



IMPACT OF MICROFINANCE BANKING SYSTEM ON GRASS ROOT POVERTY ALLEVIATION IN DEVELOPING ECONOMIES – A CASE STUDY OF NIGERIA

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Abstract: *The study investigated the extent to which microfinance banking system in Nigeria has been able to improve the welfare and standard of living of the people through provisions of credits to support existing micro and businesses and start-ups for sustaining new jobs and creations of new ones. The study examined interest on saving deposits payable by the annual microfinance banks, micro credit loans and advances, loan to deposit ratio and liquidity ratios of the microfinance banks. The study tested for normality distribution and unit root in the model using the Andersen-Darling empirical distribution function and Augmented Dickey-Fuller tests respectively. The study observed that that the microfinance banking system in Nigeria made no impact on the welfare and standard living of the people. There is therefore a need for policy review that would make the scheme to benefits the economy and the people and not just only the operators and promoters*

Keywords: *Microfinance Banking, Grass Root, Poverty, Alleviation, Developing Economies*

Introduction

Some of the common and prominent problems of developing nations are low standard of living and high level of poverty among the majority of their citizenries. These twain problems can be blamed on high level of unemployment, lack and inaccessibility of infrastructures, poor and inaccessibility of funding by small business owners and sometimes over regulations amongst others. Some scholars have zeroed the problems and their causes

on corruption and continued poor leadership of the national economies.

Unskilled and illegal immigrants from developing and war ravaging economies have remained a big challenge to the rest of the world. Some of the youths left behind in those nations have also constituted more problems to their immediate societies and the rest of the world through acts of terrorism, internet scams, armed robbery, prostitution and other vices. The problems created from the unemployed youths have caused more distractions to the

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governments and diversion of resources from more productive sectors to manage the problems. This implies that the unaddressed issues that caused the restless youths to become bigger and more complicated except there are a circle break.

While there is a mirage of problems for the developing nations to contend with, it is necessary for stability and economic growth and development. The productive labour force especially small business owners should be included in the nation's financial system. The financial inclusion of the grass root productive class is expected to cultivate savings attitudes at the grass root, mobilize funds from those that have excess and ease access to funding that are not available in conventional banking system for grass root small businesses. The effects of financial inclusion at the grass root include improved contributions by the grass root to the nation's GDP, poverty alleviation through new job creations and protection of existing ones, improved standard of living and, decreased in crimes and social vices. The system has been a complement to conventional banking systems as agents of development at the grass root of the economy.

Several attempts were made in Nigeria to ensure inclusion of the grass roots in the nation's financial system. Some of the efforts include the government's policy through the Central Bank of Nigeria which regulates the industry which compelled commercial banks to have operational branches in all local government headquarters and in rural communities. While many of the banks complied and those that failed were sanctioned but it was later discovered that the policy was not sustainable because of overhead costs and risks that did not mature the returns. Another effort of the government to promote financial inclusion at the grass root level was the creation of People's Bank which focused more on rural banking by establishing branches in remote community areas. The bank could not survive for long for reasons similar to the policy failure compelling commercial banks to have branches in rural areas but in

addition was bureaucracy as the bank was not given freehand to set its own pace and manage its own risks.

One of the recent efforts which have survived longer than the previous efforts to promote rural banking is the community banking system which transitioned to microfinance banking system. Though whatever success the system recorded was not without some of its players winding up after declaration of insolvency by the Central Bank of Nigeria which regulates the microfinance institutions but some of the players have recorded growths and have been a good competitor to some regional and national commercial banks in the country. There is no doubt that grass root banking is a high risk because of the inability of the borrowers to provide tangible and realizable collateral that could serve as the secondary repayment option. The risk is further heightened by absence or lack of credible data about borrowers that could assist in de-risking potential borrowers.

There is no doubt that a whole lot of economic potentials exist at the grassroots of the economy that the conventional banking system may not be able to harness because of the incompatibility of its structure to the reality at the grassroots. Therefore the essentiality of intervention banking like the community banks and microfinance institutions cannot be overemphasized. In other words, interventions like the microfinance banking system is created to fill the gap created by the conventional banking system by providing banking services to bankable members of the grass roots that would not ordinarily meet the conventional banking requirements. According to Oluyombo (2007), microfinance institutions are economic system charged with the role of extending banking services to unreached bankable members of the community, providing funding for grass root businesses to alleviate poverty through provision of affordable funds for business that would result in job creation for the masses at the grassroots.



