Microfinance Banks Activities and Standard of Living in Nigeria

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Abstract: *Among the goals of democratically elected governments world over, especially in the developing countries is to uplift the standard of living of the citizens. Absence of quality standard of living leads to a mirage of social ills. Low standard of living is associated with poverty. Poverty is associated with lack of necessary wherewithal. Availability of credit is one source to fight poverty. Microfinance banks are friendly institutions available to the poor. They provide the poor the needed credit. This study sets out to examine the impact of microfinance banks activities on the standard of living in Nigeria. Annualized time series for twenty years covering the period (1993-2012) were collated from the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS) and National Population Commission (NPC). Standard of Living (RGDP_TP) was the dependent variable while microfinance banks activities (RTD_TC) were adopted as independent variable. The controlled variables were liquid liability (M_2), Interest rate (IR) and Federal Government capital expenditure. Multiple linear regression model was adopted for the test of the hypothesis. The result showed that microfinance banks activities do not have significant positive impact on standard of living in Nigeria. This is contrary to the setting up of the Microfinance Policy Framework by CBN in 2005 which saw the existing community banks transformed to the microfinance banks. Offered recommendations as a panacea included: the establishment of core microfinance banks that will serve the core poor and not the rich. Establishment of microfinance banks within the locus of the poor and not the rich, jettisoning of tangible collaterals for microfinance credit but rather relying on social collaterals, and creation of products by the microfinance banks that will be structured to the environment of their clients.*
Keywords: Standard of living, microcredit, microfinance, poverty alleviation.

I. Introduction

Standard of Living is closely related to the quality of life. Human beings toil day and night to improve and or maintain their standard of living and consequently the quality of life. Government, especially in developing countries, aim at improving the standard of living of her people. This forms the major campaign promises in especially democratic developing countries.

Standard of living can be defined as the level of wealth, comfort, material goods and necessities available to a certain socio-economic class in a certain geographic area. The standard of living includes factors such as income, quality and availability of employment, class disparity, poverty rate, quality and availability of housing, hours of work required to purchase necessities, gross domestic product, inflation rates, access to quality health care, quality and availability of education, life expectancy, incidence of disease, cost of goods and services, infrastructure, natural economic growth, economic and political stability, political and religious freedom, environmental quality, climate and safety (www.investopedial.com/terms/s/standard-of-living.asp).

Standard of living can be used to compare geographic areas, that is, one country and another. It can also be used to compare different periods of a country. Standard of living is not coterminous with poverty.

They rather share an inverse relationship. Poverty begets low standard of living. To achieve high standard of living and consequently good quality of life, poverty has to be consigned to the archive.

Many development practitioners had come with weapons aimed at fighting poverty. Of the United Nations seven Millennium Development Goals (MDGs), the first was the call for the reduction of, by one half (½) in the number of people living in extreme poverty and hunger by the year 2005, which was later, shifted to 2015 (DFID, 2000).

According to Bello and Roslan (2010), poverty has no single definition. The concept of poverty is defined according to the perception of the individual looking at different circumstances. Poverty is the absence of the needed wherewithal to achieve a desired goal. It is a lack (Okafor 2015). Poverty can be absolute or relative. Both can be denominated on currency. Absolute poverty is the inability to earn at least one US dollar per day, while relative poverty is the inability to earn up to one-third (⅓) of the average income per capita in a jurisdiction. Absolute poverty can hardly be eradicated but can only be alleviated (Rubana 2008, Lalitha 2008).

Poverty is accused of many ills in the society. The on-going disquiet in the North Eastern part of Nigeria is attributed to poverty. This poverty is as a result of unemployment and so the disturbance offers employment to the idle youths. People arrested for kidnapping in the country blame poverty and unemployment for their ordeal.

The poor does not lack the initiative or the knack for tenacity. The poor lacks the wherewithal to actualize their dream.

The Central Bank of Nigeria (CBN, 2005) states that in Nigeria, the formal financial system provides financial services to about 35% of the economically active population, while the remaining 65% are excluded from access to financial services. This 65% make up largely the micro, small, and medium enterprises (MSME). The issue of MSME in development and job creation are keys in economic development efforts. The job creation will lead to alleviation of poverty.

The discrimination by the formal financial system against the 65% of the economically active population is because they have no tangible collaterals to pledge for financial services to them. Microfinance Institutions (MFs) and non-governmental organizations (NGOs) come handy to assist the rejects by the formal financial service providers.

The success of the microfinance institutions globally, especially, in the Asian countries have been acclaimed.

To regulate the activities of these microfinance institutions, the Central Bank of Nigeria came up with the Microfinance Policy Framework. This Framework midwifed the establishment of microfinance banks in Nigeria in 2005. Existing community banks transformed to microfinance banks (CBN, 2005).

The emergency of the microfinance banks was an attempt to provide financial services to those denied by the formal financial services providers. This aimed at providing jobs, creating wealth, empowering the poor and alleviating poverty in the country. Previous pro-poor schemes introduced in the country included: the Nigerian Agricultural and Co-operative Bank (NACB) in 1973, Agricultural Credit Guarantee Scheme fund (ACGSF), 1976, the National Directorate of Employment (NDE) in 1986, and Nigerian Bank for Commerce and Industry (NBC), 1973. Others include the Family Economic Advancement Programme (FEAP), 1997, the Community Banks (CB) in the 1990s, the National Poverty Eradication Programme (NAPEP), among others.

All these did not significantly alleviate poverty and, therefore, did not enhance the standard of living in the country.

