



Sources and Uses of Microcredit among the Micro and Small-Scale Entrepreneurs in Jalingo, Taraba State

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ABSTARCT

This study is to investigate the sources and uses of micro credit among micro and small-scale entrepreneur in Jalingo, primary data were used and applied on cross sectional survey research design. Data analysis was based on the questionnaire retrieved from 184 and 726 small and micro-entrepreneurs, a total and 794 sample determined by the Cochran's simple random sampling formula. The Foster, Greer and Thorbecke's (FGT) and Sen-Shorrocks's Thon (SST) indices were used to measure poverty. Gini Coefficient Index was constructed to measure income inequality. The FGT poverty rate, depth and severity are 61.95%, 24.67% and 12.92% respectively, while SST poverty rate is 32.68% and gini coefficient is 35.63% indicating high poverty level and income inequality among entrepreneurs. Volume of micro-credit from deposit money banks reduces income inequality by 0.009% (micro) and 0.012% (small-scale) entrepreneurs. The heteroskedasticity robust standard analysis was done and statistical significance was at $p \leq 0.05$. The study concludes that poverty and income inequality are high among micro and small scale entrepreneurs, this can be reduced by increasing the volume of microcredit and frequency of access to microcredit and frequency of access to microcredit through policies that reduces interest rates and stringent collateral requirements for accessing funds.

Keyword; microcredit, income inequality, micro and small scale entrepreneur, Gini index

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I. Introduction

Micro-credit is defined as a small amount of money loaned to a person or group of persons often without collateral (United Nations, 2004). Micro-credit institutions play a pivotal role in meeting the financial needs of both households and micro-enterprises. This is due to the failure of traditional financial institutions to provide adequate savings and credit services to the poor. Micro-credit institutions and programs have been developed over the years to fill this gap. On the supply side, micro-credit could be the best instrument to bring about poverty eradication by loosening constraints on capital, opening doors for investment, smoothing consumption over time, and meeting emergency liquidity needs. On the demand side, micro-credit institutions could mobilize poor persons' savings and enable them to accumulate interests on their deposits (United Nations, 2008). In general, micro-credit has five features that distinguish it from credit supplied by conventional financial institutions. First; the loan size is small, with an average of about \$100.00. However, this general feature differs from one country to another, depending on each country's socio-economic development. Second, the primary customers of these loans are the rural poor women in particular, who have little access to conventional banking facilities. Third, the purpose of these loans is to create income-generating activities in the rural non-formal sectors through self-employment. Fourth, the existence of tangible collateral-free. Finally, there is another aspect of the micro-credit programs that distinguished them from conventional banking; the micro-lending ventures have integrated loaning and savings mobilization functions. In other words, regular savings is a pre-condition for getting loans from conventional banks. (Adediran and Odejimi, 2008).

Income inequality affects the pace at which growth enables poverty reduction (Ravallion, 2004), reducing inequality within countries has been the objective number 10 of the sustainable development goal in

recent years because it is believed reducing it will assist to curb some problems (world bank, 2016). If income were equally distributed there would be no difference between the lowest 20 percent and the highest 20 percent of the population, each quintile would receive exactly 20 percent of the nation's income. Bridging the gap between the poor and the rich is very essential to the growth of the society by encouraging the poor to participate in pro-poor activities which will help them to reduce the gap between the rich and the poor (Baumol et al,2010). In Nigeria, the formal financial system provides service to about 35% of the economically active population while the remaining 65% are excluded from access to financial services. This 65% are often served by the informal financial sector, through non-government organization (NGO) microfinance institutions, money-lenders, friends, relatives, and credit unions (Central Bank of Nigeria, 2011). It is the view of the World Bank that the failure of formal financial systems to provide requisite services to the small and micro enterprises, particularly in the rural areas and the fact that the poor are mainly engaged in this informal sector, continues to provide a strong basis for microfinance and invariably micro-credit as a viable strategy for income expansion and poverty reduction (Jammeh, 2000). So, microfinance and/or micro-credit are recognized as a strategy for resource transfer/support to poor people to promote self-employment, income generation, and poverty reduction. Availability of adequate credit is consequently central to the improved economic well-being of the poor, particularly in the rural areas. Therefore, providing affordable financial services to the poor has become an important component of development strategy for the past several decades.

The inability to reach the poorest of the poor is a problem that plagues most poverty alleviation programs. Therefore, to be an effective instrument of sustainable poverty reduction, micro-credit schemes must be designed and operated exclusively for the poor, creating a financial system capable of lending to micro-enterprises and low-income households. To reduce the income gap (inequality), Goetz and Gupta (2010), said that the improvement of access to credit by the poor through microfinance will boost income levels, increase employment at the household level, and thereby alleviate poverty. The question is that why in Nigeria even with micro- credit institutions the level of poverty is high among micro and small-scale entrepreneurs? This study, therefore, seeks to investigate the effects of micro-credit on poverty among micro and small-scale entrepreneurs and draws out policy recommendations that will improve the standard of living of the micro and small entrepreneurs in Nigeria.

