

AN ANALYTICAL STUDY OF MICROFINANCE BANKS' GEOGRAPHICAL DISTRIBUTION AND POVERTY SITUATION IN NIGERIA

Abdulkadir Magatakarda
Umaru Ali Shinkafi Polytechnic Sokoto

ABSTRACT

The paper sought to study Microfinance Banking activities in Nigeria and its geographical location. Microfinance Banks are believed to be engines of robust economic growth, agents of rural transformation and poverty reduction. The objectives of this study are to analyze the distribution pattern of these Banks and to determine the extent to which poverty levels define the existence of these Banks. The methodology adopted for the research is content analysis. Findings in the study suggest that needs of the sector do not determine the distribution pattern. Regions and States with lower rates of poverty have a higher concentration of these Banks whereas regions and states with higher poverty rates have the lowest investment in this sector. It is concluded that the extreme poverty is a leading cause as to why the potentials are not adequately tapped in the rural areas. It is recommended that the government step in to promote the sector directly and gradually divest its holdings such that full benefits can be harnessed.

INTRODUCTION

The main concern for every economy is to move its production possibility frontiers out of its boundary this can however not be achieved without significant economic policies, in the Nigerian context different programs have been put in place but the unemployment and poverty have reached an alarming stage especially in the rural areas. Bamisile (2006) in analyzing Nigeria's trend on poverty noted that over 80 million Nigerians fell into the trap. With the view to mitigating the trend, he pointed out that the World Bank report that over 7000 microfinance institutions are serving some 16 million active poor society in the developing countries.

Ovia (2007), submits that by 2007 there are 10,000 micro finance institutions worldwide having about 64 million borrowers. In the pursuit of these benefits for the rural population which mainly constitutes of people within this poverty gap. The Nigeria Government has initiated a series of publicly financed micro/ rural credit programmes and policies targeted at the poor. Among such policies are the Rural Banking Programme, Sectoral Allocation of Credit Scheme (ACGS), included in governments effort also are some institutional arrangement such as the establishment of Nigeria Agricultural Bank (NAB), the Bank of Industry (BOI), the Nigeria Agricultural Insurance Company (NAIC), the Peoples Bank of Nigeria (PBN) the Community Bank (CBs), the National Directorate of Employment (NDE) and the Family Economic Advancement Programme (FEAP), (CBN 2006). It is however, sad to note that these institutions were unable to yield the desired results owing to inadequate funding, high rate of non-performing loans and poor management. The microfinance institutions are sought as veritable tools in the face of difficulties and uncertainties poised by poverty and unemployment.

In the view of Ifeoma (2008), effective and efficient micro banking in any nation and society can generate economic and social gains that may never be matched by any other

project. It is to strengthen the performance of the sub-sector that the Federal Government of Nigeria in December 2005 introduced the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria. In explaining the intent of the policy, Juma (2007) notes that its aim was to promote an appropriate means of financial services by diverse institutions to meet the yearnings, needs, and aspirations of the poor and the low-income group.

The aim of this paper is, therefore, to analyze the microfinance banking in Nigeria its geographical distribution and poverty situation. The paper has been divided into five sections; section one is the introduction, section two deals with Methodology, section three is the review of related literature section four analyses the relationship between population size, the number of MBF'S and the poverty situation in Nigeria. Section five concludes the paper and then offers suggestions.

METHODOLOGY

Secondary means of data collection has been employed in gathering information for this work. Sources from Books, Journals, Periodical Reports, and CBN, etc. Literature from periodical reports, Books and Journals were carefully analyzed and articulated. The statistical data were arranged in tabular form and summarized and percentages extracted. Statistical data consists of information relating to population size, the ranking of states in the order of size of population as encapsulated by the National Bureau of Statistics (2006), the poverty rates according to zones and States and the number of Microfinance Banks (MFB's) as at December 2015.

The Idea of Micro financing

Micro financing is an age long tradition in Nigeria society. It existed many centuries ago in the form of rotating contributions. It has been practiced in the form of 'Adashe,' 'Esusu,' 'Ajoh' e.t.c. It is a kind of support for the economically active poor as a means of starting and or strengthening an economic undertaking. Fisho (2008) is of the opinion that the success stories of Grameen Bank of Bangladesh with 2-4 million clients is an eloquent testimony of how microfinance activities were able to strongly impact on their economy and it was in realization of the sectors strategic importance that Nigeria sought to build on and strengthen its traditional systems through integrating informal and semi formal financial institutions into a formal framework.