To access the impact the microfinance banks activities have on the standard of living in Nigeria is what this paper is set out to achieve. The null hypothesis tested was that: microfinance banks activities do not have a significant positive impact on standard of living in Nigeria. Section one is the introduction, while sections two and three are reviews of the related literature and the research methodology respectively. The data presentation and analysis are in section four, while section five contains conclusion and recommendations.

II.   Review of Related Literature

This section will review the coloration between poverty and standard of living; factors that will enhance standard of living such as employment; factors that will create employment such as availability of credit; institutions that can provide credit to the small and medium entrepreneurs who are the engine of the economy. Key of such institutions are the microfinance institutions and banks. The section will then review the contribution microfinance institutions and banks have made in various jurisdictions and in Nigeria. These will be treated under theoretical and empirical review.

Kankwenda, M., Gregoire, L., Legro H. and Quedraogo, H. (2000), hold that about 1.2 billion of the world population live in extreme poverty and hunger. The population for the developing countries is a frightening 30%. Poverty causes and/or worsens many problems in these developing countries. For Egwuatu (2008), more than 80 percent of households in developing countries do not have access to secure loans from formal financial institutions. To Ruben (2007), the world poorest people face a great barrier in accessing basic financial services. Their major problem is that they do not own property and therefore lack tangible collateral for credit. Many live in rural areas far from the formal financial providers. Many cannot read and write even to sign their names. In a jurisdiction where this class of people dominates, the standard of living is bound to be low.

Unemployment is a forerunner to poverty, while poverty begets low standard of living. To achieve high standard of living therefore, there should be employment. The National Bureau of Statistics (NBS) of Nigeria as cited by CBN (2010) defines unemployment as the population of labour force that is available for work but did not work for at least 39 hours in the last week proceeding the survey period. Labour force is defined as consisting of a number of people aged 15 and above who are employed and unemployed.

Because of the age range of the unemployed labour, they are easily restive and create insecurity such as the current unrest in the North Eastern part of Nigeria. Employment, therefore, is one sure way to stem the restiveness of the youth, empower them, drag them from the shackle of poverty and enhance their standard of living. But this army of youths lacks the necessary wherewithal to create employment for themselves such as tailoring, barbing, hair saloon, shoes and bags production and other small and medium scale enterprises. Microcredit and microfinance have come to the rescue of this group.

The terms microcredit and microfinance are often used synonymously (Bateman 2011). But they are not.

Microcredit provides small loans to the poor for undertaking self-employment projects that could generate income and enable them provide for themselves and their families (Chavon&Ramakuma 2002).

Microfinance according to Otero (1999) is the provision of financial services to low income poor and very poor self-employed people. These financial services according to Ledgerwood (1999), generally include savings and credit but can also include other financial services such as insurance and payment services.

To Okafor (2015) microfinance is a lift above microcredit. It provides mini-supermarket of microfinance services for the poor. These include: microcredit, micro-savings, micro-leasing, micro-insurance, money transfers and micro-investment services. Microcredit is thus a sub-set of microfinance.

Elahi, and Rahman (2006) are of the view that microcredit evolved as a part of paradigm shift in development thinking. To improve the social and economic conditions of former colonies, national and international agencies were created to transfer Western funds and materials (Harcourt 2009). The non-governmental organizations (NGOs) were the channels through which microcredit were doled out to the people. The people took it as government handout. The NGOs were not sustainable and so short-lived.

The evolution of microcredit services from the domain of charity to financial sustainability metamorphosed into microfinance.

There are two major fundamental conceptional differences between microcredit and microfinance. The first concerns profit motive. NGOs or non-profit oriental bodies that run microcredit programme do not by definition, seek to make profit. Microfinance however is a for-profit private venture. The second fundamental conceptional difference concerns the means by which the operations are financed. Microcredit programmes that are run by non-profit orientation depend upon external finance; but microfinance programmes set out to make profit, must eventually be self-financing and sustainable (Elahi&Rahman 2006).

Montgomery and Weiss (2005) argue that microfinance is a mechanism for reducing poverty. It is the credit granted the poor by the microfinance institutions that empowers them and helps pull them out of poverty. Idohor and Imhanlahi (2011) agree that credit helps the poor create income. To the extent of the poor creating income, their standard of living increases. The Grameen Bank of Bangladesh has been referenced as a success story of a microfinance institution. The spread of the Grameen Bank idea, a microfinance institution, around the world has drawn keen attention from researchers, policy makers and agencies interest in rural development.

Muhammad Yunus and the Grameen Bank jointly won the 2006 Nobel Peace Prize for pioneering the provision of microcredit to the poor.

The use of microfinance as a tool to alleviate poverty has received different reactions from researchers. Sharma (2000) and Kuramanalwa et al (2003) are in favour. Jayawardana (2001) and Coleman (2001) are totally against using microfinance as a tool of poverty alleviation because of the poor performances of the microfinance institutions. Two main reasons for this poor performance of the MFIs are given. The first is that the core poor are left out in these schemes. The second is that there is always a decrease in social programmes like spending on primary health, education and food due to diversion of funds towards microfinance institutions (Jayawardana, 2001).

Various studies in Nigeria on MFIs posted differing conclusions. Abiola and Salami (2011) who studied the "Impact of Microfinance Bank on the Standard of Living on Hairdressers in Ogbomosho North Local Government Area of Oyo State was positive. Also Yahaya et al (2001) following their study on the "Effectiveness of Microfinance Banks in Alleviating Poverty in Kwara State, Nigeria" established positive impact on the active poor. In the study of "The Impact of Micro-Credit on Poverty Alleviation and Human Capital Development: Evidence from Nigeria", Onwumere, Ibe and Ugbam (2012) found that Microfinance Banks activities in Nigeria, had negative non-significant impact on poverty index. On his own part, Okpara (2010), studying "Microfinance Banks and Poverty Alleviation in Nigeria", finds that microfinance credit lowers poverty in Nigeria. Also, Jegede et al (2011) in their study of "Impact of Microfinance on Poverty Alleviation in Nigeria" concluded that there was a significant positive difference between those people who used microfinance institutions and those who did not. To them, MFIs alleviate poverty.

