Impact of Microfinance Banks Policy on Rural Development in Kwara State

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Abstract

The importance of microfinance banks (MFBs) in providing diversified, affordable and dependable financial services to the un-served, but economically active clients in the rural areas cannot be overemphasized. In view of this, the government of Nigeria saw the need for the establishment of the 2005 microfinance bank policy, created to serve the informal sector. However, not more than five years after the establishment of the policy, records show that there was already great distress in the system as microfinance banks had failed to achieve their set obligations. Hence, this study examined the contribution of microfinance banks policy to rural development in Kwara State, Nigeria. Specifically, the study examined the effect of micro-finance bank policy objectives on the existence of MFBs in rural communities of Kwara State as well as examined the divergence views between MFBs' officials and their customers in respect of the achievement of MFBs policy objectives in the rural communities of Kwara State. The study employed primary data obtained through questionnaire. Descriptive statistics, multiple regression analysis and t-test were used to achieve the objectives of the study. Results of the regression analysis revealed that there is positive relationship between the adoption of microfinance banks and its policy objectives of savings culture, provision of investment loans, and employment opportunities in rural areas of Kwara state at 5 percent significant level except the provisioning of advisory and linkage service which were not significant. The results were also confirmed through the t-test analysis conducted. The study concluded that microfinance banks policy has contributed to rural development in Kwara State, Nigeria. The study therefore, recommends among others that the regulatory agencies should as a matter of urgency license, regulate, monitor and evaluate the performance of microfinance banks so as to help solve the problems of unemployment.

1. Introduction

1.1. Background of the Study

In many developing countries, the rural poor are often denied access to financial support because of inadequate infrastructure and banking systems. This may however be overcome where microfinance systems are introduced. There are ample evidences which suggest that Nigeria is grossly under banked. According to [23], "There are about 2,193 bank branches in Nigeria which indicate one branch to 60,000 persons." This situation falls short of expectation in comparison with the distribution of banks in other countries like United Kingdom where they have a ratio of one branch to 3,500 persons, United States of America has a ratio of one bank branch to 400 persons and India has one to 30,000

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persons [24].

Consequently in 1977, the Rural Banking Scheme (RBS) was introduced in Nigeria with a view to improving access to credit and other banking services for rural development. The scheme compelled commercial banks to open rural branches alongside urban branches. It also compelled commercial banks to invest 50% of deposits mobilized by their rural branches in the rural areas. In spite of the scheme, the rural areas remained largely under banked. [20] reported that in 2004, about three decades after the introduction of the scheme, there were only 722 rural branches of commercial banks representing a mere 24% of total bank branches and an average of less than one rural bank branch per local government area.

However, [12], contended that commercial banking does not appear to be the appropriate framework for rural banking. He identified the need for rural savings banks with specific clientele and tailored to the needs of their client communities. The community-banking scheme appears to have been a response to this need. The scheme is a coalescence and modernization of two traditional institutions with which rural producers of agricultural and other products are familiar [13].

In 2005, community banks were transformed into Microfinance banks due to their inability to meet required policy demands. In concept, microfinance is the provision of a broad range of financial services such as savings, loans, payment services, money transfers, and insurance to poor, low-income persons, households and their microenterprises. The licensing of Microfinance banks in Nigeria commenced in 2005 for the purpose of providing financial services to the economically active poor and low-income earners, to help them start or expand income-generating activities in their communities. Major benefits that can be derived from MFBs include: saving money in the bank as an account holder, borrowing from an MFB, transferring money from one part of the country to another and access to micro-leasing, micro-insurance, advisory services etc.

In the view of [19], he opined that microfinance institutions and banks are fast becoming a household name globally due to its acceptance as a means of reaching those people that were not served by the conventional banks. It therefore means that the adoption of microfinance policy in Nigeria and other countries is part of the global financial integration in the provision of tailor made financial services to those outside the catchments of the conventional banks either as a result of their income, location, literacy level or discrimination. This may be the reason for a major increase in number of microfinance banks in Nigeria with more coverage area. As at December 31, 2013, there were 832 MFBs in operation many of which continued to exhibit various degrees of safety and soundness concerns to the

Regulatory Authorities [14].

1.2. Statement of Problem

Prior to the establishment of Microfinance banks in 2005, community banks in Nigeria were in operation and they were characterized with various ailments and defaults such as weak capital base, inability to generate employment, weak institutional capacity, huge un-served market, inability to reduce the level of poverty in the country, little or no improvement in the savings culture of the poor and so on which were primarily the purpose for their establishment. In view of this, the government of Nigeria saw the need for restructuring to take place in the sub-sector. This led to the establishment of the 2005 microfinance policy created to serve the informal sector a policy that would not only enhance monetary stability, but also expand the financial infrastructure of the country as well as maintain the best international practices.

