International Journal of Capacity Building in Education and Management (IJCBEM), Vol. 2, No 1, Dec., 2013
Website: http://www.rcmss.com. ISSN: 2350-2312 (Online) ISSN: 2346-7231 (Print)

Microfinance Banks and Rural Development in Nigeria (2007-2012)

Okwoli, D. M.[1]; Abubakar, Y. I.[2]; Abubakar, I. J. [3]

[1]*Dept. of Public Administration, Kogi State University, Anyigba, Kogi State, Nigeria.* ***(Corresponding Author)***
[2]*Registry Department, Kogi State University, Anyigba, Kogi State, Nigeria.*
[3]*Bursary Department, Kogi State University, Anyigba, Kogi State, Nigeria.*

Manuscript ID: RCMSS/IJCBEM/13006

Abstract
The deplorability of the life of rural dwellers in spite of the government's rural development programmes reveals the "poverty of poverty programmes" and the need to consider innovative approach that makes available financial resources for adequate rural transformation in Nigeria. Access by the poor to financial services enables them to have control over factors of production, be more self-reliant, generate employment, enhance household income and create wealth. Microfinance Banks deal with the provision of financial services to the poor who are traditionally not served by the conventional financial institutions (Nwanyanwu,n.d) in the country. Through the utilization of both primary and secondary sources of data collection, the study reveals the role of Microfinance Banks in rural transformation and development in Nigeria. The study also revealed the weak institutional capacity and weak economic empowerment of rural dwellers in the country. Thus, the study concludes 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.
Key words: Micro, Finance, Bank, Rural Development, Rural Dwellers, Policy and Government

Introduction
The condition of the rural dwellers remained deplorable in spite of the federal government's rural development programmes. Some researchers believe that government's centralist approach to this was the main reason why the programmes did not achieve much of the desired results. A more participatory and decentralized approach, which paves the way for the active involvement of these rural dwellers in their development quest, was advocated.

The success of the participatory and rural development was predicated on the fact that 70% of the nation's population lives in the rural areas where potentials for agricultural production abound. Development of local arts, crafts and technology has also been described as a veritable means of laying a solid technological base for this country. These small scale industries are more labour intensive and hence generate more employment. Their capital ratio is very low. They seem better suited to the development of home grown technology. They are more suited to the next stage of industrialization with its emphasis on local production of myriad components for use by larger scale assembly type enterprises with each of such component being the special of one small scale enterprise providing potential vehicle for mass involvement in the development effort (National Institute for Policy and Strategic Studies, 1986).

While the potentials to mass-produce food and open up small-scale industries abound in the rural areas, the major difficulty for the rural producers is capital or loanable fund. Jega and

Nkom (1995) write that a very critical factor in the struggle to reverse rural decline and to achieve a significant breakthrough in the productivity and living standards of Nigeria's rural population lies in improving the availability of credit and banking facilities in the rural areas. As they rightly pointed out, enhanced access to institutional credit is very important element in the transformation of the economic base of rural society. Institutional credit will enable the farmer to acquire more productive assets to employ more labour and to expand their scale of production. Credit facilitates the adoption of those modern out-put enhancing technologies and inputs which enables the farmer to break-out of the stranglehold of the money lender, the exploitative produce buyer and the shylock merchant, all of whom have survived and continued to prosper on usurious credit, extended to the farmer on highly unfavourable terms.

Peasant farmers and rural small-scale industrialists to meet their credit need (First Bank Monthly Business and Economic Report, 1996). To a great extent, such informed credit institutions have relieved these rural dwellers of credit and other sundry needs and problems but they have certain constraints. They have limited ability to provide terms for finance and large loans or to mobilize savings. According to Bailey (1999), they have difficulty coping with inflation. They cannot control the money in circulation or regulate people's preferences. It is equally unfortunate that the obnoxious practice of the rural dwellers burying their money in the ground, hiding them under their pillows or keeping them in calabashes will continue. A part from not helping the rural dwellers inculcate banking habits, such monies outside the banking sector are not capitalized (Mabogunje, 1995) i.e. converted into a factor of production through credit route. Therefore, the federal government deemed it expedient to provide institutions to provide the means to credit facilities at the grassroots.