It is this poverty alleviation catechism that influenced the Central Bank of Nigeria (CBN) to come with the microfinance Policy Framework in 2005. This Policy led to the establishment of microfinance banks in Nigeria.

III. Research Methodology

This study adopted the e*x-post-facto* research design. Annualized data for twenty years, 1993 – 2012, were sourced from the Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS). Multiple linear regression model was adopted to test the hypothesis. Dependent, independent and controlled variables were applied. The model was stated as:

$$RGDP\_TP = \beta_0 + \beta_1 RTD\_TC + \beta_2 RLL\_GDP + \beta_3 IR + \beta_4 RGE\_GDP + \varepsilon_t \quad ....3.1$$

Where:

RGDP_TP	=	Ratio of GDP to Total Population, a proxy for standard of living.
RTD_TC	=	Ratio of Total Deposit to Total Credit.
RLL_GDP	=	Ratio of Liquid Liabilities to GDP.
IR	=	Interest Rate
RGE_GDP	=	Ratio of Government Capital Expenditure to GDP.
β_0	=	Constant of the Regression
β_1,	=	Coefficient of the Explanatory Variable
ε_t	=	Random Error Term

3.2 Explanation of the Research Variables
3.2.1 Dependent Variables

The ratio of GDP to Total Population (RGDP_TP) was proxied for standard of living. According to Wikipedia (2013), standard of living refers to the level of wealth, comfort, materials goods and necessities available to a certain socio-economic class in a certain geographic area. It is closely related to the quality of life. Standard of living is used to compare geographic areas and can also be used to compare distinct points in time. It is generally measured by income per capita. Hence, income per head for the purpose of this study measured the ratio of the gross domestic product of the nation to the total population as given by the National Population Commission (NPC).

3.2.2 Independence Variables

Microfinance Bank Activities (RTD_TC): The principal aim for the establishment of microfinance banks is for deposit mobilization and granting of credit. The target population is the poor. The Regulatory and Supervisory Framework for Microfinance Banks in Nigeria, CBN (2005) (2) describes microfinance credit as a facility granted to an individual or a group of borrowers whose principal source is derived from business activities involving production or sale of goods and services. Generally, a microfinance credit is granted to the operators of micro-enterprises, such as peasant farmers, artisans, fishermen, women, senior citizens and non-salaried workers in the formal and informal sectors. The credits are usually unsecured but typically granted on the basis of applicant's character.

3.3 Controlled Variables

Controlled variables are those variables whose impacts must be controlled or neutralized in order to limit their influence on both the dependent and independent variables (Onwumere 2009). Flowing from this, the study considered it necessary to control the following variables:

3.3.1 M_2 (RLL_GDP):

To the CBN Statistical Bulletin (2011), M_2 comprises M_1 plus quasi money; where M_1 encompasses currency outside banks, plus demand deposits; and quasi money equal time, savings, and foreign currency deposits of commercial banks and merchant banks and other private deposits at merchant banks. The status of M_2 has direct bearing on microfinance banks activities. An increase in the volume of M_2 will lead to an increase in the volume of microfinance deposit and more available fund for credit. A decrease in the volume of M_2 will have a reverse effect on the microfinance banks activities.

3.3.2 Interest Rate (IR):

The interest rate controlled is the lending rate. The Monetary Policy Rate (MPR) determines the size of interest rate in Nigeria. The MPR is the rate at which the CBN lends to money deposit banks. This determines the cost of fund at any adjustment. An upward adjustment will lead to high cost of fund and less borrowing while lower adjustment will attract more credits. Microfinance banks credit activities will therefore be influenced by the interest rate to that extent.

3.3.3 Federal Government Capital Expenditure (RGE_GDP)

The expenditure of the Federal Government of Nigeria falls principally under two headings: recurrent expenditure and capital expenditures. Recurrent expenditure involves expenditure on items that do not go beyond a fiscal year. Such expenses include personnel costs on government staff. On the other hand, capital expenditure involves expenditure whose benefits go beyond a fiscal year. They include expenditure on roads, schools, hospitals, etc. Capital expenditure involves large amount of money. Whereas recurrent expenditure is commonly for the benefit of the individual recipient, capital expenditure is commonly for the welfare of the

people. Higher capital expenditure will lead to higher standard of living of a people in a geographic area the money is spent. The quality of life will be enhanced.

