

Lifting the poor in Nigeria: a comparative analyses of the role of microfinance banks and cooperatives

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Abstract

Objectives: This study investigates the role of microfinance banks (MFBs) and cooperatives in lifting the poor in Nigeria.

Methods/Statistical analysis: Analyses are carried out in relation to how accessible and effective the two institutions' loans. The study employs survey methodology where interview is used to generate data. The interview is conducted in Ibadan, the capital of Oyo state, and Abeokuta, the capital of Ogun State in South-western part of Nigeria. In all, 166 respondents provided the information used for this study. Simple averages and percentages are used for analysis.

Findings: Findings reveal that it is difficult for the poor to access MFBs' loans, and loan effectiveness analyses show that only middle income and rich people can benefit from MFBs' loans. However, cooperatives' loans are found to be more accessible and effective to the poor.

Improvements/Applications: The results of this study have important implication for poverty reduction, thereby recommends that cooperatives movement should be encouraged in Nigeria.

Keywords: Microfinance banks, cooperatives, comparative analysis, the poor, Nigeria.

1. Introduction

In the recent times, poverty has been a major concern among policy makers and researchers at both national and international views. Concern has always been on how this menace can be ameliorated. By definition, poverty is multi-dimensional as its impacts are felt differently in different societies – physically, morally or psychologically (see [1], [2], [3], and [4] among others). According to [5], each society defined poverty in its own term. However, to be more specific, people who do not have adequate income, find stable job, own property or maintain healthy condition are categorized as being poor [6]. According to World Bank report, the poor are often illiterate, poor in health and have short life spans. In a more encompassing statement, [7] defines the poor as those who are unable to meet both social and economic obligations, lack skills and gainful employment and sometimes lack self-esteem. In summary, poverty stricken individuals are described as those who lack basic necessities of life. Technically, poverty rate is measured as proportion of number of people below the poverty line, defined as the estimated minimum level of income deemed adequate in a given country, needed to secure the necessities of life, to total population.

Given the above definition, it becomes clear that there is incidence of poverty in many societies in the world, especially in Africa. But an important insight from the above is that poverty alleviation is certain when the living standards of individuals and households in the economy can be improved. However, improvements in living standards of individuals in the society, especially in developing countries, depend on how adequate these people can cater for the basic needs of life – that is, how they can generate resources to acquire their needs. Considering a country like Nigeria, where governments are not adequately involve in the provision of basic needs of life, for instance, households have to purchase a power generating set and fuel it on a daily basis to generate electricity; no adequate health insurance, especially for households that work in an informal sector; water is privately provided; quality education is difficult to achieve by low level income earners within the economy; foods are expensive; and so on. Given the above, it becomes difficult for individuals that fall below the poverty line in the society to cater for the basic needs of life.

Nigeria has consistently experienced positive GDP growth in the recent times, averaging 7.87 [8] per cent between 2000 and 2014. This was a remarkable growth trend that promised economic development. However, different indicators that should reflect such growth speak contrary to the evidence put forward by the GDP growth. Recently in 2014, Nigeria became the largest economy in Africa after rebasing the economy. Still, it is amazing that the country battles with issues such as unemployment and abject poverty. According to the [9] on Nigeria's Economic Report, it was reported that poverty rates (% of population) is 64.2% in 2011. This shows that more than half of the largest and most populous country in Africa, and the biggest oil exporter in the continent are poor. This scenario is paradoxical and calls for more investigations on the possible measures that can reduce the level of poverty in the country; especially, measures that will directly target the poverty stricken households at the grassroots in Nigeria.

In the past, the government of Nigeria has adopted various measures and programmes such as National Accelerated Food Production Programme and the Nigerian Agricultural and Co-operative Bank, Operation Feed the Nation (OFN), and Green Revolution Programme, among others to either alleviate or eradicate poverty. In most cases, these programmes are put in place to improve the living standard of farmers, improve agricultural productivity, and address unemployment in Nigeria. However, these measures failed to achieve their motives based on socio-cultural, economic and political reasons such as ethnicity, corruption, poor funding and policy inadequacies among others; thereby, made the rich richer and the poor poorer. For instance, in reference to the Green Revolution Programme in 1979, the notable writer and social critic, Chinua Achebe stated it that the programme gave us more food for thought than food for the stomach.

