

Role of Microfinance Banks in the Economic Development of Nigeria: A Yobe State Approach

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Abstract

This research will assess the role of Microfinance Banks in the Economic Development of Nigeria with special reference to Yobe State. Micro finance Banks (i.e small scale financial services that are economically active at urban and rural areas) has been proven to be effective in fighting poverty by providing entrepreneurs with the necessary capital to start and expand their entrepreneurial activities. The study used descriptive research design. Since data characteristics were described using frequencies and percentages. A simple random sampling technique was used in this study were one hundred (100) employees of Micro Finance Banks in Yobe state. The study employed the use of Statistical Package for Social Sciences were correlation was accessed. The study revealed that Since the p-value= 0.000 is less than the level of significance (0.05), we reject the null hypothesis and then conclude that Micro Finance Banks do greatly contributed to entrepreneurial productivities. The study recommends that the government should provide financial and logistical support to MFBs to expand their operations, especially in rural areas and strengthen security measures to create a stable environment for economic activities; The MFBs should conduct financial literacy programs to educate communities on the benefits of microfinance services and equally Train MFB staff on risk management and innovative financing solutions; The MFBs should encourage digital banking solutions to reach remote areas and reduce operational costs; The MFBs should finance project to give a revolving loan targeted at mass empowerment and self-employment for the unemployed in the state micro finance project would help to tackle the high bate of poverty and among others.

Keywords: Role, Microfinance Banks, Economic Development, Yobe, Nigeria

1. Introduction

Microfinance banks (MFBs) were established in Nigeria to provide financial services to underserved populations, particularly in rural areas. These banks aim to stimulate economic activities, promote entrepreneurship, and alleviate poverty. This study investigates their contributions to economic development in Yobe State, an agrarian region with unique challenges, including insecurity and underdevelopment.

Microfinance banks in Nigeria operate under guidelines set by the Central Bank of Nigeria (CBN). Their services include providing small-scale loans, savings accounts, and financial advisory services to low-income earners. These institutions bridge the gap between formal banking services and the financial needs of small and medium-sized enterprises (SMEs).

The role of microfinance Banks in economic development include: MFBs help reduce poverty by financing small-scale businesses, which, in turn, create employment opportunities; By offering credit facilities and savings options, MFBs ensure that marginalized groups have access to financial services; In a predominantly agrarian state like Yobe, MFBs provide agricultural loans, boosting productivity and food security and Capacity Building: Training and advisory services enhance the entrepreneurial skills of local business owners.

The Challenges Faced by Microfinance Banks include: Insecurity: The insurgency in northeastern Nigeria has disrupted economic activities and deterred investors; inadequate capital hinders MFBs' ability to meet the growing demand for credit; High default rates undermine the sustainability of MFBs and stringent policies sometimes limit operational flexibility.

Microfinance banks (MFBs) have emerged as a significant instrument for poverty alleviation and

economic empowerment in developing countries. By providing financial services to underserved populations, particularly low-income earners and small-scale entrepreneurs, MFBs help bridge the gap in access to formal financial institutions. In Nigeria, where economic development is uneven across regions, microfinance banks play a critical role in addressing financial exclusion and promoting grassroots development. Micro finance Banks (describe as small scale financial services to claim that they are economically active at various urban and rural areas) has been proven to be effective in fighting poverty by providing entrepreneurs with the necessary capital to start and expand their entrepreneurial activities (Ema and Ajayi, 2016).

In Nigeria Micro finance Bank instructively, the researchers by statistics, (from the National Bureau of Statistics (NBS) in 2004 say that the 65 percent of Nigerians are served by the informal financial sector made by money leaders, friends, relatives and credit unions. There seriousness of the state government to the cause of poor in their meds would be gauged by their willingness to remit one percent of their annual budget to the micro – credit development fund, which return, qualities then to withdraw from the pool to empower their people. It is importance here to look at those factors responsible for the higher poverty incidence in the country, especially in northern Nigeria that in 2004 single member household had 12.6 percent poverty incidence, 2 – 4 members household 39.9 percent poverty incidence, 5 – 9 household 57.9 percent, 10 – 20 member households 73 percent and above 20 member household often have 90.7 percent poverty incidence.