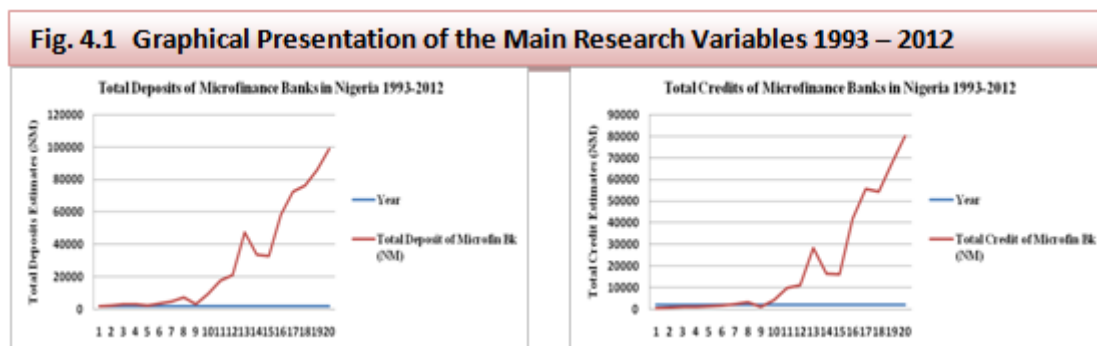## IV.   Data Presentation Analysis
4.1 Data Presentation
The data used in this study were decomposed into main variables data, controlled variables data and transformed data. The main variables data comprised total deposits of microfinance banks, their total credit, Nigeria's Gross Domestic Product (GDP) and the total population of Nigeria. The controlled variables were with respect to money supply component (M_2), interest rates, and Federal Government capital expenditure, while the transformed variables data included microfinance banks activities measure by the ratio of total deposits of microfinance banks in Nigeria to their total credits; income per capita measured by the ratio of GDP to the population of the country; liquid liability which is the ratio of M_2 to GDP; and the ratio of Federal Government capital expenditure to the GDP respectively. The annualized values of these sets of data are shown in tables 4.1, 4.2 and 4.3 below. The graphical presentation also appear as fig. 4.1, 4.2 and 4.3.
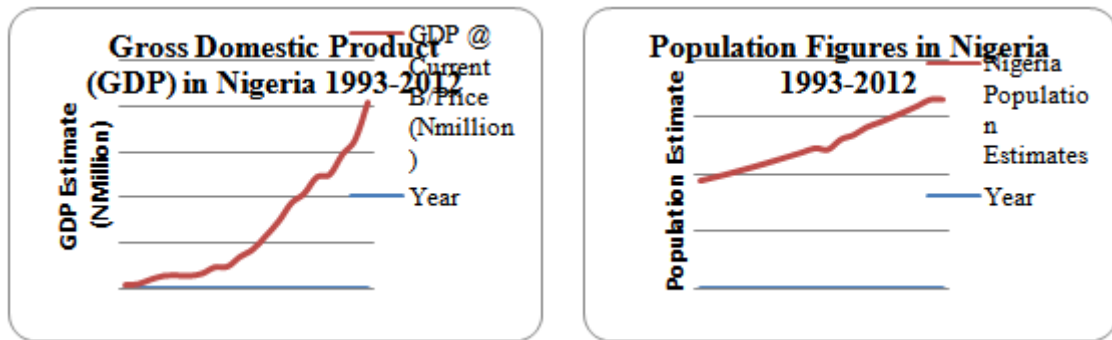
Table 4.1: Annualized Values of the Main Research Variables 1993 – 2012

Year	Total Deposit of Microfinance Bank (₦M)	Total Credit of Microfinance Bank (₦M)	GDP @ Current B/Price (₦Million)	Nigeria Population Estimates
1993	2,188.2	708.2	683869.8	94,159,224
1994	2,721.2	1147.80	899863.2	96,883,035
1995	3,344.2	1366.40	1933211.6	99,653,890
1996	3,356.4	1480.10	2702719.1	102,633,542
1997	2,730.4	1501.20	2801972.6	105,702,284
1998	3,870.8	1972.50	2708430.9	108,862,783
1999	5,102.8	2631.00	3194015.0	112,117,780
2000	7,689.4	3666.60	4582127.3	115,470,102
2001	3,294.0	1314.00	4725086.0	118,800,699
2002	9,699.0	4310.90	6912381.3	122,364,720
2003	18,075.0	9954.80	8487031.6	121,152,844
2004	21,407.9	11353.80	11411066.9	129,927,425
2005	47,523.7	28504.80	14572239.1	133,702,006
2006	34,008.8	16498.60	18564594.7	140,431,790
2007	33,008.3	16450.80	20657317.7	144,483,655
2008	58,481.3	42024.40	24296329.3	149,107,132
2009	72,750.6	55818.90	24794238.7	153,878,560
2010	76,483.7	54348.60	29205782.9	158,802,674
2011	86,044.0	67632.40	32421760.0	169360767.6
2012	98,789.10	80127.86	40544,099.94	164487469.5

Sources: CBN Statistical Bulletin 2012 (Columns 2, 3, 6, & 8); NPC, 2013;(Column 7): NBS, 2012

