VIABLE FACTORS FOR EFFECTIVE USE OF MICRO-CREDIT IN POVERTY REDUCTION

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Abstract
This study surveyed the viable factors for effective use of micro-credit in poverty reduction in Benue State of Nigeria. With the use of a self-developed and structured questionnaire, data was collected from 300 entrepreneurs. The data was analyzed using the mean and standard deviation, while the t-test statistics tool was used to test the two hypotheses that guided the study at the 0.05 level of significance. Findings revealed no significant differences in the perception on the basis of gender as well as on the basis of location. Some factors, awareness of available micro-credit institutions, government patronage and provision of social amenities and assistance, pre and post loan training as well as adequate monitoring of the beneficiaries activities to inculcate business and social skills were perceived generally to be necessary in ensuring that micro credits are used judiciously to run businesses, which will ultimately reduce poverty level among the improvised people of the state. Following these findings, it was recommended among other things that, there should be mandatory training and post loan facilities to put prospective entrepreneurs in the right perspective. Such facilities, which could be offered through the joint partnership of counselling professionals and other relevant professionals drawn from university communities and business firms, will bring a lot of positive reforms in the operations of the microfinance strategy.

Introduction
The ultimate of poverty eradication is one of the most urgent and compelling goals for the world community today. Raising the standard of living of the world improvised people is of paramount priority right from the individual, community to global levels. It is no mere coincidence that the first goal among the United Nations Millennium Development Goals (MDGs) is to "eradicate extreme poverty and hunger". The challenge of poverty eradication therefore entails systemic and structural components that know no geographical nor tropical boundaries and as asserted by Bradford (2009) requires pervasive initiatives and reforms. This, at best may be a matter of transcending present circumstances of near hopeless poverty by way of assistance and opportunity. Such
assistance according to Bradford may come in form of food aid, portable water, and health care as well as community development assistance for basic infrastructure as sustainable housing.

Dealing with the economic aspects of poverty however, requires a much larger and well rounded strategy of transcending mere assistance to the needy and poverty stricken people of the world, hence the increasing recognition of the importance of empowering all people by increasing their access to all the factors of production through credit. The Secretary General for the United Nations (1996) had observed that is imperative to harness the latent capacity of even the poor and underprivileged for entrepreneurship by encouraging them with available small scale loans and introducing them to the small enterprise sector. According to the report, this will allow for self reliance, create employment opportunities to get even women engaged in economically productive ventures. Similarly, the Trick up Economics Capital Market (2009) observed that, rather than waiting for big changes to eventually help the poor, it is better to help teach them “to fish” by themselves; in line with the old Chinese proverb “give a man a fish and you feed him for a day but teach a man to fish and you would feed him for life”. The idea here is that of providing capital to poor entrepreneurs and as well providing them with the technological know how, information and government patronage to enable them attain expected results by improving not only their socio-economic status but that of others.

It is assumed that microfinance would have a multiplier effect on the benefiting community that will spill over to good nutrition, good health, functional education and improved social economics status due to improved family income. By increasing the level of economic activities, creating avenues for self employment and reducing dependency on government and oil industries for economic survival and infrastructure, micro credit would ultimately alleviate and eradicate poverty. As put by Omorodion (2009) micro credit put to rightful use will enable communities to cross the threshold from indigence to subsistence and self-reliance through self help and sustainable development.

In Nigeria, prior to the United Nations (UN) recommendation for an international decade for the eradication of poverty (1997-2006) informal and small scale lending arrangements have been operating in the rural areas. These institutions provided the rural population with access to loans and credits as a cushion against economic fluctuations while encouraging a cooperative and communal effort in transferring resources from savers to investors. A review shows a wide range of institutions involved in the delivery of microfinance services including formal commercial banks, and informal institutions including community banks, credit unions, cooperative societies, local thrifts as well as other non-governmental organizations (NGOs) with their financial and non financial services like retail outlet facilities. It has become apt to critically examine related factors
that will buttress efficacy of micro-credit in the fight against poverty from the grassroots. By the way what is poverty?