However, not more than five years after the establishment of the policy, record shows that there was already great distress in the system as microfinance banks had failed to achieve their set obligations. The examinations carried out by the Central Bank of Nigeria (CBN) between March–June 2010 revealed that they failed to target their market "*the active poor*" [4]. Consequently, CBN closed down majority of the Micro Finance Banks (MFBs) due to various shortcomings and challenges experienced by the banks at the period. This led to the review of the existing Regulatory and Supervisory Guidelines policy in 2011. In 2013 NDIC in collaboration with the CBN conducted routine examination of 731 MFBs in Nigeria. The examination findings still revealed that some of the institutions were incapable of honoring their obligations to their customers as at when due. A total of 106 MFBs were subject of serious regulatory concern. Out of that number, 12 MFBs were rendering skeletal services, 4 were undergoing restructuring, 7 had voluntarily closed shop while the licenses of 83 others were revoked [14].

This study therefore, intends to access the set objectives of MFBs by the CBN some of which are: to increase employment in the country, mobilize deposits of the poor, increase participation of the poor in socio-economic development and whether they have been able to achieve some of these objectives. The study specifically wants to access the contribution of MFBs to Rural Development in Kwara State.

1.3. Research Questions

In view of the above problem statement, the paper seeks to ask the following questions.

1. What are the effects of micro-finance banks policy

objectives on the existence of MFBs in rural communities of Kwara State?

2. What are divergence views between MFBs' officials and their customers in respect of the achievement of MFBs policy objectives in the rural communities of Kwara State?

1.4. Objectives of the Study

The main objective of the study is to examine the contribution of microfinance banks policy to rural development in Kwara State, Nigeria. The specific objectives are to:

1. analyze the effect of micro-finance bank policy objectives on the existence of MFBs in rural communities of Kwara State.

2. examine whether there are divergence views between MFBs' officials and their customers in respect of the achievement of MFBs policy objectives in the rural communities of Kwara State.

1.5. Research Hypothesis

Ho_1 There is no significant relationship between the existence of MFBs in rural communities in Kwara State and micro-finance banks policy objectives: (Savings Culture, Investment and Loan, Employment Opportunity and Advisory Service).

Ho_2 There is no significant mean difference between the views of MFBs' officials and their customers in respect of the achievement of MFBs policy objectives in the rural communities of Kwara State

2. Literature Review

The importance of micro financing cannot be over emphasized as it is believed to be playing an ever increasing roles in poverty alleviation programmes. These roles include helping women and other under-privileged groups/individuals to engage in productive economic activities which can promote their income levels and the economy as a whole [26]. According to the 2005 Micro-finance Policy Framework, MFBs were promoted to provide financial services to the economically active poor in the society. The policy was targeted at creating an environment of financial inclusiveness where the capacity of micro, small and medium enterprises (MSMEs) would be boosted, thereby contributing to economic growth and development through job creation that would lead to improved standard of living and poverty reduction. The specific objectives of microfinance policy are as follows:

1. make financial services accessible to a large segment of

the potentially productive Nigerian population which otherwise would have little or no access to financial services;

2. promote synergy and mainstreaming of the informal sub-sector into the national financial system;

3. enhance service delivery by microfinance institutions to micro, small and medium entrepreneurs;

4. contribute to rural transformation; and

5. promote linkage programmes between Universal/Development banks, specialized institutions and microfinance banks.

2.1. Impact of Microfinance Banks on Rural Transformation

Microfinance has impacted on the rural communities in such a way that it has transformed the economic, social and political life of the people. These transformations include employment generation, loan provisioning, investment opportunities, savings mobilization, credit delivery, assets financing and provisioning of technical and managerial assistance to clients. They are discussed as follows:

2.1.1. Employment Generation

Agriculture and micro enterprises contribute immensely to job creation and are of particular interest to all microfinance banks in the rural areas. According to CBN report (2008), the promotion of enterprises in rural areas by microfinance banks covers the following areas: blacksmithing, gold-smiting, watch repairing, bicycle repairing, basket weaving, barbing, palm wine tapping, cloth weaving, dyeing, food selling, carpentry, brick-laying, pot-making, leather works etc. Although, these industries exist in urban areas, but they are more prominent in the rural areas. It has, therefore, been acknowledged that the rural setting is a home of many industries, which could be developed to contribute significantly to the national economy as rural people are often self-employed than urban people [10].

2.1.2. Microfinance Loan

A microfinance loan is granted to the operators of micro-enterprises, such as peasant farmers, artisans, fishermen, youths, women, senior citizens and non-wage workers in the formal and informal sectors. The loans are usually unsecured, but typically granted on the basis of the applicant's character, the combined cash flow of the business and household. The tenure of microfinance loans is usually within 180 days (6 months). Tenures longer than six (6) months would be treated as special cases. In the case of agriculture or projects with longer gestation period, however, a maximum tenure of twelve (12) months is permissible. In housing microfinance,

a longer tenure of twenty-four (24) months is permissible. In line with best practices, the maximum principal amount does not exceed N500,000,00 or one (1) per cent of the shareholders fund unimpaired by losses and/or as may be reviewed from time to time by the CBN. Microfinance loans also require joint and several guarantees of one or more persons. The repayment may be on a daily, weekly, monthly, bi-monthly basis or in accordance with amortization schedule in the loan contract (Micro finance prudential guideline, 2011).