The central bank of Nigeria (CBN, 2004) defines small-scale enterprises as enterprises whose annual turnover ranges between N25000-N50000. Ogundele (2007) defines SMEs as one who has a minimum of 5 employees with a minimum capital outlay of not less than N5000. In the work of Awoyemi, Akomolafe, and Osunyikanmi (2020), the definition of micro, small and medium enterprises (MSMEs) varies by country, a small enterprise in the USA does not necessarily imply a small enterprise in Nigeria. The World Bank defines MSMEs as businesses with less than 300 employees and \$15 million in assets. The inter-American development describes MSMEs as businesses with a maximum of 100 employees and less than \$3 million in revenue (Dahlberg 2011).

II. Research Question

1. What are resources and uses of micro-credit among the micro and Small scale entrepreneurs?

III. Objective Of The Study

1. Examine the sources and uses of micro-credit among the micro and small-scale entrepreneurs.
2. Suggest policy measure to reduce poverty among micro and small scale entrepreneur in Jalingo, Nigeria

IV. Empirical Review

The existing studies on microcredit were mostly in relation to poverty alleviation, economic growth and household welfare in Nigeria (Popoola & Omosebi 2018; Shakina, 2019; Oladayo, 2018; Oshinowo, Muyiwa, Olawale & Olanrewaju 2017; Ugochukwu & Onochie 2017; Taofeek, Lim & Siti 2015; Nwele, Ogbonna & Uduimo 2015; Agbaeze & Omouka 2014; Eme fisi & Yusuf 2014; Imoisi & Godstime 2014; Abur & Torruam 2012; Omitoyin & Sanda 2010; Aisha, Hafiz, Waqar & Mohammed 2014). This study, however, expands the scope of knowledge on microcredit from the standpoint of poverty and income inequality and significantly contributed to scarce empirical knowledge on the relationship between microcredit, poverty and income inequality among micro and small-scale entrepreneurs in Jalingo, Nigeria. Thus, the findings from the study are expected to assist the policy makers in the assessment of the volume of microcredit in relation to factors that influence poverty and income inequality and in the development of policies to address them.

Most of the existing literature on the analysis of microcredit employed descriptive statistics (Shakina 2019; Popoola & Omosebi 2018; Clandra 2016; Taofeek, Lim & Siti 2015), descriptive and binary logit regression model (Abur & Torruam 2012; Ikpefan, Taiwo & Isibor 2016), Ordinary Least Squares (Ugochukwu & Onochie 2017) and Foster, Greer and Thorbecke (FGT) and Logistic regression (Omitoyin & Sanda, 2010; Aisha, Hafiz, Waqar & Mohammed 2014; Jolaoso & Asirvatham 2018). To provide a robust analysis and

validate the results, this study employed the use of descriptive statistics, Probit regression model and Ordinary Least Squares method of analysis. The estimates from these methods provide a better indication of the accessibility of microcredit/ financial institutions in Jalingo, Nigeria and provide the platform for formulating appropriate policy recommendations for the eradication of poverty and income inequality.

Bulk of existing studies revealed that lots of work has been done on microcredit and poverty, although, it was observed that very little or no study was carried out on poverty and income inequality in the North-eastern region of Nigeria, especially Taraba State, which happens to be the second poorest state in the country. This study, therefore filled the gap in the literature and measured the level of poverty and income inequality among micro and small-scale entrepreneurs in Jalingo, Nigeria. In addition, the majority of the existing studies levelled down the scope of the assessment of microcredit to either a district, state or geopolitical zone (Clandra 2016; Taofeek, Lim & Siti 2015; Asogwa, Umeh and Okwoche (2012), Olabode, Akintoye, and Kazeem(2015). However, this study expanded the scope of the research on microcredit to include North-eastern Nigeria. Thus, providing the basis for comparing microcredit in Northeast with other geopolitical zones in Nigeria. This study provides insight into the various determinants of poverty and income inequality in Nigeria, on which policies and coordination among policymakers and policy analysts can be built to alleviate poverty and reduce income inequality.

Table 4.1: Gender and age groups of the respondent

<i>G e n d e r o f R e s p o n d e n t</i>	<i>F r e q u e n c y</i>			<i>P e r c e n t</i>		
M a l e	5	1	7	5	6	7
F e m a l e	3	9	5	4	3	3
T o t a l	9	1	2	1	0	0
<i>A g e G r o u p</i>	<i>F r e q u e n c y</i>			<i>P e r c e n t</i>		
2 - 3	1	5	0	1	6	4
3 - 4	3	5	8	3	9	3
4 - 5	2	4	8	2	7	2
5 - 6	8		6	9		4
A b o v e 6	7		0	7		7
T o t a l	9	1	2	1	0	0

Source: Field survey (2021)

Level of Education and Religion

Table 4.2 shows that 37.4% of the respondents have no formal education, 30.9% indicated primary education as their highest level of education. This is followed by 22.4% who indicated secondary education as their highest education, while 9.3% of the respondents indicated that they have post-secondary education as their highest educational level. Furthermore, the majority of the respondents have no formal education. From table 4.2, 62.1% of the respondents are into Christianity religion, 23.1% are into Islamic religion, while 14.8% are traditional worshippers. From the results, majority of the respondents belong to the Christianity religion.

