

## **AN ASSESSEMENT OF THE ROLES, CHALLENGES AND PROSPECTS OF MICROFINANCE BANKS IN NIGERA: *Evidenced from Yola***

BY

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### **ABSTRACT**

*This study assesses the roles, challenges and prospects of microfinance banks in Nigeria with a view to determine whether the activity of microfinance banks had any significant impact on commercial activities and whether there are prospects for microfinance banks in Nigeria. The findings of the research obtained through primary data which were analysed with the aid of simple percentages, charts and chi-square test statistic revealed that the activity of microfinance banks had significant impact on commercial activities and that there are better prospects for microfinance banks in Nigeria. Thus, there are prospects for microfinance banks in Nigeria; the study also discovered some challenges that confront microfinance banks. Based on the research findings, recommendations were made. It is the researcher's strong belief that the policy thrust that would emanate from the adoption of the recommendations would produce a microfinance bank subsector that can compete favourably with commercial banks in Nigeria.*

**Keywords:** *Micro-financing, Microfinance Banks, Regulations, Roles, Challenges and Prospects*

### **1.0 INTRODUCTION**

The majority of the Nigerian populace are poor, according to the NBS (2012), about 69% of the country's population are poor and are not able to afford two square meals a day. Despite the fact that the Nigerian economy is paradoxically growing, the proportion of Nigerians living in poverty is increasing every year.

For over four decades today the government of Nigeria has been formulating policies and strategies aimed at ameliorating poverty and extreme hunger in Nigeria.

The majority of these policies which include national poverty eradication strategy (NAPEP), National Economic Empowerment and Development Strategy (NEEDS) couldn't achieve their sole objective of improving the economic and social well being of the citizenry.

Though, the majority of the populace are poor, they are economically active in micro businesses. Therefore, there arose a need for financing these businesses to burst their productivity and income level. This necessitated the central bank of Nigeria (CBN) to license the country's community banks into Microfinance bank in 2005. The banks were essentially licensed to provide financial services to the poor who are traditionally not served by the conventional financial institutions.

Still concern with the success of the microfinance banks, the central bank further lunched the microfinance policy, regulatory and supervisory framework on the 15<sup>th</sup> of Dec, 2005 (Ana, 2008). The policy which was to serve as a regulatory framework for the microfinance banks has a specific objective of providing for the setting up of microfinance banks to provide financial service to the poor and low income earners and to ensure that the banks are properly regulated to achieve the objectives for which they were licensed.

Today the country has experienced over seven years microfinance banking in Nigeria. One may then ask, what are the impacts of the microfinance banks on the economy? What are the challenges facing microfinance banks? How has the central bank with its various regulatory frameworks contributed to the growth and success of microfinance banks in Nigeria? Or what are the prospects for these banks? This paper would attempt to answer these questions and so many others bothering the mind of the public.

Thus, the thrust of this paper therefore, is to assess the impact of microfinance banks in Nigeria using yola as a case study and to investigate the prospects of these microfinance banks.

## **2.0 CONCEPTUAL REVIEW**

### **2.1 MICROFINANCING**

Micro financing is about providing financial services to the poor who are traditionally not served by the conventional financial institutions. According to Conroy (2003), Micro financing is the provision of financial services to poor and low income households without access to formal financial institutions. Three features distinguish microfinance from other formal financial products. These are: (i) the smallness of loans advanced and or savings collected, (ii) the absence of asset-based collateral, and (iii) simplicity of operations (CBN, 2005). According to Eluhaiwe (2005), micro finance involves the provision of thrift, credit and other financial services and products in very small amounts to the poor to enable them raise their income levels

and improve their standard of living. Ukeje (2005), defined Micro finance as the provision of very small loans that are repaid within short periods of time and are essentially used by low income individuals and households who have few or no assets that can be used as collateral. It is a term that is used to describe various ways of giving poor people access to funds. In a broader sense *microfinance* includes not only microcredit but also other financial services, which can be offered to the poor (Jaffari et al, 2011).

Basically, Microfinance is a tool designed to improve the capacities of the economically active poor to participate in the larger economy. Historically, micro financing is aimed at alleviating poverty. Thus, the financial institution which is concerned with the alleviation of poverty and through which the economically active poor are encouraged and route in to the larger economy is known as microfinance bank.

## **2.2 MICROFINANCE BANKS (MFBs), ITS ADVENT IN NIGERIA**

Microfinance banks are formal financial institutions (recognised by law) that provide banking services just like any commercial banks but are targeted at the low income group with an aim of alleviating their poverty and integrating them into the larger economy.

According to Hulme (2000), Microfinance banks (MFBs) or microfinance institutions (MFIs) are financial institutions which provide a broad range of micro financial services that support the poor people in their effort to improve their prospects and the prospects of their families. To Iganiga (2008), Microfinance Institutions (MFIs) could be defined as any institution that provides credit and other financial services to the low income entrepreneurs who are traditionally not served by the conventional/formal financial institutions. Khandker (1998) defined microfinance as "successful opening of economic opportunities for the poor, increasing access to resources and contribution to their confidence and well being". Microfinance banks could therefore, be described as banking for the poor. Anyanwu (2004), observed that in Africa and other developing regions, microfinance institutions (MFIs) are regarded as the main source of funding micro enterprises.