2.1.3. Investment Opportunities and Viability Options for Micro Finance Bank in the Informal Sector

The informal sector is the source of livelihood for the majority of the population in Nigeria, thus, the development of this sector is imperative for the development of the entire economy. The micro-finance banking scheme can make a significant contribution to the development of the informal economy and consequently to national economic development.

2.1.4. Savings Mobilization and Credit Delivery

Microfinance is close to the rural dwellers, commercial banks find it difficult to establish contact in the rural areas due to insecurity and high overhead cost. Because of these, there are a lot of un-bankable population in the rural areas, hence there was no financial institution is available for use, this makes their marginal propensity to consume to be very high and the marginal propensity to save is given as low as 5% [16]. But with the advent of modern microfinance in these communities, most rural dwellers have developed the habit of saving, hence microfinance banks now tie any credit advance to compulsory saving. Such savings now earn interest for the people and encourage savings by the rural population.

2.1.5. Assets Financing

Most microfinance banks help their customers to acquire some needed assets and allow them to pay within a specific period of time. For instance, hair dressers and barbers need generators for the smooth operation of their business due to the epileptic power supply in Nigeria. Some do not have the finance to get their assets. Men and women who are into frozen foods also need some equipment that they cannot afford due to their limited resources, and some that are into business centers also need certain assets to start off. Such assets are computer sets, generators, office equipment and household items. Their microfinance banks arrange with the suppliers to supply these items to their customers and allow their customers to pay back within a specific period.

2.1.6. Provision of Technical and Managerial Assistance to Clients

Microfinance banks assisted in large measure on improvement of skill acquisition especially for the rural women and adult-literacy. This is done through building capacities for wealth creation among enterprising poor people, promoting sustainable livelihood by strengthening rural responsive banking methodology and the introduction of simple cost benefits analysis in the conduct of businesses. New methods and innovations are introduce to the prospective entrepreneurs by the banks professional, while at the end of the production period, the proceeds are shared and the entrepreneur, if so wishes, can continue on his/her own after the necessary skills and production techniques have been acquired [25].

2.2. Theoretical Framework

In an attempt to provide sound theoretical underpinning for this study, the system theory is adopted as a theoretical frame work in line with the work of [18].

2.2.1. System Theory

System theory sees organization as a system that interacts with the environment and is composed of interdependent parts or subsystems, with boundaries separating it from its environment and other systems. This implies that Micro Finance Banks if well managed will play vital roles by positively impacting on the economic status of its host community. Secondly, it shows the responses of Micro Finance Banks to her citizens in terms of credit availability. The theory further boosts the change, dynamism and facilities arising from the existence and proximity of microfinance banks to citizens of the country. Furthermore, for a functional and operational Micro Finance Banks, all the departments must be transparent, interdependent and work in a cooperative manner. The theory also explains the relationship between the parts on one hand and between the parts and the whole system on the other hand [18]. From the foregoing, the application of system theory to Micro Finance Banking as agent of Rural Development is considered to be relevant in the context of our discussion.

2.2.2. Empirical Studies

Several studies have been carried out to examine the contribution of microfinance banks to rural development in Kwara State. There seems to be a consensus from most of the studies reviewed with common conclusion that microfinance banks have contributed meaningfully to economic growth and development in Nigeria. A review of some empirical literature is provided below.

In the work of [21], he investigated the activities of

Microfinance banks as a veritable tool for reducing poverty and unemployment in developing economies. He made use of both theoretical and empirical literature review. He identified the needs for the establishment of Microfinance Banks, microfinance policies and goals, policy strategies, frameworks for the supervision of microfinance banks and the challenges of MFBs in Nigeria. From the findings, the study recommended that the banks should provide diversified, affordable and dependable financial services to the active poor to enable them develop sustainable entrepreneurial activities. He further suggested the need to create employment opportunities and increase the productivity of the poor in Nigeria, thereby increasing their individual household income and uplifting their standard of living.

The study by [15] showed the impact of microfinance on rural transformation in Nigeria using the descriptive research. Their findings revealed that micro-finance has impacted positively on the rural poor by providing loans and advances for agriculture, investment opportunities, savings mobilization and credit delivery. Their recommendations among others were that MFBs need to match products to clients' needs, broaden the range of products and services to the poor, as well as a closer look into the activities of the microfinance banks by the regulatory authorities.

Drawing attention to [18] in a time series data from (2007-2012) where focus was more on Microfinance banks and rural development in Nigeria using both primary and secondary sources of data collection. The study revealed that the role of Microfinance Banks in rural transformation and development in Nigeria is of high threshold. They concluded that microfinance policy and programmes are good empowerment measures which if properly managed would go a long way in improving the condition of lives of the rural dwellers.