Fig. 4.1 Graphical Presentation of the Main Research Variables 1993 – 2012

Source: Estimated from table 4.1 Using Microsft Excel Computer Statistics (Version 2007)
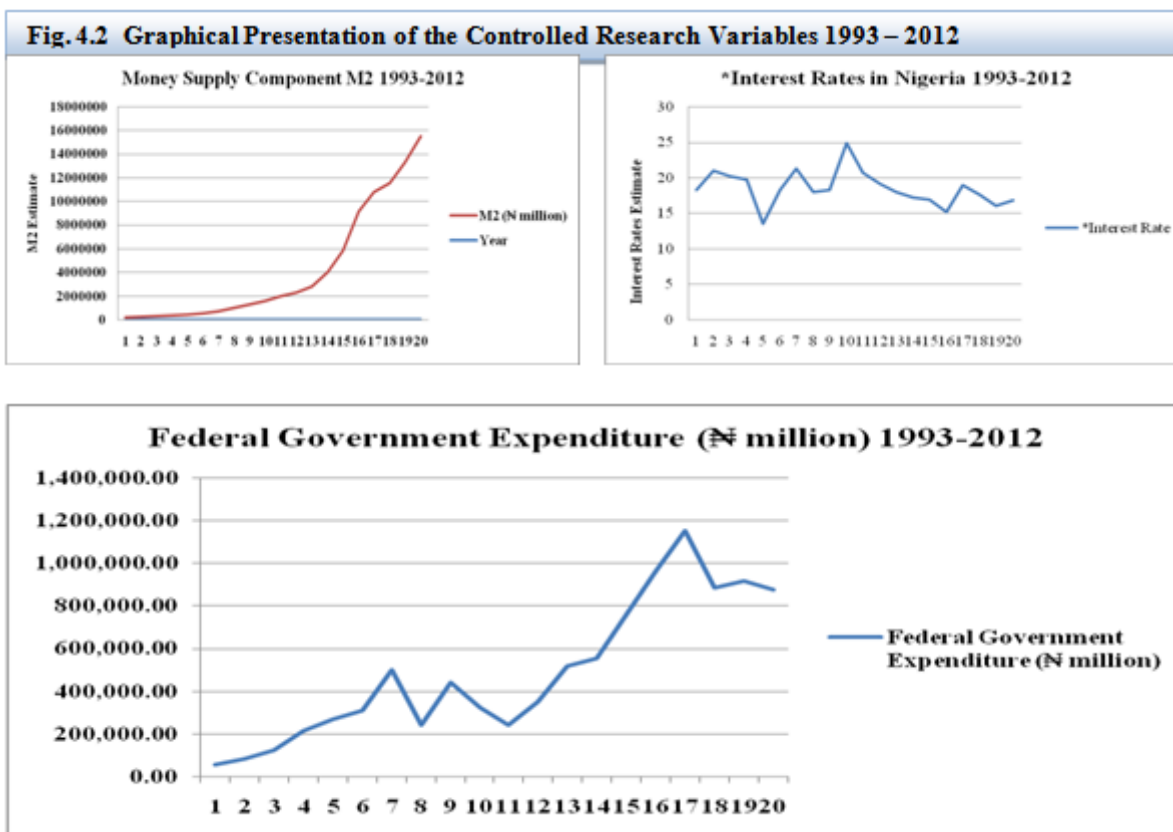
Source: Estimated from table 4.1 Using Microsoft excel Computer Statistics (Version 2007)

Table 4.1 and Figure 4.1 are schedule and chart respectively representing the values of the main variables over a period of twenty years. A cursory look at the chart depicts different bahaviours amongst the variables. The four major variables used in the study revealed various degrees of fluctuations. Specifically, total deposit and total credit of microfinance banks exhibited similar feature in agreement with theory and empirical evidence that bank deposits determine bank credits (David 2011, Eleje&Ani 2013). Both variables showed creeping and gradual movements from 1993 to 2001. The trend steeply moved upward but suddenly dropped between 2006/2007. Thereafter, they reversed in another upward direction and continued persistently throughout the remaining period of the study. The period 1993-2001, could be regarded as a period of extreme poor performance by microfinance (community) banks in Nigeria. Governments' imposition of interest rates over this period led to the inability of many community banks to recover their credits and eventually, many of them became distressed.

On the other hand, the rationale for the upward steep movements of total deposit and total credit of microfinance banks from 2004 upwards could be attributable to the policies of the monetary authorities aimed at boosting microcredit for national development. Precisely, the period 2004 marked the inauguration of the National Microfinance Policy and consequent introduction of microfinance banks (MFBs) by the Central Bank of Nigeria (CBN) as a measure to address the poor performance of community banking in Nigeria. The Gross Domestic Product (GDP) of Nigeria and the country's population figures however increased over the period of investigation. Although, there was dwindled growth in GDP during the military era, 1993-1999, precisely, the tempo changed at the eve of the civilian administration and remained at increased rate throughout the period covered. The Nigeria's annual population growth rate was based on 2.3% (CBN 2011).

Table 4.2:Annualized Values of the Controlled Research Variables 1993 – 2012			
Year	M2 (₦ million)	Interest Rate	Federal Government Capital Expenditure (₦ million)
1993	198479.20319	18.32	54,501.80
1994	266944.88647	21.00	79,918.30
1995	318763.46635	20.18	121,138.30
1996	370333.52547	19.74	212,926.30
1997	429731.33054	13.54	269,651.70
1998	525637.80000	18.29	309,015.6
1999	699733.70473	21.32	498,027.90
2000	1036079.54658	17.98	239,450.90
2001	1315869.14642	18.29	438,696.50
2002	1599494.60000	24.85	321,378.10
2003	1985191.83300	20.71	241,688.30
2004	2263587.88013	19.18	351,250.00
2005	2814846.07912	17.95	519,470.00
2006	4027901.69624	17.26	552,385.80
2007	5809826.48063	16.95	759,281.20
2008	9166835.30506	15.14	960,890.10
2009	10780627.14255	18.99	1,152,796.50
2010	11525530.34186	17.59	883,870.00
2011	13303494.50000	16.02	918,548.90
2012	15483,847.50000	16.79	874,762.27

Sources: CBN Statistical Bulletin 2012.

Fig. 4.2 Graphical Presentation of the Controlled Research Variables 1993 – 2012

Source: Estimated from table 4.2.

The annual values of the selected macroeconomic indicators with respect to financial sector development, monetary/fiscal policy activities and federal government capital expenditure in Nigeria as defined over a twenty year period are presented in Table 4.2; while Figure 4.2 represented the graphs of these indicators. A careful observation of the graphs show that the variables fluctuated over the period covered with broad money (M_2) revealing smoother and gentle upward swing than the remaining two variables. A glance at the graph reveals that the Nigerian financial sector proxied by M_2 remained relatively low and stable at the beginning of the period up to early 2000s. The situation however, changed rapidly, manifesting steeper slope from mid 2000s, precisely, from 2005 upwards with M_2 doubling in magnitude continuously till the end of the research period. The reason, however, is not farfetched. The banking sector capitalization of 2004 injected fresh financial vitality into the Nigeria financial system and this magnified the broad money (M_2).

