Microfinance Banks as Panacea for Poverty Alleviation in Nigeria: A Critical Analysis

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Abstract: **It is instructive to emphasis that Microfinance Banks (MFBs) by offering microcredits facilities and other banking services to the poor households which hitherto have been denied them by the Deposit Money Banks (DMBs) have helped to a very great extent to alleviate poverty to appreciable level. The importance of the MFBs is much more pronounced when such banking services are delivered to them seamlessly, devoid of rigidities, affordable and timely. The value driven strategy is a critical success factor of ensuring constant stream of income to the very poor. Furthermore, it is envisaged that such financial assistance will help them to provide their basic needs of their families and to educate their children as well and offer them the necessary impetus to break away from the vicious circle of poverty they are currently trapped. However, underpinning the fact that such banking services are not delivered to the beneficiaries at exorbitant costs, which may alternatively lead them to debt-trap. The above arguments as presented have offered the opportunity for the research of Microfinance Scheme to receive a significant boast from the research community.**

In view of the above, the article will critically examine the positive impacts of the MFBs, the challenges that are preventing MFBs not achieving the loft objectives and the key suggestions and recommendations to ameliorate the challenges will be highlighted in this paper as well.

I. INTRODUCTION

One of the core objectives of the Developing Countries of which Nigeria is inclusive is to reduce poverty to the barest minimum, with the intention to prevent social upheaval, install social harmony and engender even distribution of income. Closely related to this, is the believe by the Developmental Economists that growth without development cannot impart positively on the people, more especially to the poverty stricken populace which constitutes the majority of the population in Nigeria. This is despite the huge mineral resources Nigeria endured with.

One of the strategies to achieve these loft objectives is the introduction of the Micro –finance Banks in Nigeria (MFBs). The Central Bank of Nigeria (CBN) in December, 2005 introduced Microfinance Policy Framework whose main thrust is to enhance the access of micro-entrepreneurs and low income households to financial services required to put them on track to economic productions. “The rationale was that no inclusive growth can be achieved without improving access of this segment of economic strata to factors of production, especially financial services” CBN (2011 revised). Therefore, MFBs have been a key component of delivering banking services to the unemployed individuals or very low income earners who have hitherto been excluded from banking services.

Microfinance objectives is to extend small loans , offer other microfinance services such as savings, insurance, and other financial services to the low income who do not have access to capital. The policy objectives is to help that strata of the economy living in abject poverty to be financially independent, which will make them to be more resilient and also have the ability to provide for their families. Robert Peck Christian et al (2004) rightly pointed out that “Microfinance is a world in which as everybody especially the poor and socially marginalized people and the household have access to a wide range affordable, high quality financial products and services, including not only credit but also savings, insurance, payment services and fund transfer.” However, Microfinance services are inclusive of microloans, deposits, fund transfer, insurance, and other multiple financial services targeted and delivered to low income households who have no access to Banks. The main distinguished factors from the loans offered by other banks are that of the smallness of the loans and savings, simplicity of operations, absences or reduced emphasis on collateral.

It must be pointed out that Microfinance scheme is a financial framework designed to provide microcredit not only to the poor households but also to the small entrepreneurs, with a view to help them to grow their enterprises. Microcredit has been defined as extension of a very small loan (microloans) to the borrowers who typically lack collaterals, steady employment and variable credit history (Wikipedia 2017), therefore microcredit is given to small business entrepreneur to prompt them up economically.

II. DEVELOPMENT OF MACROFINANCE BANK

The Federal Government since after independence in 1960 has adopted as a main strategic agenda alleviation of poverty and inclusive development to kick start the takeoff of economic development in Nigeria. To this end, prior to the development of Microfinance Banks, Government has introduced similar institutions/schemes to tackle abject poverty in Nigeria which has been glaring and endemic in the rural areas.

The Government is interested in developing and supporting the growth of Microfinance Banks, because of their ability to support and generate multiple economic activities, mostly at microeconomic levels, through extension of micro facilities for small start-ups, micro business entrepreneurs, the poor, deprived and financial excluded low income households, more especially and not limited by providing them educational programs that allow Entrepreneurs to develop their skills. In order words, such training that are provided by the MFBs will equipped the recipients to be knowledgeable in simple book keeping, income and expenditure statements and simple managements principles, and technically professional skills. It needs to be emphasized that the approach is contrary to the one DMBs' adopt as they are more interested to offer loan facilities to their customers who can provide adequate collaterals they will fall back to, in case of default and that the project will generate enough cash flow to pay back the loans.

