, and Kaluge (2020) analyzed the relation among microfinance institutions, small and micro enterprises, competitiveness, social capital, and poverty eradication using partial least square analysis. The analysis unit was 100 fishmongers who use

money from microfinance institutions and work in the Paotere fish market in Makassar, Indonesia. Microfinance institutions influences the competitiveness of fishmongers, strengthens their social capital, and eradicates poverty around them. The managers of microfinance institutions should maintain their cooperation with fishmongers to ensure that the loans they give don't only benefit the borrowers.

Nnamdi and Nwiyordee (2014) observes evidences and insight into Private sector microcredit programmes, financial inclusion and sectorial entrepreneurship in Nigeria over a period of 1992 to 2011 utilizing secondary data estimated by the Augmented Dickey Fuller and Standard Granger Causality technique it was discovered that only a single sector stimulated economic growth while other sectors failed terribly.

Nnamdi and Torbira (2015) observed the role of Microcredits in Nigeria's Economic growth using a multi-sectorial analysis approach considering a period of 1992 to 2014, utilizing estimation techniques such as Augmented Dickey Fuller, Johansen cointegration, Error correction Model and Pairwise granger causality test, the study discovered no significant causal association despite the evidence of long run relationship between employed variables.

In similar Nnamdi and Torbira (2015) evaluates the Leverage on Nigeria's economic growth with a view at ascertain if it was conventional or micro credit stimulated over a period of 1992 to 2014, utilizing the Augmented dickey fuller test, Johansen cointegration test, error correction model and pair wise granger causality test, the discovered a long run relationship between microcredit its and economic growth proxied by Gross Domestic Product.

Nwakanma et al., (2014) analyze the relationship between small scale credit operations and financial development in Nigeria. Utilizing ARDL and Granger Causality methods, the study finds on work of information over the period 1982 to 2011 that a noteworthy long run relationship wins between miniaturized scale credits dispensed in Nigeria and the nation's GDP. The Granger Causality results demonstrate a critical unidirectional causality which keeps running from GDP to smaller scale credits. The study suggests the advancement of moresmaller scale credit products and advertising of same, and in addition requirement of credit contracts to fortify miniaturized scale credit operations and their impact on Nigeria's economy.

Gibson (2008) evaluates the challenges faced by African commercial banks in providing adequate funding to SMEs and proffers strategies for increasing SMEs' access to risk capital. The findings show that shareholder loans, as opposed to pure equity, reduce investors' risk and increase their current income. Risk capital intermediaries may capitalize their funds using diverse financial instruments which reflect investors' differing return objectives. Governments can initiate tax incentives programs to increase private sector participation in SME risk capital. The implication is that increasing the availability of non-asset-based financing is critical to viability of Africa's SME sector and contribution to the continent's economic growth. Hoff et al. (2007) examine the environment of financing for sustainable SMEs and identifies key challenges and solutions for sustainable enterprise finance sector.

The study having evaluated the above literatures discovered that many scholars have reviewed the influence of microfinance institutions on the health of Nigerian economy but studies by scholars like Ayadi et al (2013), Gibson (2008), Aremu and Adeyemi (2011), Cecchetti and Kharroubi (2012), Aliero et al (2013), Obamuyi et al (2012) to mention a few failed to evaluate its poverty alleviating and reducing influence, while a handful who did this primary data. This study therefore intends to evaluate using updated data, the influence of microfinance banks on poverty reduction in Nigeria.

## Methodology

**Research Design:** The researcher adopted the Ex-post facto research design which is a sub-category of the quasi- experimental design since the various elements of the design are not under the control of the researcher. Quasi experimental design is widely used in administrative or social sciences research because of the complex relationship that exists between variables which is not subject to manipulations. The major sampling employed is the Microfinance institutions lending activities and poverty indices in Nigeria, Our main target is to empirical examine the impact of Microfinance credit on poverty alleviation in Nigeria . The data covered a period of twenty nine (31 years) i.e. 1992- 2020.

