

An Assessment of the Impact of Microcredit Programs on Poverty Alleviation in Nigeria

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Abstract

This study assessed the impact of Microcredit programs on poverty alleviation in Niger state. The paper adopts a quantitative method using PLS-SEM 3.1.6 path modelling to establish the statistical relationship between microcredit programs on poverty alleviation. The study reveals that a Microcredit program is significant to poverty alleviation. The socio-economic assessment of the respondents further justified the above assumption. It was observed that microcredit intervention programs have the tendencies to alleviate poverty if the stakeholders could concertedly design a policy framework that is capable of enhancing transparency and accountability among all concern agencies in the implementations of the programs. The paper attributed the persistent poverty rate in the Niger state to systemic failures such as political instability, corruption, abuse of the rule of law, inadequate budgetary allocation among others. The study recommends for concerted efforts among all the stakeholders, and a well-planned policy framework is necessary to evaluate the significant and the insignificant of the implemented programs. Lastly, the provision of adequate budgetary allocation is important for poverty alleviation in Nigeria.

Keywords: Poverty Alleviation, Government, Intervention, Programs, Microcredit.

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Introduction

Poverty alleviation has remained the most common and overriding objective of the developing countries around the world, particularly in African continent where poverty menace have become so pronounced especially in the sub-Saharan African part where Nigerian belongs (Atkinson, 2016). Statistics have indicated that since the attainment of political independence in Nigeria, poverty has been on the increase with the consequent rise in the population. For instance, the report of National Bureau of Statistics reveals the prevalence of poverty which shut up from 42.7 percent in 1992, to 65.6 percent in 1996, while in 2004 it was 54.4 percent later increased to 64.2 percent in 2014. The percentage of Nigerian population living in poverty is rising year in year out (NBS, 2010, 2012).

Similarly, the issue of poverty reduction has been given significant attention by successive governments in Nigeria through various intervention programs such as: National Directorate of Employment (NDE), National Poverty Eradication Program (NAPEP), Agricultural Development Program (ADP), Directorate for Food, Roads and Rural Infrastructures (DFRRI), National Economic Empowerment and Development Strategy (NEEDS), etcetera. But all these poverty alleviation programs have failed, this was attributed to the range of problems like; lack of commitments from the stakeholders, corruption, exclusion of the target beneficiaries in the development agenda, misplacement of policy priorities among others. Many plans, policies, programs, and strategies have been carried out by past governments in Nigeria to alleviate poverty especially in rural areas where poverty is dominated, but yet poverty still exists in the country (Adebayo, 2009).

Statement of Problem

Despite all policies and programs carried out by the government and other international agencies towards poverty alleviation in

Nigeria, the poverty trap is still very high in the country. The scourge of poverty is more intense in the rural areas, where about 80% of the people are living below the poverty line (\$1.90/#684) with dilapidated infrastructural facilities (NBS, 2010; World Bank, 2011; Akinbode & Hazmat, 2017). Furthermore, Abiola and Olaopa (2008) stated that the menace of poverty in Nigeria is an indisputable fact, which brings about unemployment, diseases, malnutrition, ignorance, hunger, poor access to credit facilities, high level of illiteracy, as well as a general level of human depression. Some of the past studies opined that the impact of those programs were insignificant especially those who live in the rural areas who were destitute by poverty trap due to lack of accountability and transparency among all the agencies involved in the fight against the scourge of poverty in the country. Therefore, this study has become necessary in order to evaluate the significant relationship between microcredit scheme and poverty alleviation and to further to examine the level of its impact on the target beneficiaries in nine selected local government areas in Niger state-Nigeria.

Literature Review

Government intervention program plays an important role in poverty alleviation and it promotes socio-economic development in the society (World Bank, 1997). It is a strategic policy framework designed in other to transform and to uplift the living standard of people in terms of educational development, healthcare services delivery, entrepreneurship development, monetary incentives to the vulnerable people, and agricultural credit support among others (Sambo, 2005; Arogundale, Adebisi, & Ogunro, 2011). Regardless of the policy agenda of the government intervention programs, its main aims and objective is to enhance a better living condition of the poor people in the society, and more specifically to influence individuals' values, attitude, knowledge, and skills, in order to enhance the socio-

economic support, and in general to create a helpful environment for the poor people (Cline-cole & Maconachie, 2016).

