

Impact of Micro-Credit Programmes On Poverty Reduction in Yobe State, Nigeria

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Abstract

This study attempted to examine the impact of micro-credits on poverty reduction and its determinants in Yobe state, Nigeria. The study employs a multi-stage random sampling techniques to selects 450 respondents from the three (3) senatorial zones: zone A (Yobe East), Zone B (Yobe South) and Zone C (Yobe North). But it was only three hundred and seventy-two (372) questionnaires were retrieved and subjected to analysis. The study used descriptive statistics, and Logistic regression Model for analysis. The findings reveals that micro-credits supply is statistically significant in reducing poverty level in Yobe State with 77.96% level. The result of logistic model showed that household size, educational status, investment and source of water are significantly associated with micro-credits supply in the study area, while age of the household head, gender, house ownership status, assets ownership status and monthly incomes are those factors inversely related with micro-credits in the study area. The study recommends among others that the government should promote stable macroeconomic environment as no meaningful development would be achieved without it, government should also not renege in any of the promises packaged in Micro-Finance Policy Framework and the establishment of more microfinance banks in all the communities in Yobe state and Nigeria by extension.

Key words: Impact, Micro-credits, Investment, Government, Nigeria.

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1 Introduction

Micro-credit programmes have emerged as a means of providing credit facilities to the poor through a financial intermediation strategy that is responsive to their socio-economic realities. Micro-credit as the name implies is a small amount of money or incentives given out by banking process in order to cushion the effect of poverty. The most important aspect of micro-credit is the reduction of poverty in any living society. Therefore, all its strategies are channeled toward poverty reduction and at times alleviation of poverty. The concept of poverty reduction has gained topicality in development discourse against a back Oladunni (1999) notes that poverty is a worldwide phenomenon. However, Nigeria is one of the poorest countries in the world. The situation has reached an alarming stage as more than 45% of the population lives below the poverty line, while 67% of the poor are extremely poor NBS (2012). For example, the Bureau of Statistics (BOS) report for the period 1980-1996, indicates about 67 million Nigerians are living below the poverty level. The report also indicates that from 1980 to 1985, the percentage of rural dwellers and urban inhabitants in the core poverty bracket rose from 6.5 and 3.0 percent to 14.8 and 7.5 percent, respectively. Within the same period, the percentage of moderately poor in the rural areas rose from 21.8 to 36.6 percent and 14.2 to 30.3 percent, respectively. Also, the number of non-poor in both rural and urban areas dropped from 71.7 and 82.8 percent to 48.6 and 62.2 percent, respectively (Awoseyila, 1999; Okumadewa, 1999). The increasing incidence of poverty in Nigeria within this period is not surprising. Going by the documentaries of Oladunni (1999) the overall dependency ratio in Nigeria is 234 dependents per 100 gainfully employed persons. In the rural areas, it is 286 dependents per 100 workers, while in the urban centre it is 219 dependents per 100 workers. The labor force age (between 15 and 64 years) dependents ratio is 259 dependents per 100 workers nationwide. It is 302 and 222 dependents per 100 workers in the rural and urban centers, respectively. The above scenario works concertedly to further reinforce the poverty syndrome of the average Nigerian employee, as each bear's heavy economic burden.

The discussion on the term and concept of poverty is of paramount so as to understand fully what micro-credit would do. Kwanga (2015) after a perusal of the tenets of poverty submits that poverty could be viewed as a situation of acute need and inability to meet all the basic necessities like food, clothing, shelter, education and family. This generally means that a household is considered to be poor, when it cannot satisfy any of the above mentioned necessities on a relatively permanent basis. Furthermore, Sani (2017) views poverty as a global phenomenon whose impact is multi-dimensional and it touches the economic, social, political, psychological and physical aspects of human endeavors. And it is found in almost all communities of the world, if poverty were to be sighted as a visible object, it would definitely appear horrific, devastating and unpleasant in all ramifications. Also Sani et al (2020) view Poverty as one of the world most popular words because of its negative scourge inflicting upon the human race globally. Poverty is a complex, multidimensional and hydra-headed phenomenon that has existed from time immemorial and has continued to occupy the centre stage in global affairs.