Over the same period of study, interest rate fluctuated between approximately 13% low in 1997 and peaked at 24% in 2002. The 2004 banking sector consolidation did not leave without any effect on interest rate. Apparently, after its peak in 2002, interest rate reversed and fluctuated downward throughout the research period.

The Federal government capital expenditure also fluctuated over the research period. It was relatively low at the early stage of the period up to the inception of democracy in 1999. The era of civilian administration witnessed an upward and persistent shift in government capital expenditure. Between 2004 when the National Microfinance Policy was initiated by the Central Bank of Nigeria (CBN) and 2009, the Federal government recorded the highest amount in capital expenditure in Nigeria over the period of this study.

Table 4.3 represents values of transformed research variables including microfinance banks activities, measures of the standard of living in Nigeria, liquid liabilities, and ratio of government capital expenditure to GDP. Also, Fig. 4.3 represents graphical presentation of the transformed research variables, 1993-2012.

	Table 4.3: Annualized Values of the Transformed Research Variables 1993 – 2012			
Year	T.Deposit/T.Credit (Microfinance Activities) *	Income per Capita (Standard of Living)*	M2/GDP (Liquid Liabilities) **	Government Expenditure /GDP**
1993	3.089805	7262.91	0.2902	0.0797
1994	2.370796	9288.14	0.2967	0.0788
1995	2.447453	19399.26	0.1649	0.0627
1996	2.267685	26333.68	0.1370	0.0788

1997	1.818812	26508.16	0.1534	0.0962
1998	1.962383	24879.31	0.1941	0.1141
1999	1.939491	28488.03	0.2191	0.1559
2000	2.097147	39682.38	0.2261	0.0523
2001	2.506849	39773.22	0.2785	0.0928
2002	2.249878	56489.99	0.2314	0.0465
2003	1.815707	70052.27	0.2339	0.0285
2004	1.885527	87826.47	0.1984	0.0308
2005	1.667217	108990.43	0.1932	0.0356
2006	2.061314	132196.53	0.2170	0.0298
2007	2.006486	142973.39	0.2812	0.0368
2008	1.391603	162945.45	0.3773	0.0395
2009	1.303333	161128.61	0.4348	0.0465
2010	1.40728	183912.41	0.3946	0.0303
2011	1.27223	197259.73	0.4103	0.0283
2012	1.23289	246487.47	0.3820	0.0216

Sources: * Computed from table 4.1 where income per capita is the ratio of population to GDP
   ** Computed from table 4.1 and table 4.2

Fig. 4.3 Graphical Presentation of the Transformed Research Variables 1993 – 2012
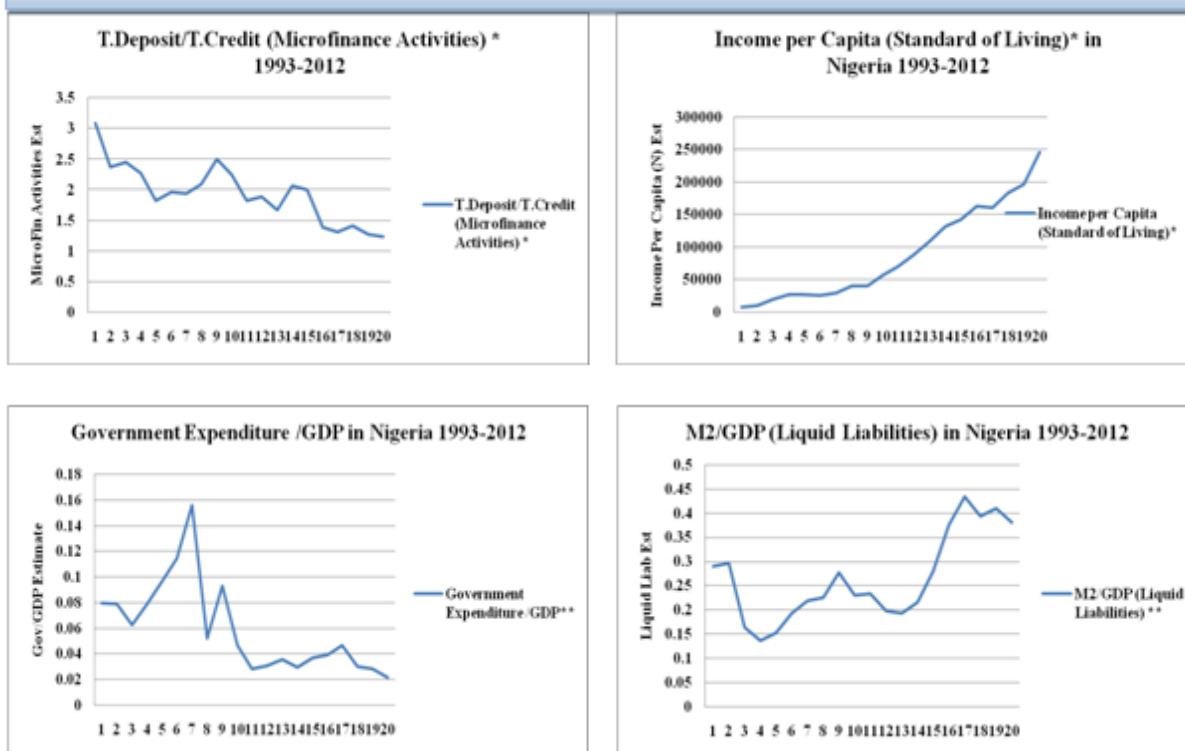
Sources: *Estimated from table 4.3 Using Microsft Excel Computer Statistics (Version 2007)