In 2005, the Central Bank of Nigeria introduced a Microfinance Policy Framework to enhance the access of micro-entrepreneurs and low income households to financial services, required to expand and modernize their operations in order to contribute to rapid economic growth. The practice was adopted because of the evidence that MFBs have great potentials to reduce poverty. So many studies (see [10], [11], [12]) have supported this stance in the literature with several arguments; However, studies such as [13] and [14] have recently questioned the poverty reduction effectiveness of MFBs. Also, [15] has identified some issues and challenges with MFBs such as lack of capital and good management which can hinder the effectiveness of MFBs. Microfinance has three basic features that distinguish it from formal financial products: smallness of loans and savings, absence or less emphasis on collateral, and simplicity of operations. Because of the critical role microfinance is supposed to play in the economy, microfinance institutions started springing up in Nigeria, especially microfinance bank (MFBs). As a result, revised version of the microfinance policy in 2011 focused more on the activities of the MFBs. This is because; the bank is expected to service all kinds of micro credit no matter how small it is – but, in the real sense of it, does this exist? MFBs are regulated to ameliorate the problems of unemployment and poverty in Nigeria. As part of the bank's role, it is expected that it alleviate poverty by generating income, creating jobs, allowing proper education for children, make health care for households assessable, and so on. However, as the number of MFBs increases, there is no noticeable improvement in poverty status in Nigeria. Then it becomes imperative to investigate how MFBs' loans can lift the poverty stricken households above poverty line in Nigeria.

In the history of finance in the country, before the advent of MFBs, there were cooperative societies. According to [16], the introduction of modern cooperative business into Nigeria dated back to the year 1935 following the acceptance, by the Colonial Administration, of Mr. C.F. Strickland's Report on the prospects of cooperatives in Nigeria. By definition, co-operative is a group of people who work together voluntarily to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality and solidarity. Cooperative members believe in honesty, openness, social responsibility and caring for others [17]. Today in Nigeria, cooperative cut across all professions like farming, civil service, trading, and so on. Cooperatives are useful mechanism to manage risk for members, develop savings culture among them and allow them to borrow to achieve what might be difficult if not for cooperatives. Such achievements cut across business investment, property acquisition, and product purchase at better quality and reasonable prices. As a result, cooperative society develops the communities in which the members live by creating jobs and improving living standard. However, this is not to say that cooperative societies do not have their own challenges such as mismanagement, poor record keeping, and accountability among others. Speaking about the motives of cooperative societies, they are less profit driven; even when profits are made, they are shared as dividend among members on agreed terms. There are several types of cooperatives, formed to address the need of a particular set of people or profession, but these types are not the focus of this study.

Against the background, this study is spurred by the paradox that growth history in Nigeria and the developments of MFBs have not had significant positive impact on poverty reduction. Therefore, in the quest to investigate the probable reasons for this, and proffer a solution, the objectives of this study are to: investigate the role of MFBs in lifting the poor, analyse the role of cooperatives in lifting the poor, and finally, discuss policy implications of the study for both the Nigerian government and multilateral organizations that are interested in poverty reduction in Nigeria. This study is justified based on its contribution to the literature. To the knowledge of the researcher, it is the first study to do a comparative analysis of the impact of the two institutions' loan on the poor. Basically, both MFBs and cooperatives are subjected to investigation to see which of the two can better reach and alleviate poverty in Nigeria. Thus, the results of the study show that cooperative society can better lift the poor in Nigeria than MFBs. However, to tap into the potentials of MFBs, the study recommends that some important amendments are necessary as regards loan credibility criteria and interest rate charged by the banks. Otherwise, MFBs will only succeed in making middle income earners rich and the rich to be richer; but make 'the poor' to remain the same.

