Micro Finance Institutions in Nigeria Outreach and Sustainability: Questionnaire Survey Findings

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Abstract

This study examines the outreach performance and sustainability of Microfinance Institutions in Nigeria. The importance of Microfinance Institutions in Nigeria's economy cannot be over-emphasized; *this is because it plays a significant role in the financial intermediation process and also improving the lives of low income earners whom constitute over 70 percent of the Nigerian population. The design and technique employed in data collection were survey method and data collection through the use of self developed Likert scale questionnaire. The results of the study indicated that no significant difference was found among genders, geographical location and occupations in terms of outreach performance and sustainability of microfinance institutions in Nigeria.*

Key Words: Outreach, poor, microfinance institutions.

I. Introduction

Africa is one of the continents on the globe that requires new strategies to improve the existing economic situation, structures and to provide platform for development as well to overcome numerous socioeconomic problems such as poverty, unemployment, illiteracy etc. Millennium Development Goals (MDGs) programme is one such strategy developed by United Nations (UN) to assist developing countries to tackle problems being faced in various sectors. The programme is aimed at achieving certain goals which include among others, poverty eradication, universal primary education, gender equality and women empowerment. The MDGs seems to have opened a new page in the history of the continent towards addressing the challenges. Even though, MDGs involves all the regions of the world, Sub-Saharan Africa appears to be the region with greatest concern (Mwenda & Muuka, 2004). NEPAD statistics (2002) shows that 70% of the total population in Africa and roughly 80% of the poor people live in the rural areas.

As for Nigeria, poverty could be attributed to the institutional policies, and to combat the menace of poverty there is a need for institutional changes. These changes does not entail a rejection of the measures but aimed at improving situation of people living for effective functioning in terms of mortality, literacy and MDGs issues. The last decade has seen the evolution of microfinance institutions that have created significant income and employment opportunities for the poor in developing countries (Bhatt & Yan tang, 2001). In an attempt to fight against poverty, several efforts have been put forward in various countries. Examples of such efforts could be seen in ACCION's BancoSol in Bolivia, Bank Rakyat Indonesia's (BRI) Unit Desa program in Indonesia, Amanah Ikhtiar Malaysia (AIM) in Malaysia and the Grameen Bank in Bangladesh. It is evident that microfinance institutions could play a vital role in poverty alleviation base on the superior performance of these programmes.

The experiences of these and other prominent microfinance programs have triggered imitation efforts in one form or another in many countries of the world such as Bolivia, Peru, Mexico, and Costa Rica to Nigeria, Mali, Malawi ,Togo, Chile, Malaysia, Indonesia, Sri Lanka, Nepal, and India. Nevertheless, the performance of the programs in some countries, however, has not been encouraging. Many have been weighed down with problems which include among others as high default rates, inability to reach sufficient numbers of borrowers, and a seemingly unending dependence on subsidies. Few of them have lived up to their original objective of "including the excluded" (Bhatt, 1997).

In Nigeria, microfinance has been identified as an effective tool in achieving three objectives:

1. Strong and focused emphasis on economic growth
2. Better access by the poor to social services and adequate infrastructure
3. Targeted interventions to protect low-income populations

The reason includes, to enables poor people to expand their businesses, increase their revenues, and augment employment, on therefore contributing to the economic development of the country (UNCDF 2004).

II. Research Objectives

To determine the outreach performance and sustainability of microfinance institutions in Nigeria.

III. Theoretical Background

Microfinance is viewed as the provision of financial services to the poor and low income group (Micro finance, Gateway, 2010). It can also be regarded as the process by which low income households will have a greater access to a variety of high quality financial services to finance their own small business enterprises. These services rendered by microfinance institution are not limited to credit facilities only, but it encompasses savings, insurance and money transfers. Typical microfinance clients include the poor and the low income people who find it difficult to benefit from the conventional or formal financial institutions. Sajeda et al (2003) revealed that microcredit programs such as the popular Grameen Bank reach the relatively poor and vulnerable in two Bangladeshi villages. The study also finds out that while microcredit is successful at reaching the poor, it is less successful at reaching the vulnerable households. Similarly, Brett (2006) identified that the wealthier villagers are significantly more likely to participate than the poor. Moreover, the wealthiest often become program committee members and borrow substantially more than the rank and file members. However, local information on credit worthiness is also used to select members. Therefore, microcredit programs have positively affect households welfare for committee members, but insignificant impact on the poor and vulnerable households.