Some of these institutions among others targeted to provide microloans and to ensure flow of funds to rural areas where there is lopsided poverty are numerated below:

1. Rural banking program:
2. Sectorial allocation of credits:
3. Agriculture Credit Guarantee Scheme(ACGS)
4. Nigeria Agricultural and Co-operative Bank Limited.(NACB)
5. National Directorate of Employment
6. Nigeria Agriculture Insurance Corporation(NAIC)
7. People Bank of Nigeria (PBN)
8. Community Banks (CBs)
9. Family Economic Advancement Program (FEAP)

The most important fact to note is that none of the above program achieved the desired target of making micro funds available to the less privilege as stipulated in the Microfinance Regulatory Framework for Nigeria. Noting the fact, large population of Nigerians is still excluded from financial services. It is significant to note that CBN launched the Microfinance Policy Framework in December, 2005 almost after the Consolidation Policy of the CBN. The net effect of the launching is that the governments, regulatory authorities, investors, development partners, financial institutions, and technical assistance providers on microfinance, inclusive of "Entrepreneurs are taking advantage of the opportunities offered by increasing demand for financial services such as credit, savings, payment services, financial advice and non-financial services." CBN (2011).

III. THE POLICY OBJECTIVES OF MICROFINANCE

Page 9 of Microfinance Policy Framework for Nigeria of CBN listed the policy objectives microfinances as follows:

1. Provision of timely, diversified, affordable and dependable financial services to economically active poor,
2. Creation of employment opportunities and increases the productivity and household income the active poor in the country, thereby enhancing their standard of living;
3. Promotion of synergy and mainstreaming of the informal Microfinance sub-sector into the formal financial system;
4. Enhancement of financial delivery to micro, small and medium enterprises (MSMEs);
5. Promotion of linkage program between Microfinance Institutions (MFIs), Deposit Money Banks (DMBs) Development Financial Institutions and specialized funding intuitions,
6. Mobilization of savings for intermediation and rural transformation
7. Provision of dependable avenue for the administration of microcredit programs of movement and high net worth individuals on non-recourse basis; and
8. Promotion of platform for microfinance services providers to network and exchange views and share experiences.

However, it must be mentioned that some of these objectives have not been fully realized due to certain financial rigidities in the systems; for instance the distribution of microfinance banks are not even within the country. It has been observed that most of the MFBs are located in southern parts of the Country than in the Northern parts and even in the south they are clustered mostly in the towns rather than in the Rural Areas where they are mostly needed. It must be mentioned that investors are mostly propelled by dynamics competitive platform and profit motivation than any other factor and they tend to cite their firms where they perceived to make more profit.

However, due to massive poverty in Nigeria, it becomes very difficult to save money, which creates scarcity of funds for intermediations. This is coupled with the fact, that the global financial crises of 2007 to 2008 accentuated the lack of funds in the economy and made it extremely difficult by the MFBs to grant microloans to their customers as those granted are finding it difficult to pay their loans. Again between 2015 and 2017 Nigeria economy nosedived into recession which shrinks liquidity in most of the banks inclusive of the MFBs. The above mention factors have the net effects of increasing bad loans in the books of MFBs which created disincentives for other Entrepreneurs to apply for MFBs license from the CBN.

The banking sector reforms of 2009 affected banking industry very negatively as well and MFBs were not left untouched, the financial crises t in the banking industry, triggered a run in the banks, many banks that hitherto appeared solid could not met their cash obligations as their capitals were heavily eroded. The cumulative effect is the loss of confidence of the public in the banking sector. It is against this background that triggered heavy runs on most of the MFBs as they were not insulated from such external shocks reverberating in the banking sector.

The above contributing negative factors weakened the MFBs subsector and made it extremely difficult to realize some of the above numerated lofty objectives, which led to the review of the MF policy of April 25, 2011 by CBN. The MFBs were therefore categories into three:

i. *Category 1.:* **Unit Microfinance Bank.** This is authorized to operate in one location and is prohibited to have branches or cash centers. The minimum paid up capital is N20million(Twenty million naira)
ii. *Category2:* **State Microfinance Bank:** A state Microfinance Bank is authorized to operate in one State or the Federal Capital sate (FCT). The minimum paid up capital required is 100 million (hundred million) and is allowed to open branches in the same state or the FCT. Prior to CBN approval for each new branch.
iii. *Category 3:* A National Microfinance Banks is authorized to operate in more than one State including the FCT. It will be required to have a minimum paid up capital of N2billion (Two billion Naira)it is allowed to open branches in all the State of the federation and the FCT, subject to prior approval of the CBN.