Successive government has put in place various policies in order to make things easier for the ordinary man on the street. Unfortunately, the struggle for survival has become more difficult

and excruciating for the toiling masses. Indeed, the government's concern for the intolerable poverty level, which is more than 54 percent – over 70 million out of 140 million Nigerian population, is encapsulated also in the recent statement by Prof. Chukwuma Soludo, while lamenting that the poverty level in Nigeria is not only getting to a crisis point but also becoming dynastic (Ogunsola, 2014).

In the areas of education, the NBS disclosed that households headed by those without education, agriculture and forestry had 67 percent poverty incidence while those who live in rural areas contributed 65 percent to poverty in 2004.

Yobe State, located in the northeastern region of Nigeria, presents a unique case due to its economic challenges, including low levels of industrialization, high unemployment, and widespread poverty. These issues are compounded by limited access to credit facilities, which hinders entrepreneurial growth and economic activities.

In Yobe State, several microfinance banks play a crucial role in providing financial services to small businesses, low-income earners, and rural communities. The key microfinance banks in the state include:

i. Yobe Microfinance Bank Limited

Established in 2015, this state-owned institution supports micro-entrepreneurs and small businesses. It offers a variety of services, including credit, savings, insurance, and payment solutions. Recently, Governor Mai Mala Buni directed the bank to expand its branches to all 17 local government areas to address the lack of financial institutions in rural areas.

ii. Gashua Microfinance Bank Limited

Located in Bade Local Government Area, this bank focuses on empowering micro-entrepreneurs and low-income earners by providing accessible financing and financial services.

These banks are part of efforts to enhance financial inclusion in Yobe State, where banking services are limited in rural regions. Their establishment is aligned with broader state and national initiatives to foster economic growth through microfinance.

Despite their potentials, microfinance banks in Yobe State face significant challenges that hinder their ability to drive economic development effectively: Many rural communities lack access to banking facilities, constraining economic activities; Rates: Poor repayment culture among borrowers threatens the sustainability of MFBs; The insurgency in the northeast has disrupted business activities and deterred financial institutions from expanding operations; Inadequate capital limits the ability of MFBs to offer larger or more frequent loans and Lack of Awareness: Many potential clients lack financial literacy and are unaware of the benefits of microfinance services.

Moreover, the economic recovery of Yobe State is further complicated by the lingering effects of insurgency and insecurity, which have disrupted businesses and livelihoods. These challenges raise questions about the effectiveness of microfinance banks in achieving their developmental mandate. This study seeks to investigate the role of microfinance banks in fostering economic growth in Yobe State and to identify strategies for overcoming the barriers limiting their effectiveness.

However, this research work was carried out within Yobe state and some part of Nigeria; therefore, it was administered to a sample of population. This study should be interpreted with

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caution in the light of fact that a sample can hardly be same as population. The hesitant nature was also a limiting factor in carrying out this research work. The conclusion therefore are based on the readily information provided, but the limitation however does not render research work useless but allows it to use as a basis for decision making and as a basis for further research work.

2. Literature Review

As has been said elsewhere, Micro finance and the impact it produce, go beyond just business loans. The poor use financial services not only for business investment in the micro enterprise but also to invest in the health and education, to manage household emergencies, and to the wide variety of other cash need that they encounter. The range of services includes loans, savings, facilities, insurance, transfer payment and been micro pension.

Kabeer (1999) find out that in Micro finance programmes changes occurred at a personal level in the form of increased self-word, political empowerment of Micro finance client, in terms of participation in political mobilization or for political offices is not well documented.

The issue of Micro finance bank in Nigeria, Prof. Chukuma Soludo in his conference with leadership on newspaper June, 30 2008 he sees it as sub – sector critical to achieving the Millennium Development Goals, the successful implementation of the National Economic Empowerment and Development Strategy (NEEDS) and the attainment of 7 point agenda of President Umaru Musa Yar'adua administration (2007).

The policy target include: covering the majority of poor but economically active population by 2020 increasing the share of micro credit as a percentage of total credit to the economy from 0.9 percent in 2005 to at least 20 percent in 2020

increasing the share of micro – credit as 9 percentage of GDP from 0.2 percentage in 2020 and promoting the participation of at least two – thirds of state and local government in micro – credit financing by 2005. It is also targeted at improving women access to financial service by 5 percent annually and increasing the number of linkages among Universal Bank, Development Bank, specialized finance institution and Micro finance bank by 10 percent.

