

Promoting Economic Development and Poverty Reduction through Microfinance Banks

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Abstract

This study examines the role of microfinance banks in economic development and poverty reduction in Nigeria from 1992 to 2019. Annualized data used for the study were gotten from CBN statistical bulletin and World Bank database. Preliminary test such as; descriptive statistic, ADF unit root test, co-integrated test, and ECM were first performed on the data to check their reliability. Thereafter OLS regression method was used to test the data. The result shows that microfinance banks' deposits and investment positively and significantly influence the economy. It also revealed that microfinance bank credit positively and significantly influences the level of poverty, while inflation rate negatively and significantly influence the level of poverty in the economy. The study recommends that credit advancement should be focused on productive areas of the economy that will enhance productivity, development and poverty reduction in Nigeria.

Keywords: Microfinancing, Poverty, Economic development and Credit advancement.

Introduction

Emergent nations of the world, mostly in the continent of Africa are indisputably confronted with stern economic austerity as well as decreasing rate of economic performance, hence poverty turns out to be crucial burden to them (Addae-Korankye, 2012). Microfinance policy is now considered to be an essential poverty alleviation and developmental instrument owing to the fresh wave and attention given to microfinance banks in the early 90s. The regulatory and supervisory policy framework of microfinance banks that was launched in 2005 provided the blue print for stakeholders and institutions' involvement in the provision of microfinance in Nigeria. It also laid down modalities for the licensing, regulation and supervision of privately owned microfinance banks in the country.

Conceptualization of microfinance in Nigeria was highly applauded as the numbers of microfinance banks approved by CBN were found to be 882 as at 30th September, 2018 (The Nigerian Microfinance Newsletter, 2010; CBN, 2018). The

apex regulatory body vindicated its approval of microfinance banks on the premise that there is need to improve savings opportunity and access to small and medium scale credit facilities. They further stated that existing community banks lack institutional capability and their capital base was very fragile and puny. They also pointed out that there exist a vast unreached population as only about 36% of mature men and women had access to financial services, while the majority of those ostracized reside in rural areas (CBN, 2005).

The plight and suffering of the people can be alleviated if small and medium credit facilities and other financial services are made available to low income households, individuals and groups. This can go a long way to position the underprivileged and empower them to engage in creative and productive activities capable of improving their income, alleviate their suffering, ease exposure to shocks and ultimately translate to the wellbeing of the economy (Wachukwu, Onyema & Amadi, 2018; Littlefield, Jonathan & Syed, 2003). Contrary to expectations, despite the overwhelming support accrued to microfinance banks since it was launched in Nigeria, the rate of poverty has continued to soar and this has in no small measure impinged on the rate of development of the nation, notably in the rural areas (Akangbe, Olajide & Ajayi, 2012).

However, it was observed from extant literatures that there are mixed findings over the subject matter and there are no particular studies that examined the issue of socio economic development, poverty reduction and microfinance banks to the best of the researchers knowledge. Some authors like Wachukwu, et al, (2018), Murad and Idewe, (2017), Apere. (2016) and Chandra and Govinda, (2016), focused on the nexus amid microfinance banks and economic development in Nigeria. Akosile and Ajayi, (2015), Ashamu and Ogundina, (2015), Olukemi, (2016), Subhabrata and Laurel, (2017), Nyarondia, (2017), investigated the relationships that exist between microfinance bank and poverty reduction in Nigeria.

Against this backdrop, this study investigates the nexus between microfinance banks, economic development and poverty reduction in Nigeria. This study is relevant in time like this where the nation is experiencing high level of inflationary rate, depreciation in the value of naira, saving eroded as a result of inflation and the aftermath effect of the Covid 19 pandemic that affected the level of production, international trade, etc. Microfinance gives leverage to individuals in particular and the economy in general.

Literature Review

In order to achieve the objective of this study, prior studies on the subject matter need to be reviewed such as presenting the conceptual review of the variables, empirical review and theoretical framework.

Concept of Microfinance

The conceptual exposition of the main variable of the study is presented here: Microfinance is not restricted to just lending small amount of money to the poor. Its scope includes transactional services, mobilization of savings, insurance, etc. Microfinance basically has to do with the provision of small scale loans, savings and fundamental services to those that do not have what it takes to access these facilities from the conventional banking system. Ehigiamosoe, (2005) opined that owners of small and micro businesses require different array of sources of finance to meet working capital needs, build up asset base, stabilize consumption level and at the same time safeguarding themselves against any form of business risk.