According to National Bureau of Statistics (NBS, 2012) incidence of poverty has continued to worsen in rural areas than in urban centres. Reported also that National relative poverty level is 69 percent, there is 73 percent relative rural poverty in the country compared to 61 percent of urban relative poverty. Also whereas absolute poverty level is 66 percent while that of urban areas is 52 percent. The scourge of poverty in Nigeria has many dimensions and may include: Inadequate access to government utilities and services, poor infrastructures, illiteracy and ignorance, poor health, insecurity, social and political exclusion (NBS, 2012).

Oladunni (1999) notes that poverty is a worldwide phenomenon; however, Nigeria is one of the poorest countries in the world. The situation has reached an alarming stage as more than 45% of the population lives below the poverty line, while 67% of the poor are extremely poor. Also the number of non-poor in both rural and urban areas dropped from 71.7 and 82.8 percent to 48.6 and 62.2 percent, respectively (Awoseyila, 1999; Okumadewa, 1999). The increasing incidence of poverty in Nigeria within this period is not surprising.

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The World Bank (2009) and Landes (2010) asserted that this is unfortunate given the Nigeria's rich resources in agriculture, oil wealth, human capital and friendly geo-climatic conditions. Indeed, it is estimated that over 70 percent of Nigerians are classified as poor, and half of this number live in absolute poverty.

Emerging debate posits that empowering the private sector to take its place as the prime mover of the economy holds the key to accelerating economic development and reducing poverty. As part of its National Economic Empowerment and Development Strategy (NEEDS), the Government of Nigeria has sought to strengthen and support the private sector towards improved efficiency and productivity (NPC, 2004), in line with its commitment to engendering sustainable economic growth and general improvement in the quality of life of the Nigerian people. As a strategy for achieving the above, the government provides financial services to small and medium scale enterprises mostly through Commercial Banks. However, poor people, especially rural dwellers, have very limited access to microcredit.

The formal banking system still faces constraints in reaching dispersed poor clients due to lack of improved service infrastructure. Similarly, formal lending is highly collateralized and attracts very high interest rates. Collateral requirements help commercial institutions in determining the credit worthiness of potential borrowers, since they often know very little about would-be borrowers. This makes financial services inaccessible to the poor. Improved access to credit for the rural poor is central to sustainable poverty alleviation because it enables them to invest in and improve productivity in agriculture, small businesses and small-scale manufacturing, thereby empowering them to break out of poverty in a sustained and self-determined way. Guaranteeing rural people access to credit for meaningful economic activities require robust and significant financial service schemes that mobilize savings from the surplus unit of the society and empowers those with entrepreneurial spirit. Micro-credit schemes emerged to fill this gap in the financial service delivery system. Modeled after the Grameen Bank poverty reduction initiatives in Bangladesh, micro-credit schemes mediate the

delivery of small, low interest and non-collateralized credits to the rural poor, relying on social collateral and joint liability (Aryeteey, 2005; Olomola, 2000). This is what necessitates the study of the impact of micro-credit scheme on rural poverty and the factors constraining their effectiveness in Yobe State, Nigeria.

Many studies have dwelled on microcredit at urban level but little was on rural communities in Nigeria and developing countries by extension. This particular segment of the society is characterized with inadequate access to government intervention, poor infrastructures, illiteracy and ignorance, poor savings and investment attitude, insecurity, social and political exclusion. Whether measured in terms of income, literacy, or access to social services, this creates a wider gap between the rural and urban areas. The main aim of this study is to assess critically the impact of micro-credit on poverty reduction with emphasis on Yobe state, Nigeria.

The paper is organized into five sections given the introduction as section one. The rest of the paper is organized as follows: Section two presents the literature review. In section three, the methodology adopted for this study is presented. Results and discussions are done in section four and conclusion and recommendations is drawn in section five.