However, the CBN through the revision of Regulatory and Supervisory Guildlines of April 25, 2 in a circular dated October 22, 2018increased the capital base of Microfinance banks as follows:

The minimum capital requirement for Unit MFBs is now raised to 200 million Naira, while State is now One billion Naira and that of National MFB five billion Naira. It was noted that the new minimum capital requirements takes effects immediately for new applications while existing microfinance banks shall be required to fully comply with effect from April 2020.

Nevertheless, the CBN stressed the fact that the recent policy measures were taken to increase financial inclusion rate and to improve financial services to the active poor. The CBN was informed to take this latest measures as they noticed that many MFBs are facings the challenge of inadequate capital, weak corporate governance, and ineffective rick management and more importantly mission drift. The CBN further advised the existing MFBs to consider merges and acquisitions.

However, some critics pointed out that it will lead to the folding of so many MFBs as they will not be able to shore up the capital base of their various banks and mergers and acquisition may not be the antidote to cure the nagging problem. They described mergers as coming together of strange bed fellows which may not work perfectly well in Nigeria business cultural climate. Again, they are quick to mention that the recent policy measures surely run contrary to the financial inclusion policy of the Bank, which was anchored on the pillar of ensuing every active adult has a bank account through which he could benefit from multiple financial services offered by the banks.

IV. THE POSITIVE IMPACTS OF MICROFINANCE BANKS

1. *Poverty alleviation :*

There is no doubt that MFBs have impacted positively on the economy through poverty alleviation of the low income group of the economy. The lending of the small amount of money (microcredits) to the active poor group, which encourage them to start business of their own such as retail trading, making of hairs/barbing saloon, tailoring, etc. MFBs therefore, help to create employment opportunities, thereby making it possible for the recipients to get stead means of income. Okezie et. el (2013) noted that the provision of funds in form of credit and microloans empowers the poor to engage in productive economic activities which can help boost their income level and thus alleviate poverty in the economy. They further observed that it is currently being promoted as a development strategy for promoting poverty eradication/education and economic empowerment. Such microloans empower the low income group to escape from vicious circle of poverty by providing them with jobs and income, which they can deploy to educate their children.

2. *It offers employment opportunities to the low income group:*

There no doubt that MFB triggers employment opportunities in the economy, is an instrument of helping the low income to establish a sustainable means of income, which increases job opportunities in Nigeria. It should be mentioned that small and medium scale enterprises seems to be the key to economic development in Nigeria, more especially the microenterprises, as it generates massive employments in the economy. The MFBs are known to design financial products and services tailored to enable the very poor people to expand and diversify their economic activities, increase their income and improve their self-confidence, and a veritable driver for the borrowers to have viable small businesses.

3. *Makes loans more affordable:*

There is no doubt that microfinance architecture allows people to take microloans at a low interest rate and with less emphasis on collaterals. This encourages the poor to access loan easily from such sources than from the Deposit Money Banks (DMB). Because of the rigidities placed in getting financial assistance from the Banks that have given impetus to the growth of informal credit markets which is being patronized by the low income households who may need small initial capital to state up businesses. This is noted by Agenor and Haque (1996) " the factors aiding the growth of the informal credits markets derive also from the inefficiencies associated with formal financial markets, because , there is a restricted menu of assets, which limit asset substitutability in the financial market , due to legal restriction and structural inhibitions, hinder the efficient transmission of monetary policy." The proactive policy stance of CBN to formulate and implement the policy of microfinance has close the gap and make it possible for the low income group to establish small scale businesses to keep them employed and triggering stream of income to them. The DMBs always required collaterals and input a double digit interest rate which the poor are unable to provide, hence they are denied loan opportunities, and therefore MFBs are now positioned to undertake the duty of making small facilities easier and affordable to the low income households.

This loan interactions lead to a sort of micro-intimidation by making funds available to real sector of the economy, according to the Harman, Gina (2010) unintended consequences of microfinance can include informal intermediation: That is, some entrepreneurial borrowers become informal intermediation between microfinance initiatives and poor micro-entrepreneur.