2.1 Definitions of Micro Finance

According to Sebstad and Gregory (1996) Micro finance has been described small scale financial to client that are economically activities in various urban and rural areas has been proven to be effective in fighting poverty by providing entrepreneurs with the necessary capital to start and expand their entrepreneurial activities. Over time, Micro finance has come to include a broader range of service like credit, savings, insurance, and others, as it has been realized that the poor and very poor who lack access to traditional formal financial institution require a variety of access of finance.

Micro finance is seen differently by different individual in Nigeria.

Buffevim defines Micro finance policy to enhance the provision of diversified Micro finance on long – term, sustainable basis for the poor and low income groups which are commonplace in Nigeria.

Micro finance according to the Central Bank of Nigeria Professor Chukwuma Soludo on June 2008 defines Micro finance as a loans, savings, insurance, transfer services and other financial products targeted at low – income clients.

Micro credit refers to a small loan to a client made by a bank or after institution. Micro credit can be

offered often without collateral, to an individual or through group lending.

2.2 Role of Micro Finance in Nigeria Economy

As have been saying ever since, poverty is multi-dimensional. By providing access to financial service, Micro finance plays an important role in Nigerian economics, the fight against many aspect of poverty. For instance, income generation for from a business helps not only the business activity expand but also contributes to household income and its attendant benefits on food security and children's education. Moreover, for women, who in many contexts are secluded from public space, transacting with formal institution can also build confidence and empowerment. It has been established that female Micro finance clients exhibit better credit discipline than their male counterparts, therefore marking them than choice of Micro finance institutions Yunus and Alan, (1991) in (Yunus, 2012).

Instructively, recent research has revealed extent to which individuals around the poverty line are vulnerable to stocks such as illness of wage earners, weather, theft, or other such events. These stocks produce a huge claim on the limited finance resources of the family unit, and can drive a family so much deeper in to poverty that it can take years to recover (Koutsoyiannis, 1997).

The setting aside of fifty billion Naira (₦50 billion) micro – credit Development Fund by the Central Bank of Nigeria (CBN) early this year 2008 has led to a huge reservoir of funds for the masses in the North to benefit from. The fund, under the watchful eyes of the CBN, would be used to provide existing Micro finance Institution (MFIs) with funding for credit creation and operational expenses. The Central Bank of Nigeria (CBN) sees the Micro finance sub – sector as critical to achieving the Millennium

Development goals, the successful implementation of National Economic Empowerment and Development Strategy (NEEDS) and the attainment of the 7 point agenda of President Umaru Musa Yar'adua administration.

Micro finance allow poor people to protect, diversify, and increase their sources of income, the essential path out of poverty and hunger. The ability to borrow a small amount of money to take advantage of business opportunity, to pay for school fees, or to bridge cash flow gap, can be a last step in breaking the cycle of poverty.

2.3 Beneficiaries from Micro Finance Bank

As has been said elsewhere women all over the world constitute the care of socioeconomic activities since they carry out multiple burden of resources management and household responsibility, as well as care of the vulnerable members of the family, that is, the sick, the children, and elderly. In the case of this, the government empowering women, with Micro finance programs have generally targeted women as client. Women often prove to be more financially responsible with better repayment performance than men. Also has been shown that women are more likely than men to invest increased income in the household and family wellbeing.

Perhaps most importantly, access financial services can empower women to become more confident, more assertive, more likely to participate in family and community decision, and better able to confront systemic gender inequities. But such empowerment is by no means automatic gender related issues are complex. Appropriate program design can have a strange, positive effect on women's empowerment resulting in women owning more assets having a more active role in family

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decision, and increasing investment in family welfare.

By providing sustainable access to financial services for the working poor, a group which has been previously excluded from affordable sources of credit and savings facilities that are secure, convenient and liquid, Micro finance programmes demonstrate that the poor are creditworthy; a lesson for bank and development agencies alike.

Women feature prominently among the working poor Micro finance is especially beneficial for them by

- a. Leading to higher income that will help women top perform their reproductive role as brokers of the health, nutritional education status of other household members.
- b. Increasing women's employment in micro enterprises and in improving the

productivity of women's income generating activities, and

- c. Enhancing their self – confidence and status within the family as independent producers and providers of valuable resources to the household economy.

