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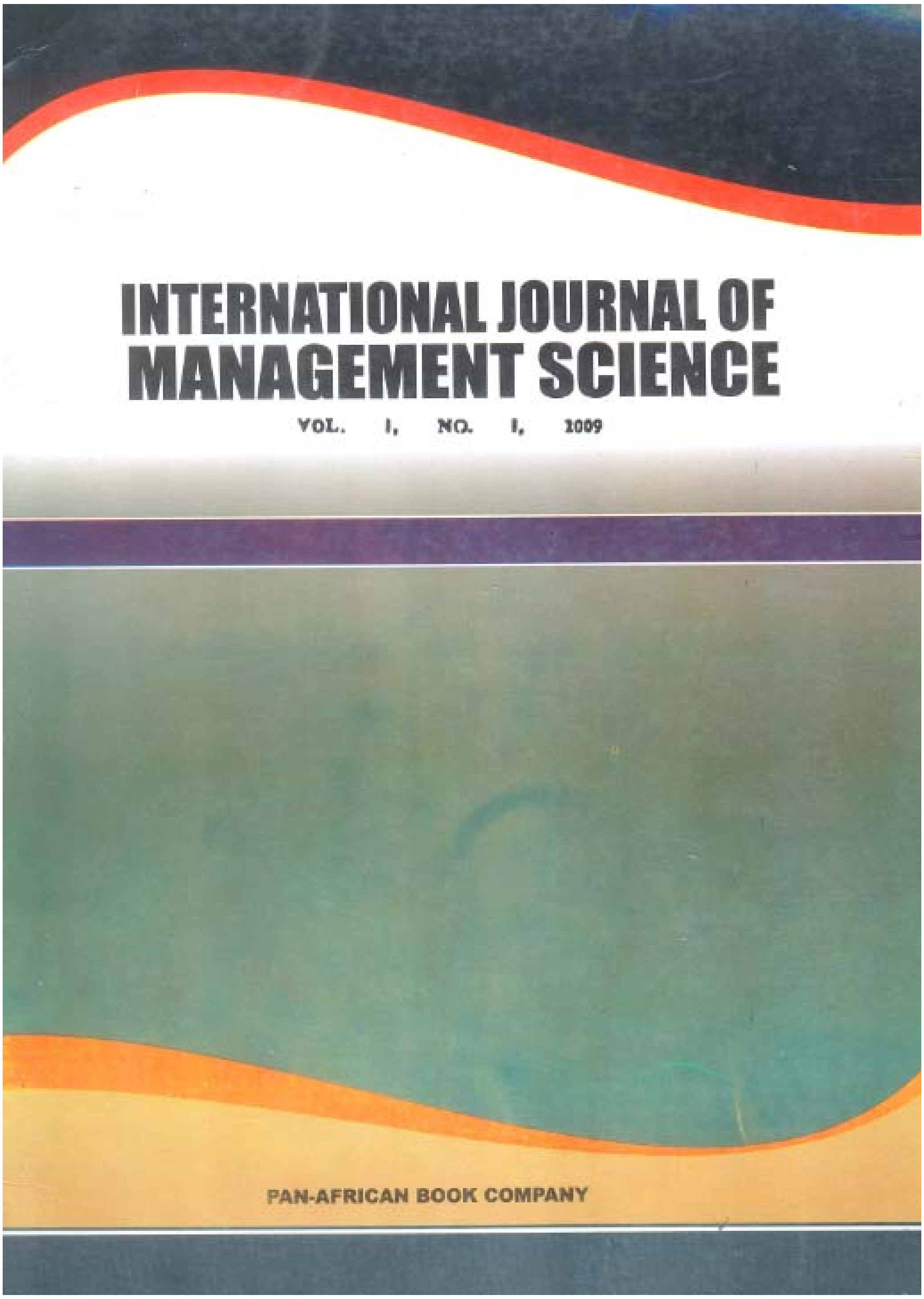

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MAKING MICROFINANCE AN INSTRUMENT FOR POVERTY ERADICATION AND ENTREPRENEURIAL DEVELOPMENT IN NIGERIA: ISSUES AND PROSPECTS

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ABSTRACT

The paper examines Micro Finance as an instrument for poverty eradication and entrepreneurial development in Nigeria. It takes a critical look at various attempts by the Federal Government to eradicate poverty in the past and further examines the recent Micro Finance Policy, Regulatory and Supervisory Framework for Nigeria in line with achieving the goal of poverty eradication in the country by 2015 as directed by the United Nations. It considers some issues of concern that may affect the accomplishment of the goal, namely; concern about the sincerity of Government, concern about the commitment of the Micro Finance Banks and concern about the people and made some suggestions. Part of the suggestions made is that the Federal Government should show more commitment by going into partnership with the private sector and establish a Micro Finance Bank in each of the Local Government areas of Nigeria for the easy reach of the people especially the poor.

