

THE ROLE OF MICROFINANCE BANK IN POVERTY ERADICATION USING POVERTY INDICES AND HOUSEHOLD INCOMES AND EXPENDITURES

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ABSTRACT

This study examined the role of microfinance bank in poverty eradication using poverty indices and household incomes and expenditures. The study was carried out among rural communities in all the three senatorial district of Oyo State, Nigeria. This study was carried out in 2014 and targets the customers of microfinance banks that were between the ages of 18 and 60 years, who are gainfully employed and can repay loans. Data were also sourced from the records of the microfinance banks through the administration of questionnaire to staff of microfinance banks on the selected local government areas. A total of two hundred and forty (240) questionnaires were administered. Foster-Greer-Thorbecke poverty model (1988) was used to measure poverty index. The results of Chi-square test indicates that socio-economic characteristics varies significantly with Senatorial Districts and was observed to be significant at the probability value of 0.001 that is, it is significant at more than 99% confidence level. For instance 98.8%, 97.9% and 97.2% respectively in Oyo south, Central and North Senatorial Districts reported improvements in their socio-economic lives as a result of participation in microfinance banks poverty alleviation programmes in the study area. The results from Bi-variant analysis showed, there is significant relationship between determinants of the incidence of poverty in the study area. Conclusions were made that Oyo South, Central and North Senatorial Districts reported improvements in their socio-economic lives as a result of their participation in microfinance bank poverty alleviation programmes. Moreso, education, monthly income, large household size, expenditure is the major determinants of the incidence of poverty in the study area. Among others, it was recommended that microfinance bank should be encouraged on the formation of co-operatives with members in the similar business that can enjoy credit facility jointly to reduce operating cost, which will reduce interest rate as well as a reduction in the likelihood for borrowers to default.

KEYWORDS: *Poverty Indices, Microfinance Bank, Poverty Eradication, Loan, Rural Area*

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