Before the advent of microfinance banks in Nigeria, there exist several informal institutions which offer microfinance services for the economy. These institutions existed in the form of Self Help Groups (SHGs) or Rotating Saving and Credit Associations (ROSCAs), they are also known by different names such as "esusu" in the West, "Adashi" in the North and "etoto" in the East (CBN, 2000). In some part of the country they are known and referred to as "Local Bank". The key features of these informal schemes are savings and credit components, informality of operations and higher interest rates in relation to the formal banking sector. These

informal associations that operate traditional microfinance in various forms are found in all the rural communities in Nigeria. They also operate in the urban centres.

The activities and operations of the informal micro finance institutions was characterised with a lot of challenges such as lack of well defined operations, informality of operations, high interest rate, weak capital base and limited outreach. CBN (2005), observed that the informal financial institutions generally have limited outreach due primarily to paucity of loanable funds.

Furthermore, following the inability of various government programmes such as the Nigerian Agricultural and Co-operative Bank Limited (NACB), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN), the Community Banks (CBs) and the National Poverty Eradication Programme (NAPEP) to meet the sole objective of enhancing the flow of funds and financial service to Nigeria's rural areas and eradicate poverty from the economy, micro finance banks were introduced in 2005. According to Mejeha & Nwachukwu (2008), the dismal performance of the conventional finance sectors triggered the avocation of Micro-financing by policy makers, practitioners, and international organizations as a tool for poverty reduction.

The concept of micro finance originated in Bangladesh, around 1976 through a pioneering experiment by Dr. Muhammed Yunus; a Professor of Economics (Khandker, 2001). Jaffari et'al (2011), observes that micro finance banks began in earnest globally in the early 1980s in places like Bangladesh and Bolivia. However, in Nigeria microfinance banks started formally in 2005 following the central bank of Nigeria's microfinance policy, regulatory and supervisory framework published in 2005, the policy provides all necessary guides for the establishment and running of all sort of microfinance bank in Nigeria.

According to Umar (2011), the Central Bank of Nigeria formulated the National Microfinance Policy in December 2005 in order to deepen the access of micro entrepreneurs to financial services. A liberal access of micro entrepreneurs to financial services is expected to boost, expand and or modernize the operations of their businesses so that this class of entrepreneurs can be economically empowered and thus be able to contribute to national economic growth and development.

Umar (2011), further stated that, the Microfinance policy presented a blue print for the emergence of a regulated Microfinance subsector in Nigeria under the supervisory purview of the CBN and with deposit insurance cover provided by the Nigeria Deposit Insurance Corporation. Inter alia, the policy provided guidelines for the establishment of de novo Microfinance Banks, as well as migration of the existing Community Banks and NGO- MFIs to Microfinance Banks. The policy also directed Community Banks that were unable to convert to MFIs to close shop. Furthermore, the Policy provided for the emergence of two types of Microfinance Banks namely:

Unit MFBs with a minimum paid up capital of N20million and operational outreach not beyond a state of the Federation and State MFBs with a minimum paid up capital of N1billion and operational outreach across the states of the Federation.

### **2.3 MICROFINANCE BANK'S POLICY AND REGULATION**

Microfinance banks just like any other deposit money banks (DMBs) are regulated by the central bank of Nigeria. The central bank developed the policy framework for the establishment, monitoring and regulation of the sector. This policy framework is contained in a book titled, microfinance policy, regulatory and supervisory framework published in 2005 by the central bank. This policy framework is often reviewed by the central bank to ensure that the sector is properly regulated.

According to CBN (2005), the objectives of the policy include to:

- i. Make financial services accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services.
- ii. Promote synergy and mainstreaming of the informal sub-sector into the national financial system.
- iii. Enhance service delivery by microfinance institutions to micro, small and medium entrepreneurs.
- iv. Contribute to rural transformation, and
- v. Promote linkage programmes between universal/development banks, specialized institutions and microfinance banks. The policy objectives are targeted at:
  - i. Covering the majority of the poor but economically active population by 2020 thereby creating millions of jobs and reducing poverty.
  - ii. Promoting the participation of at least two-thirds of state and local governments in micro credit financing by 2015.
  - iii. Eliminating gender disparity by improving women's access to financial services by 5% annually.
  - iv. Increasing the number of linkages among universal banks, development banks, specialized finance institutions and microfinance banks by 10% annually among others.

In assessing the impact of microfinance banks in Nigeria, this study shall also investigate the extent to which the sector has achieved these policy targets.

### **3.0 RESEARCH METHODOLOGY**

#### **3.0 STUDY AREA**

Nigeria is a very large country with a land mass of 923,768 km<sup>2</sup> and over 140,003,542 billion people based on 2006 population census. Therefore, for

convenient, this study is restricted to Yola, the Adamawa State capital. However, the results of the research findings shall be infer for the entire nation.