Theoretical Framework

The systems theory is an analysis that originated from Biology to the social sciences through the instrument of anthropology. Its application to political science was developed mainly by David Easton, using the political system as a unit of analysis. He defined the political system as "that system of interactions in any society through which binding or authoritative allocation is made and implemented" (Varma, 1975:174). Easton believed that the political is constantly receiving a stream of events and influences from its environment, and so concentrated his study on the nature of these interactions. According to this exponent, the political systems also use these mechanisms to regulate their own structure and behaviour. This concept of a systematic persistence was emphasized by Easton.

Easton was primarily concerned with the sources of stress and the process of regulating stress. The political receives challenges as well as support from the society. The demands and supports from the environment go through conversion process and become outputs. The effects and consequences of the outputs are put back not the system as inputs through the process called FEEDBACK. The outputs are not terminal points as they are put back into the system thus, initiating another round of the complex cyclical process. What this reveals is that any organized system that is unable to sustain itself, regulate its needs and manages its conflicts to the minimal level will likely crash.

The Relevance of System Theory

The systems theory is relevant to the topic under discussion in that the theory sees organisation as a system interacting with the environment within which is composed of interdependent parts or subsystems and with boundaries separating it from its environment and other systems. This implies that the Micro Finance Bank if well managed will play vital roles in determining the effects on the indigenes of Atabaka people. Secondly, it shows the responses of micro finance Bank to her citizens in terms of credit availability to her citizens. The theory further boosts the change and 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 Bank, all the departments must be transparent, interdependent and work in 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. Applicably, the Micro Finance Banking has been a unifying factor with all sense of purpose amongst the Atabaka people. From the foregoing, the application of system theory to Micro Finance Banking as agent of Rural Development cannot be belittled.

Access by the poor to financial services enables them to have control over factors of production, be more self-reliant, generate employment, enhance household income and create wealth. Microfinance is the provision of financial services to the poor who are traditionally not served by the conventional financial institutions. In Nigeria, the formal financial system provides services to about 35% of the economically active population while the remaining 65% are (Nwanyanwu, n.d) served by the unregulated financial sector. Microfinance specific institutions in Nigeria have not been able to adequately address the gap in terms of credit (http://www.businessdayonline.com/NG/index.php/entrepreneur/entrepreneur-news/19604-travails-of-small-enterprises-_br),, deposit mobilization and other services. Thus, the need for a microfinance policy framework in Nigeria.

Microfinance bank remains one of the most regulated enterprises in the world. This is not surprising as every human activity revolves around the issue money-Its availability, its real term value and the quantity of its supply to the individual as well as corporate entities. The history of banking in Nigeria is replete with several ordinances, laws and decrees which are constantly subjected to further reviews and amendments as circumstances dictate. Banking in contemporary Nigeria has become very complex with all the attendant problems of a depressed economy, the negative exchange rate, the severe competition for an inelastic and over cautious clientele, the increasing volume of problem loans, the astronomically rising cost of funds and interest rates, the lack of product differentiation and a largely disoriented work force. All these dictate that community bankers must be dedicated, honest, and vigilant and be prepared to make sacrifices that will make their banks grow.

A new innovation, no matter how good or profitable, is received in every society with caution. While some people are quite willing and eager to accept innovation, some tarry a little longer waiting to see how it goes before joining. To many outsiders all banks are alike. They accept deposits and make loans. The banking industry, in turn, is often viewed as a uniform competitor with nonbank financial services companies. However, to insiders there are many variations among banks, with the distinction between Micro Finance banks and all other banks being one of the most important. As the name suggests, Micro Finance banks focus their activities on local communities, gathering deposits and lending within a restricted trade area rather than operating in regional or national markets. Because of their narrow focus, these banks are generally smaller. In fact, many market participants label banks with less than $1 billion in assets as (http://www.readbag.com/frbatlanta-filelegacydocs-hein-article-final_br) microfinance banks. Bankers not only view microfinance banks as being far different from large banking organizations but also draw important distinctions between different types of (http://www.readbag.com/frbatlanta-filelegacydocs-hein-article-final_br) microfinance banks. For example, the banking industry sponsors many trade associations.