Keywords: Microfinance,Poverty, Radication, Entrepreneurial Development, Microfinance Policy, Poor People

INTRODUCTION

Poverty eradication has become a growing concern for Governments all over the world, and has remained one of the central objectives of their development policies (Aliyu, 2003). The Nigerian Government is not left out in this regard. For instance, at independence in 1960, and for the best part of the 1960s, poverty eradication efforts in Nigeria centered on education, which was seen as the key to economic, technological and intellectual development of the people and the nation. Thus, education progammes were implemented alongside agricultural extension services, which encouraged increased food production (Aliyu, 2001). Successive Governments (Aliyu, 2001) also enunciated other poverty eradication related programmes. For instance, the first of such programmes called, operation Feed the Nation (OFN) was launched in 1979 by the then Military Head of State, Gen. Olusegun Obasanjo. The programme had the specific focus of increasing food production on the premise that availability of cheap food will mean higher nutritional level and invariably lead to national growth and development. OFN lasted until Alhaji Shehu Shagari's government took over in 1979. Shagari who ruled Nigeria between 1979 and 1983 shared almost the same poverty reduction idea with his predecessor. He came up with his own pet project named the Green Revolution, which also emphasized food production. At the ouster of Shagari from power in 1983, subsequent military administration in the country came up with different ideas, thus poverty eradication programmes became more regime specific because there was hardly any continuity with initiated pogrammes by succeeding governments. The military regime of Gen. Muhammad Buhari (1983-1985) did not have a specific poverty eradication progamme as it clearly focused on fighting indiscipline and corruption, which many stakeholders also saw as a means to eradicate poverty. The initiative popularly called War against Indiscipline (WAI), sought to inculcate a military-style regime of discipline such as queuing for public services, observing road signs, memorizing the national anthem and generally sprucing up the national psyche on the distinctions between right and wrong, and handling of public property among others. Gen. Ibrahim Babangida who took over from Gen. Buhari in 1985 and ruled Nigeria till 1993 introduced a series of poverty eradication programmes. These include the Peoples Bank, which sought to provide loans to prospective entrepreneurs on soft terms and without stringent requirements of collaterals. It also regulated to an extent the activities of Community banks that also sprouted as adjuncts of the Peoples Bank and as sources of cheap funds for communities and their members. Another programme was the Directorate of Food Roads and Rural Infrastructure (DFFRI), which sought to open up the rural areas through the construction of feeder roads and provision of basic amenities that would turn them into production centers for the national economy. The DFFRI was on offer as the most comprehensive programme on the nation's war against poverty especially in the rural areas. Its premise was just not to open the rural areas, but the hinterland, which ordinarily would not have been accessible. It also aimed at promoting rural employment based on the assumption that if rural infrastructure, such as electricity, was available in the villages, many welders, for examples would operate from there, instead of scrambling for spaces in congested urban centers. On the other hand, DFRRI assumed that if the hinterland was linked by road, farmers would transport their products to the markets easily and at cheaper rates, thereby reducing the cost of food production as a way out of poverty. Many Nigerians however agreed that this, like other programmes by the regime, were good but their impacts on the populace and poverty were minimal because of the shortcomings in their implementation. Another programme that tried to head-off the scourge of poverty by targeting the agricultural sector was the Nigerian Agricultural Land Development Authority (NALDA). The Authority was intended to reduce the prevalence of subsistence agriculture in the country and in its place infused large scale commercial farming by assisting farmers with inputs and developing land for them to the point of planting, at subsidized rates. While all these programmes collapsed at one point or the other, nonetheless, at least one of them enunciated by the same regime — the National Directorate of Employment (NDE) — has had a very long staying up to date though by its mandate, NDE was to design and implement programmes to combat mass unemployment and articulate polices aimed at developing work progammes with labour intensive potentials. From its programmes and its staying power, this was a scheme that could have been adjudged as the most successful of Babangida's poverty alleviation polices but it has also not measured up to the expectation of the people. Today, the unemployed far outweighs the employed. The regime of Late Gen. Sani