Yola is the capital and administration centre of Adamawa State Nigeria located on the river Benue in north eastern Nigeria. The state which was created on the 27<sup>th</sup> of August 1991 from the defunct Gongola state is made up of 21 local government areas and 37 development areas.

Yola is split into two parts; the old Yola town where the Lamido reside is the traditional city and Jimeta (new Yola) which is the administrative and commercial centre of the State Capital. Generally the name Yola is used to refer to both the old Yola and Jimeta. Specifically, the study is restricted to Jimeta this is because it is the commercial centre of the state.

According to 2006 population census as contained in Bamgbose (2009), the state had a population of 3,168,101 people majority of which are low income earners, mainly farmers and petty traders. This chunk of the population constitutes the target of microfinance bank.

### 3.1 SAMPLE SIZE AND METHOD OF DATA COLLECTION

The data for the study was collected through questionnaires. A total of 100 questionnaires were distributed to staff and customers of microfinance banks in Jimeta town. Out of the 150 questionnaires, 120 were successfully filled and returned representing 80% of the total questionnaires administered. The respondents were selected randomly. The questionnaires were structured such that it was not difficult for the respondents to respond, the questionnaires were also segmented into four sections viz: Personal data, Roles of microfinance banks in Nigeria, Challenges of microfinance banks in Nigeria and Prospect of microfinance banks in Nigeria.

#### Sampling

Total Number of Questionnaires	Response Received	Percentage of Response Received (80%)
150	120	80%

### 3.2 RESEARCH HYPOTHESES

For the purpose of this study, the hypotheses to be tested are stated as follows:  
 $H_{01}$ ; Microfinance banks has no significant impact on commercial activities in Jimeta.  
 $H_{02}$ ; There is no prospect for microfinance banks in Jimeta.

Testing these hypotheses entails testing the alternate hypotheses that microfinance banks has significant impact on commercial activities in Jimeta and that there is prospect for microfinance banks in Jimeta.

### 3.3 METHOD OF DATA ANALYSIS

The study made use of descriptive and analytical tools in analysing the data and testing the hypotheses formulated. In addition to tables and simple percentages, the chi-square test statistic would be used to test the hypotheses formulated. The chi-square test statistic according to (Idolor, 2010) is an important tool for hypothesis testing which is used to compare the 'observed' frequency distribution with the 'expected' frequency distribution.

The formula for the chi-square test statistics is as follows:

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where:

O = Observed frequency value

E = Expected frequency value

The expected frequency E is calculated by dividing the number of respondents by the possible number of responses.

Degree of freedom (DOF) = (n-1) (c-1)

Where:

n = number of rows

c = number of Columns

#### 3.3.1 DECISION RULE

The decision rule is to accept the null hypothesis if the calculated chi-square value is less than the critical value obtained from the distribution table, or reject the null hypothesis if the calculated chi-square value is greater than the critical value obtained from the distribution table.

### 4.0 RESULT DISCUSSION AND INTERPRETATION

This section present the result of the 120 despondent who responded to the questionnaires administered. The use of table and simple percentage is employ for easy understanding. The chi-square test statistic shall be used to test the hypotheses formulated.

**Table/Chart 4.1: Sex Distribution of Respondents**

Sex	Frequency	Percentage (%)
Male	56	47
Female	64	53
<b>Total</b>	<b>120</b>	<b>100</b>

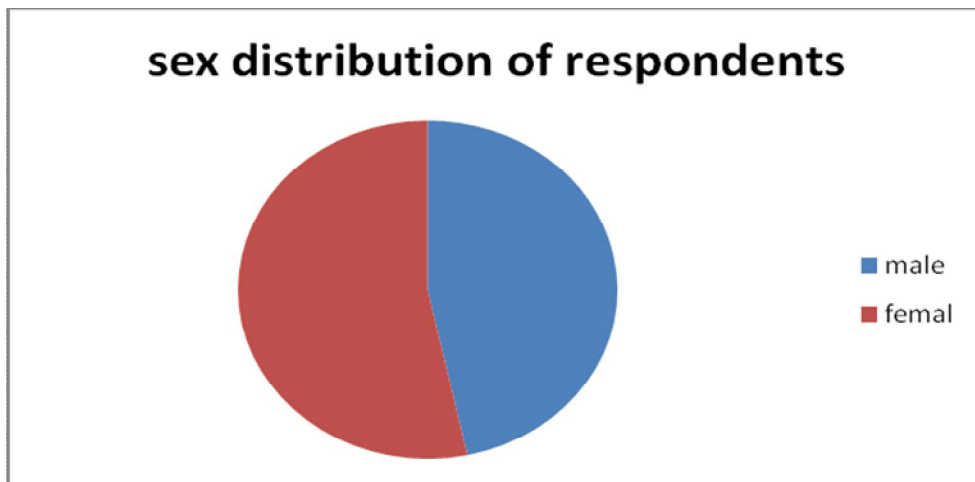


Table 4.1 depict the sex distribution of the respondent in the conduct of the study. From the statistic, it is clear that 47% of the respondent were male while 53% of the respondents were female. The statistic also revealed an almost equal representation in the gender of the respondents.