Most states have associations for independent (micro finance) banks, whose members are typically the smallest institutions, in addition to a state bankers association, which generally draws members from all size banks. As another illustration, when evaluating micro finance bank performance, most bankers and analysts compare performance across banks of similar size that operate in similar geographic markets with the same general strategies. In fact, the uniform bank performance report set up by the Federal Financial Institutions Examination Council (FFIEC) selects peer institutions for banks on the basis of size. Policymakers also often focus their attention narrowly on community banks. For example, because community banks are associated with small business lending, local community development, and direct customer contact, policymakers have worried whether such banks will be able to survive threats brought by consolidation of the banking industry. Implicitly, policymakers worry whether consolidation will reduce the availability of credit to small businesses and impose rising fees on consumers. While the banking industry has experienced dramatic changes over the past twenty years (http://www.readbag.com/frbatlanta-filelegacydocs-hein-article-final_br), microfinance banks have survived and in many cases prospered. Regulatory changes during this period include geographic deregulation, with the passage of the Interstate Banking and Branching Efficiency (Riegle-Neal) Act of 1994 and the general elimination of restrictions against interstate and intrastate banking, and branching and product deregulation with the passage of the Financial Services Modernization (Gramm-Leach-Bliley) Act in 1999. The last twenty years have also witnessed extraordinary technological changes, which have directly affected the banking industry.3 Amid these changes, many microfinance banks, have flourished financially (see Bassett and Brady 2010), and de novo banks continue to enter the scene to the surprise of many who expected greater consolidation of small banks resulting from significant scale and scope economies in banking. Many factors and circumstances argue against the success of micro finance banks: excessive concentration of risk in lending; competitive pressures from deregulation and new technologies; and limitations on market power, brand recognition, and technological investment (see Berger 2010; http://www.readbag.com/frbatlanta-filelegacydocs-hein-article-final_br). Their size presumably prevents smaller banks from adequately diversifying credit risk and prevents management from investing sufficiently in new technologies to compete effectively. According to aggregate data, most large banks are becoming more cost efficient in their operations while smaller banks are not, making it more difficult for smaller banks to offer a sufficiently broad range of services at competitive prices (see FDIC 2002; http://www.readbag.com/frbatlanta-filelegacydocs-hein-article-final_br). These latter factors hinder the growth in non-interest income, an attractive and stable source of future earnings. On the other hand, there are many reasons why community banks are flourishing in Nigeria and other parts of the world where they are found.

First, micro finance bank managers seem to process information differently than managers of larger banks, placing greater emphasis on long-term customer relationships. The relatively smaller size of micro finance banks, along with more local ownership, allows them to give more decision-making authority to bank employees, which further allows these banks to exploit "soft" information. Widespread mergers and acquisitions among larger banking organizations enhance this difference and drive many (http://finance.ba.ttu.edu/hein/Research%20Papers/On%20the%20Uniqueness%20of%20Community%20Banks.pdf_br) customers who seek non-standard and personal banking services to community institutions.

Second, the recent availability of relatively low-cost Federal Home Loan Bank (FHLB) advances as a funding source has reduced funding constraints on qualifying microfinance banks in growth markets. FHLB advances allow small banks to better compete with large banks on the basis of price. Third, many microfinance banks have substantial credit exposure to customers involved in agriculture. Recent programs have expanded federal guarantees and agriculture payments, which improve overall credit performance and quality. Finally, since 2007 many community banks have elected to be taxed as Subchapter S corporations, thereby avoiding corporate income taxes and directly increasing aggregate profitability. At the time of this study, the "Sub S" option was not available to firms with more than seventy-five shareholders. Part of this study is to explore differences between microfinance banks and larger banks and to describe certain differences among micro finance banks. Understanding these differences is important to students of the U.S. financial system, to participants in the banking industry, and to policymakers who regulate depository institutions. We initially summarize recent academic literature that tries to identify the unique aspects of micro finance banking. In doing so, we distinguish between *relationship banking*, which we associate with (http://finance.ba.ttu.edu/hein/Research%20Papers/On%20the%20Uniqueness%20of%20Community%20Banks.pdf_br) microfinance banks, and *transactional banking*, which we associate with larger banking entities, and discuss the different hierarchies of decision making in the two types of institutions. This line of inquiry suggests that banks of various asset sizes conduct business in very different ways(http://finance.ba.ttu.edu/hein/Research%20Papers/On%20the%20Uniqueness%20of%20Community%20Banks.pdf_br). Microfinance banks, in particular, appear to have quite different strategic orientations. For example, they are afforded unique ways to manage their taxes and appear to rely much less on(http://finance.ba.ttu.edu/hein/Research%20Papers/On%20the%20Uniqueness%20of%20Community%20Banks.pdf_br). Non-interest income than do the largest banks in the country.