The study has therefore set out to examine the extent to which microfinance banking system in Nigeria has been able to improve standard living of the people through provisions of credits to businesses and creations of jobs at that level of the society. This study would assist policy makers to assess the effectiveness of the existing microfinance banking system policies in ensuring that the standards of living of the people are positively affected.

Statement of Problem

Poverty has become a major issue for many developing economies to contend with. One of the veritable means of empowering the grassroots not only defeats poverty but to also become contributors to national wealth is through the provision of banking and financial services through microfinance banks.

The level of poverty in Nigeria is alarming and pervasive (Yunusa, 2008). Studies have shown that crimes and social vices are often the products of poverty (Papaioannou, 2017; Lofstrom and Raphael, 2016; Iyer and Topalova, 2014; Kelly, 2000). In fact, Papaioannou (2017) argues that hunger makes a thief of any man. As of 2015, an estimated 736 million people lived extreme poverty, which the World Bank defines as surviving on less than \$1.90 per day. Of the total, roughly half lived in just five countries: India, Nigeria, Democratic Republic of Congo, Ethiopia and Bangladesh.

This study examines Microfinance Banking System on Grass Root Poverty Alleviation in Developing Economies with references to Nigeria. The study has become necessary to assist policy makers, regulators and microfinance banking system to assess the effectiveness of the scheme in addressing the issue of poor welfare and standard of living of the people at the grassroots level.

Research Questions

The study addressed the following research questions arising from the statement of problems

- (i) Do microfinance banks in Nigeria exert any significant impact on the welfare and standard of living of the people at the grassroots
- (ii) what is the impact of interest income

on savings deposit paid by microfinance bank to their customers on the welfare and standard of living of the people at the grassroots

- (iii) What impact does the microfinance banks loans and advances make to improve the welfare and standard of living of the people at the grassroots
- (iv) Is there any relationship between the microfinance banks loan and advances to deposit ratio and the welfare and standard of living of the people at the grassroots
- (v) Is there any relationship between the microfinance banks liquidity ratio and the welfare and standard of living of the people at the grassroots

The Objectives of the study

- (i) To determine the impact of microfinance banks in Nigeria on the welfare and standard of living of the people at the grassroots
- (ii) To measure the impact of interest income on savings deposit paid by microfinance bank customers on the welfare and standard of living of the people at the grassroots
- (iii) To examine the impact microfinance banks loans and advances on the welfare and standard of living of the people at the grassroots
- (iv) To determine the relationship between the microfinance banks loan and advances to deposit ratio and the welfare and standard of living of the people at the grassroots
- (v) To measure the relationship between the microfinance banks liquidity ratio and the welfare and standard of living of the people at the grassroots

Arising from the research questions, the study tested the following null hypotheses:

Ho1: There is no significant impact of interest income on savings deposit paid by microfinance bank customers on the welfare and standard of living of the people at the grassroots

Ho2: There is no significant impact microfinance banks loans and advances on the welfare and standard of living of the people at the grassroots

Ho3: There is no significant relationship between the microfinance banks loan and advances to deposit ratio



and the welfare and standard of living of the people at the grassroots

Ho4: There is no significant relationship between the microfinance banks liquidity ratio and the welfare and standard of living of the people at the grassroots

Ho5: There is no significant impact of microfinance banks in Nigeria on the welfare and standard of living of the people at the grassroots

Conceptual Framework

Concept of Micro financing

The microfinance banking system in Nigeria evolved from the inability of the conventional banks, Peoples' Bank and the community banking systems to provide banking and credit facilities that would be easily accessible to the grassroots (Nwankwo, 2008). The Central Bank of Nigeria launched the scheme in December, 2005 as part of the banking reforms of that era that saw to the recapitalization of commercial banks. Unlike the rural banking system that mandated the commercial banks to open branches in rural areas, the microfinance banking system did not make that mandatory but rather limited the services it could render and categorizes the number of branches it could open at a time. According to Agbaeze and Onwuka (2014), the microfinance banking system is to provide banking services to the economically active poor of the society while promoting financial inclusion among the unbanked members of the grassroots to boost micro, small and medium-scale business (MSMEs) making those significant contributors to the national economy.