**Table/Chart 4.2: Age distribution of respondents**

Age Group	Frequency	Percentage (%)
18-25	11	9
26-35	56	47
36-45	44	36
46-55	6	5
56-above	3	3
<b>Total</b>	<b>120</b>	<b>100</b>

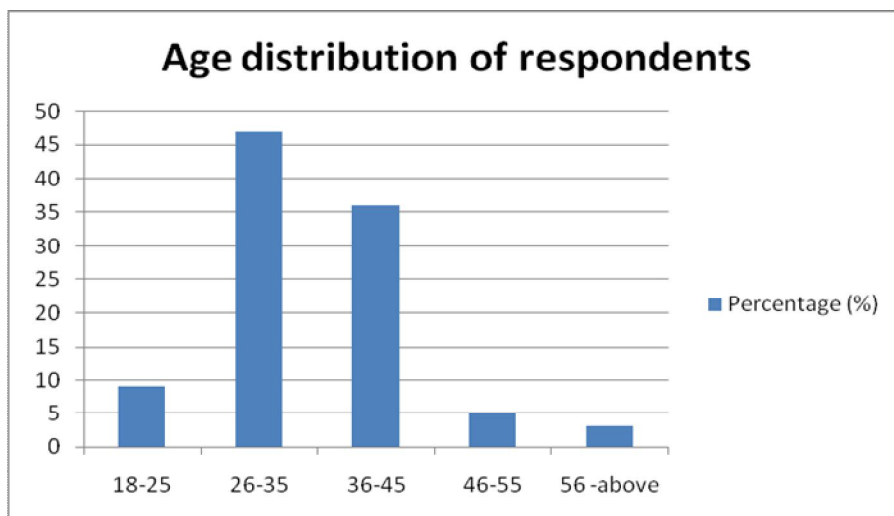
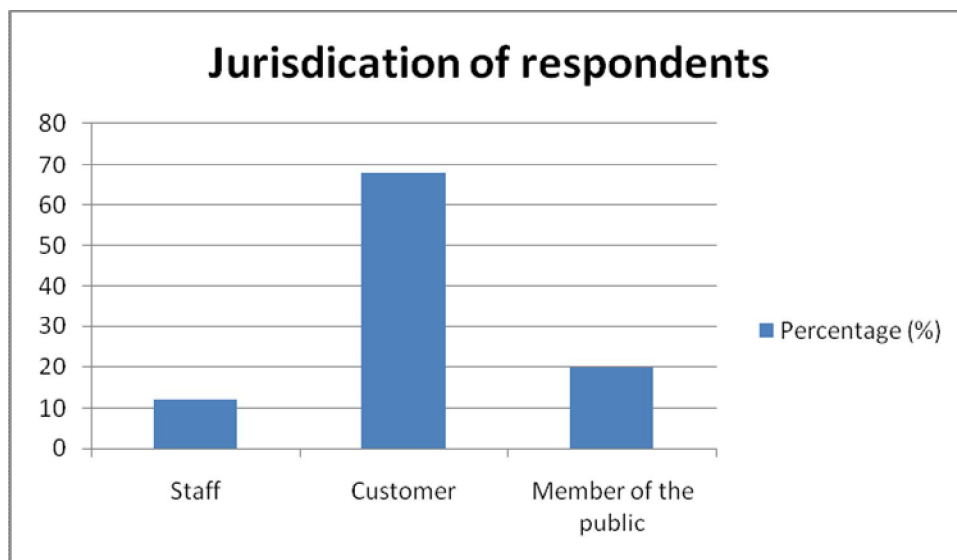




Table 4.2 revealed that 9% of the respondents are within the age of 18-25, 47% and 36% are within the age of 26-35 and 36-45 respectively. While 5% are within the age of 46-55, 3% are within the age of 56 and above. While this indicates that majority of the respondent are within the age 26-45, it also shows that micro finance bank provides from services to active population. In other words, active section of the population are involves in microfinance activites and patronage microfinance banks.

**Table/Chart 4.3 Jurisdiction of respondents**

Jurisdiction	Frequency	Percentage (%)
Staff	15	12
Customer	81	68
Member of the public	24	20
<b>Total</b>	<b>120</b>	<b>100</b>



From table 4.3, it could be seen that 12% of the respondents are staff of microfinance banks, 68% are customers of microfinance banks while 20% is made up of members of the public who had one thing or the other doing in the banking hall at the point of administering the questionnaires, some in an interview were in the bank for enquiries while others just accompany their friends. The statistic therefore, indicates that majority of the respondents are fully informed of microfinance, microfinance banks and its activities.