The Unique Role of Microfinance Banks

This section summarizes recent contributions to the understanding of the unique role that microfinance banks play in financial intermediation and outlines key characteristics of these intermediaries. For years academics have argued that banks exist because significant costs are associated with bringing lenders and borrowers together and some participants do not have sufficient information about counterparties in borrowing arrangements. As financial intermediaries, banks facilitate transactions by reducing costs and increasing the amount of information available. As a result, banks stimulate economic development. At least two general arguments support the conventional wisdom that micro finance banks cannot adequately compete with larger banking organizations and that further industry consolidation is inevitable. The first relates to the primary function of intermediary-gathering, collecting, analyzing, and disseminating information. It is generally assumed that larger organizations can more cheaply access valuable information and thus better facilitate transactions. But dramatic advances in technology have made gathering and analyzing information less costly and therefore have reduced the value of an intermediary. The second argument is that economies of scale and scope enable larger banks to reduce costs of providing services. Interestingly, academic research provides conflicting evidence on whether or not significant cost differentials exist for large versus small banks or for banks that offer more product lines than other banks (Berger and Humphrey 1999). As a result, there is little agreement about what size bank or what banking organizational structure provides the greatest efficiency (http://finance.ba.ttu.edu/hein/Research%20Papers/On%20the%20Uniqueness%20of%20Community%20Banks.pdf_br).

Relationship Lending and Bank Asset Size

The typical bank engages in both types of lending-transactional and relationship-because the two types are not necessarily substitutes for each other. Still, large commercial banks in Nigeria are likely to be more transaction oriented while smaller microfinance banks are more relationship focused. Berger and Udell (2002) maintained that banks offering relationship lending must delegate more lending authority to their loan officers than do banks that focus on transactional lending and that small banks are better able to resolve problems associated with delegating authority than large banks are in Nigeria. Thus, small community banks are better equipped to engage in relationship lending than large banks are. Transactional banking is generally associated with economies of scale because unit costs fall with increasing bank size. If all the bank does is provide funds for borrowers, spreading fixed costs over more borrowers is likely to result in a lower cost per customer. Hence, larger banks are more attracted to credit scoring and loan securitizations (see Pilloff and Rhoades 2000). Because any asset with standardized features can be credit scored and securitized, large banks likely scrutinized a greater portion of their loans and leases than smaller banks do. Investors can examine the pooled assets' credit scores to assess risk and readily establish prices for these standardized instruments to generate reasonable risk-adjusted returns. Thus, to the extent that more economies of scale and scope exist in transactional banking, larger banks can be expected to focus more on transactional banking, which, in turn, is likely to result in continued consolidation in the banking industry (http://finance.ba.ttu.edu/hein/Research%20Papers/On%20the%20Uniqueness%20of%20Community%20Banks.pdf_br)

Relationship deposit gathering

In addition to relationship lending, many micro finance banks attempt to build and exploit deposit relationships. (See the sidebar on page 21 for a comparison of deposit-driven and loan-driven banks.) Such efforts help differentiate their services from those of larger institutions. On the other hand, many large banks have tried to eliminate much of the human touch in banking in an effort to minimize transaction costs. The unit costs associated with ATM usage, telephone banking, and Internet banking are well below those for live teller transactions. At many large banks, customers who open new deposit accounts can often receive reduced minimum balance requirements or lower service charges if they agree to conduct business electronically rather than physically enter a bank office. The banks are attempting to attract customers to the lowest-cost delivery systems via lower prices. In contrast, micro finance banks conduct more business via human interaction at higher unit cost. Thus, we would expect to see that large banks have less by way of core deposits and pay more explicit interest on deposits, on average.

According to these arguments, there is little reason to expect greater cost advantages resulting from increased institution size in relationship banking, which is much more likely to be niche driven. If a bank is providing value to a borrower beyond basic credit services, the customer will be willing to pay for the service (http://finance.ba.ttu.edu/hein/Research%20Papers/On%20the%20Uniqueness%20of%20Community%20Banks.pdf_br). Microfinance banks that provide relationship banking services are more likely to find profit-making opportunities regardless of their asset size because competition for these services is likely to be limited (http://finance.ba.ttu.edu/hein/Research%20Papers/On%20the%20Uniqueness%20of%20Community%20Banks.pdf_br). The state/federal government objectives for coming up with Rural Banking Programme and some of the views of commentators on how the programme is being managed/implemented will be highlighted.