The importance of MFBs to promoting economic development at the grassroots was emphasized by Obadeyi (2015) in his study as where he described MFBs as the engine through which economic and industrial development subsists in Nigeria in addition to its being involved in the promotion, growth and development of the informal sector of the economy. The study further observed that MFBs with the right business environment and supportive policy possess the capacity to boost

economic development. For Microfinance banking system to maximize its objective for the good of the economy, it has to be an agent of development that is willing to take business risks and that conventional banking system are unwilling to assume, de-risk them for them to become prospects for the conventional system. Flexibility of the MFBs structures and processes to enable them deliver their services to services on sustainable basis to small businesses that are unable to provide required documentations and collaterals required by conventional banks are distinguishing factors (Okpara, 2010; Okpara, 2009). Furthermore, Nwanyanwu (2011) posits that the continued existence of the MFBs to provide financial services to the grassroots can be attributed to the unwillingness or inability of the conventional banks to compete at the grassroots best described as the bottom of the pyramid and the government routing intervention funds for the grassroots through them. The purpose of creating the microfinance banking system is for it to make impacts on the economic and welfare of the grassroots communities while also contributing to the national economic and growth of the nation.

Concept of Poverty

Poverty is a state or condition in which a person or community lacks the financial resources and essentials for a minimum standard of living. Poverty means that the income level from employment is so low that basic human needs can't be met. Poverty-stricken people and families might go without proper housing, clean water, healthy food, and medical attention. Each nation may have its own threshold that determines how many of its people are living in poverty. Poverty rates are important statistics to follow for global investors since high poverty rates are often indicative of more severe underlying problems within a country.

The impact that poverty has on children is substantial. Children who grow up in poverty typically suffer from severe and frequent health problems while infants born into poverty have an increased chance of low birth



weight, which can lead to physical and mental disabilities.⁸ In some impoverished countries, poverty-stricken infants are nine times more likely to die in their first month compared to babies born in high-income countries. Those who live may have hearing and vision problems. As a result, children in poverty tend to miss more school due to sickness and endure more stress at home. Homelessness is particularly hard on children since they often have little to no access to healthcare and lack proper nutrition which often results in frequent health issues. Access to good schools, healthcare, electricity, safe water, and other critical services remains elusive for many and is often determined by socioeconomic status, gender, ethnicity, and geography.

For those able to move out of poverty, progress is often temporary. Economic shocks, food insecurity, and climate change threaten their gains and may force them back into poverty. Poverty is a difficult cycle to break and often passed from one generation to the next. Typical consequences of poverty include alcohol and substance abuse; less access to education; poor housing and living conditions, and increased levels of disease. Heightened poverty is likely to cause increased tensions in society, as inequality increases. These issues often lead to rising crime rates in communities affected by poverty.

Empirical of Microfinance Banks and Standard of living

Across the globe several studies have been conducted to determine the direct impacts of microfinance institutions on the welfare and standard living of the people at the grassroots communities. Some of the studies examined the impact of the microfinance institutions in poverty alleviation of the beneficiary of their financial services (Chirkos, 2014). Specifically, Chirkos (2014) investigated the impact of microfinance institutions on the lives of poor people in Ethiopia. The study administered structure questionnaires to 150 sampled beneficiaries of loan facilities from microfinance banking services to determine the level of improvement or otherwise in their

standard of living before and after taking the loan facilities. The study revealed that almost all the sampled population agreed that the loan facilities impliedly the microfinance institutions impacted positively and significantly on their welfare and standard of livings as evidenced in improved incomes to fund medical bills, children school fees, feed their families and make some savings.

Mecha (2017) studies of the scrutinization of the effect of microfinance on poverty reduction in Kenya shows that scheme have left positive and significant impact on the beneficiaries of its financial services. Some of the benefits according to the study include the empowerment of the poor youths and women in the rural areas, creation of new jobs, improvement in incomes and financial independence. The study also observed that some of the microfinance institutions in Kenya were able to provide clean drinking water to their communities. However, on a contrary note is instances where borrowers of the microfinance loans were unable to pay back and worsening their standard of living than before they collected the loans.