4. *Empowerment of the women fold:*

It is believed that micro-credit is one of the ways of empowering women who are the most vulnerable in the Nigerian society, believing in the fact, they can utilized the loan to set up trade that could generate income to them. Microfinance institutions are targeting women, with the view that it will certainly improve and all eviating their poor status. Emphatically, experience has proved that women are more likely to utilize the loan for productivity purposes and more unlikely to default than men. focusing on women is questioned sometimes, however a recent study of micro-entrepreneur form Sri linka published by the world found that the return on capital for male-owned businesses (halfof the sample) averaged 11%, whereas the return for women-owned businesses was 0% or slightly negative. Mchkenzie, David (2008). The above study may be an isolated case but in broader perspectives it has been established women utilized loan facilities more profitably.

5. *To facilitate Financial Inclusion:*

In concrete terms the establishment of microfinance banks will invigorate and facilities the Financial Inclusion Policy of the CBN, which encourages creating of incentives forthe entire citizen to opens accounts in the banks, making it possible for the unbaked to have bank accounts in the various banks. MFBs serve as catalyst for the less privilege to have banking accounts and to enable them access other financial services without much conditionality. Financial Inclusion is delivery of financial services such as loans, money transactions; insurance and pension to the poor and low income persons from the 18 and above, such services should be delivered to them at a very affordable rate. Okezie A. Ihugba et.al. Stressed the fact that several factors have accounted for the persisting gap in access to financial services. The distribution of microfinance banks in Nigeria is not even, as many of the banks are concentrated in a particular section of the country which the investors perceived to possess high business volume and profitability. It is hoped that the MFB policy will encourage investors with average capital to key into getting MFBs bank licenses and locate them in those places that lack banking services to enhance financial delivery to the grassroots level.

The size of the un-served market by existing is large, according to Access to Fiance Survey in Nigeria in 2008, that 79 per cent of the total population of Nigeria is unbanked out of which 86 percent are rural dwellers. Therefore, it is envisage that MFBs will accentuate the closing of the huge gape in the provision of financial services to a large number of the economically active poor and low income households.

6. *It offers the low income opportunity to save.*

It must be stated that MFBs offer the poor opportunities to save, no matter how small the amount may be. Therefore, the microfinance policy facilitates and promotes appropriate saving culture among the low income earners at small cost, also offers them easily accessible revenues. The saving products delivery is also very attractive to the rural dwellers where majority of the low income earners, poverty and economic active poor are located and where there is almost absence of DMBs. Therefore, the presence of MFBs in such rural areas offered them impetus and incentive to save money. For example some MFBs have some trained and trustworthy staff who is employed to mobilize funds from the Artisans, hairdresser, small food providers called "mama-put" etc : they collect money on daily basis from them. The vital role makes the low income earners imbibed the culture of saving either monthly or six monthly as the case may be, thereby taking saving delivery and other financial services to their door steps. Therefore, MFBs served as agents that play the key role in mobilization of funds and accompanied with the intermediation function by inducing the active low income earners with surplus funds to save, making MFBs active participants in diverting funds to the deficits sector of the economy.

V. CHALLENGES OF MICROFINANCE POLICY

a. *The reluctance of Microfinance banks and DMBs to grant loans to the poor.*

Categorically stated is a known fact that the DMBs are very reluctant to grant loans to any customer who cannot satisfy their numerous conditionality: such as having collaterals that will cover thrice the facility requested, and the amount of capital the borrower is willing to inject into the business, the cash follow of the business that will be analyzed to ensure it covers the loan capital plus the interest and well-articulated business plan in case of business loan, and the character of the borrower, that the ability of the customer to repay the loan. Inclusive the character of the customer etc. it is logical to state that it will be extremely difficult for the poor to meet these conditionality or even by the managers of the small firms. Sometimes they are compelled to borrow from the Money Lenders at a very high interstate, in most cases as high as 50 percent to meet their financial needs.

To ensure the extension of loan facilities to the poor households, CBN introduced the Microfinance Policy with the main objectives to offer micro loans and other financial services to them. However, in some cases the objectives are being defeated because of the reluctance of the MFBs to extend loans to the less privilege, without collaterals which they cannot offer. They may even insist that they must have accounts with them for upward of 6 months or more before loan is granted to them. Those conditions run contrary to the objectives by which microfinance scheme was established, as make it impossible for the poor to access the loans from MFBs. In the cases where the loans are granted the repayment period is very short and with a high interstate. This leads to a situation where the low incomes earners become poorer by accepting the loans as it becomes more difficult to liquidate the loans which may lead them to debt-trap.

b. High rate of default:

One of the core policies of the MFBs is to lend to the low income households without collateral to enable them access the loans faster and without any hindrance, this has led to high rate of defaults among the borrowers. Some of the borrowers are in the habit of diverting the funds to unprofitable and unproductive ventures that are not yielding fund: such as burial ceremonies, naming ceremonies and household expenditure etc. These have constitute major problems to the MFBs, which accentuate the higher record huge non-performing loans, bad debts, sever liquidity problems, and drastic capital erosion.