Ovia (2007) sees that micro finance refers to the provision of credit and other financial services to people in the lower income group. He postulated that micro credit usually involves minimal loans without any form of collateral. Iganiga (2008), is of the opinion that the government promoted the establishment of micro finance Bank so as to improve the productive capacity of rural and urban poor. Acha (2012) supported Iganga's view and added that it was in a bid to resolve the limitations exhibited by the informal sector that the Central Bank of Nigeria (CBN) in 2005 introduced a micro finance policy as a prelude to the licensing of Microfinance Banks in Nigeria. Thus, the Microfinance Bank replaced the former community Banks in Nigeria in 2007 with the registration of over 900 MFB's.

Ifeoma (2008), noted that the main objective of micro financing is to provide banking and credit services to the poor. She explained that the International Fund for Agricultural

Development (IFAD) had put the poverty rate in Nigeria at 72% and it was because of this high rate of poverty and unemployment in the country that makes it impossible for conventional Banks to advance credit to the greater majority of people. Therefore, it is expected that micro finance practice would reach as many poor and low-income people as possible and improve their standard of living.

The Microfinance Policy

The Central Bank of Nigeria articulated the policy objectives as follows:

1. Making financial services accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services.
2. Promotes synergy and mainstreaming of the informal sub-sector into the national financial system.
3. Enhance services delivery by microfinance institutions to micro small and medium enterprises.
4. Contribute to rural transformation;
5. Promote linkage programmes between universal development banks, specialized institutions and micro finance bank (CBN 2015).

Policy Targets

Based on the Objectives listed above, the targets of the policy are as follows:

1. To cover the majority of the poor but economically active population by 2020 thereby creating millions of job and reducing poverty.
2. To increase the share of micro credit as a percentage of total credit to the economy from 0.9 percent in 2005 to at least 20 percent in 2020; and the share of micro credit as a percentage of GDP from 0-2 percent in 2005 to at least 5 percent in 2020.
3. To promote the participation of at least two thirds of the states and local governments in micro credit financing by 2015 (CBN).
4. To eliminate gender disparity by improving women's access to financial services by 5 % annually;
5. To increase the number of linkages among universal banks, development banks, specialized financial institutions and microfinance banks by 10% annually (CBN, 2015).

Policy Strategies

A number of strategies have been derived from the objectives and targets as follows:

1. License and regulate the establishment of Microfinance Banks.
2. Promote the establishment of NGO-based microfinance institutions.
3. Promote the participation of government in the microfinance industry by encouraging states and local government to devote at least one percent of their annual budgets to micro credit initiatives administered through MFBs.
4. Promote the establishment of institutions that support the development and growth of micro finance services providers and clients.
5. Promote sound micro finance practice by advocating professionalism, transparency and good government in microfinance institutions.
6. Mobilize domestic saving and promote the banking culture among low-income group.

7. Strengthen the capital base of the existing microfinance institutions.
8. Broaden the scope of activities of microfinance institutions.
9. Strengthen the skills of regulators, operators, and beneficiaries of microfinance institutions.
10. Clearly defined stakeholders roles in the development of the microfinance sub-sector; and
11. Collaborate with donors, coordinate and monitor donor assistance in micro finance in line with the provisions of this policy (CBN, 2015).

The Goals of Microfinance Banks

The establishment of micro finance banks has become imperative to serve the following purposes:

1. Provide diversified affordable and dependable financial services to the active poor, in a timely and competitive manner that would enable undertake and develop long-term sustainable those to entrepreneurial activities.
2. Mobilize saving for intermediation.
3. Create employment opportunities and increase the productivity of the active poor in the country, thereby increasing their household income and uplifting their standard of living.
4. Enhance organized, systematic and focused participation of the poor in the socio-economic development and resource allocation process.
5. Provide veritable avenue for the administration of the micro credit programmes of government and high net worth individuals on a non-recourse basis. In particular, this policy ensures that state government shall dedicate an amount of not less than 10% of their annual budget for the on lending activities of microfinance banks in favor of their residents;
6. Render payment service such as salaries, gratuities, and pensions for various tiers of government (CBN, 2015).

DATA ANALYSIS

The data presented here relate the number of microfinance banks to the population size as well as the poverty levels. It is classified into two tables with table 1 indicating the break down across the six geographical zones of the federation and Abuja, while table 2 shows the classification of the data according to 36 states in Nigeria.

Table 4.1 Number of Registered Microfinance Banks, Population Size and Poverty Levels in Zones.