More so, [15] examined the impact of microfinance bank on rural transformation in Nigeria. The methodology used by the researcher was descriptive statistics. The findings of the study showed that micro-finance has impacted positively on the rural poor by providing loans and advances for agriculture, investment opportunities, savings mobilization/credit delivery; asset financing and community development financing. They recommended that MFBs products should address customers' needs, examination of cash flows and repayment cycles, broaden the range of products and services to the poor. Meanwhile, the report noted that regulatory authorities should look closer to the activities of the microfinance banks on a regular basis.

A report by [27] examined the effectiveness of Microfinance Banks in alleviation of poverty in Kwara State, Nigeria. The data collected were analyzed through the use of t-test and Analysis of Variance (ANOVA). Their research findings revealed that microfinance banks have significant roles to play in economy building as it helps in reducing poverty by providing financial services to the active poor, helps in generating employment and also provide small loans to grow small businesses. They concluded that microfinance policy should further be publicized so that members of low income groups will be aware of what microfinance institutions have to offer them and how they can obtain financial services to grow their small businesses.

Also, [17] 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. The data used was adopted from National Bureau of Statistics (NBS) and analyzed through factor and regression analysis on a quadratic equation model. The result of the analysis identifies five factors: low profit, high prices of commodities, hard economic times, and lack of finance to start or expand business, as critical factors causing poverty. The researcher therefore, recommended that the monetary authorities should put in place the financial superstructure necessary for making mandatory the establishment of microfinance banks in every community, if poverty will be aggressively fought.

3. Methodology

3.1. Study Area

The study was conducted in Kwara State, Nigeria. Kwara State is made up of 16 Local Government Areas (LGAs) and notable among the institutions that provide financial services in the State are the Bank of Agriculture (BOA), Commercial Banks, Microfinance Banks and Ministry of cooperatives societies. Majority of the people in the State dwell in the rural areas where agriculture is the major source of living [27].

3.2. Sampling Technique and Data Collection Instruments

The population of the study comprises of all the micro finance banks in Kwara State. A purposive random sampling technique was adopted in selecting MFBs resident in rural communities in Kwara state. A total of Ten (10) micro-finance banks (MFBs) out of the twenty two (24) MFBs were selected with one microfinance bank selected from each local government area. The microfinance banks are: Ilofa MFB Ltd, Osi MBF Ltd, Heritage MBF Ltd, Oro Ago, Stock Corp MFB Offa Ltd, Omu-Aran MFb Ltd, Ours MFB Offa, Ibolo MFB Offa, Janmaa MFB Eyekorin and Ajokobi MFB Ilorin. Constituting about 41.6% of all the MFBs in Kwara State as at 2015.

A likert scale structured questionnaire was used to collect all

relevant information for the study. The questionnaire was designed in two phases; one phase was answered by the staff of the microfinance whereby 12 staff were selected each from the MFBs giving the total of 120 MFBs staff. The second phase was directed to the community members who were the MFBs clients whereby 10 clients were randomly selected giving a total of 100 (Clients) communities members. A total of 220 respondents were selected in total for the study. A copy of the questionnaire is attached in the appendix.

3.3. Validation of Research Instrument

Comprehensive research instruments were developed and tested before the real investigation started. The questionnaires for this research were administered on 120 Microfinance bank Staff and 100 MFB Clients. The questionnaire was designed to capture the objective of the study. To validate the primary research instruments, we used face validity: Face validity simply means that the validity is taken at face value [29]. As a check on face validity, sample of the questionnaires were sent to experts on the subject matter to obtain suggestions for modification. The instrument was scrutinized and properly validated for its face content by three experts, one in the Department of Accounting and Finance Kwara State University and Two Managers of Microfinance Banks in Ilorin Kwara State. These resource persons vetted the items in the questionnaire in terms of clarity and relevance, and their comments were used in the revision of the instrument. Finally, for the reliability test of the survey instrument, the study conducted Cranach's alpha test which is the measure of internal consistency of the data collected during the survey processes.

3.4. Data Analysis Method

Various Statistical methods employed to compare the data collected from both respondents i.e. bank staff and bank clients of the ten selected MFBs in Kwara State. The statistical analytical tools adopted for the purpose of the analysis include percentages, frequency distribution tables, and independent sample t-test and regression analysis. Objective one was analyzed through the regression analysis while objective two was analyzed using independent sample t-test.

4. Results

4.1. Data Analysis

This session contains the various descriptive and inferential analysis conducted in the study. They include the descriptive analysis, normality test of the data collected from the bank staffs and bank clients while regression and independent T test were used in establishing the relationship between the dependent and independent variables in the study.

4.1.1. Preliminary Analysis of Bank Staff and Client

Table 1 showed questionnaires distribution to MFBs senior bank staffs and bank client. For bank staff, a total of 120 questionnaires were administered (12 per bank) only 103 were returned. These represent a response rate of 86% which implied that 14% of the questionnaires were not returned at all. A total of 100 questionnaires were administered on MFBs clients, however only 93 were returned. This represents a response rate of 93% and this implies that 7% of the questionnaires were not returned at all.

Table 1. Questionnaire Success Rate.

Variables	Target respondents	Successful	Success rate (%)
Preliminary Analysis of Bank Staff	120	103	86%
Preliminary Analysis of Bank Client	100	93	93%

Table 2. Bank Staff Working Experience and Position.