The ratio of total deposit to total credit of microfinance banks which is a measure of their activities over the period was discouraging as it fluctuated downward and continued all through the research period. Evidence from the Table (4.3) indicates that on the average, the rate at which total deposit covered loans of the banks is twice (2x) with maximum of three (3x) only at the inception of the research period in 1973. The implication is low deposit base, thus making loan advancement to prospective clients difficult. The income per capita in Nigeria over the period of study exhibited gradual and gentle upward swing all through the period. The graph, Fig. 4.3 is similar to that of the GDP in Fig. 4.1. Like the GDP, there was dwindled growth in per capita income during the military era, 1993-1999 precisely. The tempo changed at the eve of the civilian administration and remained at increased rate throughout the period covered.

Government capital expenditure was also low and fluctuated between approximately 15% in 1999 to as low as approximately 2% in 2012. For liquid liabilities, the outcome was slightly below average. It fluctuated between approximately 14% in 1996 to approximately 43% in 2009.

4.2 Data Analysis

Table 4.2.1 below shows the descriptive statistics of employed research variables.

Table 4.2.1 Descriptive Statistics of Employed Research Variables

	RGDP_TP	GDP	RTD_TC	RLL_GDP	IR	RGE_GDP
Mean	80283.70	1.13E+13	1.976895	0.259584	18.59474	0.061258
Median	56489.99	6.91E+12	1.962383	0.231400	18.29000	0.046500
Maximum	246487.47	3.24E+13	3.089805	0.434800	24.85000	0.155900
Minimum	7262.910	6.84E+11	1.272230	0.137000	13.54000	0.028300
Std. Dev.	64503.07	1.05E+13	0.462580	0.088937	2.492258	0.035122
Skewness	0.526311	0.719854	0.380818	0.655669	0.362281	1.155962
Kurtosis	1.768747	2.078922	3.054046	2.323955	3.798299	3.739058
Jarque-Bera	2.077330	2.312573	0.461551	1.723175	0.920131	4.663863
Probability	0.353927	0.314652	0.793918	0.422491	0.631242	0.097108
Sum	1525390.	2.16E+14	37.56100	4.932100	353.3000	1.163900
Sum Sq. Dev.	7.49E+10	1.98E+27	3.851641	0.142375	111.8043	0.022204
Observations	20	20	20	20	20	20

Source: Researcher's E-view Based Result 2014.

Income per capita measured by the ratio of GDP to population and used as proxy for standard of living had a mean of ₦80, 283.70 per annum over the twenty year period. The maximum and minimum income per head per annum over the period was ₦246, 487.47 and ₦7, 262.91 respectively. This means that an average Nigeria over the period earned approximately ₦220 per day. The maximum income per day was ₦675.31 while the minimum income per a day was ₦19.90. Meanwhile, the figure is below the United Nations (UN) poverty benchmark of $1.25. The implication of this statistics therefore, is that the nation's standard of living has been poor.

The GDP of Nigeria, which is the measure of the aggregate economic performance of the economy recorded over the period was average of ₦1.3 trillion with a maximum GDP per annum of ₦3.24 trillion and minimum GDP per annum of approximately ₦684 billion respectively.

Liquid liabilities measured by the ratio of M_2 to GDP were generally low over the period. The mean ratio was approximately 0.26. By implication, the money supply aggregate M_2, contributed only about 2.6% per annum to GDP over the period of this study. The maximum and minimum contributions of M_2 to GDP were 4.35% and 1.37% respectively.

The mean interest rates for banks stood at 18.59% over the study timeframe with a maximum value of 24.85% and minimum value of 13.54%. The ratio of government capital expenditure to GDP was relatively low with mean of approximately 0.6% per annum. The maximum ratio is 1.56% while the lowest ratio is 0.28% respectively. Lastly, the mean of the ratio of microfinance total deposit to total credit over the period covered was approximately 1.98%. This means higher deposit to credit and an indication of moderate liquidity of microfinance banks. Liquidity of microfinance banks was highest at 3.09 and lowest at 1.29 respectively over the twenty year period studied.

4.3 Test For Stationarity

In order to avoid the scenario of spurious results, time series data are subjected to some preliminary tests. We therefore carried out a unit root test to ascertain if our data set is stationary or not. We employed the Augmented Dickey Fuller unit root to achieve this purpose. The results are presented in table 4.3 below;

Table 4.3 Augmented Dickey-Fuller Unit Root Test

Variable	ADF Test Statistic	1% Critical Value	5% Critical Value	10%critical Value	Test for Unit Root	Durbin-Watson stat
RGDP_TP	-6.628763	-3.245715	-3.402726	-2.110963	1(1)	1.820914
RTD_TC	-5.092456	-3.245715	-3.402726	-2.110963	1(1)	1.663890
RLL_GDP	-4.627648	-3.245715	-3.402726	-2.110963	1(1)	2.208152
IR	-6.934514	-3.245715	-3.402726	-2.110963	1(1)	1.831088
RGE_GDP	-5.271805	-3.245715	-3.402726	-2.110963	1(1)	2.003999

Source: Author's

Table 4.3 presents the test for stationarity properties of our data set following the Augmented Dickey Fueller statistics. All the variables were found to be stationary at first difference (i.e. at order 1). It can be observed that the ADF statistics for the respective variables were less than the critical values at 1%, 5% and 10% level of significance. Based on this evidence, we therefore reject the null hypothesis of the presence of unit root in all the variables and accept the alternate hypothesis that all the variables are stationary. Durbin Watson statistic also indicates that our time series data has no problems of autocorrelation and confirms the reliability of our result, as DW-stat values were approximately 2.0.