2.4 Problem Encountered by Micro Finance Banks in Nigeria:

About the problem faced by Micro finance bank the state government are involve especially Northern Governors in Nigeria, we have about 716 Micro finance bank in various parts of the country. Out of this numbers, the Southern part axis control 77.8 percent while the Northern part has only 22.2 percent (see table below). This is not pleasing at all especially in the context at governors lamenting that the poverty level in Nigeria is not only getting to a crisis' point but also becoming dynamic. More so, research has shown that the scourge of poverty is more prevalent in North.

Distribution of Micro Finance Banks in Nigeria

Geo – political zones	number of Micro finance	Percent share
South – West	282	39.4%
South – East	169	23.6%
South – South	106	14.8% 77.8%
North Central	78	10.9%
North – West	48	6.7%
North – East	33	4.6% 22.2%

As the result of this Micro finance will not reach to all part of Nigeria especially rural areas or urban areas.

Since Micro finance Bank are newly established bank have not encountered much problems yet, but the anticipated problems in not tackled are or will be similar to that of community banks.

In the implementation of community bank, some problems have been observed by Smart O.E Nzenwa in 1998 some of these problems are external while others are internal or man-made. Some of these problems have not only affected confidence in the sector but it growth as available financial institution.

They are:

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- Poor management standard lack of focus
- Low capital base
- Management indiscipline
- Adverse macro – environment
- Poor staff motivation and job security
- Financial distress

The adverse macro – environment is external and no, single community bank can on its own change it. The only solution is add to the environment through survival strategies by independent community banks are “internal” or man-made.

2.5 Procedure for establishing a Micro Finance Bank

Micro finance Bank undergoes intense and thorough scrutinizing before being approved by the Central Bank of Nigeria (CBN) to register as an approved financial institution.

Setting up Micro finance Banks

Any organization intending to set up any category of the Micro finance banks as subsidiaries shall be required to meet the prescribed prudential requirement and availability of free funds and if the view of the regulatory authorities, have satisfied all the requirements stipulated in the guidelines shall be licensed according to Professor Chukwuma Soludo CBN Governor said on leadership newspaper Thursday 3, 2008).

Licensing Requirement

According to the guideline, any promoter seeking a license for a Micro finance bank business in Nigeria shall apply in writing to the governor of Central Bank of Nigeria. It says that there shall be two (2) categories of licenses available for promoters (both local and foreign) Micro finance bank based on geographical average specified below.

- i. Micro finance bank licensed to operate as a Unity Bank (a.k.a. Community Bank)

shall operate and open branches with a specified capital required shall be ₦20 million (twenty million Naira) or such amount as may be prescribed by the Central Bank of Nigeria from time to time.

- ii. Micro finance Banks can be licensed to operate in a state and open branches within a specific state or Federal Capital Territory with a minimum capital requirement of ₦1.0 billion (one billion naira) only or such an amount as may be prescribed by the Central Bank of Nigeria from time to time
- iii. Such application shall be accompanied with the following:
 - Nonrefundable of application fee at ₦50, 000.00 and ₦100, 000.00 for local and state Micro finance banks, respectively in bank drafts, payable to the Central Bank of Nigeria.
 - Deposit of the minimum capital requirement for the relevant category of Micro finance bank which shall be in bank drafts payable to the Central Bank of Nigeria. The capital thus deposited together with the accrued interest shall be released to the promoters on the ground of a license.
 - Satisfactory, verifiable and acceptable evidence of payment by the proposal shareholders of the minimum capital requirement for the category of license being applied for, including personal statement that capital does not originate from bank credit or any form of credit, or questionable sources and any activity that relates to money laundering.
 - Certificate of capital importation issue by an authorized dealer (bank) in the case of foreign capital.

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- A copy of detailed feasibility report disclosing relevant information that shall include: - (i) The objectives and aims of the proposed Micro finance bank (ii) The justification for the establishment of MFBs (iii) The service that MFBs intends to provide (iv) The branch expansion programme (if any) within the first five years (v) The proposed training programme for staff and management.
- A person with any other qualification or experience that may be considered adequate by the CBN may hold any of position (a) and (b) within the organization.

The guidelines also state that organization intends to set up any of two categories of Micro finance banks as subsidiaries shall be required to deposit the appropriate minimum paid – up capital and meet the prescribed prudential requirements and if, in the view of the regulatory authorized, have also satisfied all the requirements stipulated in the guidelines shall be licensed.