Working Experience of Respondents							
PERIOD	1 - 6 months	1 Year	1 - 2 year	3 - 4 Years	4 -5 Years	Above 5 Years	Total
Frequency	7	8	12	19	25	32	103
Percent	6.8	7.8	11.7	18.4	24.3	31.1	100

Table 3. Bank Staff Working Position.

Work Position of Respondents					
	Teller	Relationship Officer	Accountant	Customer Service Officer	Managing Director
Frequency	8	25	12	12	5
Percent%	7.8	24.3	11.7	11.7	4.9
Work Position of Respondents					
	Operational Manager	Marketing Manager	Supervisors	Others	Total
Frequency	5	28	1	7	103
Percent%	4.9	27.2	1	6.8	100

The working experience of the respondents is indicated in Table 2. Majority of the respondents have been working with the bank for more than 5 years. The table also shows that only 7 respondent had below 6 months' work experience representing 6.8% of the respondents. 8 or 7.8% respondents had less than 1 year experience, 12 or 11.7% of the respondent had between 1 and 2 years working experience. 19 or 18.4% respondent had between 2 to 3 years working experience, 25 or 24.3% had working experience of between 3 to 5 years while 32 or 31.5% respondents had above 5 years working experience. This implied that most of the respondent have gotten the experience to be able to respond to the questionnaire.

As shown in Table 3, the highest percentages of the respondents, 24.3% and 27.2%, were relationship officers and marketing managers of the MFBs respectively, accountants and customer service officers, each had an average score of 11.7% while the least percentages of the respondents, 1%, 4.9%, 4.9%, 6.8% and 7.8% were supervisors, managing directors, operational managers and teller officers respectively. The result showed that marketing managers and relationship officers responded most while least respondents were supervisors, managing directors and operational manager and average respondents were accountants and customer service officers. This indicated that vital sections of the bank were adequately represented in the questionnaire.

Table 4. Educational Qualification.

	Frequency	Percent
Primary	9	8.7
Secondary	6	5.8
Tertiary	77	74.8
Others	11	10.7
Total	103	100.0

Source: Authors Computation from SPSS, 2016

The table 4 above showed the academic qualification analysis of respondents. 8.7% of the respondents hold a primary school leaving certificate, 5.8% of the respondents holds a secondary school certificate while 74.8% hold a tertiary certificate. The remaining 10.7% has a degree higher than a first degree. This implied that majority of the respondents possess the knowledge and skills required or adequate to provide necessary response with 85.5% of them having more than first degree education.

Table 5. Occupation of clients.

	Frequency	Percent
Trader	61	65.6
Farmer	3	3.2
Welder	1	1.1
Transporter	2	2.2

	Frequency	Percent
Hair dresser	6	6.5
Furniture	3	3.2
Teacher	9	9.7
Tailor	2	2.2
Electrician	5	5.4
Medicine Store	1	1.1
Total	93	100.0

Source: Authors Computation from SPSS, 2016

Table 5 showed the occupation of the respondents which revealed that majority of the clients were traders, taking 65.6% of the total respondents. 3.2% of the respondent were farmers while welders and medicine store owners' accounts for 1.1% each of the total respondents. 2.2% of the respondents were into transport service while 6.5% are hair dressers. Also, 3.2% of the respondents were furniture while 9.7% were teachers. Respondents who were tailors amount to 2.2% of the total respondents and electricians are 5.4%. This implies that larger percentage of MFB clients in the selected rural communities are traders.

Table 6. Length of bank patronage.

	Frequency	Percent
Less than 6 months	10	10.8
1 yaears	19	20.4
1-2 years	42	45.2
3-4 years	15	16.1
4-5 years	1	1.1
above 5 years	6	6.5
Total	93	100.0

Source: Authors Computation from SPSS, 2016

Table 6 showed the duration in which the clients have been patronizing the banks. 10.8% of the respondent had been banking with the bank for less than 6 months, 20.4% for one (1) year. 45.2% of the respondent had been banking with the banks between one (1) year and Two (2). 16.1% of the respondents had been banking with the banks for three (3) to four (4) years and 1.1% of the respondents had been banking for four (4) to Five (5) years while 6.5% of the respondents had been customers with the banks for more than Five (5) years. This showed that the average patronage of the MFB's clients is between one and two years indicating a low retention of clients and a low patronage of MFBs in the rural communities.

4.1.2. Reliability of Constructs for the Bank Staff and Clients

To conclude on the independent and dependent variable constructs, the variable constructs was subjected to reliability test. Reliability refers to the property of a measurement instrument that causes it to give similar

results for similar outputs. One way of testing the consistency between the items in each factor is through Cronbach's alpha test. According to [23], a scale with a Cronbach's alpha higher than 0.7 is required in order to create a reliable construct of multiple variables. Therefore, the four independent variables and the construct of the dependent variable were tested.

Table 7. Cronbach's Alpha Test Result.