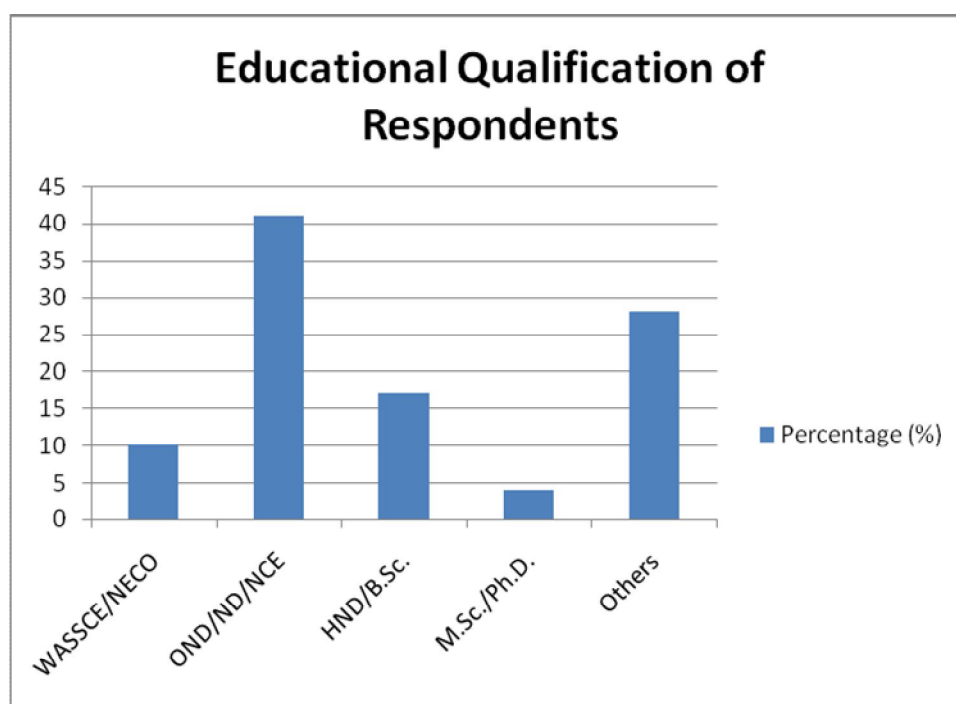
### **Educational qualification of respondents**

The educational qualification of the respondents revealed that 10% are SSCE holders, 41% are Diploma holders, 20% are degree holders, while 5% is made up of masters and Ph. D holders with 33% not having any qualifications. This shows that

thou, there any educated people in microfinance, majority of the people that involve in it are petty traders and Diploma holders

**Table/Chart 4.4 Educational qualifications of respondents**

Qualifications	Frequency	Percentage (%)
WASSCE/NECO	12	10
OND/ND/NCE	50	41
HND/B.Sc.	20	17
M.Sc./Ph.D.	5	4
Others	33	28
Total	120	100



**Table/Chart 4.5:1 Roles of microfinance banks in Nigeria**

Questions	Response		Percentage
	Do microfinance banks play any role in the Nigerian economy?	Yes	
	No	8	7
<b>Total</b>	<b>120</b>		<b>100</b>

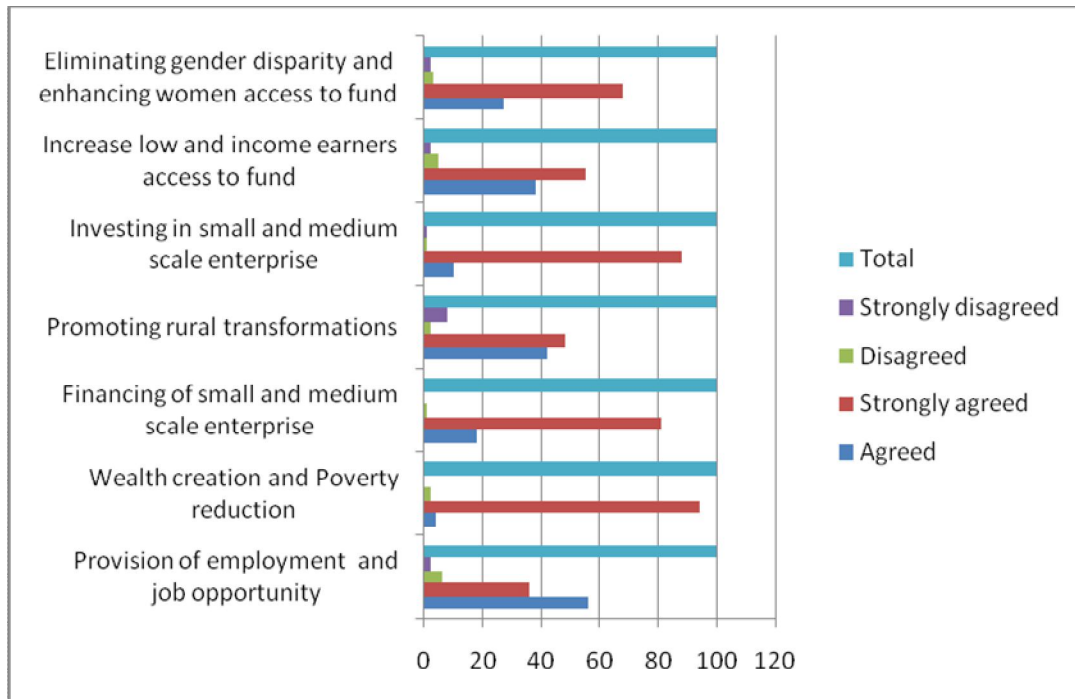
From table 4.5:1, 93% of the respondents answer in the affirmative that microfinance bank play vital roles in the Nigerian economy, while only 7% do not

see any role of microfinance banks in the Nigerian economy. Therefore, microfinance banks play significant roles in the Nigerian economy.