According to Anka (2009) defined poverty as the inability of a person to cater to the basic minimum standard of living. Also, poverty refers to the lack of availability of the required goods and services needed for a living by individuals (Sen, 1983). Furthermore, Spicker (1993) defines poverty as experienced in deprivation over a long period of time. In a Similar view, Ashton (1984) says deprivation basically has to do with a lack of essential needs such as; food, shelter, education and healthcare services due to inadequate resources. Ashton defines poverty as a lack of adequate resources to meet up with basic life needs. The above definitions explain that poverty has different meaning and manifests in different forms which have been used over time.

Microcredit Scheme

Microcredit Scheme is referred to as a government intervention strategy of poverty alleviation among the vulnerable and poor individual in the society, whereby a dispersion of small loan with free collateral to group or individual borrowers/beneficiaries in other to enhance income generation through enhancing self-employment among the enterprising poor in both rural and urban communities to alleviate poverty (Akanji, 2006; Chowdhury et al., 2005). However, Neeta (2009) described microcredit as the most suitable and practical alternative to conventional banking in reaching the hitherto unreached poor population in the society. It also enables poor people in availing the credit and other financial services for improving their income earnings and to improve their living standards. The idea to poverty reduction through the loan provision by financial and non-financial institutions to micro-business owners in rural areas in Niger state has recently generated financial break-through, foster economy, social and demographic development (Idris, 2017). It is a strategy of redistribution; facilitate the emergence of an independent and approach to poverty alleviation in the state. Results from previous studies have shown that microcredit programs had impacted on the livelihoods of women and therefore changed their poverty status for the better (Rajendra & Raja, 2010). A similar result also on the intervention of a microcredit scheme according to Imai, Arun, and Annim (2010) suggested that the microcredit scheme has a positive impact on the lives of the rural poor. Therefore this study hypothesized that Microcredit scheme is positively related to poverty alleviation as presumed by the previous studies (Sani, Khan, Ahmed, & Aziz, 2017; Karabou, 2017).

Methodology

This study adopted a quantitative method using questionnaires to randomly collect data from 18 rural communities in 9 selected local government areas in three senatorial districts of Niger state. A total number of 534 questionnaires were distributed to respondents and 442 were found to be valid for analysis. As opined by Creswell (2012) questionnaire returned rate is considered to be valid if it exceeded 50 percent of the total distributed to the field. This study adopts a probability sampling technique which gives each beneficiary from the population an equal chance for been selected as a sample in order to minimize the high rate of biases (Sekaran & Bougie, 2014). Similarly, a multistage sampling technique was used, where the Niger state was clustered into three senatorial zones. A PLS-SEM path modeling was used to establish the statistical relationship between microcredit scheme as intervention program and poverty alleviation and subsequently to determine the prime impact to the target beneficiaries. On the above premise, results of the socio-economic characteristics of the respondents like their income earning before and after the program were put into consideration as well. In addition, measurement for this study was adopted from the study conducted by (Ilemona, 2014; Ntiwunka, 2014; Antai & Anam, 2014) with some minor conceptual adjustments that suit the context of the present study area to measure the independent and the dependent variables using 5 Likert scales.

Underpinning Theory

The theory underpinning this study is the macro theory extracted from the micro-macro perspective of poverty cited in Aluko (2003). According to the macro perspective, poverty is seen as a social problem to be handled by a systematic government action plan and adequate provision of welfare services to poor citizens. Even if an individual desires changes in his position or living status, institutionalized constraints within the political environment and socio-economic factors may hinder him from realizing this ambition. Whereby, some societies provide the little possibility for upward of social mobility to allow the poor to escape from their poverty trap (Nobbs, 1984). Based on this theory, poverty is seen as a social problem attributed to the dominant of the interest of the power elite. Over again in the fierce competition among the political elites for power, there is no room for the poor. And the usual conflict among the political elites is about the allocation of state resources and not about the policies that are capable of addressing the high rate of poverty in the country. This is because the poor have no access to power, and they cannot play any significant role in the allocation of state resources. Ultimately, poverty is a product of unequal access to the distribution of power and resources in Nigeria subjected the majority of the population into the poverty trap.