CRONBACH'S ALPHA TEST RESULT					
BANK STAFFS CONSTRUCT			**BANKS CLIENTS CONSTRUCT**		
Variables	**Cronbach's alpha**	**No of items**	**Variables**	**Cronbach's alpha**	**No of items**
Adoption of micro finance bank (dependent variable)	0.774	6	Savings culture	0.88	4
Savings culture (independent variable)	0.724	6	Employment	0.75	4
Employment (independent variable)	0.757	4	Advisory services and linkages	0.77	3
Advisory services and linkages (independent variable)	0.833	5	Investment loan capital	0.65	5
Investment loan capital (independent variable)	0.753	4	Average	0.76	4

Source: Authors Computation from SPSS, 2016

As shown in Table 7, the consistency among the variables was determined using the Cronbach's alpha for all four independent variables which are 0.72, 0.75, 0.83 and 0.75 while the dependent variables shows 0.77 which are good score for responses from bank staff.

Also, In order to determine the reliability of the scales used in eliciting responses from bank clients, the instrument was pretested and the results revealed that the lowest was 0.65 and the highest as 0.88 while the average was 0.76. The Cronbach alpha according to Chadwick *et al*. (1984) as cited in [8] were of the opinion that reliability wouldl be acceptable at a level of 0.6 or above, with absolute reliability of 1.0, implying that the scales on the questionnaire that were used to measure the four sections were reliable and consistent [9].

4.1.3. Normality Test of Constructs

The normality test conducted showed the saving culture construct of -0.374 skewness with a kurtosis of -0.584, investment and loan of -0.932 skewness with a kurtosis of -0.185, employment opportunity of -0.912 skewness with kurtosis of -0.724 and advisory service of -0.673 skewness with a kurtosis of -0.305; all proved that the variables were normally distributed as there value falls between -1.96 and +1.96 [5-7].

4.2. Multiple Regression Analysis

In order to test for the first Null hypothesis of contribution of microfinance bank to rural development in Kwara State, multiple regression analysis was conducted and the result is as shown in the table below.

Table 8. Summary of Regression Result.

Model Dependent Variable: Adoption of Microfinance Bank (AMB)	Coefficients β	Std. Error	P-Value Sig.
(Constant)	2.838	0.567	0.000
Saving culture (SC)	0.157	0.058	0.025
Employment Opportunity (EMO)	0.031	0.012	0.023
Advisory services and linkages (ASL)	0.139	0.069	0.452
Investment loan (IL)	0.186	0.097	0.039
R Square 0.655			
Adjusted R^2 0.602			
F Statistics 2.942			
Sig. of F- Statistics 0.024			
Durbin-Watson 1.763			

Source: Authors Computation from SPSS, 2016

Table 8 showed the values of estimated linear regression coefficients of saving culture, employment opportunity, advisory services, as well as linkages and investment loan. The Beta value showed the relationship between the variables in the model. The values of coefficients, beta and constant were used to construct the regression model, the model is shown below:

$$(AMB) = 2.838 + 0.157(SC) + 0.031(EMO) + 0.139(ASL) + 0.186(IL)$$

From Table 8 above, employment Opportunity has the highest and positive significant coefficient of 0.031 at a significance level of 0.023 (significant at 5% level.) which implied that every one unit increase in employment

opportunity would cause adaptation of microfinance bank to increase by 3%. The variable saving culture has a positive coefficient of 0.157 which indicated a unit increase in saving culture would cause adaptation of microfinance bank to increase by 16%. Also, the variable Advisory services and linkages has a positive coefficient of 0.139 which indicated that a unit increase in Advisory services and linkages would cause adaptation of microfinance bank to increase by 14% while investment loan with positive coefficient 0.186 indicated that a unit increase in investment loans would cause adaptation of microfinance bank to increase by 19%. Therefore, three variables were significant out of the four explanatory variables used in the model.

On the diagnostic aspect of the model, the value of adjusted R^2 explained that 60% of the variation in the dependent variable was explained by the independent variables of the model. The value of F statistics is 2.942 with significance level of 0.024 (significant at 5% level). Therefore, the model for this study is considered to be fit. Affirmatively, the value

Durbin Watson (DW) is 1.76 which is close to 2 is an evidence of no serial correlation. If the value of DW is less than one (1) as rough rule of thumb, there may be cause for alarm [11]. This means there were dual standards of measuring the model fitness. Looking at the model fitness, the model was fit for this study, going by the F statistics and Durbin Watson measurements.

4.3. Independent Sample T-test

The study further compared the responses of bank Staff with that of their clients to further confirm the contribution of MFBs in rural communities. This is the strand point of the second objective that there is no significant mean difference between the views of MFBs' officials and their customers in respect of the achievement of MFBs policy objectives in the rural communities of Kwara State. To confirm this, independent sample t-test was applied. The result is shown in the table 9 below:

Table 9. Independent Sample T-test.