Odigwe (2002) simple defines poverty as the inability of an individual or a family to have basic needs like foods, water, shelter, basic education, health care services and minimum income of 51 or its equivalent per day. This definition depicts poverty in monetary terms as it reveals the low per capita income of the poor in the country. Suffice to say that even people with income of one US dollar per day an equivalent of N155.00 and a monthly take-home of N1650.00 may still be rated poor because of the high cost of living in the country. This is to say that poverty can not just be examined in absolute terms but also in relative terms. This position compelled Engelma and Bamidele (1997) to define poverty as a state where an individual is not able to cater adequately for his or her basic needs of food, clothing and shelter, lacks gainful employment skills, assets and self esteem and has limited or no access to social and economic infrastructures such as healthcare, education, portable water and sanitation and as a result has limited chances of advancing his or her welfare to the limit of his or her capabilities. Here, poverty is viewed in wider ramifications encompassing not just the income but how much of human services and human capital such can fetch. Income that is capable of sustaining one to full potential is the one that actually stands above poverty level.

Micro-credit as defined by Nitien and Shinyam (2001) is the lending of small amount of capital to low income individuals to start or expand businesses and if use judiciously enable poor communities to cross the threshold from indigence to subsistence and self reliance (Omorodion, 2009). Closely related to the term Micro credit is micro-finance which is more embracing in practice than micro-credit. Microfinance according to the document on International Year of Micro-credit (2005) refers to loans, savings, insurance, transfer services, micro-credit loans and other financial products targeted at low income productive economic activities. Micro-credit is thus a subsidiary of microfinance as it involves provision of a small amount of money loaned out to clients by banks or other financial institutions. Micro-credit has reportedly changed the lives of people by revitalizing communities, which have inspired the call by Year of Micro-credit to build inclusive latent financial sectors to strengthen and develop the untapped entrepreneurial skills that exist in impoverished communities. Some of the benefits of micro-credits are social in that they enable the working poor to become more self sufficient and in turn improve their lives and those of their family members and ultimately their communities. (http://knowledge.allianz.com/en/global issues/microfinance, 2009).

Small scale entrepreneurs are seen as people who own small scale businesses that may employ less than 5 people Year of micro-credit (2005). The typical micro entrepreneur activities may include retail kiosks, sawing workshops, carpentry shops and market

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stores. Preferentially and as the need may be, micro loans may be used for school fees, healthcare, business and family nutrition. Obviously, the proceeds of well articulated small scale enterprise should be and has been able to boost the income resource needs of families and invariably remove them from the shackles of poverty.

Effective use of micro-credit to eradicate poverty therefore has to do with creating enabling social, political, economical and psychological environments for small scale entrepreneurs to access funds from the conventional banks and non conventional financial institutions, and put it into rightful use in profit oriented ventures to improve quantity and quality of production and consumption. As posited by Rogers in Okeke (2003), providing enabling conditions can help individuals address their problems including that of inhuman poverty. Unfortunately, certain factors like inadequate and improper information, proper use of the loans, and lack of training in business management and social skills, lack of government patronage, and technical assistance among others have made micro financing for entrepreneur development in Nigeria and Benue State in particular ineffective. This study therefore sets out to investigate whether these factors can really ensure the efficacy of micro-credit to eradicate poverty among the Benue people of Nigeria.

Statement of the Problem
Four years after the United Nations' (UN) General Assembly's declaration of an international decade for the eradication of poverty, the poverty rate in some parts of Nigeria like Benue State has rather continued to rise despite government policies and directives from the Central Bank of Nigeria (CBN). This has also resulted to the increased operations of formal and informal organized microfinance institutions in the state all in the bid to boost economic activities to facilitate poverty reduction.

Benue state with a lot of business and investment opportunities is still ravaged with near inhuman poverty, low business and industrial life and even high mortality rate which are indices of poverty; despite the compelling and urgent attention. As reported in Ebito (2000) a lot of factors seem to be responsible for this unwarranted situation amongst, which include lack of adequate preparation and human capital development and market potentials among others.