Abacha (1993 — 1998) was also known for some poverty eradication programmes. These include the Family Economic Advancement Programme (FEAP) introduced in the quest for a way out of the debilitating poverty, as this was the period that marked Nigeria's relapse into the global bracket of 25 poorest nations. Significantly, FEAP existed for about two years (1998-2000) during which it received funding to the tune of N7 billion out of which about N3.3 billion was disbursed as loans to about 21,000 cooperative societies nationwide that were production oriented. Such projects targeted for assistance included Poultry production, Garri making, Soap making and Animal husbandry. Spouses of Heads of State were also not left out in these efforts towards poverty eradication. They also came up with novel programmes that not only elevated their status but also focused on issues of women and the family, using state funds. Most noticeable were the Better Life for Rural Women programme heralded by Mrs. Mariam Babangida and the Family Support Programme (FSP) by Mrs. Mariam Sani Abacha. Nonetheless, most of these programmes suffered the same fate of failure. Some of the reasons that have been adduced for these failures include:

(i) Poor policy formulation and coordination, implying lack of sincere intentions;

(ii) They lacked a clearly defined policy framework with proper guidelines for poverty alleviation; (iii)They lacked policy continuity and sustainability;

(iv) Absence of institutional framework and delivery machinery;

(v) Absence of target setting for Ministries, Agencies, and programmes;

(vi) Absence of coordination, complementation and monitoring;

(vii) Absence of effective collaboration and complementation among the three tiers of Government;

(viii) Duplication of functions by a myriad of institutions and agencies;

(ix) Unhealthy rivalry among institutions and agencies;

(x) Lack of the involvement of the traditional authorities and community groups in projects selection and implementation;

(xi) Embarking on projects that do not have direct relevance to the poor and in some cases abandonment of these projects;

(xii) Absence of an agreed poverty reduction agenda that can be used by all concerned that is, federal, states and local governments and the international donor agencies; and above all

(xiii) They suffered from political instability, influences, interferences, favouritisms among others and macroeconomic dislocations (Aliyu, 2001 and Aliyu, 2003).

Taking cognizance of this, the Obasanjo Administration which had at inception in May 1999 set out poverty as one of its areas of focus, approved the blueprint for the establishment of the National Poverty Eradication Programme (NAPEP) — a central coordination point for all anti-poverty efforts from the local government level to the national level by which schemes would be executed with the sole purpose of eradicating poverty in 2001 (Aliyu, 2001). Such schemes include: Youth Empowerment Scheme (YES) Rural Infrastructures Development Scheme (RIDS), Social Welfare Services Scheme (SOWESS), and Natural Resource Development and Conservative scheme (NRDCS). The difference between NAPEP and past poverty eradication agencies is that it is not a sector project implementation agency but a coordination facility that ensures that the core poverty eradication agencies and ministries are effective. It intervenes only when necessary, under its secondary mandate which gives it the right to provide complementary assistance to the implementing ministries and parastatals nationwide (NAPEP blue print, 2001 and Aliyu, 2001). Having subscribed to the UN-inspired Millennium goals of having global poverty eradicated by 2015, Nigeria has embraced the process of outlining its own Poverty Reduction Strategy Process (PRSP), which will eventually bring its anti-poverty efforts into the mainstream of the new global thinking that poverty needed to be driven by some flexible and acceptable measures. This takes us to the main focus of this paper —The official introduction of Micro finance as a means to combat poverty in Nigeria, and the Question to ask is: Can Micro finance be the instrument to poverty eradication and entrepreneurial development in Nigeria? The rest of the paper therefore is divided into the following sub-headings: (i) The concept of Micro finance (ii) Distinction between Micro finance Banks and other formal financial institutions (iii) Justification for the establishment of Micro finance Banks in Nigeria (iv) Critical issues or concerns about Micro financing in Nigeria (v) Concluding remarks and Suggestions.