Variables	Mean Differences	t-value	Probability P > 0.05
Saving Culture	3.740	t(149.211)=6.357; p > 0.05	0.417
Investment Loan	4.664	t(163.685)=5.969; p > 0.05	0.624
Employment Opportunity	0.507	t(183.745)=5.331; p > 0.05	0.521
Advisory and linkage Services	0.721	t(173.961)=11.783; p > 0.05	0.018

Source: Researchers' Design, 2016

Table A3 in the appendix revealed that the Levene's test is less than 0.05 at an Alpha level of 0.05. Therefore, the first row (equal variances assumed) was rejected. This implied that the variances were not equal, and that the second row (equal variances not assumed) was used to interpret the results of the t-test.

For the saving culture, Table 9 indicated that independent sample is statistically non-significant with p – value of 0.417 (p > 0.05) at t – value of 6.357. This implied that there existed no significant mean difference in the views of respondents (bank staff and bank clients) regarding the saving habit of the various rural communities sampled. Also, Investment loan and employment opportunity were observed

to be non-significant with p – values of 0.624 and 0.521 respectively and each at respective t – values of 5.969 and 5.331 respectively. This supposed that there was no mean difference in the views of respondents (bank staff and bank clients) regarding investment loans and the employment opportunity in the rural communities covered by the study.

Meanwhile, advisory and linkage services revealed a significant mean difference with p- value of 0.018 at t – value of 11.783. This implied that the views of the bank staff and bank clients were different regarding the provisioning of advisory and linkage services to clients by the banks in the rural communities covered by the study. Table 10 and 11 gave a reflection of our findings from objective One and Two.

Table 10. Findings on Hypothesis $Ho_{1(a, b, c, d)}$.

Hypotheses	Variables	Findings
$Ho_{1(a)}$	There is no significant relationship between the existence of MFBs in rural communities in Kwara State and micro-finance banks policy objective of Savings Culture	Significance
$Ho_{1(b)}$	There is no significant relationship between the existence of MFBs in rural communities in Kwara State and micro-finance banks policy objective of provisioning of Investment Loan,	Significance
$Ho_{1(c)}$	There is no significant relationship between the existence of MFBs in rural communities in Kwara State and micro-finance banks policy objective of Employment Opportunity	Significance
$Ho_{1(d)}$	There is no significant relationship between the existence of MFBs in rural communities in Kwara State and micro-finance banks policy objective of Advisory Service and Linkages.	Not Significance

Source: Researcher's Design, 2016

Table 11. Findings on Hypothesis Ho$_{2(a, b, c, d)}$.

Hypotheses	Variables	Findings
Ho$_{2(a)}$	There is no significant mean difference between the views of MFBs' officials and their customers in respect of the achievement of MFBs policy objective of savings culture.	Not Significance
Ho$_{2(b)}$	There is no significant mean difference between the views of MFBs' officials and their customers in respect of the achievement of MFBs policy objective of provisioning of Investment Loan,	Not Significance
Ho$_{2(c)}$	There is no significant mean difference between the views of MFBs' officials and their customers in respect of the achievement of MFBs policy objective of Employment Opportunity	Not Significance
Ho$_{2(d)}$	There is no significant mean difference between the views of MFBs' officials and their customers in respect of the achievement of MFBs policy objective of Advisory Service and Linkages.	Significance

Source: Researcher's Design, 2016

5. Discussion of Findings

Descriptive statistics, regression analysis and independent sample t-test were employed to examine the contribution of microfinance banks policy to rural development in Kwara State, Nigeria. The results of the study from the regression analysis showed a coefficient value of (0.031) 3% which basically is low but significant. That is to say the Micro finance banks in Kwara State has low impact as far as employment generation is concerned in the rural areas of Kwara state in Nigeria. This is consistent with the studies carried out by [16]; [28]; [17] and [1] on their various states in Nigeria. The findings from the study connotes that even though microfinance banks usually extend credits and other services to rural enterprise, hence generating employment and promoting entrepreneurship, the impact is still very low in the rural areas of Kwara State. The sample t-test analysis further confirmed this result as there is no difference in the responses of both the MFBs staff and their customers in terms of employment generation within the rural areas where the MFBs are located.

The findings of the study also revealed that there is positive relationship between microfinance banks and savings culture of their clients in the study areas with a coefficient value of (0.157) 16%. It was also observed that Microfinance banks are providing timely saving and affordable services to the economically active poor in Kwara State. This is consistent with the study of [1], even though the coefficient value of 16% is also low, but the value is far better than that of employment generation. The sample t-test analysis also confirmed this result as there is no difference in the responses of both the MFBs staff and their customers in relation to the fact that micro finance banks really promote the habit of savings culture among the rural dwellers in Kwara State.

Furthermore, the study also revealed that there is positive relationship between microfinance banks and provisioning of Investment Loan in the rural areas of Kwara State with a coefficient of (0.186) 19%. This is supported with the findings of [16] and [28]. Provisioning of credit is one of the important functions of MFBs as the loans extended are used to expand existing businesses and in some cases to start new ones. The sample t-test analysis also confirms this result as there is no difference in the responses of both the MFBs staff and their customers in relation to the provisioning of investment loans to MFBs clients in the rural areas of Kwara State.