Two major criteria outreach and sustainability have been used in evaluating the performance of microfinance institutions. Outreach is defined as the ability of an MFI to provide high quality financial services to a large number of clients. The indicators of outreach performance include changes in the number of clients, the percentage of female clients, total value of assets, amount of savings on deposits, value of outstanding loan portfolio, average savings deposits size, average credit size and number of branches. Anyanwu (2004) revealed that the demand of microfinance services is high and increasing in Nigeria. The continuous lay off of labour from both sectors and growing number of unemployed graduates from schools and colleges is pushing a large number of populations into informal sectors activities. Also the domestic market is large with over 130 million people in need of various goods and services including financial services. Therefore, the growth of microfinance activities reflects the expansion of informal sector activities and the exclusion of a large proportion of economically active population from various financial services of the formal sector. A study conducted by the Central Bank of Nigeria (2001) identified 160 registered microfinance institutions in Nigeria. The study further revealed that as at the third quarter of 2001, the respondents had aggregate savings worth $ 645,000 and an outstanding credit of $ 418,000 indicating a huge business transaction in the sector.

IV. Research Method

Survey approach was employed as it represents one of the most common types of quantitative research. The researcher have selected sample through cluster sampling technique from the ideal population that constitutes small scale entrepreneurs. The questionnaire has been an inventory that was completed by those low income earners with less than $1.25 a day being surveyed. The sample for the research work has been drawn from the ideal population and the research might have 5% margin error, thus 400 samples have been used for the study. ANOVA, t-test and descriptive statistics was employed in analysing the data of the study.

V. Result and Discussion

To determine the outreach performance of the MFI, variables such as gender, location, occupations were taken consideration with a view to examining how the MFI coverage get across the variables.

Gender

Table 5.1: Independent t-test for the outreach of MFI among genders Mean, SD, t-values and Level of significance

Gender	Mean	Std. Dev	t	*p*
male	11.4440	2.47625	-1.45	.885
female	11.4851	2.30917		

N=378, DF= 376, $*p < .05$

Table 5.1 indicates the result for the outreach of MFI among genders. An independent t-test was computed and the result indicates no significance difference among the genders (t (376) =.885, $p > .05$). Therefore, both male and female clients have an equal chance of participation in microfinance programs.

Geographical Location

Table 5.2: Independent t-test for the outreach among rural and urban areas Mean, SD, t-values and Level of significance

Location	Mean	Std. Dev	t	*p*
Rural	11.400	2.45593	-.291	.771
Urban	11.471	2.42257		

N=378, DF= 376, $*p < .05$

Table 5.2 indicates the result for the outreach of MFI. An independent t-test was computed and the result indicates no significance difference among rural and urban (t (376) =7.71, $p > .05$). The above results show that microfinance institutions have reaches both rural and urban areas, therefore microfinance product service is available to both rural and urban clients.

Occupation

Table 5.3: ANOVA Descriptive Statistics for MFI Outreach among occupations

Occupation	N	Mean	Std. Deviation
Farming	36	12.1389	1.92951
Business	114	11.9211	2.17851
Skills Acquisition	124	11.1855	2.46724
Others	104	11.0288	2.68204
Total	378	11.4550	2.42978

Table 5.3 indicates a descriptive statistics for the MFI outreach among the occupations. The results show outreach does not differ significantly (m=12.138, 11.921, 11.185, 11.028, 11.455, SD =1.929, 2.178, 2.467, 2.682, and 2.429).Therefore, microfinance services covers all forms of occupation.

VI. Conclusion

This study has been able to identify the outreach performance of microfinance institutions in Nigeria. The review of literature shows that microfinance institutions have significantly outreached the poor and vulnerable households. The findings of this study indicated that microfinance services covers all forms of occupational distribution such as farming, skills acquisition, petty traders, vendors, artisan and other kinds of local micro entrepreneurships'. Gender is also not significant factor in the provision of microfinance services as both male and female have equal chance of participation in the microfinance industry. However, Rahman (2010) revealed that microfinance clients are mostly housewives having very irregular secondary education.

Geographical location of people is also not significant factor in outreach performance of microfinance institutions in Nigeria. A microfinance institution operates in both rural and urban areas. But other variables such as religion, ethnic background and political affiliation are likely to be significant factors that hinder the outreach performance of microfinance institutions in Nigeria, as religious, ethnic and political discrimination are the major problems affecting most countries in sub Saharan Africa.

In conclusion, the study recommends that the policy framework for microfinance institutions operation need to be flexible to accommodate the religious, political as well as ethnic difference among the clients.

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