It also state that no individual, group of individuals, their proxies or corporate entities, and or their subsidiaries, shall establish more than one Micro finance bank under different or disguised name.

According to Central Bank of Nigeria (CBN) guidelines the following minimum qualification and experience are mandatory for officers who may occupy the key top management position in the MFB.

- Managing Directors/Chief Executive: a recognized university degree or its equivalent and or professional qualification with at least 7 years post qualification experience in bank or related industry.
- Department Head: a recognized university degree or it equivalent or professional qualification with all at least 5 years post qualification experience in banking or related industry.

Certification Process: - In recognition of the peculiarities of Micro finance service and the management of MFBs it shall be required that the top management possesses the required certification on micro finance management from recognized certification institution acceptable to the Central Bank of Nigeria. To fulfill this requirement, members of the top management team of MFB shall be required to submit evidence of certificate.

Members of executive management shall be required to possess certificate on Micro finance management not less than three (3) years after the takeoff of the certification programme. A transition period of twenty four (24) months shall be allowed for the take – off of this programme following the implementation of the Micro finance policy. The guideline stipulates that failure to comply with the above condition shall be a ground for the removal of the affected officer.

Condition for grant of approval in principle

The Central Bank of Nigeria, on receipt of an application, which is complete in all respect, shall process the application and if satisfied with the overall quality of the proposal, shall grant approval in principle for establishing the MFB within three months of receipt of the application.

Condition for final approval and commencement of business

A proposed MFB with approval in principle shall be granted a final operating license after satisfying the prescribed condition in the guideline. Before being granted approval to

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commence operation, a newly licensed MFB shall be required to comply with condition precedent to the commencement of operation, namely:

- ❖ The promoters of an MFB shall submit the following documents to the CBN before it is permitted to commence operation.
- (i) A copy of the shareholders register in which the equity interest of each shareholder is properly reflected (together with original for sighting)
- (ii) A copy of the share certificate issued to each share certificate issued to each shareholder.
- (iii) A certificate true copy of form C02 [Return of allotments] filed with the Corporate Affairs Commission.
- (iv) A certificate true copy of form C07 (Particular of Directors) and a written confirmation that the board of directors approved by CBN has been installed.
- (v) A certified true copy of the memorandum and article of association approved by the CBN and filed with the Corporate Affairs Commission.
- (vi) The opening statement of affairs audited by an approved firm of accountant practicing in Nigeria.
- (vii) A certified true copy of the certificate of Micro Corporation of the community (together with the original for sighting purpose only).
- (viii) A copy each of the letter of offer and acceptance of employment by management staff and a written

confirmation that the management team approved by the CBN has been put in place, and

- (ix) A letter of undertaking to comply with all the rules and regulations guiding the operations of MFBs.
- ❖ The MFB shall inform the CBN the location and address at its Head office in Nigeria and shall confirm that all infrastructure for takeoff are in place. In addition, the MFB, shall show evidence that appropriate management information system, internal controls, and procedures including manuals of operation have been put in place.
- ❖ The MFB shall be informed in writing by the CBN that it may commence business after physical inspection of its premises.
- ❖ The MFB shall inform the CBN in writing of the date of commencement of business after the physical inspection of the premises.

Source of Funds

The source of funds of an MFB shall consist of the following:

- a) Shareholders' funds paid up share capital and reserves
- b) Deposits/savings of customers
- c) Debenture/qualifying medium to long – term loans
- d) Grants/donation from individuals, organization, national government and international sources
- e) Fees and commission, and
- f) Interest /income.

3. Research Methodology:

3.1 The Study Area

Yobe State was created on August 27, 1991, when it was carved out of Borno State during the

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military regime of General Ibrahim Babangida. The state has 17 local government areas and is predominantly populated by ethnic groups such as the Kanuri, Fulani, Ngizim, and Bolewa. The population of Yobe state, Nigeria in 2006 was 2,321,339 according to the National Population Commission (NPC, 2006). This made it the 28th most populated state in Nigeria (NPC, 2006). The coordinates of Yobe State are approximately 12.0000° N latitude and 11.5000° E longitude. The state key Locations with Coordinates are: Damaturu (State Capital): Latitude: 11.7470° N Longitude: 11.9660° E; Potiskum (Major Town): Latitude: 11.7132° N Longitude: 11.0771° E; Geidam: Latitude: 12.8934° N Longitude: 11.9282° E and Nguru: Latitude: 12.8795° N Longitude: 10.4515° E. These locations reflect the state's position in the northeastern part of Nigeria, close to the Sahel region and bordering Niger Republic.