Results

The measurement model assessment is essential in other to establish the reliability and the validity of the data. The general rule of composite reliability pronounced that indicators that have distinctive loadings and can be taken to signify in the same way as Cronbach's alpha. In other to establish the reliability and validity of measures, individual item reliability, internal consistency reliability, convergent validity, and discriminant validity were evidently measured (Hair Jr, Hult, Ringle, & Sarstedt, 2016). The composite reliability coefficient for Microcredit stand for 0.878, and for Poverty Alleviation stands as 0.852 respectively. This showed that all the variables have exceeded the acceptable threshold of 0.70 which clearly signifying the acceptance of internal consistency reliability of the measures used in the current study (Hair, Ringle, & Sarstedt, 2011). The table 1 below illustrates the composition reliability coefficient of the variables. Similarly, in other to determine the convergent validity, the Average Variance Extraction (AVE) for each of the variables were analyzed and found to be above 0.50 as also shown in the table 1 below hence, signifying a satisfactory convergent validity (Hair Jr et al., 2016; Bagozzi & Yi, 1998).

Table 1: The result of the Measurement Model

Code	Loading	AVE	Composite Reliability	Cronbach's α			
MC1	.524	.549	.878	.831			
MC10	.779						
MC12	.802						
MC4	.808						
MC6	.758						
MC8	.737						
PA10	.752				.537	.852	.785
PA12	.660						
PA4	.743						
PA6	.721						
PA8	.782						

Note: MC=Microcredit, PA=Poverty Alleviation

The study further determines the discriminant validity, where the study compares the correlations between variables with the square root of AVE as a standard for measurement. Though, as implies, the square root of Average Variance Extract (AVE) for each variable is projected to be directly above the correlation of the specific variables with any other variables (Fornell & Larcker, 1981).



Table 2 Latent Variance Correlation

Variables	MC	PA
MC	.741	
PA	.470	.733

Note: Variables in bold across diagonal are the square root of AVE. while those diagonal values not in bold are the correlations between variables.

Structural Model

The structural model evaluation is important for the model predictive ability. The study compares the significant effect of microcredit program (MC) in order to examine its impact on poverty alleviation. The results of the analysis are clearly presented below in table 3.

Table 3: Hypothesis test results

Hypothesis	Relationship	Beta Value(B)	Standard Error	T value	P value	Decision
H ₁	MC-> PA	.201	.040	5.104	0.00***	Supported

***P<0.01 **P<0.05 *P<0.1

In light with the results of the above-developed hypothesis, H₁ predicted that Microcredit is positively related to poverty alleviation in Niger state. The result in Table 3 shown that there is a positive significant relationship between microcredit scheme and poverty alleviation where: $\beta = .201$, $t = 5.104$, $p = 0.000$ the result is in line with some studies that predict the significant relationship between microcredit scheme and poverty alleviation (Karabou, 2017; Rajendra & Raja, 2010; Imai, Arun, & Annim, 2010). Table 4 take into account the demographic characteristics of the respondents as illustrated below.

Table 4: The demographic profile of the respondents

Categories	Frequency	Percentage
Gender		
Male	292	66.1
Female	150	33.9
Age		
20-30	78	17.6
31-40	108	24.4
41-50	109	24.7
51-60	92	20.8
60 and above	55	12.4
Occupation		
Civil Service	12	2.7
Farming	204	46.2
Part-time Work	121	27.3
Others	105	23.8
Educational Qualification		
Master's Degree	2	.5
BSc./HND	24	5.4
Diploma/NCE	37	8.4
Secondary Cert.	72	16.3
Primary Cert.	81	18.3
Others	226	51.1

Simulation by the Researcher (2018)