According to Olatunbosun (1975) a Rural Community could easily be determined by finding out the major occupation of the dwellers and their dietary condition. Occupationally, rural communities (in Nigeria) take to agriculture as their major occupation. Some of them also engage in local crafts, arts and technology. On dietary condition, Nigeria rural dwellers do not eat a balanced diet. The foods he/she eats are deficient in basic nutrients that the body needs for effective functioning. Olatunbosun's characterization of a Nigerian rural community is not exaggerated. Most Nigerian rural communities practice farming as their major occupation. Their dietary condition is poor due to wide spread poverty that ravage the area.

Rural communities in Nigerians exhibits certain socio-economic and political characteristics, which in turn provide a general framework for any meaningful programme of action aimed at eliminating rural problems. The first discernable characteristic is absence of social infrastructure. The health facilities are poorly developed and maintained. Infrastructures are either lacking or poorly developed. The roads are bad the majority of these areas suffers from access to drinking water and electricity. Economic activity is limited subsistence farming. Farming activities are on a small scale because of difficulty in obtaining credit. Due to lack of formal education, most rural dwellers develop apathy towards political issues (First Bank Economic Report, 1990:2).

Economists have interpreted the world development in many ways. But there seem to be two pronounced interpretations. The first groups see development as synonymous with growth while the others see it from a humanitarian angle Rostow (1964); Higgins (1968); Hyden (1980); Young (1982); The first group sees development in purely economic aggregates such as Gross Domestic Product (GDP) and income per capita. A country's GDP is the measurement of the total wealth of the country while the per capita income is a figure obtained by dividing the national income by the number of inhabitants in order to get an ideal of the average wealth of each habitat (Rodney, 1983:23; http://my.safaribooksonline.com/book/-/9788131775080/2dot-national-income/chap2_sub40_xhtml_br). For these writers, a country is said to be developing if its GDP and per capita income are growing.

The second groups reject this approach or interpretation of development. According to them, it does not quite reveal the true-life situation of a country's citizens. For them, development is all about people. They argue that a country's level of development could properly be measured by checking the poverty level of an average citizen within the country. These writers include Myrdal (1970); Seers (1970). As Seers puts it, a country wishing to ascertain its level of development must satisfactorily find answer to its poverty level, employment and level of inequality. According to him, if three or all of these have decline from high levels, then beyond doubt, that has been a period of development for the country concerned. But if one or two of these three have declined, it would be strange according to Seers to call the result development even if per capita doubled.

The humanitarian interpretation of development and growth model interpretation is adopted in this study. Thus, if rural banking programme could help in alleviating rural poverty, provide employment opportunities at the grassroots as well as help these rural dwellers to earn more income we can conclude the programme is useful in addressing the critical grassroots problems appropriate recommendations will be made for its improvement.

Rural Development

Jega & Nkom (1995) provided a working definition of rural development, which cuts across most of the segmented issues focused upon by most researchers on the subject. They define rural development as a programme which addresses the following important issues regarding rural poverty. Thus, a rural development programme seeks.

i. To achieve significant improvement in the productivity and out-put of the rural producers such that their own basic needs are met while also satisfying the growing and diversified food and raw materials of the country.
ii. Seeks to achieve a drastic reduction on the poverty of these most vulnerable low income groups.
iii. Seeks improvement in the standard and quantity of rural life through the provision of better health facilities, improved water supply, electricity road and other infrastructures.
iv. Seeks for the development and diffusion of appropriate rural technology innovation such that the productivity of rural producers could be enhanced and the drudgery of life of the rural population reduced.
v. Seeks the diversification of the rural economy through the development of rural commerce, rural transport and exploitation of new market outlets and opportunities. Rural development seeks for an enhancement of the technical and managerial skills of the rural population through appropriate education and training as well as the formation of the attitude of the rural people away from fatalism, suspicion and conservation towards a

more enterprising world outlook characterized by a readiness to take advantage of new opportunities in an ever-changing and challenging national economy.

Summarily, we see rural development as a strategy that deals with improving the living condition of the masses of the low-income population residing in the rural areas and making the strategies of development self-sustaining. The arguments for rural development in Nigeria are very strong and justified for many reasons. The over-whelming majority of the people lives and fed in the rural areas.