This research intends to examine what it takes to make micro-credit efficacious in not only establishing small scale business but to nurture and expand them to viable economic ventures that are capable of ultimately eradicating poverty in the state. The problem of this study therefore is to uncover the viable factors for effective use of micro-credit in poverty eradication.
Research Questions
The following questions were posed to guide the study.
1. What are the viable factors for the effective use of micro-credit in poverty reduction?
2. Are there differences between male and female subjects in their perception of viable factors for the effective use of micro-credit in poverty reduction?
3. Are there any differences among respondents on the viable factors for the effective use of micro-credit in poverty eradication on the basis of location?

Research Hypotheses
1. There is no significant difference between male and female respondents in their perception of viable factors for the effective use of micro-credit in poverty reduction.
2. There is no significant difference among respondents on the viable factors for the effective use of micro-credit in poverty eradication on basis of location.
3. There is no significant difference between urban and rural respondents in their perception of viable factors for the effective use of micro-credit in poverty eradication.

Methodology
This study is titled towards small scale entrepreneurship. It is more or less an opinion poll since most of the Benue people under the economic crunch tend to establish one small scale business or the other to supplement the near inadequate earnings. So the entire Benue people of working age formed the population for the study, where a purposive stratified sample of 300 made up of 134 females and 166 males was chosen for the study. The sample consisted of Benue working age adults. 50 respondents randomly drawn from the Senatorial zonal headquarters of Katsina-Ala for zone 'A', Makurdi for zone 'B' and Otukpo for zone 'C' which represented the urban areas of such zones. 50 respondents again selected randomly from 2 villages from the respective zones. The research design used was the descriptive survey, which is quite relevant in a scientific draw of public opinion.

The instrument used for data collection was a 20 item Likert type structured questionnaire termed; Viable Factors for the Effective Use of Micro-credit in Poverty Eradication Questionnaire (VFEMPEQ) developed by the researchers. The instrument had two sections A and B for information on personal data and statements eliciting for information in making micro-credit more effective in eradicating poverty and respondents were required to indicate their degree of agreement with each statement.

The instrument was validated by two experts, one in measurement and evaluation Science
Education Department at University of Nigeria Nsukka (UNN) and the other an expert in Economics Department of Benue State University (BSU) Makurdi. Using the Cranach alpha, the instrument's reliability was tested to the value of 0.72 and considered reliable in measuring public opinion.

The questionnaire was administered partly by the researchers and partly by proxy through assistants recruited from the respective areas. The assistants were to help in the issue of language barrier. Data collected were analyzed, using mean and standard deviation while t-test statistics was adopted to test the hypotheses that guided the study; results are presented in tables guided by the research questions and hypotheses. The benchmark for accepting that an item is a significant factor is having a score of 2.50 obtained by totaling the scores for an item 4+3+2+1, and dividing the sum of 10 by the four groups of scores.

Results
Table 1: Factors necessary for Efficacious use of Micro-credit in poverty Eradication

<table>
<thead>
<tr>
<th>No</th>
<th>Item</th>
<th>Mean</th>
<th>SD</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There should be increased awareness on how to get micro-credit so as to cover a large group of the poor population</td>
<td>2.84</td>
<td>29.3</td>
<td>a factor</td>
</tr>
<tr>
<td>2</td>
<td>Organizing mandatory training workshops for prospective micro-entrepreneurs on business skills is a necessary condition for effective use of loans granted</td>
<td>2.82</td>
<td>28.9</td>
<td>a factor</td>
</tr>
<tr>
<td>3</td>
<td>Providing adequate information on market potentials to loan recipients will give them sense of business direction</td>
<td>2.87</td>
<td>29.3</td>
<td>a factor</td>
</tr>
<tr>
<td>4</td>
<td>Training in social skills will motivate small entrepreneurs on starting and thriving in business</td>
<td>2.71</td>
<td>27.1</td>
<td>a factor</td>
</tr>
<tr>
<td>5</td>
<td>Going into business requires basic education in handling financial accounts</td>
<td>2.72</td>
<td>26.9</td>
<td>a factor</td>
</tr>
<tr>
<td>6</td>
<td>Provision of social amenities like portable water, electricity access road, and housing is a necessary condition for nurturing small business</td>
<td>2.69</td>
<td>26.5</td>
<td>a factor</td>
</tr>
<tr>
<td>7</td>
<td>Literacy in ICT is a major factor in using micro finance to combat poverty</td>
<td>2.14</td>
<td>21.9</td>
<td>not a factor</td>
</tr>
<tr>
<td>8</td>
<td>Creating adequate channels for government licenses and permits will remove bottlenecks for small business</td>
<td>2.81</td>
<td>28.5</td>
<td>a factor</td>
</tr>
<tr>
<td>9</td>
<td>Involving the generality of the people in business will improve the purchasing power of even villagers and ensure quick turn over for small scale business</td>
<td>2.72</td>
<td>26.9</td>
<td>a factor</td>
</tr>
</tbody>
</table>