4.4 Data Interpretation

Table 4.3.1 below represents the e-view output of the multiple linear regression test. The estimated coefficients of the explanatory variables in the equation are thus presented.

Table 4.4.1: Regression Results

Dependent Variable: RGDP_TP
Method: Least Squares
Sample: 1993 2012
Included observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	232244.6	57916.57	4.009986	0.0013
RTD_TC	-60863.42	15882.59	-3.832085	0.0018
RLL_GDP	245333.1	77715.85	3.156796	0.0070
IR	-2829.447	2558.292	-1.105991	0.2874
RGE_GDP	-697250.7	186373.9	-3.741139	0.0022

R-squared	0.882065	Mean dependent var		80283.70
Adjusted R-squared	0.848369	S.D. dependent var		64503.07
S.E. of regression	25117.38	Akaike info criterion		23.32144
Sum squared resid	8.83E+09	Schwarz criterion		23.56998
Log likelihood	-216.5537	Hannan-Quinn criter.		23.36350
F-statistic	26.17733	Durbin-Watson stat		1.968221
Prob(F-statistic)	0.000002			

Source: Researcher's E-view Based Result 2014.

$$RGDP\_TP = 232244.6 – 60863.42 RTD\_TC + 245333.1 RLL\_GDP – 2829.45 IR – 697250.7 RGE\_GDP \ \dots \ 4.1$$

Equation 4.1 shows a regression line intercept of ₦232, 244.6. The value is positive and statistically significant with P-value of 0.0013 less than 0.05. This shows that the income per capita in Nigeria will be constant at ₦232, 244.6 per annum when there is no change in the explanatory variables. The coefficient of total deposit to total credit (RTD_TC) is negative but statistically significant with P-value of 0.0018 less than 0.05. The negative coefficient of (-60863.42) of total deposit to total credit revealed that everyone per cent (1%) increase in RTD_TC over the period of study holding other variables constant, per capita income in Nigeria decreased by approximately ₦60,863.42. In other words, an inverse relationship exists between RTD_TC and per capita income. Liquid liabilities (RLL_GDP) showed positive and significant p-value. On the other hand, a one percent (1%) increase in interest rate over the period of study, decreased per capita income by approximately ₦2,829.5 per annum, just as a one percent (1%) increase in the ratio of government expenditure to GDP (RGE_GDP) over the period of study, decreased per capita income by ₦697,250.7 per annum. This however is questionable as the reverse should have been the case. Possible explanation could be that funds designated for capital projects were misapplied. This should attract the attention of the Policy.

Since the result of the coefficient estimate is -69863.42 and the calculated t-value is -3.832085, the null hypothesis which stated that the microfinance banks activities do not have significant positive impact on standard of living in Nigeria is accepted.

V. Conclusion and Recommendations

Comfortable standard of living is anti-thesis to poverty. Alleviation of poverty in itself is anti-thesis to availability of credit. Availing the poor with credit is a no-go area for the money deposit banks (DMBs). To the microfinance banks, the poor goes to. The effects of microfinance banks in alleviating poverty have been preached by various development practitioners. The Grameen Bank of Bangladesh has been cited as global example of microfinance institution that has pulled many of the poor out of the dungeon of poverty.

This study has considered the impact of microfinance banks on the standard of living in Nigeria. The Central Bank of Nigeria (CBN) established the Microfinance Policy Framework in Nigeria in 2005. This Policy saw the existing community banks transformed to microfinance banks. This study therefore set out to examine the effects of the activities of these microfinance banks on the standard of living in Nigeria.

The null hypothesis for this study was that "microfinance banks activities do not have a significant positive impact on the standard of living in Nigeria." This was tested and revealed an inverse relationship between microfinance banks activities and standard of living in Nigeria; that is, that an increase in microfinance banks activities (RTD_TC) resulted to a decrease in standard of living in Nigeria. It collaborated the studies of

Onwumere et al (2012), Bello and Roslan (2010). It however differed from Okpara (2010). Abiola and Idowu (2011) who concluded that microfinance banks activities alleviated poverty and enhanced the standard of living.

Komolofe (2011) beliefs that the microfinance framework in Nigeria was flawed from inception and so cannot achieve the expected objectives. It is in collaboration of this belief that this study offers the following recommendations: Establishment of core microfinance banks that will serve the core poor and not the rich. The microfinance banks should be established within the locality of the poor and not in the locality of the rich. Tangible collaterals should not be demanded for microfinance credit. This is even the more reason the conventional banks deny the poor of credit. Social collaterals which the microfinance banks should get by granting group facilities should suffice. Microfinance banks should reduce competitive office furnishing. Savings from such furnishing will increase their income. Microfinance banks should come up with products structured to their environment. Those in agrigarian areas should design their credit and repayment schedule to conform with the seasonality of the farm products. Succinctly, the financial flows and the repayment cycles of the clients should be paramount to the microfinance banks. Management and staff of microfinance banks should purge themselves of the elephant-meat-philosophy.' This is the erroneous belief that the money in a bank is inexhaustible just as the elephant meat cannot easily be totally consumed. With this philosophy, reckless granting of credit and spending become the norm. This has led to the distress of not a few microfinance banks. In summary, the improvement in operation of microfinance banks will lead to increase in their activities especially granting of credit to the poor. The credit granted the poor empowers them, draws them out of poverty dungeon and uplift their standard of living.

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