Politically, Yobe has been a stronghold of the All Progressives Congress (APC) in recent years, with figures like the former governor, Ibrahim Gaidam, and the current governor, Mai Mala Buni, playing significant roles nationally. The is located in northeastern Nigeria, bordering Borno, Gombe, Bauchi, and Jigawa states, and shares an international border with Niger. It is part of the Sahel region, characterized by semi-arid conditions, vast sandy plains, and sparse vegetation. The state is traversed by the Hadejia-Nguru wetlands, which are critical for irrigation and fishing. Major towns include Damaturu (the state capital), Potiskum, Geidam, and Nguru.

Traditionally, Yobe's economy has been centered on agriculture, with millet, sorghum, beans, groundnuts, and livestock (cattle, sheep, and goats) forming the backbone. The Hadejia-Nguru wetlands provide fishing opportunities and support irrigation-based farming. Recently, the state has been developing its solid mineral resources, such as gypsum and limestone. Despite

its economic potential, Yobe faces significant challenges from climate change, desertification, and the insurgency, which have hindered industrial growth and investment.

The state is predominantly Muslim, with Islam playing a central role in its culture and daily life. Traditional institutions, led by emirs and other local leaders, continue to influence social organization and conflict resolution. Educationally, Yobe has faced challenges, particularly due to insurgency-related disruptions, but there have been efforts to improve literacy and access to formal education. The state is also known for its rich cultural heritage, including traditional music, festivals, and crafts. However, the sociological landscape has been shaped by ongoing security issues caused by the Boko Haram insurgency, which has displaced communities and strained social cohesion.

3.2 Research Design

The research design used for this study was the descriptive research design. Since data characteristics were described using frequencies and percentages, and no manipulations of data or variables were necessary, the researcher chose this research design. The researcher discarded other alternatives such as the causal and explanatory research designs, because accurate findings and data analysis may not be achieved.

3.3 Population of the study

The population for this study is employees of the five (5) micro finance bank points in Yobe state.

3.4 Sample Size and Sampling Technique

A simple random sampling technique was used in this study. The sample size determined for this study was one hundred (100) employees of micro finance banks in Yobe state.

3.5 Method of Data Collection

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This study is based on the two possible sources of data which are the primary and secondary source. The primary data was aided by the use of a well-structured questionnaire as instrument for collecting data in this study.

3.6 Research Instrument

The instrument used for the collection of data for the purpose of this research was questionnaire. The five point Likert scale was used in structuring the questionnaire. The questionnaire also had sections: A and B. Section A contained the

personal data of the students and section B contained relevant questions that will assist in understanding the relationship between the variable factors in the hypothesis and in the eventual analysis.

3.7 Statistical Methods

The statistical analysis adopted was correlation. All computations requiring the use of data analysis technique were accessed by a computer statistical software package called SPSS (Statistical Package for Social Sciences).

4. Data Analysis and Interpretation:

4.1 Data Analysis

Bio- data of respondents

Table 1: Gender of respondents

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	65	65.0	65.0	65.0
Female	35	35.0	35.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

Table 1 above shows the gender distribution of the respondents used for this study. Out of the total number of 100 respondents, 65 respondents which represent 65.0 percent of the population are male. 35 which represent 35.0 percent of the population are female.

Table 2: Age range of respondents

Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30years	15	15.0	15.0	15.0
31-40years	10	10.0	10.0	25.0
41-50years	25	25.0	25.0	50.0
51-60years	20	20.0	20.0	70.0
above 60 years	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

Table 2 above shows the age grade of the respondents used for this study. Out of the total number of 100 respondents, 15 respondents which represent 15.0 percent of the population are between 20-30years. 10 respondents which represent 10.0 percent of the population are between 31-40years. 25 respondents which

represent 25.0 percent of the population are between 41-50years. 20 respondents which represent 20.0 percent of the population are between 51-60years. 30 respondents which represent 30.0 percent of the population are above 60years.