2 Literature Review

Sani, Nasiru, Mustapha, Fatimah and Alhaji (2018) used a multistage random sampling technique to analyse the data obtained from a well-structured questionnaire. The analysis of data was done by the use of Foster, Greer, Thorbeck (FGT) poverty index analysis, probit and logit regression models with marginal effects. The study discovered that the incidence of poverty stands at 70.24%, while both probit and logit regression models revealed that the age of household heads and farm size are negatively significant at 1% levels of significance. The Age of household head and farm size revealed an inverse results of (-0.0453868, -0.0774235, -0.0146508) and (-0.2053323, -0.3476851, -0.657922) from the probit, logit and marginal effects results respectively. This means that as these variables increase, so also the households' poverty situation

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decreases, leading to a down fall of poverty level in the study area. Variables like gender, marital status, household size; educational status, dwelling type, and occupational status of the household head are also determinants of poverty in the study area but are insignificant in both models.

Godwin (2010) in his study *Microfinance Banks and Poverty Alleviation in Nigeria*, focused on the identification of critical factors that cause poverty in Nigeria and the investigation of the extent to which microfinance institutions have helped in the alleviation of poverty. To identify the critical factors, the researcher adapts the data on reasons for poverty generated by National Bureau of Statistics and employed the method of factor analysis. Regression analysis on a quadratic equation model which is found to be most appropriate in explaining the variations between the two variables. The result of the analysis identifies five factors: low profit, prices of commodities are too high, hard economic times, lack of finance to start or expand their business, and business not doing well, as critical factors causing poverty. It further reveals that the impact of microfinance on poverty in Nigeria can be explained in two phases. The first phase, the take-off stage, sees poverty as increasing though at a decreasing rate as microfinance credit increases. In the second phase, precisely starting from the year 2001, persistent increase in microfinance credit reduces drastically the poverty index in Nigeria. Thus, currently, microfinance credit lowers poverty in Nigeria.

Oluwatayo (2004) analysed the impact of income risk on the level of well-being of rural households in Ekiti State, Nigeria. Income risk was defined as the risks associated with variability in income well-being. It was found that household heads' age, years of formal education, household size, size of land cultivated and total expenditure (on food and non-food items) are major determinants of income risks among rural households, while income risk impacts negatively on the well-being of households. This could be generalized to include the North East geopolitical zone, since income forms a major source of satisfying the daily needs.

Sani (2017) assesses household degree of vulnerability to poverty in Yobe State, Nigeria. The study used a well-structured questionnaire to obtain the primary data from field survey. A multi-stage purposive random sampling technique was used in the selection of 300 respondents from the three local government areas namely; Damaturu, Geidam, and Potiskum (100 respondents per local government). However, a descriptive statistic for socio-economic characteristics of the respondents, and the Foster, Greer and Thorbecke (FGT) index analysis were employed to analyse the incidence of poverty, and the Multinomial logistic regression (mlogit) model was used to analyse the extent and the determinants of vulnerability to poverty in Yobe State. The results reveal that, poverty incidence (head count ratio) in the state is high and stands at 63%. However, the degree of vulnerability to poverty stands at 58.7%; the factors that are responsible for vulnerability to poverty in the state include Age, educational status, and household size of the respondents.

Nelson and Nelson (2010) in their paper investigates micro-credit scheme and its impact on rural poverty, using of a lending scheme operated by a local NGO in Akwa Ibom State as a case study. Drawing upon qualitative data collected through in-depth personal and group interviews with beneficiaries of the scheme, the paper examines the scope of micro credit programs for reducing poverty, the constraints facing credit schemes and how they may be addressed. The findings showed among others that micro-credit schemes present enormous potentials for enhancing income generation; improving household's living condition and reducing abject poverty in rural areas.

Sani (2020) examined rural poverty trends, its effects to educational development and factors that are determinants to rural poverty in villages of (Balle, Gumsa, Kalgeri, and Kelluri) in Geidam local government area of Yobe state, Nigeria. The study employed multi-stage random sampling techniques to selects 160 respondents from the four (4) villages (forty respondents per community/village). The study used descriptive statistics, and Logistic regression Model of STATA statistical analysis. The findings reveals that there

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are poorer households (58.13%) than the non-poor households (41.88%) using the \$2 per day per head poverty line. The result of logistic regression model showed that household size, educational status, type of dwelling, nonfarm jobs and source of water are significantly associated with poverty status in the study area, while age of the household head, gender, marital status, house ownership status, assets ownership status and monthly expenditures are those factors that are insignificantly associated with poverty status in the study area.