The high demand coupled with high level of defaults has brought the argument that the MFIs should focused on improved welfare or financial sustainability. The improved welfare in named “poverty lending” or “Welfarist Approach” while financial sustainability is the “Institutions Approach” or “Financial System Approach” However the welfare approach may take the form supplying the customer with good education and health while financial sustainability will focus in financial services. No matter what approach such the MFB offers to adopt, it must have a robust inbuilt in mechanism to induce the borrowers to repay the loans as and when due. It is predicated upon that such loan facilities must be more affordable with low interest rate.

However, there is a general consensus that women should be the main target for MFBs loan services delivery not only they are more vulnerable but they are less likely to default than men. Industry data from 2006 for 704 MFIs using individual (51% for female clients). The delinquency rate was 0.9% after 30 days of 3.1%), while 0.3% of loans were written off (individual lending -0.9%) by Microfinance Information exchange Inc. (2007).

Many researchers have pointed out that microfinance banks have also caused its own problems, by charging higher interest rate above single digit, which they described as debt-trap to the poor entrepreneurs who we will be struggling to repay the loan. Empirical evidence has shown that the higher interest which is the point of contention has been attributable to high level of default among the borrowers. This is worrisome because one the main objectives of the microfinance scheme are to provide loan to the economic active poor at single digit interest rate.

c. High interest rate:

The CBN in the Microfinance Policy framework has directed that the MFBs should not charge interest above a single digit to encourage the repayment of the loans, however the operators of the MFBs most often than not go contrary to the policy by building into the interact rate payable other hiding charges such as management fees, quarterly charges, service charges etc. which surge up the interest rate. And some of the MFBs are bold to charge above the single digit interest rate in addition to the hiding charges, this has the effect of discouraging the poor household to borrow from the MFBs. In a situation they decided to borrow they find it very had to repay the loans. In some drastic situation they may even be forced to sale their property to repay the loans thereby defeating the very aim of accessing the loans.

The operators of the MFBs argued that the cost of administering each loan his very high and they must input high interstate to break-even, as they are in business to make profit. The argued that profit making in an incentive to them to be more efficient and attract more investors to the MFBs subsector and staying afloat will make them to provide more loans to the low-income group of the society.

d. Poor banking culture:

Nigeria, it must be pointed out is still under banked, many people mostly the rural dwellers are excluded from banking services as many DMBs are reluctant to locate some branches in the rural areas, they prefer in the towns where there is relative security and there is possibilities of making high profits. One of the main thrust of MFBs is to offer banking services and products to the very poor who are active but lack a little capital to start business on their own, and that is the definite reason the CBN makes it easier for the investors to obtain the MFB licensees. Nevertheless, it is necessary to point out that firms are profiting seeking institutions and they prefer to locate where they can make more profits, this posited the reason some MFBs neglect the rural areas. It is instructive to note that MFBs and other DMBs that refuse to locate in the rural areas should not be entirely be blamed as many of the rural populace are reluctant to have bank accounts. The culture encourages informal banking that foster cohesion among them, through informal savings, and informal credit markets. “Contemporary studies of developing-economies have acknowledged the informal credit market as a major market players in the financial market” Otu, M.F. et el.(2003). This may be the rationale that made CBN to formulate and implement the policy of Financial Inclusion that ensures that majority of Nigeria have bank accounts and to benefits from financial services offered by the financial Institutions. The policy has aid in breaking the culture of the poor banking among the populace.