**Table/Chart 4.5:2 Specific Roles of Microfinance Banks in Nigeria**

Questions/Response in %	Agreed	Strongly agreed	Disagreed	Strongly disagreed	Total
Provision of employment and job opportunity	56	36	6	2	100
Wealth creation and Poverty reduction	4	94	2	-	100
Financing of small and medium scale enterprise	18	81	1	-	100
Promoting rural transformations	42	48	2	8	100
Investing in small and medium scale enterprise	10	88	1	1	100
Increase low and income earners access to fund	38	55	5	2	100
Eliminating gender disparity and enhancing women access to fund	27	68	3	2	100

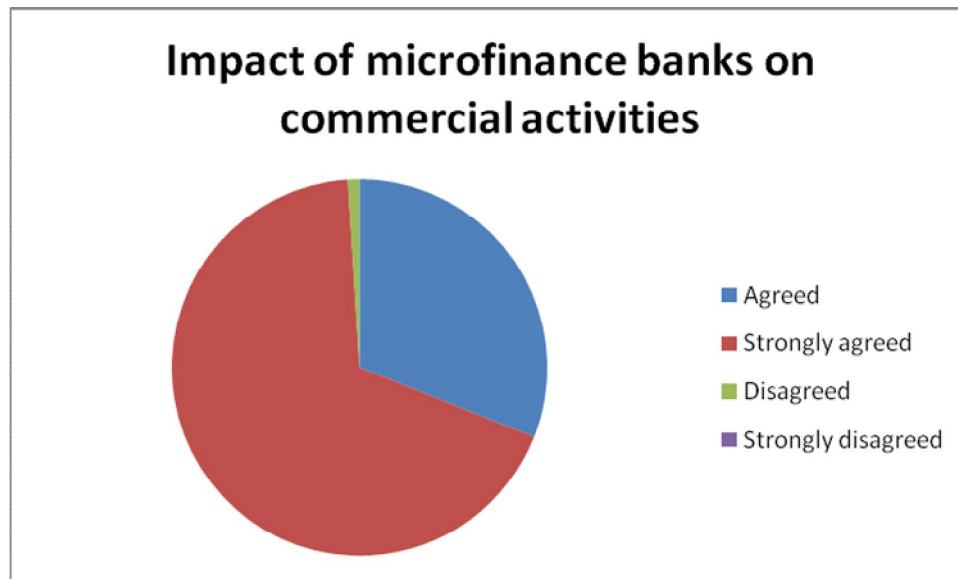
Table 4.5:2 and the chart below present the specific role of microfinance banks indentify by this research. In a way of hierarchy, the response of the respondents revealed that the first role of microfinance banks is wealth creation and poverty reduction, follow by investment in small and medium scale enterprise then financing of small and medium scale enterprise. Eliminating gender disparity and enhancing women access to fund is fourth, follow by increasing low income earners access to fund, then promoting rural transformation while provision of employment and job opportunity is last.



**Chart/Table 4.5:3 Impacts of Microfinance banks on commercial activities**

Do microfinance bank activities have any impact on commercial activities in Nigeria?		
Response	Frequency	Percentage %
Agreed	37	31
Strongly agreed	82	68
Disagreed	1	1
Strongly disagreed	-	-
<b>Total</b>	<b>120</b>	<b>100</b>

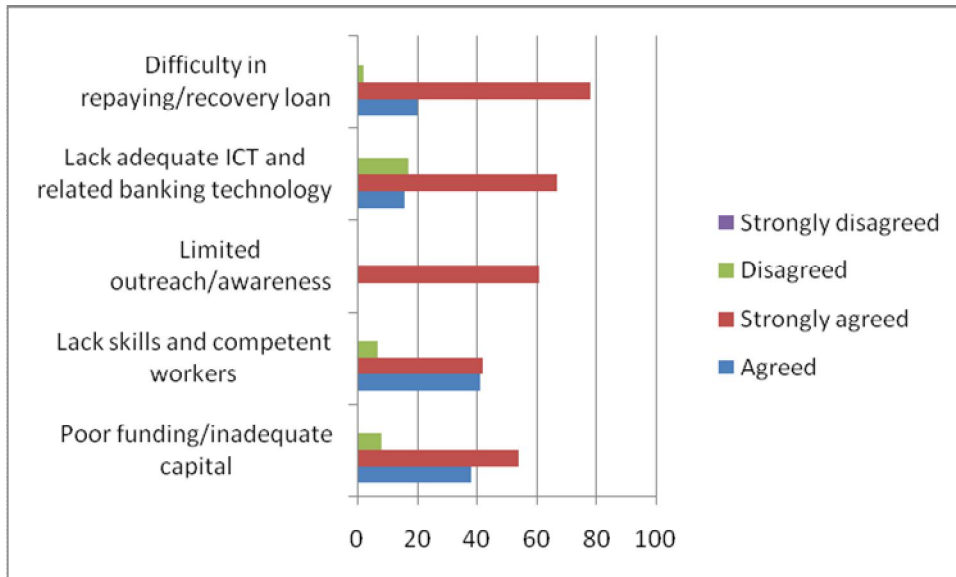
Table 4.5:3 revealed that a microfinance banks activity has significant impact on commercial activities. While 31% of respondents consented to this, 68% of the respondents strongly agreed with only 1% disagreeing that microfinance banks activities do not have any impact on commercial activities. This is also presented in a chart below. However, in order to reach decision on our hypothesis, the chi-square test statistic shall be applied on this response.