Ranking of zone	Names of zones	Population Size(2006)	Number of MFB,s	Ratio of Pop. To MFB,s	Average Population per MFB
1	South-West	27581922	332	19%	83078
2	South-South	21014655	109	25.2%	192795
3	South-East	16382359	172	27.36%	95246
4	North-Central	20266257	171	45.7%	118516
5	North-East	18971965	48	76.8%	395249
6	North-West	35786944	125	80.9%	286295

The table above shows that South-West zone has the lowest poverty rate, the lowest average rate of people serviced by an MFB as well as the highest number of MFB’s established in its zone. The South-West has taken one-third of the total number of MFB’s



registered during the period under review while the other five had to share the two-thirds of registered MFB's. North-West region has the highest population in the country and also a huge 80% average poverty rating. The North-West region has only 48 numbers of registered MFB's and an alarming poverty rating of 76.8%. The fewer numbers of MFB's in North-East Nigeria might not be unconnected with the issues of insurgency in the region. It is logical to expect that economic activities would naturally slow down and pave the way for poverty and unemployment. The South-South, South-East, and North-Central states had a varying number of poverty rate of 25.2%, 27.3%, and 45.7% respectively. It is observed that the level of poverty rate in these zones falls below the national average of 46%. The ratio of people serviced by MFB's in the zone is lower than that of the North-East, North-West but lower that of the South- West.

4.2 Number of MFB'S In Nigeria States with Population and Poverty Levels.

Ranking of state by pop.	States	Population Size	Number of MFB,s	Ration of Population of MFB,s	Poverty Rate
1	KANO	9 383 682	45	208 526	76.4%
2	LAGOS	9 013 534	172	52 404	8.5%
3	KADUNA	6 066 562	30	202 218	56.5%
4	KATSINA	5 792 578	19	304 872	82.2%
5	OYO	5 591 589	53	105 501	29.4%
6	RIVERS	5 185 400	19	272 916	21.1%
7	BAUCHI	4 676 465	14	334 033	86.6%
8	JIGAWA	4 348 649	11	395 331	88.4%
9	BENUE	4 219 244	11	383 567	59.2%
10	ANAMBRA	4 182 032	78	53 615	11.2%
11	BORNO	4 151 193	5	830 239	70.1%
12	DELTA	4 098 391	36	113 844	25.1%
13	NIGER	3 950 249	33	119 704	61.2%
14	IMO	3 934 899	42	93 688	19.8%
15	AKWA IBOM	3 920 208	19	206 327	23.8%
16	OGUN	3 728 098	49	76 084	26.1%
17	SOKOTO	3 696 999	4	924 250	85.3%
18	ONDO	3 441 024	14	245 787	27.9%
19	OSUN	3 423 535	34	100 692	10.9%
20	KOGI	3 278 487	22	149 022	26.4%
21	ZAMFARA	3 259 846	5	651 969	91.1%
22	ENUGU	3 257 298	24	135 720	28.8%
23	KEBBI	3 259 628	11	296 239	86.0%
24	EDO	3 218 332	19	169 386	19.2%
25	PLATEAU	3 178 712	13	244 516	51.6%
26	ADAMAWA	3 168 101	10	316 810	59.0%
27	CROSS RIVERS	2 888 966	13	222 228	33.1%
28	ABIA	2 833 999	19	149 158	21.0%
29	EKITI	2 384 212	10	238 421	12.9%
30	KWARA	2 371 089	28	84 682	23.7%
31	GOMBE	2 353 879	14	168 134	76.9%
32	YOBE	2 321 591	1	2 231 591	90.2%
33	TARABA	2 300 736	4	575 184	77.7%
34	EBONYI	2 173 501	9	241 500	56.0%
35	NASARAWA	1 863 275	8	232 910	52.4%
36	BAYELSA	1 703 358	3	567 786	29.0%
	FCT	1 405 201	56/957	25 093	23.5%

SOURCE: NBS, CBN



The data presented here shows that there is a total number of 957 MFB,s registered in Nigeria as at December 2015. It indicates that the population size of a state does not determine the number of MFB's established. The states of Kano, Lagos, Kaduna, Katsina, Oyo has the highest number of population size in Nigeria going by the 2006 population census figures. While each of the state population divided by its number of existing MFB's would reveal 208526 in Kano, 52404 in Lagos, 202218 Kaduna, 304872 in Katsina and 105501 in Oyo. The same trend would show in other states such as Yobe has only 1 MFB in the whole state, Bayelsa has 3, Sokoto 4, Taraba 4, Zamfara 5, Ebonyi 9, Ekiti 10, Benue, Jigawa, Kebbi and Plateau 11 each, Cross River 13, Ondo and Gombe 14 each. When the average number of people per a microfinance bank is taken it would show that while in Lagos and Anambra less than 55000 people had a unit of MFB for their needs, the ratio would alarmingly be high in the states of Yobe, Sokoto, Borno, Bayelsa, Benue, Jigawa, Katsina, Adamawa, Zamfara, Kebbi, Taraba state. It suffices to say that the volume of the population is not a determinant of the number of MFB's in states.