The drift from rural areas to urban areas is a matter of great concern considering the high cost of living in urban areas (Akor & Mon, 1986). Thirdly, is the importance of using the rural dwellers to achieve self-sufficiency in food production so as to save foreign exchange and meet the growing food need of the population. The enhancement of food production, it is believed, would increase the real income of the rural areas and consequently improve their welfare conditions (Garba, 1988).

Due to the fact that a greater percentage of the total population of his country lives in the rural areas where agrarian activities are considered as the major occupation, the Nigerian government adopted the enhancement of and development of the agricultural sector as a strategy of developing rural areas. In its international development strategy for 3rd world nations, hunger and mal-nutrition were marked out for elimination by the end of this century (Resolution Al Res. 35, 1981). In the Lagos plan of action adopted at the second extraordinary assembly, the Organisation of African Unity (OAU) resolved more specifically to commit individually and collectively to achieve self-sufficiency in food production and supply (Development of Africa, ECM/ECO/GXIV, 1980).

Rural Banking Programme

The literature reviewed above brings to light the importance of credit to the development of the rural communities. Credits sourced from the informal financial credit institutions do not often meet the credit needs of these rural producers. In realisation of the important role banks play in the development of any economy the federal government promulgated the rural banking programme decree in 1877. Through this decree, a mandate was issued to all commercial banks operating in the country to open (*Easy: Commercial banks operating in Oman to open windows ...* (n.d.). Retrieved from http://www.muscateasy.com/2011/05/commercial-banks-operating-in-oman-to.html_br) branches that Central Bank of Nigeria (CBN) allocated to them. The banks are to provide credit facilities to these rural peasants for productive activities. It was the hope of government that when credit facilities were provided to them, it would help them to seriously engage in meaningful productive activities (Awosika & Nwoke, 1983).

Opinions are however divided among commentators on the performance of commercial banks in the implementation of the programme. While some commented commercial banks for assiduously implementing the programme in line with its terms of reference, (Mohammed, 1980/ Osuntogun, 1983), others have different opinions. For instance, participants at a symposium on Rural Development in Africa in the 1970s held in Addis Ababa, Ethiopia, found out that normal banking facilities in the African's rural areas were poor due to lack of accessibility to the rural dwellers by commercial bank operators. Sincerely, a study conducted by food and agricultural organisation (FAO), (1975) concluded that the continued use of commercial banks by most African countries as the only source of providing credit to the rural communities may not achieve the desired effects. This is as a result of lack of understanding between the commercial bank operators and the unsophisticated rural investors.

Adeboye (1972) observed banks and government lending agencies have not been of much help to the rural areas because they do not understand the problems of the rural inhabitants. The assets these rural investors offer as collateral are usually not the type that these banks accept. Ijere (1963) is not of the view that the demands by credit institutions for strict collateral helped to drive away the small rural investors from benefiting adequately from bank loans. Further more, he says that the rigid conditionally which a prospective rural loan seeker would be expected to meet up with coupled with the attitudes of loan officers are enough to discourage potential rural loan seekers.

Lot (1963) argues that the natures of business of these commercial banks are not at variance with the objective of the Federal Government Rural Banking Programme. According to him, the profit maximization motives of these banks which must satisfy their shareholders objectives and expectations is a factor that could not be wished away easily against the background that government does not pay their operational costs. In his reasoning, government would be expecting too much from the commercial banks to faithfully implement the rural banking programme. He points out that some of the rural loan benefactors occasionally refuse to pay back the loans granted to them suggests that a more developmental, lending, finance institution be evolved for grassroots credit needs.

The federal government's introduction of people's bank and community bank into its rural bank programme is away of accepting the argument of these who say that commercial banks should not be exclusively saddled with the responsibility of implementing the rural banking programme.

Summary

The findings are based on the data collected and analyzed and the views of those interviewed from micro finance bank. The hypothesis was tested and the findings were as follows. On the part of the programme creating job opportunities at the grassroots, it was discovered that the impact of micro finance is gradually being felt at the grassroots. Thus, out of the total number of 150 respondents sampled, 48 of them have created job opportunities for 104 rural dwellers. Considering the smallness of the sampled size, one can inductively infer that job opportunities are being created for rural dwellers in micro finance relative to the volume of credit sourced from the rural banks.