A study of the contributions of micro-finance on socio-economic development of rural community of Nepal was conducted by Dhakal and Nepal (2016), The study examined the extent to which poor, disadvantaged and marginalized households who are stuck in vicious cycle of poverty are affected by the services of microfinance institutions in their community. The study observed a significant contribution of microfinance to effecting social change and development at the community level. The study asserts that microfinance activities are more effective in reducing poverty level and promoting financial inclusion at the grassroots level of any economy. Ariful, Atanu and Ashiqur (2017) investigated the effectiveness of micro-credit programmes on household incomes, expenditures and savings in Bangladesh. The study which used survey method for sample selection and multiple regression analysis method examined 3000



households that made use of microfinance banking services. The study revealed that microfinance banking system has a significant and positive effect on household incomes, expenditures and savings, which served as proxies for the standards of living. In a nut shell the study argued that microcredits are able to alleviate poverty among the poor households that benefits from microfinance banking services. A similar study in Bangladesh by Akhter and Cheng (2020) revealed that microfinance credits have impacted significantly in legal awareness, mobility and living standards through empowerment especially for women entrepreneurs.

Zaidi (2017) studied the impact of microfinance on socio-economic conditions of borrowers in Pakistan. The study used Akhuwat Foundation, a topmost microfinance institution in Pakistan which provides interest free facilities to micro businesses owned by the poorest people of the society. The institution according to the study had provided funding facilities to 1.9 million families without any collateral and rate of recovery of 99.93%. The study examined the impact of the microfinance institution on the beneficiaries housing conditions, food security, children education, incomes and expenditures as proxies of welfare and standard of living of the beneficiaries. The study deployed a non-parametric analytical approach and discovered that the microfinance institution significantly improved the welfare and standard of living conditions of the beneficiaries of the institution's loan facilities. An earlier study by Mahmood, Arby, Hussain and Sattar (2016) on the impact of microfinance on income generation and living standards in Pakistan discovered that microfinance credits impacts positively on income generation and consumption level of the poor. In fact, the study found that the net effect of microfinance activities on the poor is significantly positive.

Boateng, Boateng and Bampoe (2015) investigated the impact of microfinance on poverty reduction among the beneficiaries of the institution services in Ghana. The study while trying to take a side between two divergent

schools of thought on the impact of microfinance in alleviating poverty among the poor of the society examined individual income, household growth, access to education, housing and religious and social group participation as a measure of welfare and standard of living. The study observed a positive and significant relationship between microfinance and the welfare and standard of living of the beneficiaries of the institutions' banking services.

Weerasinghe and Dedunu (2017) investigated the impact of microfinance banks on the standard of living of the poor people of Kurunegala District, Sri Lanka. The study sampled 152 beneficiaries of the microfinance banks services with focus on micro credits, advisory services and micro savings as independent variables representing the microfinance banks. The study discovered significant relationship between the independent variables and the living standard of the people and therefore concluded that microfinance banks impacted significantly on the welfare of the people.

From the various literatures reviewed by this study, there is no doubt that extensive empirical studies have been carried out on the impact of microfinance banks on economic growth and development of any and specific economies and as well as the effect on the welfare and standard living of people at grassroots level. There is no consensus on the findings of the various studies as divergent observations abound. This study would either confirm or disprove some of the previous studies on the effect of microfinance banks on the welfare and standard of living of the people at the grassroots levels.

Research Methodology

Data Collection

The data examined by the study were secondary data extracted from the Central Bank of Nigeria Statistical Bulletin (2018). The extracted data from the Bulletin were per capita income, microfinance loans, deposits by micro finance customers, microfinance liquidity ratio, microfinance bank loan to deposit ratio and interest rate



on savings deposits. The period covered by the study was 1992 to 2018 covering the era of community banking scheme which preceded the microfinance banking system and are not too different in terms of their modus operandi and expected impact on the people at the grassroots level. In addition to deriving the yearly changes in each of the original variables extracted from the Statistical Bulletin, the study computed the interest income payable on the saving deposits by the microfinance banks as a variable that would make impact on the people at the grassroots rather than the deposits made by the customers.