Table 3 Educational background of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid FSLC	20	20.0	20.0	20.0
WASSCE/GCE/NECO	25	25.0	25.0	45.0
OND/HND/BSC	35	35.0	35.0	80.0
MSC/PGD/PhD	15	15.0	15.0	95.0
OTHERS	5	5.0	5.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

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Table 3 above shows the educational background of the respondents used for this study. Out of the total number of 100 respondents, 20 respondents which represent 20.0 percent of the population are FSLC holders. 25 which represent 25.0 percent of the population are

SSCE/GCE/WASSCE holders. 35 which represent 35.0 percent of the population are OND/HND/BSC holders. 15 which represent 15.0 percent of the population are MSC/PGD/PhD holders.

Table 4: Years of experience

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0-2years	30	30.0	30.0	30.0
3-5years	15	15.0	15.0	45.0
6-8years	20	20.0	20.0	65.0
9-11years	15	15.0	15.0	80.0
12-13years	10	10.0	10.0	90.0
above 13years	10	10.0	10.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

The Table 4 above shows the years of experience of the employees. 30 which represent 30.0 percent of the population have 0-2years experience of the employees. 15 which represent 15.0 percent of the population have 3-5years experience of the employees. 20 which represent 20.0 percent of the population have 6-8years

experience of the employees. 15 which represent 15.0 percent of the population have 9-11years of experience of the employees. 10 which represent 10.0 percent of the population have 12-13years of experience of the employees. 10 which represent 10.0 percent of the population have more than 13years of experience of the employees.

Table 5: Category of employee

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Teller	25	25.0	25.0	25.0
Account Officer	45	45.0	45.0	70.0
Others	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

Table 6: Micro finance banks play key roles in Nation building

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	30	30.0	30.0	30.0
Agree	42	42.0	42.0	72.0
Undecided	10	10.0	10.0	82.0
Disagree	10	10.0	10.0	92.0
strongly disagree	8	8.0	8.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

Table 5 shows the category of employees in the micro finance bank. 25 respondents representing 25.0 percent of the population under study are Tellers. 45 respondents representing 45.0 percent of the population under study are Account officers. 30 respondents representing 30.0 percent of the population under study are neither of the above.

Table 6 shows the responses of respondents if micro finance banks play key roles in Nation

building. 30 respondents representing 30.0 percent strongly agreed that micro finance banks play key roles in Nation building. 42 respondents representing 42.0 percent agreed that micro finance banks play key roles in Nation building. 10 respondents representing 10.0 percent were undecided. 10 respondents representing 10.0 percent disagreed that micro finance banks play key roles in Nation building. 8 respondents representing 8.0 percent strongly disagreed that

micro finance banks play key roles in Nation building.

Table 7: Micro finance banks are the bedrock for small and medium income earners

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	10	10.0	10.0	10.0
Agree	15	15.0	15.0	25.0
Undecided	5	5.0	5.0	30.0
Disagree	40	40.0	40.0	70.0
strongly disagree	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

Table 7 show the responses of respondents if micro finance banks are the bedrock for small and medium income earners. 10 of the respondents representing 10.0 percent strongly agree that micro finance banks are the bedrock for small and medium income earners. 15 of the respondents representing 15.0 percent agree that micro finance banks are the bedrock for small and

medium income earners. 5 of them representing 5.0 percent were undecided. 40 of the respondents representing 40.0 percent disagree that micro finance banks are the bedrock for small and medium income earners. 30 of the respondents representing 30.0 percent strongly disagree that micro finance banks are the bedrock for small and medium income earners.

Table 8: Micro finance banks offers flexible loans to businesses for the development of the country

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	60	60.0	60.0	60.0
agree	25	25.0	25.0	85.0
undecided	10	10.0	10.0	95.0
disagree	5	5.0	5.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

Table 7 show the responses of respondents to micro finance banks offers flexible loans to businesses for the development of the country. 60 of the respondents representing 60.0 strongly agree that micro finance banks offer flexible loans to businesses for the development of the country. 25 of the respondents representing 25.0

percent agree that micro finance banks offer flexible loans to businesses for the development of the country. 10 of them representing 10.0 percent were undecided. 5 of the respondents representing 5.0 percent disagree that micro finance banks offers flexible loans to businesses for the development of the country.