On the question of the rise in income earning for the rural dwellers, data collected point to the fact that there is a positive development. This development was measured indirectly by analysis of data collected from respondents. Most all these rural investors who got and are still getting bank credit are experiencing appreciable rise in their income earnings. When the effect of this programme on the reduction or rural poverty was examined, apart from few cases of misadventure which bordered on the unpredictable nature of agric-business, the majority of respondents were happy that both their productive acts and general well-being were improving. Rural investors who made use of micro finance bank credits are full of encomiums for the

Federal Government for coming up with the programme. The operators of this programme should be more resolute in carrying out their functions so as to properly sensitize the ignorant rural investors on the need to seek for bank loans.

A lot has been written in support of the thesis that the creation of job opportunities is the most effective means of eradicating poverty (World Bank Report, 1989, 1990). The attempt to target poverty through employment has historical background in the "Poor Employment Act" of 1817 in Great Britain (Flinn, 1961). India, too, has a long history of employment programmes aimed at reducing poverty especially at the grassroots. (Mahendra, 1961). Ishikewa (1967) equally emphasized the critical role of communal labour mobilization in the context of economic development in Asia. A comparative study by Burki et al (1967) concluded that public works can make a significant contribution to reducing poverty provided there is a sustained, politically designed, administration of the programme. One can therefore infer that provision of rural jobs is important in the struggle for grassroots reduction.

Conclusion

Many individuals view banks as homogeneous financial intermediaries (*The Uniqueness of Community banks.* (n.d.). Retrieved from http://www.readbag.com/frbatlanta-filelegacydocs-hein-article-final_br). This paper argues that such a view is misleading because the more numerous microfinance banks in Nigeria up rate very differently than larger commercial banks. This research describes recent performance and risk assessment data across micro finance bank different size categories. We find evidence that microfinance banks were generally profitable over recent years. Only the small micro finance banks appear to have significant operating inefficiencies. Above all, microfinance banks have performed well in many cases better than the larger banks in managing (*The Uniqueness of Community banks.* (n.d.). Retrieved from http://www.readbag.com/frbatlanta-filelegacydocs-hein-article-final_br) rural economy.

On the other hand non-interest income is not as important for micro finance banks and it is unclear whether the generation of more non-interest income represents as good a risk-return trade-off for all micro finance banks as it does for the larger bank in the country. As at the end of 2002, some micro finance banks were well positioned in terms of profitability and reported limited credit risk exposure. These trends are likely just as strong today. Yet the ability to sustain (*The Uniqueness of Community banks.* (n.d.). Retrieved from http://www.readbag.com/frbatlanta-filelegacydocs-hein-article-final_br) and prove historical performance will depends on how well managers find valuable relationship lending niches, invest bank capital, and balance asset quality with growth.

In the light of data available to us, conclusively one could say that rural banking policy and its management is a good policy which if properly managed would go a long way in improving the condition of lives of the rural dwellers. The following findings were made in this research:

a. Rural banks are not involving themselves in their communities' rural development programme.
b. Poor rural investors are not targeted.
c. The rural banks are not operating as poverty oriented development banks.

d. Rural banks have not properly sensitized rural dwellers on the advantages of using credit facilities.
e. Micro finance banks may be hijacked by powerful money bags whose selfish aggrandizement may be diametrically opposed the needs of the poor and rural community.

Recommendations

This study evidently depicts the fact that in order to achieve the federal government policy for grassroots development, the following recommendations are made:

i. Micro finance banks should involve themselves in the community development projects in their catchments areas.
ii. These banks should be compelled to be more active in the discharge of their functions. They should not sit complacently by expecting rural loan seekers to seek them out. On the contrary, they should comb the rural areas; enter into its nooks and cranny of these areas to sell their activities.
iii. It is of utmost necessity that rural banks should operate as poverty oriented development banks. They should seek out the very poor within these rural areas and change their lives for good through bank credit, training in entrepreneurship and investment opportunities.
iv. Micro finance banks should do more work on the areas of mobilization and sensitization of these rural communities on what they stand to gain by seeking bank credit.
v. As a matter of urgency, micro finance banks should incorporate into their loans and advances department the services of monitoring agents who will ensure that bank loans are utilized on projects they are granted for.
vi. Government should device measures to nip in the bud the activities of selfish individuals who may want to convert Micro Finance Banks into their family financial institution.
vii. Above all, government should not think that is work is complete with the promulgation of Micro Finance Banking Decree, it is also government responsibility to ensure that the programme is being accordingly implemented by the banks themselves.