Collin, Edson and Petronella, (2022) in their study the Impact of Microfinance Institutions on Poverty Alleviation revealed that microfinancing has been targeted as a tool to address Poverty through the provision of credit to the poor and vulnerable group in an economy. However, the main objective upon which these institutions are founded is yet to manifest primarily in developing economies. Their study also examined the role of microfinancing in poverty alleviation by employing a Vector Error Correction Model on quarterly time-series data. The results reveal a significant long-run relationship among the variables poverty, microfinancing, SMEs, and agricultural growth. Contrary to expectations, Microfinancing was found to increase poverty in the long run. SMEs and agricultural development were found to reduce the level of poverty in the long run. In the short run, regression results reveal that SMEs' growth alleviates poverty, and poverty increases the growth of microfinance loans in the country. The increase in SMEs is a tool for alleviating poverty, and the growth in microfinance institutions is also being driven by poverty.

3 Methodology

3.1 The Study Area

Yobe State which is located in the Northeastern corner of Nigeria with Coordinates of 12°00'N 11°30'E. It was carved out from former Borno State on August 27, 1991. The capital of Yobe is Damaturu and its Nicknamed as *the Pride of the Sahel*. With Total land Area of 45,502 km² (17,568 sq mi) and a population estimates of 2,321,591 (NBS, 2006).

The Yobe borders the Nigerian states of Bauchi, Borno, Gombe, and Jigawa. It's also borders with

Diffa and the Zinder Regions of the Republic of Niger to the north. Because Yobe lies mainly in the dry savanna belt, Yobe is hot and dry for most the year, except in the southern part of Yobe which has a milder climate.

The Yobe State consists of seventeen (17) Local Government Areas of: Bursari, Damaturu, Geidam, Bade, Gujba, Gulani, Fika, Fune, Jakusko, Karasuwa, Machina, Nangere, Nguru, Potiskum, Tarmuwa, Yunusari, and Yusufari.

The major ethnic group living in Yobe State is Kanuri, while other ethnic communities include Ngizim, Karai-Karai, Bolewa, Bade, Hausa, Ngamo and Shuwa, Fulani, Bura and Maga.

3.2 Sources and Method of Data Collection

The primary data are used in this study. The primary data was collected from the field survey with the aid of a well-structured questionnaire.

3.3 Population of the Study

The population of Yobe state, Nigeria is the population of study. Yobe which consists of 17 local government areas with an estimated population of two million, three hundred and twenty-one thousand, five hundred and ninety-one (2,321,591) based on the 2006 National population and housing census (NBS, 2006).

3.4 Sampling Techniques and Sample Size

A multi-stage random sampling technique was employed for this study. The first stage is the division of Yobe state into the three (3) senatorial zones: zone A (Yobe East), Zone B (Yobe South) and Zone C (Yobe North). The second stage is the random selection of the three (3) Local Government Areas (LGAs) from each of the senatorial zones. Which are **Damaturu, Gulani** and **Geidam LGAs** from zone A, **Fika, Fune** and **Potiskum LGAs** from zone B and **Bade, Machina** and **Yusufari LGAs** from zone C. The third stage was the random selection of fifty (50) respondents who benefitted from any sort of micro-credit schemes from each of the LGAs selected. These make a total of four hundred and fifty (450) respondents but it was three hundred and seventy-two (372) questionnaires retrieved which was retrieved and subjected for the study analysis.

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3.5 Model Specification

The logistic regression model of analysis was used for this study with it basis in Christiaensen and Subbarao (2004) Adekoyas (2014), and Kabuga, Adamu (2015) and Sani et at (2020) with little modifications, which informed the initial relationship between a binary outcomes variable and also a group of predictors' variables. There on the probability of being poor is specified as the value of the cumulative distribution function Z which is specified as a function of the explanatory variables.