Table 9: Micro finance banks add significantly to the economic development of Nigeria

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	25	25.0	25.0	25.0
Agree	32	32.0	32.0	57.0
Undecided	13	13.0	13.0	70.0
Disagree	15	15.0	15.0	85.0
strongly disagree	15	15.0	15.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

Table 7 shows the responses of respondents to micro finance banks add significantly to the economic development of Nigeria. 25 of the respondents representing 25.0 percent strongly agree that micro finance banks add significantly to the economic development of Nigeria. 32 of the respondents representing 32.0 percent agree that micro finance banks add significantly to the economic development of Nigeria. 13 of the

respondents representing 13.0 percent were undecided. 15 of the respondents representing 15.0 percent disagree that micro finance banks add significantly to the economic development of Nigeria. 15 of the respondents representing 15.0 percent strongly disagree that micro finance banks add significantly to the economic development of Nigeria.

Table 10: Micro finance banks provides easy credits to small businesses for Nations growth and development

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	65	65.0	65.0	65.0
Agree	30	30.0	30.0	95.0
Disagree	3	3.0	3.0	98.0
Strongly disagree	2	2.0	2.0	100.0
Total	100	100.0	100.0	

Source: Field survey, August, 2024.

Table 7 show the responses of respondents to micro finance banks provide easy credits to small businesses for Nations growth and development. 65 of the respondents representing 65.0 percent strongly agree that micro finance banks provide easy credits to small businesses for Nations growth and development. 30 of the respondents representing 30.0 percent agree that micro finance banks provide easy credits to small businesses for Nations growth and development. 3 respondents representing 3.0 percent were undecided. 3 of the respondents representing 3.0 percent disagree that micro finance banks provide easy credits to small businesses for Nations growth and development. 2 of the respondents representing 2.0 percent strongly disagree that micro finance banks provide easy credits to small businesses for Nations growth and development.

Hypothesis tested

Hypothesis 1

H₀₁: Micro finance bank is irrelevant to the economic growth and development in Nigeria since the number of entrepreneurs that uses their services is low.

Decision rule: reject the null hypothesis if the p value is less than the level of significance. Accept the null hypothesis if otherwise.

Table 11 Test Statistics

	Micro finance bank is relevant to the economic growth and development in Nigeria since the number of entrepreneurs that uses their services is high.
Chi-Square	105.520 ^a
Df	3
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

Conclusions based on decision rule:

Since the p-value= 0.000 is less than the level of significance (0.05), we reject the null hypothesis and conclude that Micro finance bank is relevant to the economic growth and development in Nigeria since the number of entrepreneurs that uses their services is high.

Hypothesis 2

Ho₁: Microfinance institution does not contribute to entrepreneurial productivity

Decision rule: reject the null hypothesis if the p value is less than the level of significance. Accept the null hypothesis if otherwise.

Table 11 Test Statistics

	Micro finance institutions do contribute to entrepreneurial productivity.
Chi-Square	105.520 ^a
Df	3
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

Conclusions based on decision rule:

Since the p-value= 0.000 is less than the level of significance (0.05), we reject the null hypothesis and conclude that Micro finance institutions do contribute to entrepreneurial productivity.

5. Conclusion

Microfinance banks in Yobe State are essential catalysts for economic development. They promote financial inclusion, support small-scale entrepreneurs, and contribute to poverty

alleviation. However, their full potential remains unrealized due to challenges such as insecurity, limited funding, and operational constraints. Addressing these issues is crucial to maximize

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their impact on the state's socio-economic growth.

No single intervention can defeat poverty-poor people need employment, schooling, and health care. Some of the poorest require immediate income transfer or relief to survive. And the beauty of micro finance is that, as programmes approach financial sustainability, they can reach far beyond the limits of scarce donor resources.

6. Recommendations

The study recommends the following;

- The government should provide financial and logistical support to MFBs to expand their operations, especially in rural areas and strengthen security measures to create a stable environment for economic activities.
- The MFBs should conduct financial literacy programs to educate communities on the benefits of microfinance services and equally Train MFB staff on risk management and innovative financing solutions.
- The MFBs should encourage digital banking solutions to reach remote areas and reduce operational costs.
- The MFBs should facilitate access to capital through partnerships with international development agencies and also Offer government-backed guarantees to reduce the risk of loan defaults.
- The government through the central Bank of Nigeria (CBN) should implement policies that balance regulatory oversight with operational flexibility for MFBs.
- The MFBs should finance project to give a revolving loan targeted at mass empowerment and self-employment for the unemployed in the state micro

finance project would help to tackle the high bate of poverty.

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