THE CONCEPTS OF MICRO FINANCE

Although the concept of Micro finance evokes sharp economic and political reactions, its origin, meaning and objectives are not ambiguous. Simply put, it is about making money available to the poor people in the society to enable them embark on meaningful ventures that will bring solace and succour to their lives and that of their family members and by extension to their locality and the country at large. Put in another way, it is about providing financial opportunities for the poor in the society to enable them embark on economic activities for life sustainability. In another sense, Microfinance can be described as loan or credit opportunities for the poor. By the poor here, we mean people in the society, who though have one skill or another, but cannot put them into use because of lack of money. Thus, because of this handicap, they compound the rate of poverty and constitute other nuisances in the society. As Okoye C (2007) puts it, Microfinance is banking for the poor. According to him, Microfinance programmes provide loans, savings and other financial services to the low — income and poor people in the society for use in small businesses...so that they can work their way out of poverty. In the same vein, Oji (2007), defines Microfinance as the Provision of very small loans that are repayable within short periods of time to low income individuals and households with minimal assets that can be used as collateral. To Okoye C. U. (2007), Microfinance is a sub — set of flexible structures and systems by which a wide range of financial and enterprise development services are offered to micro enterprise owners in an affordable and convenient manner. The Central Bank of Nigeria (CBN) in its Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria (2005) defines Microfinance as financial services such as savings, loans, domestic funds transfer, among others that are needed by the economically active poor, micro, small and medium enter rises to conduct or expand their businesses. According to the CBN, it is as about providing financial service to the poor who are traditionally not served by the conventional financial institutions. From these conceptualizations, the following can be deduced as the main characteristics of Microfinance:

(i) It is about empowering the poor through loans or credits

(ii) This poor must be economically active

(iii) It is about Banking services but distinct from the conventional Banks in some ways for example, in foreign transactions and granting of loans whose repayment will take a long period of time

(iv) The amount of loan or credit involved is very small and deemed to be affordable

(v) It is purely for economic or business ventures

(vi) It is meant to help the poor solve the problems of collaterals in obtaining loans from the conventional Banks

(vii) It is very simple and flexible to obtain

(viii) It encourages self-reliance and entrepreneurialship

(ix) The loans obtained are required to be repaid within a short period of time

(x) The collaterals required are minimal and not as tedious as that of the conventional Banks

(xi) It is meant to get the poor work their way out of poverty.

An understanding of these characteristics will help to have a better and clearer picture of what Microfinance is all about and this goes to buttress our earlier position that its meaning is not ambiguous except of course designed to be so.In Nigeria, the formal financial system provides services to about 35% of the economically active population while the remaining 65% are excluded from access to financial services. These 65% are often served by the informal financial sector, through Non-Governmental Organization — MicroFinance institutions (NGO-MFIs), moneylenders, friends, relatives, and credit unions (Co-operative Societies etc) (CBN, 2005). However, by the intervention of the CBN today, Microfinance Banks have come to be institutionalized officially by the Government of the Federal Republic of Nigeria through the CBN. The implication of this is that Microfinance in Nigeria is to be organized to truly provide financial services to the poor in the society so that they can begin to live a better life. As it is in Nigeria today, there. are two categories of Microfinance Banks and these are Microfinance Banks licensed to operate as unit banks (a.k.a Community banks) and Microfinance Banks licensed to operate in a State. Microfinance Banks licensed to operate as unit banks requires a minimum paid - up capital of N20 million and are expected to have branches and/or cash centers while Microfinance Banks licensed to operate in a State is required to have a minimum paid - up capital of N1.0billion and shall operate multiple branches within a State, subject to satisfactory prudential requirements and availability of free funds for branch expansion (CBN, 2005).

DISTINCTION BETWEEN MICRO FINANCE BANKS AND OTHER FORMAL FINANCIAL INSTITUTIONS (UNIVERSAL BANKS)

INSTITUTIONS (UNIVERSAL BANKS)

	CRITERIA	MICROFINANCE BANK LICENSED TO OPERATE AS A UNIT BANK (a.k.a Community Bank)	MICROFINANCE BANK LICENSED TO OPERATE IN A STATE	UNIVERSAL BANKING
A	Minimum paid up capital/shareholders funds	N20.0 million	N1.0 billion	N25.0 billion
B	Scope of activities covered by License	To operate within a Local Government Area and not to engage in sophisticated banking services, such as forex business	To operate within a State. Not to engage in sophisticated banking services, such as forex business but can receive tenured loans and equity from abroad	To operate nationally and in international markets. To operate forex transactions and domiciliary Accounts for customers
C	Limitation on credit to an individual or company	Credit subject to a single obligor limit of 1% for an individual/corporate entity and 5% for a group	Credit subject to single obligor limit of 1% for an individual/corporate entity and 5% for a group	Single obligor limit applies
D	Limitations on deposits from an individual or a company	No limit	No limit	No limit
E	Access to public sector deposits	Permitted for only micro-credit programmes on a non-recourse basis and for payment purposes	Permitted for only micro-credit programmes on a non-recourse basis and for payment purposes	Permitted
F	Cheque writing accounts	Cheque issuing customized to the correspondent bank	Cheque issuing customized to the correspondent bank	Cheque issuing permitted
G	Geographical coverage	In rural and urban areas	Must operate in both rural and urban areas within a state in a proportion prescribed by the CBN	All parts of Nigeria and foreign branches and subsidiaries