However, the study explicitly showed that the MFBs were not effectively linking their clients to other financial institutions such as the commercial banks and other development financial institutions i.e. Bank of Agriculture (BOA) and Bank of Industry (BOI) as the coefficient is not significant on the adoption of MFBs in the rural areas of Kwara State. The sample t-test analysis also confirmed this as there is a significant difference in mean of the responses of MFBs staff and their customers in relation to effective linkage of MFBs Clients to other financial institutions.

Holistically, this study is consistent with a-priori expectations and also consistent with the study of [2]; [1] and [12].

6. Conclusion

The importance of micro finance bank as the response to the need for rural savings with specific clientele cannot be overemphasized. In view of the importance of microfinance bank in savings among dwellers of rural areas and employment generation, the government of Nigeria saw the need for restructuring to take place in the sub-sector. This led to the establishment of the 2005 microfinance policy to serve the informal sector such that it would be a policy that would not only enhance monetary stability, but also expand the financial infrastructure of the country as well as maintain the best international practices.

However, not more than five years after the establishment of the policy that record showed that there was already great distress in the system as microfinance banks had failed to achieve their set obligations. Hence, this study examined the contribution of microfinance banks policy to rural development in Kwara State, Nigeria. In order to answer the research objectives of this study, primary data were collected through questionnaires from the staff of MFBs as well as their Clients in the selected areas. From the analyses carried

out, the study revealed that there is positive significant relationship between the adoption of MFBs and their policy objectives on savings culture, provisioning of investment loan, employment opportunity among the rural dwellers in Kwara state.

The study however, revealed an insignificant result on the activities of MFBs in relation to advisory and linkage services to their clients. Based on the findings of the study, the study concluded that microfinance banks policy has contributed to rural development in Kwara State, Nigeria. This conclusion is practically in line with the system theory meaning that for microfinance objectives to be a success in Nigeria all the aspects of the policy objectives as a whole should be functional [19]. Finally, it is worthy of note to state that if Micro Finance Banks are well managed, they will play a vital role by positively impacting on the economic status of their host community. Future studies can however cover wider perspectives by considering more States in Nigeria.

7. Recommendations

Based on the conclusion above, the following recommendations are suggested:

i   The government should through its regulatory agencies fully adopt and support the implementation of microfinance banks policy as a medium of solving the problems of unemployment since it has been revealed from the study that microfinance banks contributed to employment generation in rural areas.

ii Microfinance banks should be encouraged to increase their branches so as to reach out and provide loans to more clients in order to achieve greater investment purposes. Also, MFBs should assist dwellers of rural areas by providing training on credit utilization.

iii Government should further encourage the activities of Micro Finance Banks (MFBs) by creating enabling environment so that they can further support the growth of business enterprises in rural areas in Kwara State.

iv Finally, there should be effective training of MFBs Staff in Kwara State on the importance of proving advisory and linkage services to their clients. Also, MFBs should assist dwellers of rural areas by providing training on credit utilization.

Appendix

Table A1. Results of T-test and Coefficients of Regression.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		β	Std. Error	Beta		
1	(Constant)	2.838	.567		5.009	.000
	Savings Culture	.157	.058	.059	2.550	.025
	Employment	.031	.012	.042	.409	.023
	Advisoryservices and Linkages	.139	.069	.212	2.028	.045
	Investment Loan	.186	.097	.189	1.913	.039

Table A2. Model Summary [b].

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.327[a]	.655	.602	.49103	.107	2.942	4	98	.024	1.763

a. Predictors: (Constant), investment loan, Advisory services and linkages, employment, saving culture
b. Dependent Variable: adoption of microfinance bank

Table A3. Independent Samples Test.

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
SAVING CULTURE	Equal variances assumed	200.148	.000	6.133	193	.221	.37400	.06098	.25373	.49427
	Equal variances not assumed			6.357	149.211	.417	.37400	.05883	.25775	.49024
INVESTMENTANDLOAN	Equal variances assumed	95.902	.000	5.795	193	.421	.46644	.08049	.30769	.62519
	Equal variances not assumed			5.969	163.685	.624	.46644	.07814	.31214	.62074

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
EMPLOYMENT OPPURTUNITY	Equal variances assumed	15.461	.000	5.232	193	.332	.50728	.09697	.31603	.69853
	Equal variances not assumed			5.331	183.745	.521	.50728	.09516	.31954	.69502
ADVISORY SERVICE	Equal variances assumed	43.150	.000	11.496	193	.000	.72119	.06273	.59746	.84492
	Equal variances not assumed			11.783	173.961	0.018	.72119	.06121	.60039	.84199

Note that equal variances are assumed when the significance of the Levene's test is greater at an Alpha level of 0.05. When the Significant value is less than 0.05 at an Alpha level of 0.05 the first row (equal variances assumed) is rejected. This implied that the variances are not equal, and that the second row (equal variances not assumed) is used to interpret the results. In this case the Sig value is less than Alpha, indicating that for these variables the second row (equal variances not assumed) is used to interpret the results of the t-test.

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