Kimotho (2005) defined microfinance as the act of providing micro credit or small loan facilities to the poor to afford them the opportunity to undertake profitable business activities or improve existing business. CBN (2005) reiterated that the purpose of establishing microfinance banks is to empower the poor through the provision of needed financial resources. This empowerment is believed will enable them undertake or expand existing business and generate income. Irobi (2008) described microfinance as the process of providing micro-credit, transfers, etc. to the poor and low income families. He further stated that this will enable them engage in activities that will fetch them money or expand an existing business as the case may be. Olukemi (2016), stated that microfinance is mainly dedicated to alleviating poverty through the process of extending financial services to the poor. In this study, microfinance is described as credit channel that permits low income earners to access loan with little or no collateral. Since the deposit money banks have stiff requirements for granting credit facilities to customers hence the birth of microfinance banks.

Empirical Review

Here prior empirical works that reviewed the relationship between microfinance and poverty as well as economic growth were examined.

Microfinance and Poverty

Khandker (2005) investigated the nexus between microfinance and poverty reduction in Bangladesh. He used a sample size of 1,638 randomly selected households which include both those that took part in microfinance programs of the Grameen Bank and those that didn't partook in any microfinance program. The result showed that per capita income and consumption for those that took part in microfinance program was on the rise, suggesting that microfinance has the ability to reduce the level of poverty.

Brownstein, Fleck, Shetty, Sorensen, and Vadgama, (2007) examined the viability of microfinance as an instrument for poverty reduction in Sub-Sahara Africa. The result showed that micro finance is a viable instrument for poverty reduction simply because it is performing creditably. Rajendran and Raja (2010) examined the impact of microfinance bank on poverty reduction using 180 randomly selected leaders and coordinators of self-help groups in Vellore province of India. Their result revealed that microfinance has effectively reduced the poverty level among the members of self-help groups; and it has empowered women, created awareness, and ensured sustainability of the environment, all of which have eventually resulted in sustainable development in the nation.

In Nigeria, Nwigwe, Omonona, and Okoruwa (2012) studied the role of microfinance as a strategic plan for alleviating poverty. They found from their study that microfinance programs is a potential tool that enable the poor to live above poverty level through the provision of opportunities for self-employment. Their findings also revealed that there is a significant link between microfinance and poverty reduction. Akosile and Ajayi, (2014) studied the role of Microfinance Institutions in poverty reduction in Nigeria. The study focused on the activities of microfinance banks, cooperative Investment and Credit Societies. It was established from the result that credit and financial services provided by both institutions made it possible for the poor, low income group, and small and medium enterprises to engage in economic activities that ultimately reduced their level of poverty.

Ashamu and Ogundina (2015) studied the relationship between microfinance and poverty reduction in Nigeria. The study centred on two broad variables: poverty alleviation as the dependent variable and microfinance loan disbursement as the independent variable. Using the questionnaire method of data collection, it was found from the study that microfinance is a veritable instrument for alleviating

poverty, increasing the level of income as well as changing the overall condition of the people. Olukemi, (2016) carried out a study on “alleviation of poverty through microfinancing in Nigeria”. Using error correction mechanism, the study revealed that credit to small scale enterprises positively but insignificantly impact on poverty alleviation, Unemployment rate and inflation rate on the other hand were found to negatively and significantly impact on poverty alleviation.

Nyarondia (2017) carried out a theoretical investigation on the relationship between microfinance and poverty reduction in Kenya. It was concluded from the study that the provision of micro-credit to the poor most importantly youth and women in the rural area is a vital means of reducing the level of poverty. Subhabrata and Laurel (2017) carried out a critical analysis on the role of microfinance in poverty alleviation using three villages in Bangladesh. It was found from the study that microfinance has the ability to increase the level of indebtedness among the already poor communities, thereby exposing them to more environment risk.

Microfinance and Economic Development

Olakojo and Olanipekun, (2011), examined the nexus between microfinance banks and economic growth in Nigeria from 1992-2008. They employed pooled and ordinary least squared regression techniques in analysing their data. The result from the analysis revealed that loans and advances from microfinance banks positively influence output of manufacturing, building and construction, mining and quarry sectors of the economy but negatively impact the agricultural sector. They summed up their study by saying that microfinance banks are very significant as their contribution to critical sectors of the economy help to fast tract the development of the economy.