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There is need to provide information on how to get other factors of production like land.

Technical assistance for business requiring skills will boost the human capital of small scale holders to high productivity.

Acquiring the virtue of hard work and perseverance is necessary in handling the demanding task involved in running and expanding small scale businesses.

Continued technical supervision for small scale business is a major factor in making them thrive.

It is necessary to provide business counseling and advisory to low resource entrepreneurs to keep them well focused.

The provision of local reliable banking services and avenues to create bank accounts is a major factor in sustaining small scale business.

Creating adequate local and regional markets will provide adequate business support for small scale entrepreneurs.

Providing low cost food and health care assistance will be a cushion against using micro credit for non profit family matters.

Availability of adequate agricultural inputs for rural communities will boost agricultural investments.

Table I above indicates factors considered necessary for efficacious use of micro credit in poverty eradication. The analysis showed agreement with all the highlighted factors except one as been necessary for efficacious use of micro credit in eradicating poverty. Item 7 on literacy in ICT with a mean of 2.14 was therefore rejected as a factor necessary in poverty eradication.

Testing Hypotheses

Hypothesis I: There is no significant difference between male and female respondents on factors necessary for efficacy of micro credit.

Table 2: t-test of difference between male and female respondents on factors necessary for the efficacy of micro credit poverty eradication

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>X</th>
<th>Sd</th>
<th>DF</th>
<th>tcalc</th>
<th>tcrit</th>
<th>decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>166</td>
<td>3.34</td>
<td>23.89</td>
<td></td>
<td></td>
<td></td>
<td>Not significant</td>
</tr>
<tr>
<td>Female</td>
<td>134</td>
<td>3.15</td>
<td>22.84</td>
<td>298</td>
<td>1.96</td>
<td>1.96</td>
<td>Accepted Ho</td>
</tr>
</tbody>
</table>

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Table 2 above is a t-test of difference between male and female respondents on factors necessary for effective of micro credit in poverty reduction. The calculated t-value of 0.07 was less than the critical t-value of 1.96 in which case, there is no significant difference in the perception of male and female respondents. The null hypothesis (H0) is therefore accepted.

**Hypothesis 2**

There is no significant difference between rural and urban respondents on factors necessary for efficacy of micro credit in poverty eradication

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>X</th>
<th>Sd</th>
<th>Df</th>
<th>tcal</th>
<th>tcrit</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>144</td>
<td>3.37</td>
<td>27.53</td>
<td></td>
<td></td>
<td></td>
<td>Not significant</td>
</tr>
<tr>
<td>Urban</td>
<td>156</td>
<td>3.07</td>
<td>25.55</td>
<td>298</td>
<td>0.03</td>
<td>1.96</td>
<td>Accepted H0</td>
</tr>
</tbody>
</table>

The table above shows the demographic analysis of rural and urban respondents. The calculated t value of 0.05 is insignificant compared to the table or critical value of 1.96 indicating that there is no significant difference among respondents on the basis of location. The null hypothesis is therefore accepted.