Model Specification

The study adapted the research model of Okafor (2016) in its study of how the activities of microfinance banks in The model is redefined as follows for this study

Model One to test Ho1: There is no significant impact of interest income on savings deposit paid by microfinance bank customers on the welfare and standard of living of the people at the grassroots

$\Delta PERCAP_t = \beta_0 + \beta \Delta INTRINC_t + \epsilon_t$...eqn(i)

Introducing element of time series

$\Delta PERCAP_{t-n} = \beta_0 + \sum \beta \Delta INTRINC_{t-n} + \epsilon_t$... eqn (ii)

Model Two to Ho2: There is no significant impact microfinance banks loans and advances on the welfare and standard of living of the people at the grassroots

$\Delta PERCAP_t = \beta_0 + \beta \Delta MICLOAN_t + \epsilon_t$...eqn(iii)

Introducing element of time series

$\Delta PERCAP_{t-n} = \beta_0 + \sum \beta \Delta MICLOAN_{t-n} + \epsilon_t$ eqn (iv)

Model Three to test Ho3: There is no significant relationship between the microfinance banks loan and advances to deposit ratio and the welfare and standard of living of the people at the grassroots

$\Delta PERCAP_t = \beta_0 + \beta \Delta LDEPR_t + \epsilon_t$...eqn(v)

Introducing element of time series

$\Delta PERCAP_{t-n} = \beta_0 + \sum \beta \Delta LDEPR_{t-n} + \epsilon_t$...eqn(vi)

Model Four to test Ho4: There is no significant relationship between the microfinance banks liquidity ratio and the welfare and standard of living of the people at the grassroots

$\Delta PERCAP_t = \beta_0 + \beta_4 \Delta LIQRAT_t + \epsilon_t$...eqn(vii)

Introducing element of time series

$\Delta PERCAP_{t-n} = \beta_0 + \sum \beta_4 \Delta LIQRAT_{t-n} + \epsilon_t$...eqn(viii)

Model Five to test Ho5: There is no significant impact of microfinance banks in Nigeria on the welfare and standard of living of the people at the grassroots

$\Delta PERCAP_t = \beta_0 + \beta_1 \Delta MICLOAN_t + \beta_2 \Delta INTRINC_t + \beta_3 \Delta LDEPR_t + \beta_4 \Delta LIQRAT_t + \epsilon_t$...eqn(ix)

Introducing element of time series

Nigeria impact on the standard of living of the people. The study had concluded that microfinance banks in Nigeria had no significant positive impact on the standard of living of people in Nigeria. The model is stated as follows:

$RGDP_TP = \beta_0 + \beta_1 RTD_TC + \beta_2 RLL_GDP + \beta_3 IR + \beta_4 RGE_GDP + \epsilon_t$

Where the study defined RGDP_TP represents ratio of GDP to total population, RTD_TC represents ratio of total deposit to total credit. RLL_GDP represents ratio of liquid liabilities to GDP. Also IR represents interest rate, RGE_GDP represents ratio of Government capital expenditure to GDP.



$$\Delta PERCAP_{t-n} = \beta_0 + \beta_1 \Delta MICLOAN_{t-n} + \beta_2 \Delta INTRINC_{t-n} + \beta_3 \Delta LDEPR_{t-n} + \beta_4 \Delta LIQRAT_{t-n} + \epsilon_t \dots eqn(x)$$

Where $\Delta PERCAP$ represents the change in the annual per capita income, a proxy for welfare and standard of living of the people

$\Delta MICLOAN$ represents the change in the annual loans and advances granted to the economy by the microfinance banks, $\Delta INTRINC$ represents the change in the annual interest income on savings deposits payable by microfinance banks to the depositors

$\Delta LDEPR$ represents the change in the annual loan to deposit ratio which defines the proportion of deposits that was disbursed as loan to the economy against what was invested into treasury bills and other investments that have no direct impact on the customers

$\Delta LIQRAT$ represents the change in the annual liquidity ratio of the microfinance banks which defines the ability of the banks to respond with cash to approved loan drawdown and deposit withdrawals by their customers

β_0 is Constant (Intercept) while $\beta_1, \beta_2, \beta_3$ and β_4 are the coefficients of the independence variables

The level of significance is 0.05

Testing for Multicollinearity

The study subjected the independence variables to a multicollinearity test to in view of the time series nature of the secondary data to detect any high levels of correlation between them that could compromise the outcome of the analysis. In line with Pearson coefficient of correlation benchmark, the study regards any correlation between two variables $> (+ \text{ or } -) 0.75$ significant as the basis to determine the level of correlation.