## Model Specification

Based on Asher's Causality Modelling (1990), the causal estimation equation models to be estimated can be stated as follows:

The autoregressive model concerns each variable as a dependent variable with an independent one as follows:

$$HPI = f(AFM, MQM, MFP, REC, TRC) \text{ -----(1)}$$

The above functional Form is written into the following mathematical form as follows:

$$GDP = \beta_0 + \beta_1 AFM + \beta_2 MQM + \beta_3 MFP + \beta_4 REC + \beta_5 TRC \text{ -----(2)}$$

While the Econometric model is presented as follows:

$$GDP = \beta_0 + \beta_1 AFM + \beta_2 MQM + \beta_3 MFP + \beta_4 REC + \beta_5 TRC + U \text{ -----(2)}$$

## Where:

HPI = Human Poverty Index

AFM = Microfinance loans to Agriculture and Forestry

MQM = Microfinance loans to Mining and Quarrying

MFP = Microfinance loans to Manufacturing and food processing

REC = Microfinance loans to Real Estate and Construction

TRC = Microfinance loans to Transportation and Commerce

B0 = Constant/Intercept

B1-B5= Intercept/coefficients

This can be mathematically written as:

Apriori Expectation

On apriori  $\beta_{1-5} < 0$

This pairori expectation for the study is negative. Higher mobilization of credit by microfinance banks ought to reduce the Human poverty index through capital mobilization, employment and higher consumption.

## Results and Discussion

### Unit Root Test (Augmented Dickey Fuller).

The study stationarity test is presented in table 1 as follows;

**Table 1: Result of Unit Root Output (Augmented Dickey Fuller)**

Variable	ADF t-statistics	Critical Value 5%			Order of Integration	Prob.
		1%	5%	10%		
D(HPI)	-9.390661	-3.646342	-2.954021	-2.615817	I(1)	0.0000
D(AFM)	-5.327581	-3.646342	-2.954021	-2.615817	I(1)	0.0001
D(MQM)	-5.196078	-3.646342	-2.954021	-2.615817	I(1)	0.0002
D(MFP)	-7.429574	-3.646342	-2.954021	-2.615817	I(1)	0.0000
D(REC)	-4.484940	-3.646342	-2.954021	-2.615817	I(1)	0.0011
D(TRC)	-5.847291	-3.646342	-2.954021	-2.615817	I(1)	0.0000

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Source: Extraction from E-view 11

The trending study variables requires evaluating the stationary of employed study variables at a level that was not uniform across the board, and as such, all variables were evaluated at the first deference I(1), based on ADF t-statistics greater than the critical values for all levels, such as 1 percent (-3.646342), 5 percent (-5.46342), and 10% (-5.46342), which all had ADF t-statistics greater than the critical values for all levels.

**Co-integration Test**

The researcher proceeds to test the long run association/Relationship amongst employed variable which includes Human poverty index (HPI), Microfinance to agriculture and forestry (AFM), Microfinance to mining and quarrying (MQM), Microfinance to manufacturing and food processing (MFP) microfinance to real estate (REC) and microfinance to transportation and commerce (TRC) in Nigeria Over the period of 1992 to 2020 presented as follows.

**Table 2: Results of Co-integration Test (Johansen Co-integration)**

Date: 12/18/20 Time: 22:05  
Trend assumption: Linear deterministic trend  
Series: D(HPI) D(AFM) D(MQM) D(MFP) D(REC) D(TRC)  
Lags interval (in first differences): 1 to 1  
Unrestricted Co-integration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.645958	98.79446	69.81889	0.0001
At most 1 *	0.568893	65.56758	47.85613	0.0005
At most 2 *	0.420351	38.64280	29.79707	0.0037
At most 3 *	0.353934	21.19215	15.49471	0.0062
At most 4	0.201804	7.212838	3.841466	0.0772
At most 5	0.296213	8.384739	2.847244	0.0819

Source: Extraction from E-view

From the Trace statistics and the Maximum Eigenvalue, the presence of four co-integrating equations shows the presence of a long-term relationship, i.e. Subject to variation and volatility, the employed variables are likely to be statistically intertwined and possess significant trends which influences each other statistically. The study then moves on to the Error Correction model, which includes the parsimonious error correction model and the paired granger causality test, in light of the foregoing.

**Error Correction Model**

To correct for variation and adjust for errors in the long and short run, the study proceeds to carry out the parsimonious error correction.