The rest of this paper is organized as follows: Section 2 describes the methodology, Section 3 provide the results and discussions, and Section 4 concludes.

2. Materials and methods

To make a comprehensive analysis of how microfinance banks and cooperatives can really improve the living standards of 'the poor' in the society, this study employs survey methodology where interview is used to generate the data. Interview is chosen over other instruments for this study for two basic reasons: one, because there is positive correlation between poverty and illiteracy, poor respondents are better reach verbally; two, because some questions require detail expression of the respondents which can be difficult to achieve by other research instruments. Thus, interview is an effective instrument for this study. Five important sets of people were interviewed for the study. They are: microfinance banks' operators, customers of the bank, cooperative societies' executives, cooperative societies' members, and members of the society. Series of questions from the interview show that across microfinance banks, policies are similar. The same goes for cooperative societies. This is so, possibly because of competition or universal policy framework designed to regulate the operations of the two institutions.

The interview is conducted in Ibadan, the capital of Oyo state, and Abeokuta, the capital of Ogun State in South-western part of Nigeria in 2014. The researcher chose only two states in the whole country because MFBs and cooperatives' policies were similar in all the states across Nigeria. More so, branches of the same organization operate under the same policies regardless of their location. As a result, the result from the study can be extended to represent the whole country. Also, the two cities are selected for their large size and blends of literates, illiterates, urban, and rural settings. The interview cuts across almost all status in the society ranging from monthly salary earners, artisans, traders and farmers. The interviews were conducted by the researcher on 8 microfinance bank operators, where 2 marketers/loan officers from each of the banks were interviewed; 5 customers from each of the banks were interviewed; 10 cooperative societies, where 2 executive members from each of the societies were interviewed; 5 ordinary members from each of the societies were interviewed; and finally, 40 people from communities who are combination of apprentices, artisans, traders and monthly salary earners were interviewed. In all, 166 respondents provided the information used for this study. However, the names of the MFBs and cooperative societies are not disclosed for security reasons as demanded by the institutions.

The objectives of the study are investigated by finding answers to the following three basic research questions:

- Can MFBs alleviate poverty in Nigeria?
- Can cooperative societies alleviate poverty in Nigeria?
- Can the operations of both institutions be improved to alleviate poverty in Nigeria?

3. Results and discussion

This section presents the result of the study. Presentations are made under sub-headings of the fundamental research questions for clarifications. The responses of the respondents strictly inform the analyses presented here. It is important to make it clear that the analyses are based on the popular practices in the market. This is because;

especially with the MFBs, there are three different categories of different capacities in Nigeria. One, Unit MFB, authorized to operate in one location. It shall be required to have a minimum paid up capital of ₦20 million. Two, State MFB, authorized to operate in one state or the Federal Capital Territory (FCT), Abuja. It shall be required to have a minimum paid up capital of ₦100 million. Three, National MFB, authorized to operate in more than one state including the FCT. It shall be required to have a minimum paid up capital of ₦2 billion.

3.1. Can MFBs alleviate poverty in Nigeria?

Among the MFBs investigated, there are various products sold depending on the capacity of each bank. In most cases, findings show that each bank's products depend on the category it belongs. For most of the MFBs in Ibadan and Abeokuta, and the country at large, few are national while most are unit. For the purpose of this study, concentration is on the banks' policies as regards loan disbursement. Thus, the presentation follows analyses of two important issues of loan accessibility and loan effectiveness.

3.1.1. Loan accessibility

Loan disbursement is the primary responsibility of MFBs. Thus, the effectiveness of the bank to improve employment and reduce poverty hinges on how well they are able to disburse loans to people who are in need of it for investment purposes. In terms of the responses got from the banks' operators and their customers, there were common answers.