The table 4 illustrates the demographic characteristics of the respondents, while in the table the gender distribution of the respondents is disproportionate where male respondents overweighed the female respondents with a frequency rate of 292 representing 66.1 percent of the total valid responses against the female gender which account for only frequency rate of 150 representing 33.9 percent of the total valid responses. Ages of the respondents were measured in years using range interval and the results showed that 78 representing 17.6 percent of the respondents were within the age range of 20-30 years, while 108 representing 24.4 percent of the total valid responses fall within the age range of 31-40 years, follows by age range of 41-50 years which constitute 109 frequency rate and 24.7 percent of the total valid responses, then age range of 51-60 years also constitute 92 in terms of frequency rate and 20.8 percent of the total valid responses, and lastly those respondents who fall within the age range

of 60 and above years which constitute 55 frequency rate and 12.4 percent of the total valid respondents.

Additionally, the tables 4 also shown the occupations of the respondents were 12 respondents representing 2.7 percent of the total responses are civil servants, while 204 frequency rate representing 48.2 percent of the valid responses are farmers, and 121 frequency rate representing 27.3 percent of the total valid responses are into part-time job, lastly 105 frequency rate representing 23.8 percent of the total respondents are silence on their occupations which they belong to other categories. The educational qualifications of the respondents were also presented on the table 4 above, where MSc holders have 2 frequency rate which represents 0.5 percent of the total respondents, while those with BSc/HND has 24 frequency rate representing 5.4 percent of the total valid responses rate, while respondents with only Diploma/NCE is amount to 37 frequency rate and a total of 8.4 percent of the total respondents. Next category of the respondents are secondary certificate holders with 72 frequency rate representing 16.3 percent of the total responses, in addition, respondents with only primary school certificate accounted for 81 frequency rate representing 18.3 percent of the total valid respondents, lastly the last category of respondents without any educational qualifications are 226 frequency rate representing 51.1 percent of the total respondents, this clearly shown that majority of the respondents are rural dwellers with no educational certificates.

Table 5: Socio-economic status of the respondents

Before Microcredit per month (₦)	Frequency	Percentage	After Microcredit per month (₦)	Frequency	Percentage
10,000-20,000	168	38.0	10,000-20,000	82	18.6
21,000-30,000	147	33.3	21,000-30,000	132	29.9
31,000-40,000	63	14.2	31,000-40,000	97	21.9
41,000-50,000	49	11.1	41,000-50,000	71	16.1
51,000-60,000	15	3.4	51,000-60,000	45	10.2
61,000 >	-	-	60,000 >	15	3.3

Simulation by the Researcher (2018)

Table 5 has shown the respondent's income earnings before and after the implementation of the poverty interventions programs. For instance, the table has displayed the income earning of the respondents prior to the introduction of the microcredit programs (MC) programs which shows the first category of respondents earns a monthly income between ₦10,000 to 20,000 with a frequency rate of 168 representing 38 percent of the total respondents, and ₦21,000 to 30,000 having a frequency rate of 147 representing 33.3 percent of the total respondents. But after the implementations of the microcredit scheme the income earnings of the respondents rises from category one and two to different categories ranging from category three (₦31,000-40,000); to category four (₦41,000-50,000), to category five (₦51,000-60,000) and category six respectively (₦61,000 & above). The table indicated that there is a significant change in the incomes earnings of the respondents by 7.7 percent in category three, 5.0 percent in category four, 6.8 percent in category five, and finally 3.3 percent in category six.

Conclusion

This study examines the direct effect of Microcredit Scheme on poverty alleviation in Niger state-Nigeria. The quantitative results indicate a significant relationship between microcredit programs and poverty alleviation. The socio-economic evaluations of the respondents further validate the impact of the program on the lives of beneficiaries of the poverty intervention programs. The intervention program has tendencies of alleviating poverty if the stakeholders could concerted be designed a policy framework that is capable of



enhancing transparency and accountability among all agencies involved in the policy implementations of poverty alleviation programs. Similarly, provision of adequate budgetary allocation is paramount towards poverty alleviation in Niger state-Nigeria.

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