Secondly, the analysis reveals that in most cases states with a lower level of poverty has the highest number of MFB's in their communities. Lagos has the lowest poverty rate of 8.5% but has 172 MFB's , FCT has 56 MFB's and poverty rate of 23.5%, while Osun has 34 MFB'S and poverty rate of 10.9%, Oyo 53 MFB's and poverty rate 29.4%, Imo 42 MFB's and poverty rate 19.8%, Ogun 49 MFB's and poverty rate 26.1%, Delta 36 MFB's and 25.1% poverty rate. States of Kano, Niger, and Kaduna counts among the most densely populated in Nigeria with an also minimal number of 45, 33 and 30 MFB's respectively and a higher level of poverty rate indicating 76.4%, 61.2% and 56.5%. The national average poverty rate is 46%.

The above data also shows that states with the highest poverty rate in Nigeria also had a lower number of MFB's. Zamfara according to this statistics is the poorest, with poverty rate of 91.1% yet had only five registered MFB's, Yobe has 90.2% rate and only one (1) MFB. Jigawa has 88.4% rate with only eleven (11) MFB's, Kebbi 86.0% poverty rate with eleven (11) MFB's, Sokoto only four (4) MFB's registered and a high-level poverty rate of 85.3, Taraba has four (4) MFB's and poverty rate of 77.7% and Gombe fourteen (14) MFB's and 76.9% poverty rate.

CONCLUSION

It can be said that the idea of investment in Microfinance sub sector has not evenly been accepted in the six geographical zones. The sub-sector has mostly been accepted in areas where it is not needed most, and the zones where it is needed, it is negligibly accepted. It can be concluded that those areas that were already endowed with poverty gaps below the national poverty line agreed to the sub-sector with a view to consolidating its impact and those zones with a fewer number of those banks lacked the resources or the will to establish more of them. The presence of MFB,s in the 36 states of Nigeria is a pointer that the benefits accruable to such investment are understood by players in the industry. It can equally be argued that the staggering poverty level in zones with fewer numbers of MFB's be one of the reasons keeping their numbers low. Also, to startup capital, there's the need for the economically active poor to come and open up accounts with the banks, the number of people that can have access to this windows is a function of economic activity which is largely

absent in the zones. The issue of insurgency resulting from communal-crises, religious and political issues drives away economic activities which investment in microfinance is among them.

It is at this moment recommended that the government step in just like the case of Grameen Bank of Bangladesh and provide start ups, training as well as infrastructure to serve as a stimulus for willing investors in the sub-sector where its existence is needed most. The government should direct the payment of some of its economic and social welfare programs through these banks so that the interest of people is drawn to the sector. The N-power payment, the poverty alleviation programs and salaries of workers in the local government could be directed to these banks and make them functional. It is expected that all local government would necessarily establish a micro finance bank if salaries and other benefits of the staff are paid through them.

REFERENCES

- Acha, I.A (2012). Microfinance Banking in Nigeria: Problems and Prospects, *International Journal of Finance and Accounting 1 (5)*
- Bamisele, A.S (2006). Developing a Long Term Sustainable Microfinance Sector in Nigeria, the Way Forward. *A Paper Presented at the Small Enterprises Education and Promotion Network (SEEP), Washington DC, USA*
- CBN (2005). *Microfinance Policy, Regulatory and Supervisory Framework*, Abuja, Nigeria. Adogzo Ltd.
- Fisho, D. (2008). Effective Management as Key to Making Microfinance Work- *The Nigeria Microfinance Newsletter, Vol.7 July/ December*
- Ifeoma, C.A (2008). The thrills, Challenges, and Way Forward for Microfinance Banking in Nigeria- *The Microfinance Newsletter, Vol.7 July/ December*.
- Iganiga, B.O. (2008). Much Ado about Nothing. The case of Nigeria Microfinance Policy Measures, Institutions, and operations, *Journal of Social Science 17 (2)*.
- Juma, L (2007). Solving Problems of Financial Exclusion of the Low-Income Rural and Urban Dwellers in Nigeria. *The Nigeria Microfinance Newsletter, Vol.5, July/December*
- NBS (2006). *Poverty Rating Across the States of Nigeria*. Retrieved from <http://en.mWikipedia.org/index.php>
- NPC (2006) *Census Figures*. Retrieved from www.population.gov.ng
- Ovia, J. (2007). Micro financing: Some Challenges and Way Forward, *The Nigeria Microfinance Newsletter, Vol.5, July/December*.