**Discussion of Results**

The result presented in preceding sections indicate overwhelming agreement for the necessity of some factors in the effective use of micro credit in the reduction of poverty. This is in consonance with the work of Nitin and Shuniyan (2001) on making micro credit work in the United States which established the fact that micro credit programs recorded success in promoting entrepreneurship because of the combination of other factors. These factors included mandatory pre-loan business training that reportedly made loans ready and aware of business prospects around them. In this same vein Dean (2006) also following randomized study discovered that training given to female micro entrepreneurs for one or two years got the treatment group greatly improved in their business knowledge practices and revenue while the control group remained as they were before. The improvement of the treatment group was manifest in the direct benefits of higher loan repayment and client retention rates by micro credit institutions. These studies support the findings of this present study in that they both established the need for developing human capital to enable micro credit succeed in establishing thriving businesses towards alleviation of poverty.

On the need for social amenities in enabling micro credit work Bradford (2009) asserts
that the major factors in poverty eradication alongside credit facilities are water supply, healthcare, basic education, and job skills for the youth as well as transportation (access roads) and reliable local banking services.

The provision of business counseling services to micro entrepreneurs as succinctly put by Deng (2008) would be an avenue for exploring and channeling talents to relevant oncoming business prospects. Fighting poverty might not only be materially nor financially but also in human capital to harness resources to advantage. This is also in line with the Rogen's approach in Okeke (2003) of providing facilitative conditions to enable individual use their inherent potentials to solve their poverty related problems. The facilitative conditions here entail providing services that can develop the human capital to full potential advantage and related facilities.

**Counselling Implications**

This can be done through public lectures, symposium, and business workshops for both urban and rural dwellers. In line with this, the organized private sector should be empowered to establish partnership with relevant agencies for this purpose. Provision of business counseling services entails giving relevant information on market potentials that will give prospective loan recipients some sense of business focus and also equip entrepreneurs with social skills and the zeal to improve their lot through self efforts. It will also sensitize them on the need to develop business virtues like hard work and perseverance needed for small scale business to thrive.

**Recommendations**

Following the findings, it is recommended that:

There should be increased public awareness on the sources of micro credit especially among rural dwellers. The lack of awareness revealed that over 62% of credit beneficiaries are not really from neither poor nor low-income group (Nitin and Shunyan, 2001).

Government should therefore enact the appropriate legislations to create sufficient awareness on loan institutions and need to use such loans for business ventures. The government should enact the relevant bodies like the counseling personnel, industrial and training boards as well as trade unions to organize and carry out mandatory training for all prospective loanees. These training schemes should establish partnership with professionals with the knowledge or experience from universities, colleges, and the communities.

Government should also create adequate channels for licenses and permits in order to remove unnecessary bottle necks on path of prospective or small scale enterprises. This
will help guide against using micro credit for non profit ventures or even long term investments. This will provide in addition a wide array of support services to encourage such business to thrive.

Community development assistance for basic infrastructures such as sustainable housing, roads, water and power supply, health care, basic education, feeder roads as well as local banking services should be encouraged. According to Bradford (2009) these array of services are a springboard for success of economic activities even in rural areas.

Conclusion

The recent emerging ideas on the international scene of harnessing the potency of micro credit in poverty eradication from the grassroots inspired the research work. The study uncovered the factors necessary for increasing the efficiency of this credit scheme in poverty reduction to include, adequate information, government patronage, pre-loan and post-loan training on market management and social skills as well as counseling services and the overhauling of the activities of the microfinance institutions issuing micro credits. Having such schemes in the hands of the organized private sector will help incorporate other factors like human capacity building in the schemes. Other factors should be put in place ranging from training facilities, provision of other factors of production as well as psychological training. Government should also involve in partnership with professionals particularly with counselors, economics, business administrators or marketing from universities or trade unions to take up the challenge of sensitizing the public through awareness campaigns, information services as well as relevant business counseling. In this way the counseling professional can contribute in bringing reasonable transformation in the ailing or rather deficient economy of Benue in the present dispensation of global economic meltdown.

References