Results of the Multicollinearity Test

CORREL	$\Delta INTRINC$	$\Delta MICLOAN$	$\Delta LDEPR$	$\Delta LIQRAT$
$\Delta INTRINC$	1.000			
$\Delta MICLOAN$	0.479	1.000		
$\Delta LDEPR$	0.206	0.241	1.000	
$\Delta LIQRAT$	0.053	0.042	0.645	1.000

The results in Table above shows that there are no variables that have any significant correlation as none of them is $> (+ \text{ or } -) 0.75$. Therefore, there is no basis for the outcomes of this study to be compromised by any form multicollinearity behavior between the independent variables.

Testing for Heteroscedasticity

The study deployed the Breusch-Pagan test for heteroscedasticity of the residuals of the independent variables. The null hypothesis is that the residuals are homogenous in nature. If the observed $p\text{-value} >$, then the null hypothesis is accepted. Below is the summary of the test

Results of the Heteroscedasticity Test

Models	F-statistics	P-value
PERCAP	1.63246	0.3167

The results revealed that the residuals are homogenous with observed $p\text{-value}$ of $0.3167 > 0.05$ level of significance. The null hypothesis is accepted.

Test for Unit Root

Using the Augmented Dickey-Fuller (ADF) test, the study for unit roots in the research model. The essence of the test is to determine the presence of stationarity or otherwise in the dependent and independence variables. The null hypothesis for the tests is that the series contained unit root. The null hypothesis is to be rejected if the observed $p\text{-value} > 0.05$ level of significance. The test results of the stationarity test is shown in Table below



Results of Unit Root Test

	Augmented Dickey-Fuller (ADF) Test 0.05 level of significance			
	t-Test Stat.	Critical Values 5%	Observed P-Value	Order of Integration
ΔPERCAP	3.1043	-2.9604	0.0214	I(0)
ΔINTRIC	-2.9462	-2.9604	0.0063	I(0)
ΔMICLOAN	-3.3483	-2.9604	0.0436	I(0)
ΔLDEPR	4.1485	-2.9604	0.0417	I(0)
ΔLIQRAT	-5.8764	-2.9604	0.0343	I(0)

The ADF test revealed that the *p-value* < 0.05 level of significance. Therefore, the alternate hypothesis cannot be rejected as the series are found to be stationary and would neither lead to spurious regression or errant behavior.

Descriptive Statistics

Results of Descriptive Statistics

	ΔPERCAP	ΔINTRINC	ΔMICLOAN	ΔLDEPR	ΔLIQRAT
Mean	96.00	9.26	218.60	5.19	-5.61
Median	229.00	-8.64	6400.00	7.09	7.46
Mode	147.00	-158.385	908.00	5.05	7.56
Minimum	259.00	1111.38	17150.99	7.21	7.47
Maximum	-271.00	-9.14	15462.60	6.61	-7.42
1st Quartile	341.00	-688.37	-12054.60	-14.27	12.00
3rd Quartile	406.00	888.35	19902.86	12.12	-11.07
Std. Dev.	-1321.00	13.72	431.50	15.34	29.80
Skewedness	2.800	-2.3559	-2.35260	-7.87	-2.13
Kurtosis	1.4800	3.5823	2.99690	4.69	3.76

From Table above, it can be observed that annual change (Δ) in MICLOAN has the highest mean, median and mode among all the examined variables. This was followed by annual change in per capital income (ΔPERCAP), a proxy for the people’s welfare and standard of living in the same order. It can also be observed that ΔLIQRAT which represents annual change in liquidity ratio has the lowest mean, while change in the interest income payable on savings deposits by the microfinance banks to the depositors (ΔINTRINC) shows the lowest mean and mode respectively.

The mean are found to be lower than the median in all the variables with the exemption of ΔINTRINC which implies that all the variables with the exemption of ΔINTRINC are negatively skewed.

Test of Hypothesis

Hypothesis 1

Ho1: There is no significant impact of interest income on savings deposit paid by microfinance bank customers on the welfare and standard of living of the people at the grassroots



Results of the test of Hypothesis One Model

Regression Statistics						
Multiple R	0.739					
R Square	0.546	Goodness of Fit < 0.80				
Adjusted R Square	0.528					
Standard Error	289.614					
Observations	27					
ANOVA						
	df	SS	MS	F	P-value	
Regression	1	2520190.144	2520190.144	30.04654272	0.146	
Residual	25	2096905.264	83876.21055			
Total	26	4617095.407				
					0.95	
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	195.6950333	61.78578995	3.16731458	0.004	68.44481692	322.9452498
ΔINTRINC	0.188865416	0.034455233	5.481472678	0.045	0.117903536	0.259827296
y = 195.695 + 0.189*ΔINTRINC						

The adjusted R. Square which is also known as the coefficient of determination shows that the variation in dependent variable is influenced by 0.528 of the change in the independent variable. In other words, the change in the welfare and standard living of the people as represented by change in the annual per capital income is attributable to 52.8% of the annual interest payable on savings deposits by the microfinance banks in Nigeria.