It is evidenced from both MFBs and their clients that the banks are capable to meet clients' needs in terms of loan. However, most of the banks require collaterals for their loans. Some of the banks prefer original vehicle's licence for a loan of ₦100,000 and above. From one of the banks, the collateral for loans above ₦100, 000 is the original vehicle's licence of Toyota brand car, which is sold for around N4,000,000, not older than 4 years of production before the loan. The reason for this is that Toyota brand to them has a good second-hand value. Thus, getting a loan becomes difficult for poor clients who cannot get such collaterals. But in the case where the loan is ₦50,000 and below (for unit MFBs), it attracts no collateral but the payback period is 1 month (loan plus interest). This kind of loan is what clients who are susceptible to poverty needed most from this banks. Responses from people such as artisans, farmers and traders in both the rural and urban areas, show that with this amount to support their businesses, they can move out of poverty range with time. It is good to note that it is a favourable policy (for the poor) as this kind of loan does not attract collateral, however, the payback period is too short for businesses of such people to pay both the entire loan and interest, and still continues to be in business. This will be difficult without approaching the bank the second and subsequent times if the client wants to remain in business. In most cases, from the clients of the banks and people from the communities interviewed, the exercise has just succeeded to make money for the banks while leaving the clients the same. Some claim that MFBs have only succeeded in making people, especially the poor to indirectly work for them because the clients will repeatedly come for loan.

Another important question centres on what qualifies a client to get loan (loan credibility). Findings reveal that for most of the unit MFBs, a client should have an account operated for at least 2 months with the minimum balance of ₦2,000 and ₦3,000 for savings and current accounts respectively, before he or she is qualified for a loan. Also, for most of the MFBs (both unit and national), they only give loans to existing businesses of at least a year of operation – if this is the case, what is the hope of 'a poor' who just finished apprenticeship training? Encouragingly, MFBs give loans to all legitimate businesses and civil servants. However, findings show that civil servants have fewer bottlenecks compared to non-civil servants when they approach the banks for loan because they have a regular flow of income.

In addition, the 40 people from the communities who are combination of apprentices, artisans, traders, farmers and monthly salary earners reveal different things. For people in the rural areas, they comment that they do not have MFBs close to their villages. They said that the banks concentrate on the urban areas. As a result, they do not even think of benefiting from the banks' products. But, on the part of the MFBs, they are in business to make profit. Thus, they must strategically situate their branches to where they can really make the profits. Most of the salary earners claim they do not need the services of MFBs. While, few attest that they have benefited from some of the products of MFBs. Artisans and subsistence farmers, who constitute large percentage of the poor say it is difficult for them to secure loans as the MFBs prefer to give loans to traders.

3.1.2. Loan effectiveness

The analysis in this section investigates the interest rate charged by the MFBs. Findings revealed that most of the MFBs charge 6% and 5.5% reducing balance interest rate on loans below ₦100,000 and ₦100,000 above respectively. Looking into this carefully, loans below ₦100,000 that falls into the region of what the poor may likely approach the bank for attracts higher interest rate. In addition, the payback period for loans between ₦100,000 and ₦500,000 are in most cases six months (especially for unit MFBs). Because this study focuses on 'the poor', a loan of ₦100,000 will be analysed. Thus, given a loan of ₦100,000 payable for 6 months at 5.5% reducing balance interest rate, we have the following:

| Period | Six Months |
|---|------------|
| Principal (Loan) | ₦100,000 |
| Interest paid (5.5% reducing balance) for the entire period | ₦ 20,120 |
| Total amount paid (loan plus interest) | ₦120,120 |
| Monthly equal instalment paid ($₦120,120 \div 6$) | ₦ 20,020 |

Given the Table 1, a 5.5% reducing balance interest rate on ₦100,000 loan for 6 months amounts to 20.12% flat interest rate for 6 months. Also, clients will pay ₦20,020 equal monthly instalments six months; an amount of approximately 20% of the principal. Considering an average legitimate business in the country, a business that pays such as profit in a month is a highly rewarding one. So, if such client will have to live from the business and at the same time pay the monthly instalments, definitely, he or she will have to live and pay from the loan principal, unless the business was enough to cater for the client before the loan. Then, if the business could cater for the client, in this the case, the client might not be poor before the loan. Thus, for a typical poor client, MFBs' loan may not help. This is because, as the poor client pays the monthly instalment, the principal keep on depleting with the passage of time as the client lives from it and at the same time pays the monthly instalment. Thus, at the end of the sixth month, the client has no alternative than to approach the bank for another fresh loan; and the process continues.