VI. RECOMMENDATIONS

a. Continuous Capacity Building:

In line with Microfinance Policy Framework for Nigeria (2011): "Central Bank of Nigeria shall continue to oversees the operations of the National Microfinance Policy Consultative Committee and Develop and support appropriate capacity building programs for Regulators, directors, operators and practitioners in the sub-sector, in collaboration with other stakeholders." The CBN has been in the forefront of organizing and encouraging seminars, lectures for the operators of the MFBs to inculcate the Entrepreneurs skills and knowledge necessary in the operation of the MFBs. This proactive policy taken by CBN is a key in the developing and ensuring capacity building quite vital for efficient operation of the MFBs industry therefore should be intensified. This robust approach will strengthen and promote good corporate governance, accountability, and transparency in the microfinance industry. Therefore, the continuous professional development of the staff and Directors shall be the bedrock for the growth and the development MFBs and enhancing the quality of the service delivery to their customers.

b. Financial Literacy:

In order to ensure that the populace are inculcate the culture of banking habit and to enhance financial inclusion, CBN and the stake holders should intensify the financial literacy among the populace more especially in the rural are as where banking habit is very low. The financial literacy will emphasized the needs and advantages of having bank accounts and also pinpointing the micro banking services MFBs are offering to their customers; such as microloans, savings and financial advice. Such robust financial assistant will assist them to manage their various businesses efficiently and profitably and create incentive for the active poo to open banking accounts with MFBs

Moreover, the inclusion of the rural populace were poverty is endemic will encourage the low level income earners to get financial help from the foreign donors who finance certain projects poverty to eliminate through the MFBs. This is made possible with the CBN collaboration with development Partners. Therefore, collaboration and close monitoring of donors assistance in the area by the microfinance banks must be encouraged.

c. Microfinance Policy Measures must be strictly adhered.

It should be noted that Other Financial Institution Supervision Department of CBN is charged with supervision of the MFBs, it is of utmost importance that the Department must ensure that the prudential and the other requirements of the MFBs are being complied with and strictly adhered to by the MFBs. This policy thrust will ensure a safer, resilient and a sustainable MFBs landscape that will deliver efficient and robust services to their customers.

d. Government Support:

The Government of Nigeria should also formulate and implement policies that will uplift the operations of the MFBs, such policy should have the capacity to create enabling environment, grant tax incentive that will lead to increase in their capital and enable them to lend more money to the low income earners. This policy stance is important as the Research Community is of the view that Small and Micro Enterprises is the bedrock for economic development in the developing counties of which Nigeria is inclusive.

In view of the above, it is recommended that Government should give the various MFBs marching grants or loans at avery low interest rate not more than 3% for onward lending to the Micro and Small Enterprises at a single digit interest between 6-7% to boast economic activities.

e. Creating Awareness for Availability of Loans

In view of the fact that CBN as provided in Section 2 of the CBN Act 2007, is further empowered to by section 31 to ensure a seamless transmission of financial resources to critical sectors of the economy, CBN therefore made available N200 billion in 2010 to Medium Scale Enterprises Guarantee Scheme(SMECGS). And MFBs were appointed to be one of the banks to lend the money to the benefiting enterprises. It must be mentioned that there is very little awareness among the MSE that are entitled to be benefiting from the loan/grant. The point stands that many enterprises and managers of the small and medium scales industries do not know the methods, procedures and also where to access the loans. The accumulative effect of lack of knowledge of the SMECGS SCHEME has impacted negatively on the disbursement of the loan and has created obstacles for the beneficiaries to access the loan, which is of utmost importance for the development of vital critical real sector of the economy. Government in partnership with CBN should create awareness through various newspapers advertisement, radios giggles, TVs etc. to ensure that the various stakeholders are aware of the loan facilities and how to access it as well.

The CBN shall from time to time organize seminars and conferences for the operators of the MFBs in order to sanitize them in the effective running of the MFBs and emphasizing the importance of corporate governance, accountability and enlighten them to adopt international best practice in the management of their companies. These will provide them with powerful tools to maintain and establish solid MFBs that will achieve their objectives of ensuring poverty alleviation of the downtrodden and the most venerable persons in the society.

VII. CONCLUSIONS

The microfinance scheme initiated by the CBN has in fact acted positively as panacea for poverty alleviation through engineering many positive impacts that assisted in the alleviation of poverty that is bedeviling the greater population of Nigeria. This is achieved through the granting of microloans at very low interest to the poor or to the low income households. The creation of grants/loans by the CBN which is also being administered to the micro entrepreneurs of small business has also lead to the growth of the enterprises which has stimulated economic activities in Nigeria.

However, some researches has argued forcefully that granting loans to the low income households at a higher interest rate may be counter productive to the very aim and objective of microfinance policy as it may worsen the financial position of the low income households.

It must be pointed out that MFIs are not only give microloans but they also offer to the active poor a lot of banking services inclusive of savings which may lead to financial intermediation in a micro level. This will however stimulate transmission of micro funds to the real sector of the economy, triggering economic growth and development.

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