Chandra and Govinda, (2016) examined the contribution of microfinance on socio-economic development of rural communities with focus on eight microfinance banks in Syangja district of Nepal. Adopting quantitative research design, the result revealed that microfinance significantly contributes to the development of rural communities in Nepal. Apere (2016) studied microfinance banks and economic growth in Nigeria from 1992-2013. They employed the ADF unit root test, co-integration test, error correction model and the parsimonious test. The results from their estimation revealed that microfinance bank loans and domestic investment positively influence the growth of Nigeria economy. Murad and Ideweles (2017) examined microfinance institution and economic growth in

Nigeria from 1992-2012. Using multiple regression analysis, the findings of their study revealed that microfinance loans in the short run have a positive and significant impact on Nigeria economy but the reverse in the long run.

Wachukwu, Onyema and Amadi (2018) examined the relationship between microfinance bank and economic growth of Nigeria from 1992-2016. The study used both descriptive and inferential statistics in analyzing the time series data. It was revealed from the result that growth in microfinance bank credit and microfinance bank investment have a significant but inverse relationship with economic growth, while microfinance bank deposit and microfinance bank asset have direct and significant relationship with economic growth.

Theoretical Framework

This study is anchored on the Poverty Lending theory and the Schumpeter (1911) theory of finance and development. The poverty lending theory focuses on alleviating poverty through the instrumentality of credit and other services like vocational training. Under this model, credit is provided to the poor at cheaper rate usually below the prevailing market interest rates. The target is to reach the poor, most importantly the extremely poor or the poorest of the poor and empowerment them to rise above poverty which will later translate into development of the economy (Robinson, 2001). The Schumpeter (1911) theory of finance and development can also be derived from the neoclassical growth model by incorporating financial development into the simple model. Thus, from the simple production function, financial development variables are included as the shift parameter in addition to the usual factors of production to form the unrestricted neoclassical growth model.

Methodology

The research design adopted in this study is the ex-post-facto research design. It is the best design for the study of this nature because the entire variable under consideration has already manifested. The study utilized annualized time series data spanning from 1992 to 2019. This period is chosen because it falls within the commencement and the proliferation era of microfinance banks in Nigeria. Data used for the analysis were sourced from the CBN statistical bulletin and World Bank database. The data were analyzed using the ordinary least square regression method with the aid of Eviews 8.0 statistical package.

Model Specification

The models of this study were tailored after the models of Wachukwu, *et al*, (2018) and Olukemi (2016) who examined the impact of microfinance bank on economic growth in Nigeria, and alleviating poverty through Microfinancing respectively. To establish the relationship between microfinance bank and economic development, we used gross domestic product (GDP) as dependent variable and microfinance bank total credit (MC), microfinance bank total deposit (MD), microfinance bank total investment (MI) and microfinance bank total assets (MA) as independent variables. also, to establish the relationship between microfinance banks and poverty reduction we used Human development Index (HDI) as dependent variable, and microfinance bank total credit (MC) , unemployment rate (UEMP)and inflation rate (INF) as independent variables.

The models for the study are presented below in their functional and econometrics form as follows;

$$\text{GDP} = f(\text{MC}, \text{MD}, \text{MI}, \text{MA}) \text{ -----model 1}$$

$$\text{HDI} = f(\text{MC}, \text{UEMP}, \text{INF}) \text{ -----model 2}$$

The above models can be stated in their econometrics form as shown below;

$$\text{GDP} = \alpha_0 + \alpha_1 \text{MC}_t + \alpha_2 \text{MD}_t + \alpha_3 \text{MI}_t + \alpha_4 \text{MA}_t + \varepsilon_t$$

$$\text{HDI} = \beta_0 + \beta_1 \text{MC}_t + \beta_2 \text{UEMP}_t + \beta_3 \text{INF}_t + \varepsilon_t$$

A priori expectation

Based on extant literatures and economic indicators, it is expected that MC, MD, MI and MA will have direct relationship with the development of Nigeria economy (i.e. $\alpha_1, \alpha_2, \alpha_3, \alpha_4 > 0$). Also, it is expected that MC will positively influence poverty reduction, while UEMP and INF are expected to have an inverse relationship with poverty reduction (i.e. $\beta_1 > 0; \beta_2, \beta_3 < 0$).