Source: Central Bank of Nigeria (2005); Micro Finance Policy, Regulatory and supervisory Framework for Nigeria

Source: Central Bank of Nigeria (2005); Micro Finance Policy, Regulatory and supervisory Framework for Nigeria

These differences clearly spell out the limits and delimits of the Microfinance Banks in Nigeria and their modus operandi.

JUSTIFICATION FOR THE ESTABLISHMENT OF MICRO FINANCE BANKS IN NIGERIA

As stated at the beginning of this paper, the major justification for microfinance anywhere in the world is that of poverty alleviation and eradication. As the name implies, it is about financing the poor at the various segments of the society so as to make them have a means of livelihood and work themselves out of poverty. Microfinance Banks are simply established for this purpose all over the world. The practice of microfinance in Nigeria is culturally rooted and dates back to several centuries. It has existed in the form of informal self - help groups or rotating savings and credit Associations, saving collectors and cooperative societies who operated without a formal regulation. In the 1980s, nongovernmental Organizations also emerged to champion the cause of the micro and rural entrepreneurs with a shift from the supply-led approach to a demand-driven strategy. The number increased over the period as a result of the inability of the formal financial sector to provide the services needed by the low income groups and the poor, and the declining support from development partners amongst others. However, on December 15, 2005 the Federal Government through the Central Bank of Nigeria launched the Microfinance Policy Regulatory and supervisory Framework, the objective of which is to make financial services accessible to a large segment of the potentially productive Nigerian population, which otherwise would have had little or no access to financial services and empower them to contribute to rural transformation. Other reasons are to promote linkage platforms among universal/development banks, specialized institutions and microfinance banks and promote synergy and mainstream the informal sub — sector into the national financial system. While the policy provides broad goals and direction, the framework gives the detailed guidelines for the operational requirements for licensed Microfinance banks on permissible and prohibited activities, ownership and licensing requirements, management quality, funding accounts and related matters, prudential requirements, accounting, disclosure policies, and growth path, among others (CBN, Annual report, 2005). Under the new Microfinance policy, the licensing of microfinance banks is the responsibility of the Central Bank of Nigeria and once an institution is licensed, it is expected to add "Micro Finance" after its name.

CRITICAL ISSUES OR CONCERNS ABOUT MICRO FINANCING IN NIGERIA

Micro Finance is not new in the world neither is it new in Nigeria. Perhaps what could be new is the modus operandi of the modus vivendi. In the early part of this paper, we did say that poverty has reared its ugly head on Nigerians so much so that the poverty incidence in Nigeria is estimated to be above 90% in a total population of 140 million. This 90% spreads across the country but worst in the rural areas with over 70% of the population living there below the poverty line estimated at less than one dollar per day globally (Aliyu, 2003). Though many reasons have been adduced for the high level of poverty in the Nigerian society, it is beyond the scope of this paper to go into them. However, a brief mention will be made, because as Olokesusi (2003) puts it, "to be effective, anti — poverty strategies (policies) need to take account of the complexity and causes of poverty, so that governments may develop practical targets for poverty eradication. Put in another way, it is the proper understanding of the cause of an ailment that the effect can be properly and adequately cured. Some of the reasons adduced for poverty in Nigeria include:

- Corruption
- Macro economic distortions
- Effect of Globalization
- Bad Governance
- Debt burden/overhang,
- High rate of unemployment
- Low productivity

- Burgeoning population growth
- Poor human resources development
- Poor implementations of poverty eradication policies
- Insincerity of Government in eradicating poverty
- Poor human resources development and training etc