For Positive Impact.

$$\text{Prob (Positive Impact = 0)} = 1-F (Z) = e^{z/(1+e^{-z})} = \dots\dots\dots (2)$$

Therefore, equation 1 and 2 can be written as:

$$\frac{F (Z)}{1- F (Z)} = \frac{1+e^z}{1+e^{-z}} \dots\dots\dots(3)$$

Equation 3 is simply the odd ratio in favour of household failing below the poverty line. This is the ratio of the probability that a household will be

The equation for this type of modeling is of the form:

$$\text{Prob (Poor =1)} = F (Z) = e^{z/(1+e^z)} = F (\beta_0 + \beta_1 X) \dots\dots\dots (1)$$

Where:

F (Z) = $e^{z/(1+e^z)}$ is the cumulative logistic distribution, representing the probability of being poor. Z is the poverty line; β is the vector of parameters and X is the vector of explanatory variables, this include Age, Gender, Household size, Educational status, Assets ownership, Monthly Income / Expenditure, Investment and Source of Water.

poor to the probability that it will not be poor. The natural log of equation 3 results into:

$$L_i = L_n \left(\frac{F (Z)}{1-(F)} \right) = Z = (0 + (1 X_1, \dots\dots\dots (kX_k)) \dots\dots\dots(4)$$

L_i Is the logit (i.e. natural logarithm of the odd ratio)

$\left(\frac{F (Z)}{1-(F)} \right)$ = The odd ratio in favour of the probability of being poor or non-poor.

F (Z)= 1 if household is poor and 1 – (F) = 0 if household is non-poor.

Thus, the dependent variable represents poverty status of household.

For the purpose of this study, the specification of the empirical model is as follows;

$$L_i = L_n ((F (Z)) / (1- F (Z))) = \beta_0 + \beta_1 gen + \beta_2 age + \beta_3 hou + \beta_4 edu + \beta_5 How + \beta_6 ass + \beta_6 inv + \beta_7 sou + \beta_8 mex + \beta_9 sou + e \dots\dots\dots(5)$$

Where:

Gen = Gender

Age = Age of the household head

Hou = Household size

Edu = Education Status

How = House ownership status

Ass = Assets Ownership

Inv = Investment

Sou = Source of Drinking water

Mex = Monthly expenditure

A prior expectation of this logistic regression model is that: $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9 > 0$

4 Results Analysis and Discussions

Table 1: Selected characteristics of respondents

Variables	Frequency	Percent (%)
Gender		
Female	251	67.47
Male	121	32.53
	372	100.00
Age in years		
18 to30	42	11.29
31 to 40	180	48.39
41 to 50	100	26.88
51 above	50	13.44
	372	100.00
Household Size		
1 to 5	100	26.88
6 to10	122	32.80
11 to15	98	26.34
16 above	52	13.98
	372	100.00
Educational status		
Non formal	190	51.06
Primary	62	16.67
Secondary	55	14.78
Tertiary	45	12.10
Others	20	5.38
	372	100.00
House ownership status		
Owned by household	93	58.13
Not owned by household	67	41.88
	372	100.00
Assets ownership		
Farm land	221	59.41
Livestock	49	13.17
Food stock	22	5.91
Landed Property	24	6.48
None	49	13.17
	372	100.00
Investment		
Yes	240	64.52
No	132	35.48

	372	100.00
Source of water		
Treated pipe borne	23	6.18
Borehole	150	40.32
Hand pump	56	15.05
Well	84	22.58
River or Pond	50	13.44
Others	9	2.42
Total	372	100.00

Source: Field Survey, (2022).

The major socio-economic characteristics in the study area captured on frequency and percentage (%) of respondents were depicted on table 1 and equally in table 2, where the study indicates 67.47% of the respondents are females, while age of the respondents are of active age of which most of them are of age bracket 31 to 50years (75.27%), while their educational status is discouraging because most of them had no formal education entirely and in terms of assets ownership status most of them own relatively small size farm lands (59.41%) then few that had livestock (13.17%). About 64.5% of the respondents have investment apart from their primary income in farming jobs.

The average monthly income and expenditures of the respondents is ₦27,038.

Looking at the above socio-economic characteristics of gender, age bracket, Educational, ownership of assets, monthly income and expenditures. This indicates a strong, large and active population in the study area in which would be of advantage once utilized properly. The educational status, assets ownership status, average monthly income are of negative trends and that cannot be unconnected with the lower educational facilities and the usage of crude agricultural tools, implements and methods in the study area.