Operationalization of Variables

Gross Domestic Product (GDP) is the monetary value of all finished goods and services produced in a country within a specified period. Its measured as nominal GDP at current market price. Human development index (HDI) is the most recent composite index derived by the United Nations Development Programme (UNDP, 1990). This index focuses on human development as a measure of poverty reduction. HDI is measured by life expectancy at birth, literacy and per capital income. Inflation rate (INFL) is the major determinant of real income or the purchasing power of income and is measured as a percentage change in price index.

Unemployment rate (UEMPR) shows the percentage of persons who are actively searching for employment but unable to find one. Unemployment rate is measured as the percentage number of unemployed divided by employed labour force. Microfinance bank total credit (MC), total deposit (MD) and total investment (MI) is measured as MC, MD and MI within a particular year.

Result and Discussion

Table 1: Descriptive Statistics Result

The descriptive statistics of the time series data of the dependent and the independent variables is presented below. The essence of this is to indicate the level of disparity among the variables.

	GDP	HDI	MC	MD	MI	MA	UEMP	INF
Mean	38686.05	0.29	51734.23	55868.40	6993.73	112470.0	11.72	19.07
Median	22269.98	0.47	16450.20	34017.70	2712.70	55145.80	12.30	12.20
Max	127762.6	0.53	207963.3	201721.8	28138.10	408353.5	23.90	72.80
Min	909.80	0.00	135.80	639.60	118.40	967.20	1.90	5.40
Std.Dev	39787.02	0.25	69135.18	62309.73	8478.45	131719.4	6.63	17.63
Skewness	0.82	-0.36	1.30	1.00	1.19	1.05	0.11	1.91
Jarq-Bera	3.55	4.40	7.70	4.54	6.43	5.02	1.11	23.09
Prob	0.17	0.11	0.02	0.10	0.04	0.08	0.56	0.00
Obs	28	28	28	28	28	28	28	28

Source: Researchers' Computation 2020

The descriptive statistics shows that from 1992-2019 the average GDP, HDI, MC, MD, MI, MA, UEMP and INF variables were 38686.05, 0.29, 51734.23, 55868.40, 6993.73, 112470.0 and 19.07 respectively. These indicate that the variables display significant disparity in terms of sizes; therefore estimation at levels may introduce some bias in the result. It is observed that all the variables except HDI are positively skewed, meaning they have been rising overtime. The descriptive analysis also revealed that MC, MI and INF were normally distributed, while GDP, HDI, MD, MA and UEMP were not as observed from the Jarque-Bera probability.

Table 2: ADF unit root Test Result

Here, we examined the characteristics of the data in order to determine if the variables are stationary and their order of integration

Var	MODEL 1		Var	MODEL 2		@	Rmk
	ADF Stat.	Value@ 5%		ADF Stat	Value 5%		
GDP.	-4.00	-3.00	HDI.	-8.06	-3.00		/(1)
MC	-4.19	-3.03	MC	-4.19	-3.03		/(1)
MD	-7.02	-3.01	UEMP	-8.89	-3.00		/(1)
MI	-8.02	-3.01	INF	-5.14	-2.99		/(1)
MA	-4.17	-3.03	-	-	-		/(1)

Sources: Researchers’ Computation, 2020

The Augmented Dickey Fuller (ADF) test was employed to test for the presence of unit root in the variables of models. From the result presented above the variables were found to be stationary after first difference i.e. they were integrated of the same order.

Table 3: AEG Co-integration Test Result

Haven found that the variables are characterized by a unit root process, the co-integration test is further employed to determine whether a long run relationship exist among the variables

VAR.	Model 1		Model 2		Rmk
	ADF Stat	Value @ 5%	ADF Stat	Value@ 5%	
ECM Resid	-4.24	-2.99	-4.20	-3.10	/(0)

Source: Researchers’ Computation, 2020

The co-integration result show that the ADF test statistic of the residual of both models i.e. -4.24 and -4.20 are higher than their critical values -2.99 and -3.10 at levels respectively.. These show that there exists a co-integration between the variables of the models. Meaning there is a long run relationship between the dependent variable and the independent variables of the models.

Table 4: Parsimonious ECM Results.

The parsimonious ECM introduces short run dynamism into the long run equilibrium. The result from the ECM models is presented below.