The impact of interest payable on savings deposit by the microfinance institutions (ΔINTRINC) on the welfare and standard of living is found to be insignificantly positive at correlation of 0.1888 as the observed *p*-value of 0.045 is found to be lower at 5% level of significance. This implies that ΔINTRINC makes significant impact on the welfare and standard living of the people. The study therefore rejects the null hypothesis that the interest

payable on the savings deposits by microfinance banks have no significant impact on the welfare and standard living of the people.

Hypothesis 2

H0: There is no significant impact of microfinance banks loans and advances on the welfare and standard of living of the people at the grassroots

In Table below, the Adjusted R. Square which explains the extent to which the independent variable explains the behavior of the dependent variable was found to be 0.576. This implies that the behavior of per capita income (ΔPERCAP) which is a proxy for the welfare and standard living of the people can be attributed to 57.6% of the microfinance loans (ΔMICLOAN) disbursed to the people.



Results of the test of Hypothesis Two Model

Regression Statistics						
Multiple R	0.770					
R Square	0.592	Goodness of Fit < 0.80				
Adjusted R Square	0.576					
Standard Error	274.442					
Observations	27					
ANOVA						
	df	SS	MS	F	P-value	
Regression	1	2734128.536	2734128.536	36.3008051	0.015	
Residual	25	1882966.871	75318.67486			
Total	26	4617095.407				0.95
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	206.9409363	57.36700404	3.607316431	0.001	88.79137982	325.0904928
ΔMICLOAN	0.00785547	0.001303809	6.025014946	0.032	0.005170225	0.010540716
y = 206.941 + 0.008*ΔMICLOAN						

The study found microfinance loan (ΔMICLOAN) to be positively but insignificant correlated to the welfare and standard living of the people (ΔPERCAP) at coefficient of 0.0079 and observed *p-value* of 0.032 lower than 5% level of significance. This implies that microfinance loans have significant impact on the welfare and standard living of the people. Therefore, the study hereby rejects the null hypothesis that the microfinance loans impact

significantly on the welfare and standard living of the people.

Hypothesis 3

Ho3: There is no significant relationship between the microfinance banks loan and advances to deposit ratio and the welfare and standard of living of the people at the grassroots

Results of the test of Hypothesis Three Model



Regression Statistics						
Multiple R	0.798					
R Square	0.637	Goodness of Fit < 0.80				
Adjusted R Square	0.623					
Standard Error	258.756					
Observations	27					
ANOVA						
	df	SS	MS	F	P-value	
Regression	1	2943233.163	2943233.163	43.95871243	0.012	
Residual	25	1673862.245	66954.48979			
Total	26	4617095.407				0.95
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	121.6810657	59.85431652	2.032953891	0.053	-1.591206771	244.9533381
ΔLDEPR	18.03834651	2.720659826	6.630136683	0.037	12.43504271	23.64165031
y = 121.681 + 18.038*ΔLDEPR						

The observed Adjusted R-Square of 0.623 implies that the independent variable (ΔLDEPR) which is the ratio of loan to savings deposit ratio of the microfinance banks explains 62.3% of the behavior in the per capital income (ΔPERCAP), a proxy for the welfare and standard of living of the people.

Though the coefficient of correlation of ΔPERCAP is positive at 18.038 but was found to have no relationship with the welfare and standard of living of the people as the observed *p-value* of 0.037 was found to be lower than

the 0.05 level of significance. Therefore, the null hypothesis that the loan to deposit of the microfinance banks (ΔLDEPR) has no significant impact on the welfare and standard living of the people is hereby rejected.