**Table 3: Parsimonious Error Correction Model Output**

Error Correction Model  
Dependent Variable: D(HPI)  
Method: Least Squares  
Date: 12/18/20 Time: 22:09  
Sample (adjusted): 1992 2020  
Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.551329	40461.62	1.866294	0.0775
D(AFM)	12.75842	6.831227	1.867662	0.0791



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D(MQM)	-15.31631	6.409575	-2.389599	0.0287
D(MFP)	-169.9082	55.19764	-3.078179	0.0068
D(REC)	8.397485	14.76518	0.568736	0.5770
D(TRC)	-17.80299	14.28870	-1.245949	0.2297
ECM(-1)	-0.036705	0.204472	-2.179509	0.0488
<hr/>				
R-squared	0.927946	Mean dependent var	39793.80	
Adjusted R-squared	0.908984	S.D. dependent var	56292.47	
S.E. of regression	16982.78	Akaike info criterion	22.52335	
Sum squared resid	5.48E+09	Schwarz criterion	22.81588	
Log likelihood	-275.5419	Hannan-Quinn criter.	22.60449	
F-statistic	48.93808	Durbin-Watson stat	2.114377	
Prob(F-statistic)	0.000000			

*Source: Extracted from Eview-10*

The above output shows that in term of adjustment between the long and short run, the ECM which displays the expected negative signed coefficient of -0.036705 signifies that the discrepancies in both the long and short run can be adjusted backward within a year by 3.67% percent, while this is accentuated by the Coefficient of determination (R-squared) showing an output of 0.927946, signifies that the predictors account for approximately 92.79 percent (%) variation in the criterion variable while 7.21% are captured by other variables not in the model (The white noises or unobserved variables), while the Durbin Watson reveals an output of 2.114377 shows the presence of positive serial correlation and is within the relevant range.

From the above output, the coefficient of the constant (C) is 7.551329, which signifies that if all other variables are kept at a constant or zero, the criterion variable Demand for Microcredit will increase by approximately 7.551329 units, showing a positive progresses of the criterion variable to the predictors. All variables exhibit a positive coefficient showing a positive relationship and movement with the criterion variables thus going against the proposed negative apriori expectation. With the exception of Microfinance loans to mining and quarrying (MQM) whose increase would reduce poverty incidence in nigeria.

The F-statistics given its Probability level of 0.000000 is significant, while the t-statistics approves only the significant of Contribution to Industry (MQM) (0.0094) and Contribution to Construction (MFP) (0.0062) using the probability level of their t-statistics against the 0.05 (5%) level of significance.

### **Discussion of Findings.**

The study discovered varying directions and level of significance between the variables.

Based on the regression output, and the presence of a significant long run relationship, and the parsimonious error correction model for Microfinance loans to Agriculture and Forestry (AFM) t-statistics which shows a coefficient of 1.867662 at a probability level of 0.0791, The study therefore rejects the alternate hypothesis and accept its null, therefore, There is no significant relationship between Microfinance loans to Agriculture and Forestry and Human Poverty Index Nigeria.

The Microfinance loans to Mining and Quarrying (MQM) t-statistics which shows a coefficient of -2.389599 at a probability level of 0.0287, indicates that the study therefore

rejects the null hypothesis and accept it's alternate, therefore, There is a significant relationship between Microfinance loans to Mining and Quarrying and Human Poverty Index Nigeria.

The Microfinance loans to Mining and Quarrying t-statistics which shows a coefficient of 3.078179 at a probability level of 0.0068 which is less than the 0.05 significance level, indicates that the study therefore rejects the null hypothesis and accepts its alternate form, therefore, There is a significant relationship between Microfinance loans to Construction sector to Gross Domestic Output and Human Poverty Index Nigeria.

The Microfinance loans to Real Estate and Construction and Human Poverty Index Nigeria t-statistics which shows a coefficient of 0.568736 at a probability level of 0.5770 which is greater the significance level of 0.05 (5%), indicates that the study therefore do not rejects the null hypothesis and do not accept its alternate, therefore, There is no significant relationship between Microfinance loans to Real Estate and Construction and Human Poverty Index Nigeria.