Table 2: Micro-credits Classification

Micro-credit Impact	No. Respondents	Percentage (%)
Negative	82	22.04
Positive	290	77.96
Total	372	100.00

Source: Field Survey, (2022).

Table 3, presents factors in determining the probability of a household to be poor or non-poor, and because of the dichotomous nature of the

dependent variables coded as poor (1) and non-poor (0), logistic regression model was employed in the analysis.

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Table 3: Result of Logit Model and Marginal Effect

Variables	Logit	Marginal Effect
Gender(gen)	.4924688 (.554183)	.104384 (.10997)
Age in years(age)	.0123262 (.0226677)	.0027665 (.00508)
Household size(hou)	.0811429* (.0485038)	.0182119* (.01083)
Educational status(edu)	-.1077775* (.1521617)	-.0241898* (.03414)
House ownership status(how)	-.0783757 (.4028481)	-.0175908 (.09037)
Assets ownership(ass)	-.0036842 (.1515531)	-.0008269 (.03401)
Investment (inv)	-1.050399** (.4044163)	-.2412505** (.09245)
Source of water(sou)	.4354464** (.1591766)	.0977324** (.03531)
Monthly Expenditure (mex)	-3.90e-06 (.0000162)	-8.76e-07 (.0000)
Constant	-1.7796601 (1.436965)	
No of Obs = 372 LR ch2(10) = 29.82 Prob>chi2 = 0.0017 Pseudo R2 = 0.1416		

Source: Authors' computation from field survey data (2022) using STATA 12.

The figures in parenthesis are p-values. They implies ***significant at 1%, **significant at 5% and *significant at 10%.

The factors that are significant with the micro-credit supply in the study are household size, educational qualification, investment and source of water supply. While, those factors that are insignificant in explaining the probability of being poor in the study area are household head gender, age, house ownership status, assets ownership and monthly expenditure, also to note that marginal effect is of interest in logit regression model analysis and not the signs of the coefficients.

As depicted from the logit model result in table 3, shows that there is direct relationship between micro-credit supply with household size and good source of water supply which the likelihood will significantly increase taking the marginal effects by 1.8% and 9.8% respectively.

The result also shows that some factors such as educational status level were increases the

probability of household being non-poor by 2.4% and that make them technically in utilizing the micro-credit given to them. The investment factor also indicates potentiality as those households with some job(s) other than their primary farming job have probability of utilizing micro-credit effectively by 24%. This collaborates the findings of Sani et al 2018.

From the foregoing, it can be asserted that micro-credit supply has positive and significant effect on the well-being of citizens in the study areas.

5 Conclusion

The study examine critically the impact of micro-credit on poverty reduction in Yobe state, Nigeria. Factors that are the determinants to micro-credit on poverty reduction in Yobe state was also assessed. The study further finds out that there are

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positive impact of micro-credits by all sort micro-credits schemes or programmes on households in Yobe state (77.96%). Logistic regression model (logit) using STATA 12 was used to analysed a wide range of household socio-economic characteristics to detect the determinants of micro-credits supply on poverty reduction. The result showed that household size, educational status, investment and source of water supply are significantly associated with micro-credits supply, while the age of the household head, gender, house ownership status, assets ownership status and monthly income are associated with micro-credits supply in the study area.

The study further reveals that microfinance credits have in recent times picked up momentum in the drastic reduction of poverty. Ten years after the introduction of community banks/microfinance banks in Nigeria, poverty was still increasing though at a decreasing rate with the increase of microfinance credit. However, persistent increase in microfinance credit leads to drastic reduction of poverty. Thus, increase in microfinance credit currently reduces poverty in Nigeria.

Recommendations

The study proffers some recommendations as follows: the calls on the establishment of more microfinance banks in all the communities in Yobe state and Nigeria by extension. The government should promote stable macroeconomic environment. As no meaningful development would be achieved without stable macroeconomic.

Furthermore, Micro-finance Banks are self-financing and sustaining institution. It is important that government should not renege in any of the promises packaged in the Micro-Finance Policy Framework. Also Government should check on disintermediation and conduit piping. This is where Micro-Finance Banks

mobilize savings from the rural areas and place such funds as deposits in commercial banks.

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