Hypothesis 4

Ho4: There is no significant relationship between the microfinance banks liquidity ratio and the welfare and standard of living of the people at the grassroots



Results of the test of Hypothesis Four Model

Regression Statistics						
Multiple R	0.644					
R Square	0.415	Goodness of Fit < 0.80				
Adjusted R Square	0.392					
Standard Error	328.686					
Observations	27					
ANOVA						
	df	SS	MS	F	P-value	
Regression	1	1916237.049	1916237.049	17.73729676	0.039	
Residual	25	2700858.359	108034.3344			
Total	26	4617095.407				0.95
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-11.19580245	105.0162926	-0.106610148	0.916	-227.4809058	205.0893009
ΔLIQRAT	38.41335064	9.120916386	4.211567019	0.027	19.62847171	57.19822957
y = -11.196 +38.413*ΔLIQRAT						

Table above shows that the Adjusted R-Square which explains the proportion of the change in the dependent variable explainable by independent variable is found to 0.392. In other words, the independent variable which is the liquidity ratio of the microfinance banks (ΔLIQRAT) contributes up to 39.2% of the variable that explains the welfare and standard of living of the people.

The study found the coefficient of correlation of ΔLIQRAT to be positive at 38.41 which implies a positive relationship with the ΔPERCAP, the proxy for welfare and standard living of the people. However, the independent variable was found not to have an impact on the dependent variable as the observed *p-value* of 0.027

was found to be lower than 0.05 level of significance. The study therefore rejects the null hypothesis that states that the liquidity ratio of microfinance banks exert no significant impact on the welfare and standard living of the people.

Hypothesis 5

Ho5: There is no significant impact of microfinance banks in Nigeria on the welfare and standard of living of the people at the grassroots



Results of the test of Hypothesis Five Model

Regression Statistics						
Multiple R	0.640					
R Square	0.410	Goodness of Fit < 0.80				
Adjusted R Square	0.303					
Standard Error	456.201					
Observations	27					
ANOVA						
	df	SS	MS	F	P-value	
Regression	4	3183667.106	795916.7765	3.824325904	0.017	
Residual	22	4578628.894	208119.4952			
Total	26	7762296				
					0.95	
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-38.47757867	91.06474479	-0.422529913	0.015	-227.3343003	150.379143
ΔINTRINC	0.006067202	0.166634682	0.036410198	0.043	-0.339511977	0.351646381
ΔMICLOAN	0.00831342	0.007500813	1.108335858	0.024	-0.007242314	0.023869155
ΔLDEPR	-0.87225839	8.084227918	-0.107896314	0.037	-17.63792094	15.89340416
ΔLIQRAT	-6.62921363	8.353946953	-0.793542701	0.048	-23.95423923	10.69581197
y = -38.478 +0.006*ΔINTRINC +0.008*ΔMICLOAN -0.872*ΔLDEPR -6.629*ΔLIQRAT						

The Adjusted R-Square of 0.303 explains the level of influence the combination of the independence variables exerts on the dependent variable (ΔPERCAP) which represents the welfare and standard of living of the people. This implies that 30.3% of the observed behavior of the dependent behavior is attributable to the independence variables. The study found the observed $F_{test_{cal}}$ of 3.824 > $F_{test_{tab}}$ of 3.326 while observed p -values for the model is lower than 0.05 level of significance. This implies that the independence variables examined by the study to collectively exert significant impact on the ΔPERCAP, a proxy for the welfare and standard of living of the people. The study therefore rejects the null hypothesis that the independence variables have no significant impact on the welfare and standard living of the people.

Conclusion and Recommendation

There is no discordant view that microfinance banks are essential to alleviating poverty through provision of

financial services to the people at the grassroots level of the economy. It is also widely acknowledged that the provision of those services are expected to impact positively and significantly in boosting microbusinesses, sustaining existing and creating new jobs all which are expected to also impact positively and significantly on the welfare and standard of living of the people.

The outcome of this study revealed that the microfinance banks are positively related to the welfare and standard living of the people and they exert significant impact on the people’s welfare and standard of living. The findings agreed with the observations of Mustapha and Abdullahi (2019), Anyanwu, Ananwude and Nnoje (2018), Alani and Sani (2014), Imoisi and Okpara (2014), Olusanya, Ohadebere and Oyebo (2012) and Idowu and Salami (2010). However, there is a need for policy review that would make the microfinancing banking scheme to impact more on the economy and the people by discouraging collateral requirements for micro and small



businesses to improved access to funding at the grassroots level of the society.

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