Having said this, the idea of a formal Micro Finance in Nigeria is not out of place. Indeed, the National Economic empowerment and development strategy (NEEDS) and the State Economic Empowerment and Development strategy (SEEDS) emphasize microfinance as an important ingredient of economic empowerment, enterprise development and employment creation. Microfinance is also critical to the attainment of the Millennium Development Goals, particularly regarding poverty reduction, gender equality and sustainable livelihoods for vulnerable groups (Eboh, 2007). Many other countries in the world have embraced it as a solution to the poverty rate among their people. These countries include Bangladesh, Bolivia, India, Pakistan, Indonesia, Philippines, Ghana, Uganda and Benin to mention a few. Our concern is what shape will the formal Microfinance in Nigeria take and will it achieve its purpose? It is for this reason that we shall discuss some critical issues of concern about the new Micro Finance policy in Nigeria under three headings, namely:

(a) Concern about Government and the Central Bank of Nigeria

(b) Concern about the Micro Finance Banks

(c) Concern about the people.

A Concern about Government and the Central Bank of Nigeria

The greatest concern here is the sincerity of the Federal Government and Central Bank of Nigeria to really eradicate poverty in the country. The two are combined here because they are one. The Federal Government owns the Central Bank and the Central Bank does not operate in isolation but under the general policy direction of the Federal Government. One issue that attracts comment in this regard is the real motive of the Government in establishing a formal Microfinance Bank in the country. The Question of course is: Is Government/the CBN really interested in using microfinance to make the poor work their way out of poverty or are they merely interested in providing "regulatory and supervisory framework" for "the great diversity of institutions offering microfinance services"? It appears therefore that Government has what can be described as two categories of objectives and these are Primary and Secondary objectives with regulation and supervision coming first as the primary objective and poverty eradication and entrepreneurial empowerment as the secondary objective. A misplaced priority one may want to add. In the policy paper launched on December 15, 2005 by the Obasanjo administration (1999 - 2007), the CBN (2005), said inter alia: The non-regulation of the activities of some of these institutions (offering microfinance services) has serious implications for the Central Bank of Nigeria's ability to exercise one aspect of its mandate of promoting monetary stability and a sound financial system. The purpose of this policy paper, therefore, is to present a Microfinance Policy Framework for Nigeria that would enhance the provision of diversified microfinance services on a long term, sustainable income for the poor and low-income groups. The policy would create a platform for the establishment of Microfinance banks; improve the CBN's regulatory/supervisory performance in ensuring monetary stability and liquidity management; and provide appropriate machinery for tracking the activities of development partners in the microfinance sub-sector in Nigeria. From the above policy statement it is clear that the regulation and supervision of the existing informal microfinance institutions have taken precedence over getting them to spread to the nooks and crannies of the country to eradicate poverty. This fact is further buttressed in the policy when it stated thus: A microfinanace policy, which recognizes the existing informal institutions and brings them within the supervisory purview of the CBN would not only enhance monetary stability, but also expand the financial infrastructure of the country... It would also harmonize operating standards and provide a strategic platform for the evolution of microfinance institutions, promote appropriate regulation, supervision and adoption of best practices. The point being made here is that given that the CBN has the power to regulate and supervise in line with the provisions of section 28, subsection (1) (b) of the CBN Act 24 of 1991 (as amended) and in pursuance of the provisions of sections 56-60(a) of the Banks and Other Financial Institutions Act 25 of 1991 (as amended), reducing bottlenecks on them and encouraging them to spread out so as to reach the real poor especially in the rural areas should have been of utmost importance. This is borne out of the fact that despite the so-called "great diversity of institutions offering microfinance services", over 70% of the entire population of Nigeria are still living below poverty line. For this reason we ask again: is the zest for regulation and supervision not a misplaced priority? Again the Federal Government tends to be begging the Question by limiting the licensing of Microfinance Banks to Unit and the States. What then is the role of the Federal Government? The poverty rate in the country is so enormous that it requires the intervention of the Federal Government itself; more so that it is one area that does not attract investors because of the erroneous believe that it is a social activity.