To make the analysis cover a whole year, if the client will need to renew the loan for another six months, paying the same interest rate, it means a loan of ₦100,000 a year, will attracts flat interest rate of 40.24% ($20.12\% \times 2$). This is what people pay on loan from MFBs in Ibadan and Ogun State. However, if this seems questionable, the reality is right here in the economy. MFBs have been in operation fully for more than eight years now in Nigeria, still, poverty remains at almost the same level.

From the above simple analysis, it may be argued that MFBs' loan effectiveness is questionable. To make it more challenging, a loan of below ₦50,000 that is recovered within a month makes it more difficult for a poor client to grow above the poverty line with MFBs loan. But, for clients above poverty line, MFBs loans can be very effective given the above analysis.

3.2. Can cooperatives alleviate poverty in Nigeria?

Cooperatives investigated show that products are common across them. But, in most cases, each of the societies is formed by people of the same or related profession. Findings show that formal institutions based cooperatives are easily managed as both savings and loan repayment are directly deducted from salary source. However, less concentration is given to these cooperatives because almost all their members are above poverty line. For the purpose of this study, concentration is on cooperative societies' policies as regards loan disbursement. Thus, as in the case of MFBs, the presentation follows two fundamental analyses of loan accessibility and loan effectiveness.

3.2.1. Loan accessibility

As in MFBs, loan disbursement is one of the primary responsibilities of cooperatives. Also, because it is jointly owned by group of people of the same or related professions, cooperatives are expected to look after the wellbeing of its members. Thus, the effectiveness of the society to improve employment and reduce poverty hinges on how well they are able to disburse loans to members who are in need of the loans; and act in the interest of its members by providing some of their business needs that may be difficult for them to acquire without the support of the society.

In the course of investigation, findings reveal that all of the cooperative societies give loans to members according to their accumulated savings. However, new members can only get loans after six months of their consistent savings. Double of the accumulated savings is given as loan to members, expected to be paid back within a year for a flat interest rate. In some cases, they are allowed to extend the payment period to 2 years, but with a higher flat interest rate. In addition to this, because the members are of same or related professions, some societies like farmer's cooperatives do bulk purchase of equipment or facilities such as tools and fertilizers needed by fellow farmers, and distribute it among the members with interest. This practice also exists in all other societies investigated. Some distribute home appliances and landed property. Another important finding is that at the end of the year, profits made by cooperatives are distributed as dividends to members according to their patronages.

From the response by the executive members of cooperatives, supported by the responses from the members, because many of the societies have been in existence for long, and at the same time, because all members do not seek for loan at the same time, by rationing, the societies have been able to meet the needs of its members. However, for the newly established ones, say for the first two years, they face challenges on how to adequately meet the needs of all the pioneering members, especially when they all target the maturity date (6 months). In conclusion, findings reveal that all members of the societies investigated have the same right to loan acquisition, and loan disbursement is based on *first come first serve*. Unlike the MFBs, cooperative societies do not give loans in respect of year of operation in business but give loans based on membership. By doing this, a poor apprentice who joined the society six months before his or her graduation can get double of his or her savings as loan to purchase equipment needed or get them directly from the cooperatives. Interestingly, beyond the normal loan to members, some of the societies give emergency loans to members to be paid back in 6 months either such members have earlier borrowed or not.

From the members view, they all claim to have benefited from cooperatives. But, they are of the opinion that in some cases, they may need more than half of their accumulated savings which the policy of the society does not support. Another complaint put forward by people from the communities about cooperatives is about the savings they must have contributed before they can borrow. Some ask – where do they get the saving that will give a double, good enough to trade with? However, an important feature of cooperatives discovered here, is that, it improves the saving culture of its members as some of them claim they do not have account with any bank, but do all their savings with the cooperatives. With this, it is revealed that cooperatives can indirectly improve national savings.