	MODEL 1			MODEL 2	
Reg	Coeff	Prob	Reg	Coeff	Prob
C	2730.89	0.00	C	0.10	0.01
D(MC(-2))	0.082	0.09	D(MC(-2))	-2.00	0.09
D(MD(-2))	-0.12	0.35	D(UEMP(-2))	-0.01	0.25
D(MI(-2))	2.32	0.00	D(INF(-2))	0.00	0.42
D(MA(-2))	-0.05	0.42	ECM(-1)	-0.17	0.05
ECM(-1)	0.42	0.00	-	-	-
R ² =0.72	Adjusted R ² =0.64		R ² =0.65	Adjusted R ² =0.47	
F-Stat=9.07(0.0002)	DW Stat=1.53		F-Stat=3.7409(0.0360)	DW Stat=1.81	

Sources: Researchers' Computation, 2020

The result of model1 above shows that a unit increase in two periods lag microfinance bank total credit and total investment will bring about 0.08 and 2.32 units increase in GDP, while a unit increase in microfinance bank total deposits and total assets will bring about 0.12 and 0.05 units decrease in GDP respectively. From the result also, it could be seen that the intercept has a coefficient of 2730.89, this shows that even if all the explanatory variables in model 1 are held constant or equal to zero there will still be a GDP growth of 2370.89. The result of model 2 shows that a unit increase in inflation rate will bring about 0.42 unit increase in human development index, while a unit increase in microfinance bank total credit and unemployment rate will bring about 2.00 and 0.007 units decrease in human development index. Also, the intercept has a coefficient of 0.10, this shows that even if all the explanatory variables in model 2 are held constant or equal to zero there will still be an increase in human development index of 2370.89.

From the result of model 1 the R² of 0.72 shows that 72% systematic variations in GDP is due to the variations in the variables in the model, while the outstanding 28% is attributed to the error term. When adjusted to its degree of freedom, the explained variation became 64%. From model 2 the coefficient of determination of 0.65 shows that 65% systematic variations in HDI is due to the variations in the explanatory variables in the model. When adjusted to its degree of freedom, the explained variation became 48%. Thus judging from the coefficient of

determinations and their adjusted counterparts, the estimated models have both high explanatory power and good predictive ability.

From the results above, the F-statistics of 9.07 and 3.74 are statistically significant at 5% level. Meaning significant simultaneous relationship exist between the explained and explanatory variables of the models respectively. These confirm that the models are of good fit.

For model 1 the ECM was wrongly signed though statistically significant and rest between 0 and 1. This shows that an established long run relationship between the short run and long run equilibrium of the model cannot be attained. While for model 2 the ECM was correctly signed, statistically significant and rests between 0 and 1. This shows that an established long run relationship between the short run dynamics and long run equilibrium of the model can be attained. The coefficient of ECM of 0.17 implies that 17% discrepancy between the short run and long run dynamics of the model are reconciled annually.

The Durbin-Watson statistics of 1.53 and 1.81 which are approximately 2.00 confirm the absence of autocorrelation in the models. This also assures that the models' parameter estimates will be efficient and hence very useful for a reliable forecasting.

Table 5: Long Run Regression Result.

The long run relationship between the dependent variable of the models and the regressors are estimated using Ordinary Least square (OLS) technique. The result is presented in below:

MODEL 1				MODEL 2			
Regrs	Coeffs	T. Stat	Prob	Regrs	Coeffs	T. Stat	Prob
C	1633.87	1.39	0.18	C	0.48	37.65	0.00
MC	-0.21	-2.35	0.03	MC	4.41	7.40	0.00
MD	0.82	2.75	0.01	UEMP	-0.00	-0.66	0.52
MI	5.37	4.93	0.00	INF	-0.00	-2.93	0.01
MA	-0.31	-2.08	0.05	-	-	-	-
R ² =0.98			Adjusted	R ² =0.94			Adjusted
R ² =0.97				R ² =0.91			
F-Stat=170.52 (0.00)			DW	F-Stat=40.41 (0.00)			DW Stat=2.16
Stat=1.53							

Sources: Researchers' Computation, 2020

The long run regression result above shows that in model 1 only two of the variables are correctly signed, while in model 2 all the variables are correctly signed. From model 1 result above, the coefficients of microfinance bank total credit and total assets of -0.21 and -0.31 shows that a unit increase in microfinance bank total credit and total assets will bring about 0.21 and 0.31 units decrease in GDP growth. Also the coefficients of microfinance bank total deposits and total investments of 0.82 and 5.37 shows that a unit increase in microfinance bank total deposits and total investment will bring about 0.82 and 5.37 units increase in GDP growth.