CONCERN ABOUT THE MICRO FINANCE BANKS

The major concern here also is the ability of the Microfinance Banks to reach out to the real poor in the society. Though there is no physical thing to give out or distribute as in the case of "KEKE-NAPEP"(Tricycle of the National Poverty Eradication Programme), there is the fear that the politicians, businesspersons and middlemen may hijack the services thus making it inaccessible to the main targets — the very poor in the society. This fear is germane because as we said earlier, Microfinance is not a social activity but business ventures whose investors require returns on their investment and are therefore bound to think of profit making with ease. Another concern is that of collaterals and the paper works involved in credit or loan disbursements. The issue here is that most of the targets for the loans may lack the assets that should serve as collaterals because of their poverty and indeed majority of them may be illiterates who obviously would not want to be bored with paper works or undue procedures and processes. One other concern is that of interest rates on loans obtained. This author was astound when in one of the Microfinance Banks he was told that there is no fixed interest rates. The implication of this is that the loan benefactors are at the mercy of the Microfinance Banks and this may affect the overall zeal to obtain loans and by extension affect the goals of poverty eradication and entrepreneurial development. Another area of concern is the repayment period, which ranges between 3 — 6 months. This no doubt may discourage patronage. No matter how lucrative a business venture may look like, it will require some time to make sustainable profits that can be used to make repayments within such a short time.

CONCERN ABOUT THE PEOPLE

The concern here is for the understanding and cooperation of the poor who are supposed to be the main beneficiaries of the service. Indeed, for the policy to succeed the people must be appropriately carried along and this will require a lot of public enlightenment, education and explanations. It is only with a better understanding, that the risk of repayment can be allayed. The fact remains that repayment of loans or credits obtained is a crucial factor in the whole exercise. Indeed, apart from obtaining and repayment, there is also the need to make savings. The Question to ask here is: Are these "poor" used to savings in the Bank? Again enough of enlightenment must have to be done. Another area of concern is that of collaterals. Although, the impression is that stiff or rigid collateral may not be required but whatever it is, it will create a problem because the beneficiaries are deemed to be poor and going by the definition of poverty, it will mean that this "poor" will have little or nothing to present as collateral. This is a puzzle that must be resolved.

CONCLUDING REMARKS AND SOME SUGGESTIONS

The whole essence of Microfinancing and Micro Finance Banks is to make finance available to the poor in the society especially those of them who may not have access to the conventional Banks or those people who even if they have access may not be able to afford the conditionality and interest rates to be paid. Beyond this general conception, 2015 has been set by the United Nations for poverty eradication among Nations of the world. This paper has been able to make a review of the various efforts made by the Government towards poverty eradication in the past for which there was little or no success and also took a critical look on the recent effort of Government by highlighting some areas of concern. It is our view that the idea of microfinancing is not a bad one since in reality many countries all over the world have adopted the same approach to eradicate poverty in their environments and this has been productive in the desired areas. Our conclusion therefore is that it can also be productive in Nigeria if the areas of concern raised, are addressed adequately in addition to the following suggestions:

1 The exercise should not be left in the hands of the units and states alone. The Federal Government should ensure that a legislation is put in place for at least a Microfinance Bank to be in each of the Local Governments or at least in each of the federal constituencies in the country. By this, the Banks will be at the easy reach of the people and the poor in particular. To do this successfully, the Federal Government can go into partnership with the private sector in what is now popularly known as Public —Private-Partnership (PPP) with a memorandum of Association spelling out the relations and goals to be achieved in the partnership. Traveling long distances to obtain loans could also be discouraging.

2 The Federal Government must of necessity create the also be enabling environment for not only the Micro finance Banks to thrive but also the

small scale enterprises borne out of them. This is important because no organization can survive in an environment that is not conducive.

3 The interest rate charged by the micro finance Banks should be well reduced and streamlined to avoid abuses. They should not be such that will scare patronage.

4 The use of agents or intermediaries other than Microfinance Bank officials should be discouraged.

5 The Micro finance Banks 'mist ensure that need assessments are carried out before loans are given so as not to encourage misuse and abuse.

6 The Microfinance Banks should encourage the cooperative approach in lending to ease repayment and reduce the tendency to default.

7 The Microfinance Banks should engage the services of Insurance companies for any unpleasant circumstance.

8 There should be adequate sanctions for Loan defaulters and their guarantors

9 The Government and the Central Bank of Nigeria should show seriousness in this business of wanting to eradicate poverty in the country by making reasonable budget for it just like in the case of DFRRI under Gen. Babangida's administration

As Pollin (2007) puts it, "making credit accessible to the poor people is a laudable aim. But as a tool for fighting global poverty, microcredit should be judged by its effectiveness, not good intentions."

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