The Microfinance loans to Transportation and Commerce t-statistics which shows a coefficient of -1.245949 at a probability level of 0.2297 which is greater the significance level of 0.05 (5%), indicates that the study therefore do not rejects the null hypothesis and do not accept its alternate, therefore, There is no significant relationship between Microfinance loans to Transportation and Commerce and Human Poverty Index Nigeria.

### **Summary of Findings**

The study found empirically the following:

- Microfinance loans to Agriculture and Forestry (AFM) shows a positive and insignificant influence on poverty reduction (Human Poverty Index) in Nigeria. This shows that microfinance loan to agricultural sector aggravates poverty level insignificantly
- Microfinance loans to Mining and Quarrying (MQM) displays a negative and significant influence on poverty reduction (Human Poverty Index) in Nigeria. This shows that microfinance loan to agricultural sector reduces the poverty level significantly in Nigeria.
- Microfinance loans to Manufacturing and Food Processing (MFP) shows a negative and significant influence on poverty reduction (Human Poverty Index) in Nigeria. This shows that microfinance loan to agricultural sector heightens poverty level insignificantly
- Microfinance loans to Real Estate and Construction (REC) shows a positive and insignificant influence on poverty reduction (Human Poverty Index) in Nigeria. This shows that microfinance loan to agricultural sector worsens poverty level insignificantly
- Microfinance loans to Transportation and Commerce (TRC) shows a positive and insignificant influence on poverty reduction (Human Poverty Index) in Nigeria. This shows that microfinance loan to agricultural sector aggravates poverty level insignificantly

As to the behaviour of the study variables, it has been observed that of all attributes of the human poverty index, it is majorly themining and quarrying microfinancing and manufacturing microfinancing that bears the expected negative and significant impact on human poverty index while other sectors such as the trade and service sector coupled with the agricultural sector do not bear the expected negative and significant influence on poverty. The above shows that the nation's poverty level is only stimulated by the microcredits to the mining and quarrying activities and the manufacturing activities.

This accentuates the structural theory of microfinancing. Gerschenkron argued that because of economic structure of those nations, banks could not supply the capital necessary for industrialization. This according to him is caused by standards of honesty and fraudulent

bankruptcy (Udoka, 2015) as recipients of microfinance tend to default payment and do not mobilize such funds to productive ends.

### **Conclusion and Recommendations**

In predicting poverty reduction (i.e. poverty alleviation), the study observed that only microfinance to the mining and quarrying and manufacturing and food processing proved significant in reducing the poverty level in Nigeria while all other microfinancing ends showed complacency. The positive coefficient from agricultural and forestry sector and Manufacturing and Food processing shows that the microfinance activities has worsened the level of poverty in the nation which follows evidences as highlighted by Demetriades and Hussien (1996), Levine and Zervous (1998) and other scholars as to the adverse effect of credit when insufficiently mobilized, these findings firmly go against discoveries by scholars like Nnamdi and Nwiyordee (2014) as well as Crowley (2008) who deemed it fit for microfinance institutions to reduce poverty level in developing economies like Nigeria rather than the other way round.

### **Conclusions**

It can this be concluded that finding shows the prevalence of underutilized microfinancing and the country's inability to efficiently diversify its activities properly is contributing to poverty rather than alleviating it. The fund market can be inferred to be biased in disbursement of microcredits to key areas due to misallocation to other short-term activities and industries and the adamant demand dependency of activities in the nation.

### **Recommendations**

In view if the discovered behaviours and relationships among employed variables the study proffers the following recommendations:

- Due to the positive nature of the variables, public personalities and authorities ought to curtail significantly borrowing from microfinance banks to prevent crowding out and empower the banks address all the more adequately, the requests of the developing private area which will probably acquire on premise of effectiveness of venture choices.
- Other sectorial microfinancing operations should be reviewed and revamped according to their level of significance.
- Capital project should be empowered in the Nigerian Capital Market to encourage raising of all the more long haul obligation reserves fundamental for financial development via diversification.
- A replication of this study in other monetary settings is pushed for an essential valuation for nation specifics as for adequacy of bank credit allotments to the private and open segments of every economy.

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