**Table/Chart 4.6 Challenges of Microfinance Banks**

Questions/Response in %	Agreed	Strongly agreed	Disagreed	Strongly disagreed	Total
Poor funding/inadequate capital	38	54	8	-	100
Lack skills and competent workers	41	42	7	-	100
Limited outreach/awareness		61		-	100
Lack adequate ICT and related banking technology	16	67	17		100
Difficulty in repaying/recovery loan	20	78	2	-	100

Almost all the respondent agreed that microfinance banks face some forms of challenges or the other. Table 4.6, revealed the challenges face by microfinance bank and the extent of it. In a way of ranking, the greatest challenge to microfinance banks activities is difficulty in recovery of loan, especially micro loans, this is follow by the lack of adequate ICT and related banking technology, then limited outreach and awareness; most of the microfinance banks in Adamawa State such as NPF Microfinance Bank Plc, Standard Microfinance Bank Ltd among others are situated only in Jimeta-Yola. The forth challenge is that of poor funding and inadequate capital while lack of skills and competent workers is the least on the ranking.

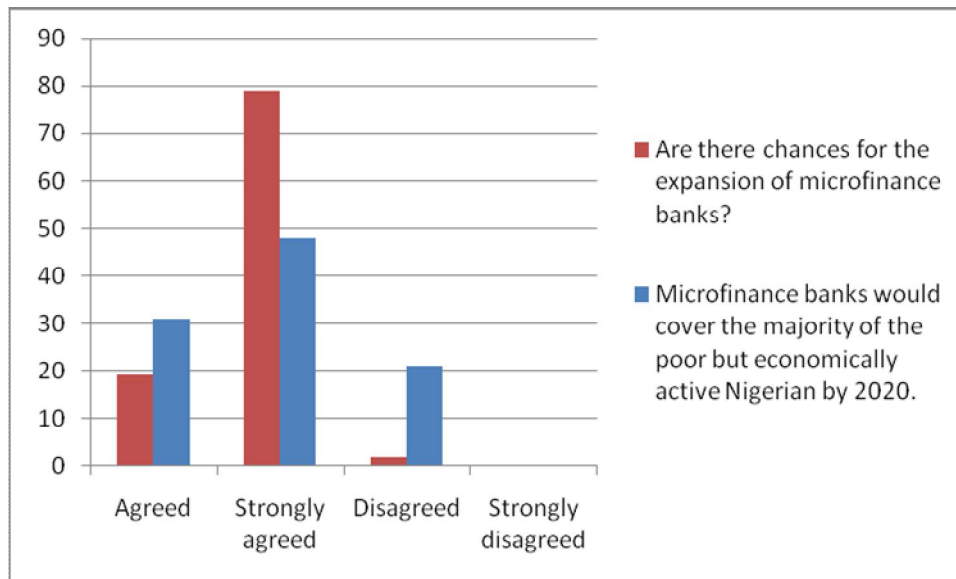


**Table/Chart 4.7 Prospects of Microfinance Banks**

Microfinance banks would cover the majority of the poor but economically active Nigerian by 2020.			Are there chances for the expansion of microfinance banks?		
Response	Frequency	Percentage %	Response	Frequency	Percentage %
Agreed	37	31	Agreed	23	19
Strongly agreed	58	48	Strongly A	95	79
Disagreed	25	21	Disagreed	2	2
<b>Total</b>	<b>120</b>	<b>100</b>	<b>Total</b>	<b>120</b>	<b>100</b>

In Table 4.7, 31% of the respondents agree that micro finance banks would cover the majority of the poor but economically active Nigerian by 2020, 48% of the respondents strongly agree while 21% disagree. Furthermore, while 19% of the respondents believe there are chances for the expansion of microfinance, 79% strongly believe with just 2% holding the view that there are no chances for the expansion of microfinance banks in Jimeta.

Thou, it evident from the above that there are prospects for microfinance banks in Nigeria, the chi-square test statistic shall be applied on this data so as to reach a reliable conclusion on hypothesis two.



### Sample Opinions On The Prospect Of Microfinance Banks

1. With the rate of loans microfinance banks are giving, i am sure they would cover the majority of the poor nigerian by 2020.
2. I am a salary customer of this bank. With the right given to microfinance banks to also maintain salary customer, i see microfinance banks growing to compete with commercial banks and becoming stronger than some.
3. My bank issues ATM cards, with it services, i see it becoming big.
4. I learn the Central Bank of Nigeria is planning for microfinance banks to use ten digits account numbers like commercial banks, this would further enhance acceptability of microfinance banks.