Selected Bibliography

Adewuni O & Osuntogun T (1983): *Rural Banking in Nigeria Institute of Bankers*, Lagos, Longman Nig Ltd.

Akor, R. and Mou, D. (1983): *Capital Development and Internal Migration in Nigeria*, Scandinaisan Journal of Development Alternatives, Vol. S. No. 51.

Asian Development Bank (ADB) (2000): *The Role of Central Banks in Microfinance in Asia and the Pacific: Overview*. Manila: Asian Development Bank (ADB).

Awosika, K. (1977): "*Evolution and Development of Commercial Banking in Nigeria: Prospects and Retrospect's*" in Adewumi and Osuntogun (eds) 1982, *Rural Banking in Nigeria*.

Berger A. N. (2003): *The economic effects of technological progress*: Evidence from the banking industry. Journal of Money, Credit, and banking 35, no. 2:141-76

Berger, A.N., and Loretta J. M. (2003): Explaining the dramatic changes in performance of the U.S banks: technological change, deregulation, and dynamic changes in competition. *Journal of Financial Intermediation* 12, no. 1:57-95.

CBN, (1976): *Finance System Review Committee Report*, Lagos

CBN, (1976): *Monthly Report*, Lagos

CBN, (1980): *Monthly and Economic Report,* Lagos.
CBN, (1985): *Monthly and Economic Report*, Lagos.
CBN, (1989): *Annual Report and Statements of Accounts for the Year Ending, 1989,* Lagos.
CBN, (1989): *Monthly and Economic Report*, Lagos
CBN, (1992): *Agricultural Credit and Guarantee Scheme Fund ACGSF*, Lagos.
CBN, (1992): *Report of the Managing Agent of ACGSE* Lagos.
CBN, (1993): *Annual Report and Statement of Accounts*, Lagos.
CBN, (1993): *Monthly and Economic Report*, Lagos.
Centre for the Study of Financial Innovation (CSFI) (2009): *Microfinance Banana Skins 2009: Confronting Crisis and Change.* New York: Centre for the Study of Financial Innovation (CSFI).
Churchill, Craig, and Cheryl Frankiewichz (2006): *Making Microfinance Work: Managing for Improved Performance. Geneva:* International Labour Office (ILO).
Consultative Group of Assist the Poor (CGAP) (2009): *The Global Financial Crisis and its Impact on Microfinance.* Focus Note No. 52. Washington, DC: CGAP.
Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZA) (2000): *A Risk Management Framework for Microfinance Institutions.* Frankfurt: GTZ.
Fernando, Nimal A. (2002): ASA *The Ford Motor Model of Microfinance.* Published in the Quarterly Newsletter of the Focal Point for Microfinance, June 2002, Vol. 3 No. 2. Manila: Asian Development Bank (ADB).
Fernando, Nimal A. (2008): *Managing Microfinance Risks:* Some Observations and Suggestions. Manila: Asian Development Bank (ADB).
Olashoro, O. (1988) *Perspectives on Finance, Banking and Economic Policy in Nigeria,* Heinemann Educational Books, Ibadan.
Olatunbosun, D. (1975) *Nigeria neglected rural majority,* Ibadan Oxford University Press.
Organisation for Economic Co-operation and Development, OECD (2005): Improving financial literacy: Analysis of Issues and policies. OECD.
Orton, L. (2007): Financial literacy: Lessons from international experience. Canada Policy Research Networks (CPRN) Research Report.
Parameswaran, Siddhart & Raper, Nicholas (2003): Microfinance: *Financial Services for the Poor.* Paper presented to the Institution of Actuaries of Australia, 2003 Biennial convention. Australia.
Policy Research Initiative, PRI (2004): Financial capability and poverty. Discussion Paper prepared by Social and Enterprise Development Innovations for the PRI project. “New approaches for addressing poverty and exclusion”. Ottawa.
Teriba, O. (1983) “*Rural Credit and Rural Development* in Adewumi and Osuntogun (eds) 1983, Rural Banking in Nigeria, Lagos
World Bank (2009): Good practices for consumer protection and financial literacy in Europe and Central Asia: a Diagnostic tool.