Unlike the MFBs, cooperatives do not investigate why a member needs loan, and there is no collateral collected for loan other than membership; possibly because there is near perfect knowledge of each member's business. Also, there is no discrimination among members. Another interesting feature of cooperatives found in this study is that, people can easily find one to join, close to where they either live or trade. In fact, in most of the rural areas covered, there are functioning cooperatives close to general market in each area. The members of the society, who are cooperatives members, especially those who are traders and artisans praise the contribution of cooperative societies to their businesses.

In the quest to know the assistance of the government to cooperatives, almost all of them run solely on members' contributions. Finally, findings show that informal institutional based cooperatives are sometimes faced with the challenges of members defaulting to pay back loans when due. But they claimed to have legal ways of recovering their money if need arises.

In conclusion, based on credibility criteria for loan and proximity of the cooperatives to rural areas, one can say that cooperatives loans are more accessible than MFBs loan.

3.2.2. Loan effectiveness

As in the case of MFBs, the interest charged on loans will be the basis for analysis here. Because the interest rate is unanimously agreed upon by the members, it is a flat rate on loan. Findings show that the interest rate charged differs across cooperative societies. The interest charged ranges between 5% and 10% for a year. For the purpose of this study, a middle rate of 7% will be used for analysis. It is revealed that interest paid on cooperatives' loans are meant to maintain facilities such as building, service current accounts and share as dividend at the end of the year. For some, if loan is negotiated to be paid for a period of 2 years equal monthly or weekly instalments, the interest rate is doubled. For uniformity with MFBs, an analysis of a loan of ₦100,000 payable for both 1 and 2 years at respective 7% and 14% flat rate is presented below.

| Period | One year | Two Years |
|--|----------|-----------|
| Principal (loan) | ₦100,000 | ₦100,000 |
| Interest paid (7% and 14% flat rate) | ₦ 7,000 | ₦ 14,000 |
| Total amount paid (loan plus interest) | ₦107,000 | ₦114,000 |
| Monthly equal instalment ($\frac{₦107,000}{12}$) & ($\frac{₦114,000}{24}$) | ₦ 8,920 | ₦ 4,750 |

Given the Table 2, it shows that members will pay ₦8,920 and ₦4,750 as monthly instalments for 1 year and 2 years loan, respectively. These are amount proportional to 8.92% and 4.75% of the principal for 1 year and 2 years loans, respectively. In addition, the interest paid on loan remains 7% a year for both loans arrangements. When this is compared with the flat rate of 40.24% for 1 year loan in the case of MFBs, there is wide gap. Assuming as in the case of MFBs, that an average legitimate business in the country pays 20% profit per month, which amounts to ₦20,000 a month on ₦100,000 loan principal. *Ceteris paribus*, a cooperatives' member can cope better than a client of MFBs with loan repayment arrangements as shown above and at the end of the year, proud of having an equivalent of the loan principal as his or her own personal money – this is difficult in the case of MFBs.

Given the above analysis, an interesting question to ask is – what is the exact interest rate charged by cooperatives? Because each member must have contributed half of the total loan received as savings, the exact interest rate paid at the end of the year becomes double of the assumed interest rate charged (that is, exact interest rate equals interest paid divided by loan principal minus total savings, multiplied by 100). In the analysis above, the exact interest rate paid becomes 14% for both loans arrangements. However, even with this, it does not make significant difference from the above analysis.

By the aforementioned, it can be argued that cooperatives' loan can benefit its members, specifically the poor ones, all things being equal. As a result, poor members can conveniently grow with time above the poverty line with the help of cooperatives' loan.

3.3 Can the operations of both institutions be improved to alleviate poverty in Nigeria?

3.3.1. Microfinance banks

Because MFBs are in business to make money, they try all possibilities to achieve this objective. But the primary aim of the government for regulating these banks is to alleviate poverty through loans to micro enterprises. However, there are challenges with MFBs operations identified in this study which concerns the interest rate charged on loans and collaterals for loans. Although, there is no one of the challenges identified that affects the growth of the banks, but they affect the micro enterprises in terms of either securing loan or paying back the loan. As a result, the following are recommendations to improve the operations of MFBs to suit 'the poor'.