On the basis of the individual statistical significance of the model as shown by the t-values, model 1 result shows that in the long run, microfinance bank total credit, total deposits, total investment and total assets have a significant impact on GDP since their t-values of -2.35, 2.75, 4.93 and -2.08 are greater than their critical t-values at 5% level of significance. Model 2 result shows that in the long run, microfinance bank credit and inflation rate have a significant impact on HDI since their t-values of 7.40 and -2.93 is greater than their critical values at 5% level of significant, while unemployment rate was has no significant impact on GDP in the long run.

From the result of model 1 the coefficient of determination of 0.98 shows that 98% systematic variations in GDP is due to the variations in the explanatory variables in the model, while the remaining 2% is attributed to the error term. When adjusted to its degree of freedom, the explained variation became 97%. From model 2 the coefficient of determination of 0.94 shows that 94% systematic variations in HDI is due to the variations in the explanatory variables in the model. When adjusted to its degree of freedom, the explained variation became 91%. Thus judging from the coefficient of determinations and their adjusted counterparts, the estimated models have both high explanatory power and good predictive ability.

From the results above, the F-statistics of 170.52 and 40.41 are statistically significant at 5% level. This shows that there is a significant simultaneous relationship between the dependent variables and the independent variables in model 1 and 2 respectively. These confirm that the models are of good fit. The Durbin-Watson statistics of 1.53 and 2.16 which are approximately 2.00 confirm the absence of autocorrelation in the models. This also assures that the models'

parameter estimates will be efficient and hence very useful for a reliable forecasting.

Discussion of Findings

It was observed from the long run regression result that microfinance bank total credit has a negative and significant influence on the GDP. This is at variance with the findings of Anojobi and Bein (2010) who in their studies found a positive relationship between microfinance bank credit and economic development. This implies that credit extended by microfinance banks are not properly utilized in a way that will positively impact the economy.

Microfinance banks total deposit was found to have a positive and significant impact on the development of Nigeria economy and this is consonance with the findings of Murad and Idewele (2017). This shows that deposit mobilization has not reduced the working capital of SMEs who are the major client of Microfinance banks. It has rather played an important role in providing satisfactory services to different sectors of the economy.

Microfinance banks total investment was found to have a positive and significant on the development of Nigeria economy and it also agrees with the finding of Murad and Idewele (2017). This indicates that deposits mobilized by the banks are properly channelled into productive investment which in turn brings about meaningful development in the economy.

Microfinance banks total asset was found to exert significant negative impact on the level of development. This suggests increase in asset base reduces the loanable fund available to the bank and this in turn affects the level of development in the economy. More so, microfinance bank total credit was found to have a positive and significant impact on poverty reduction, this disagrees with the findings of Olukemi (2016) who found a positive but insignificant relationship between microfinance bank total credit and poverty reduction in Nigeria. . This implies that availability of micro credit has the capacity to boost investment, increase productivity, improve low income earners fortune, etc, hence increase the standard of living of the people.

Unemployment and inflation rates were found to exert negative impact on the level of poverty in Nigeria. This is in agreement with the findings of Olukemi (2016) who also found negative relationship between the variables. This should

that the poverty alleviation programmes of the banks have not yielded the expected result due to the high level of unemployment rate and the rising inflation rate in the economy.

Conclusion and Recommendations

This paper has established that microfinance is indeed a strategy of poverty reduction and a tool for promoting economic development. The scheme of microfinance has been found to be an effective instrument for lifting the poor above the level of poverty by providing them with increased self employment opportunities and making them credit worthy. The role of these microfinance banks has been said to encompass a wide range of the economic life as seen from the study. As financial inclusion agenda is becoming a global pursuit, Nigeria would need to explore strategies that are working in other countries and adopt them in a concerted manner.

More worrisome is the impact of rising rate of unemployment and inflation which tend to neutralize the efficacy of microfinance banks in achieving the objectives of promoting economic development and poverty reduction.

Based on the findings, the following recommendations were made;

1. Microfinance banks should increase their level of deposit mobilization so that they can provide more satisfactory services to different sector of the economy.
2. There should be proper monitoring of microfinance credit to ensure that they are utilized for the purpose for which they are granted.
3. Microfinance banks should increase their investments in real sectors of the economy like agricultural sectors as this will bring about the much need growth.
4. Government should collaborate with microfinance banks and come up with programs that will enable the poor to live above poverty level through the provision of opportunities for self-employment.
5. Government should put in place policies that will help reduce the level of unemployment rate and check inflation in the country.

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