### 5.0 TESTING OF HYPOTHESE

The hypotheses to be tested are stated as follows:

$H_{01}$ ; Microfinance banks has no significant impact on commercial activities in Jimeta.

$H_{02}$ ; There is no prospect for microfinance banks in Jimeta.

### 5.1 TESTING OF HYPOTHESIS ONE

Hypothesis one state that microfinance bank has no significant impact on commercial activities in Jimeta. In other word, the activities of micro finance banks had no impact on commercial activities in Jimeta. To test this hypothesis, the response to the questionnaire presented in table 4.5:3 shall be used in computing the chi-square test statistic as follows:

Response	O	E	O-E	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
Agreed	37	40	-3	9	0.23
Strongly agreed	82	40	42	1764	44.10
Disagreed	1	40	-39	1521	38.03
<b>Total</b>	120	120	0	-	<b>X<sup>2</sup> = 82.36</b>

### Decision Rule:

The null hypothesis may be rejected if the computed value of  $X^2$  is greater than the critical value obtained from the distribution table at 5% level of significance and with 2 degree of freedom. The computed value of  $X^2$  is 82.36 which is greater than the critical value of 5.991 and therefore falls within the rejection region.

Thus, we reject the null hypothesis. Following the outcome of the statistical test, we conclude that the activity of microfinance banks has significant impact on commercial activities in Jimeta. Table 4.5:2, highlights the respondent's views on the various roles of micro finance banks that has impacted Jimeta city and by extension, Nigeria at large.

## 5.2 TESTING OF HYPOTHESIS TWO

Hypothesis two states that there is no prospect for microfinance banks in Jimeta. In testing this hypothesis, the response in table 4.7 shall be computed. Table 4.7 contained two questions; therefore the mean responds of the respondent shall be used in the computation of the chi-square test statistic as follows:

Response	O	E	O-E	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
Agreed	30	40	-10	100	2.5
Strongly agreed	76	40	36	1296	32.4
Disagreed	14	40	-26	676	16.9
<b>Total</b>	120	120	0	-	<b>X<sup>2</sup> = 51.80</b>

### Decision Rule:

The null hypothesis may be rejected if the computed value of  $X^2$  is greater than the critical value obtained from the distribution table at 5% level of significance and with 2 degree of freedom. The computed value of  $X^2$  is 51.80 which is greater than the critical value of 5.991 and therefore falls within the rejection region.

Thus, we reject the null hypothesis. Following the outcome of the statistical test, we conclude that there is a prospect for microfinance banks in Jimeta. This we could generalise to the entire nation that there is a prospect for microfinance banks in Nigeria. Sample opinion of the respondents also revealed that the Central



Bank of Nigeria is planning on ten digits account numbers for micro finance customers. This further indicate better prospect for micro finance banks in Nigeria.

## **6.0 RECOMMEDATION AND CONCLUSION**

In this paper, an attempt was made in assessing the roles, challenges and prospects of microfinance banks in Nigeria with a view of determining whether the activity of microfinance banks has significant impact on commercial activities and also to find out whether there are prospects for microfinance banks in Nigeria.

The research source material through questionnaires administered to respondents within Jimeta Metropolis in Yola, Adamawa State. The responses of the respondents were analyses with the aid of simple percentages and charts. Furthermore, the chi-square test statistic was also employed to empirically test the stated research hypotheses for the purpose of validation.

The findings of the research revealed that the activity of microfinance banks had significant impact on commercial activities. The study highlights the various roles microfinance bank impact commercial activities to include financing of small and medium scale enterprise, investing in small and medium scale enterprise and enhancing women access to fund. The study was also optimistic that with the rate of loans giving out by microfinance banks, there are chances for the banks to cover the majority of the poor in Nigeria by 2020. Furthermore, the findings of the study revealed that there are prospect for microfinance banks in Nigeria.

Thou, there are prospect for microfinance banks in Nigeria; the study also discovered that microfinance banks faces some challenges. These challenges which includes difficulty in recovery loan, lack of adequate ICT and related banking technology, limited outreach and awareness constitute trait to the activities and expansion of microfinance banks in Nigeria.

Following the research findings, the following recommendations are made: 1. the central bank of Nigeria should intensify her regulations and policies drive in the microfinance bank sub sector of the banking industry with the view of enhancing it acceptability; Particularly, the introduction of ten digits account number for microfinance bank. 2. Microfinance banks should extent its outreach to local governments and villages for that is where the majority of the economically active poor are. 3. Management of microfinance banks should strategies better ways of recovery their loans, they should follow strict KYC (Know your customer) and KYB (Know your customer business) before the disbursement of any loan. 4. In line with the world technology drive, the bank should acquire appropriate ICT and related banking technology for their operations.

We therefore, conclude that microfinance banks had contributed significantly to commercial activities in Nigeria and that there are prospect for microfinance banks

in Nigeria. We further believe strongly that the policy thrust that would eminent from the adoption of the recommendations of this research would produce a microfinance bank subsector that can compete favourably with commercial banks in Nigeria.

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