- (i) Reduce the interest rate on loans that are ₦100,000 and below to an equivalent of as low as 20% flat rate per year. This benchmark can easily allow the poor clients to grow above the poverty line with the passage of time. This may not be achieved without cutting the expenses of the banks. Thus, the banks should cut down recurrent expenditure to the level lower enough to allow reduction in interest rate. In addition, the government should also make the business environment more conducive by providing adequate infrastructures such as electricity. Even, this recommendation is not expected to reduce the income of MFBs significantly as loans above N100,000 still operates with the existing status quo.
- (ii) The payback period for all loans in the above category should be extended to a year at least for all MFBs.
- (iii) The collaterals for loan of this category should be designed in such a way that it will be at the reach of the poor clients. It can be designed to only have psychological awareness on the clients on the need to pay back the loan on time.

3.3.2. Cooperative societies

Because of the accessibility of cooperative societies to the poor and given the fact that the aim of cooperative societies is not to make profits. The government can work through these societies to reduce the level of poverty in the country. Also, multilateral organizations interested in reducing poverty can act through cooperative societies as

one of their strategies to eradicate poverty in Nigeria and developing countries. Recommendations on how to make cooperative societies more effective are stated below.

- (i) In the recent years, focus has been on developing the operations of MFBs in Nigeria. There is less concern about the cooperative societies. Thus, the popularity and operations of many cooperative societies, especially the informal institution based ones are not properly developed to reflect a modern day institution. But because of the nature of the economy where the informal sector is so large, and given the fact that cooperative societies have important role to play in alleviating poverty, the government should be committed to nationwide cooperative awareness campaign and create more conducive policy environment for the operations of cooperatives.
- (ii) The government should make cooperative societies a medium through which it can distribute benefits of empowerment programmes to all its citizens. This can be achieved by giving aid to these societies through a body, legally backed by the law. To do this, this study recommends that loans of ₦100,000 and below, payable for a period of 2 years should be given to members who have at least a total savings of ₦20,000 at the prevailing interest rate. And new business whose owner has a minimum total savings of ₦20,000 can be assisted by giving loans equivalent of ₦100,000 and below payable for a period of 2 years, in the form of tools, stocks needed for trading, getting a location for the business and so on, depending on the need of the member. However, it is recommended that loans above ₦100,000 should still operates with the existing status quo.
- (iii) Multilateral organizations interested in giving aid to developing countries can explore cooperative societies as they are the closest to the grassroots. This can be achieved by liaising with reputable non-governmental organizations in the targeted country and other body legally backed by the law to see into cooperatives' operations. Doing this may at the same time serve an extended purpose of making foreign aid effective.

4. Conclusion

This study examines and compares the role of MFBs and cooperatives in lifting the poor in Nigeria. Investigations were carried out in relation to how accessible and effective their respective loans are to people in the country, especially 'the poor'. Findings reveal that loan accessibility of MFBs is challenging for the poor. Likewise, loan effectiveness analysis confirms that the poor may not stand a chance to benefit from loans by MFBs, giving the credibility criteria and interest rate charged. However, cooperatives' loans are more accessible to the poor. Likewise, analysis on loan effectiveness reveals that the poor can grow above the poverty line over time giving the credibility criteria and interest rate charged by cooperatives.

Given the above, cooperative movement in Nigeria should be encouraged. This is because, in spite of the drawbacks experienced in the operations of cooperatives, they have impacted positively the economic positions of people in the country, especially the poor. However, this study is not in the position that MFBs cannot contribute positively to poverty alleviation. All that are needed are necessary adjustments in policies and products of MFBs to better accommodate the poor in the country.

Although the analyses in this study are limited in terms of data generating and estimation technique, the evidence in the paper raises a number of appealing issues for further investigation. Among these, whether the results in this study can be obtained extending the sample size and using more sophisticated techniques should be of concern for further research.

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