Table 4.2: The distribution of the level of education and religion of the respondents

<i>L e v e l o f E d u c a t i o n</i>	<i>F r e q u e n c y</i>			<i>P e r c e n t</i>		
N o e d u c a t i o n	3	4	1	3	7	4
P r i m a r y	2	8	2	3	0	9
S e c o n d a r y	2	0	4	2	2	4
P o s t - S e c o n d a r y	8		5	9		3
T o t a l	9	1	2	1	0	0
<i>R e l i g i o n</i>	<i>F r e q u e n c y</i>			<i>P e r c e n t</i>		
C h r i s t i a n i t y	5	6	6	6	2	1
I s l a m i c	2	1	1	2	3	1
T r a d i t i o n a l	1	3	5	1	4	8
T o t a l	9	1	2	1	0	0

Source: Field survey (2021)

The distribution of Marital Status and tribe respondents

Table 4.3 shows that 23.8% of the respondents indicated that they have never married, 48.9% are married monogamous, 11.6% are married polygamous, 8.3% are divorced/separated, 4.4% are in an informal union while 3% are widowed. It is observed from the results that a larger percentage of the respondents are married monogamous. As seen in table 4.3, 48.2% of the respondents are Hausa, 17.8% of the respondents are Yoruba, 25.1% of the respondents are Igbo while 8.9% of the respondents belong to other tribes. In conclusion, the majority of respondents are from the Hausa tribe.

Table 4.3: Marital Status and Tribe of the respondents

<i>M a r r i t a l S t a t u s</i>	<i>F r e q u e n c y</i>			<i>P e r c e n t</i>			
N e v e r m a r r i e d	2	1	7	2	3	.	8
M a r r i e d m o n o g a m o u s	4	4	6	4	8	.	9
M a r r i e d p o l y g a m o u s	1	0	6	1	1	.	6
D i v o r c e d / s e p a r a t e d	7		6	8		.	3
I n f o r m a l u n i o n	4		0	4		.	4
W i d o w e d	2		7	3		.	0
T o t a l	9	1	2	1	0		0
<i>T r i b e</i>	<i>F r e q u e n c y</i>			<i>P e r c e n t</i>			
H a u s a	4	4	0	4	8	.	2
Y o r u b a	1	6	2	1	7	.	8
I g b o	2	2	9	2	5	.	1
O t h e r s	8		1	8		.	9
T o t a l	9	1	2	1	0		0

Source: Field survey (2021)

Relationship among Gender, Age Group, Marital Status and Level of Education

Table 4.4 shows the relationship between gender, age group, marital status and educational attainment of the respondents under study. The relationship shows that for the male respondents, 193 have no education, 135 have primary education, 137 have secondary education, while 52 have post-secondary education. For the female respondents, 148 have no education, 147 have primary education, 67 have secondary education and 33 have post-secondary education as their highest level of education. Overall, majority of the respondents have no education. Moreover, table 4.4 shows the relationship between age and level of education of the respondents. The relationship shows that 61 respondents in the age bracket of 22-31 have no education, 42 have primary education, 28 have secondary education, while 19 have post-secondary education. For the respondents in the 32-41 age bracket, 128 have no education, 94 have primary education, 103 have secondary education and 33 have post-secondary education. Furthermore, within the age bracket of 42-51, 107 have no education, 85 have primary education, 36 have secondary education and 20 have post-secondary education. Also, among the 52-61 age bracket, 25 have no education, 34 have primary education, 19 have secondary education and 8 have post-secondary education. Lastly, in the age bracket above 61, 20 have no education, 27 have primary education, 18 have secondary education and 5 have post-secondary education. Overall, the majority of the respondents within the 22-31,32-41 and 42-51 age bracket have no formal education, while the majority of respondents in the age category of 51-61 and above 61 years have primary education.

Table 4.4 also shows the relationship between marital status and level of education of the respondents. The relationship shows that respondents amongst the respondents who have never married, 71 have no education, 54 have primary education, 72 have secondary education while 20 have post-secondary education. Among the respondents who are married monogamous, 165 have no education, 145 have primary education, 87 have secondary education and 49 have post-secondary education. Also, among the respondents who are married polygamous, 55 have no education, 27 have primary education, 17 have secondary education and 7 have post-secondary education. Furthermore, among the respondents who are divorced/separated, 21 have no education, 39 have primary education, 13 have secondary education and 3 have post-secondary education as their highest educational qualification. Among respondents who are in an informal union, 17 have no education, 16 have primary education, 6 have secondary education and one has post-secondary education. Lastly, among the respondents who are widowed, 12 have no education, one respondent has primary education, 9 have secondary education and 5 have post-secondary education. Overall, the majority of the respondents have no formal education while few respondents have primary, secondary, and post-secondary education.

Table 4.4: Gender, Age group, Marital Status and level of Education of the Respondents

<i>G e n d e r</i>	<i>N o n e</i>	<i>P r i m a r y</i>	<i>S e c o n d a r y</i>	<i>P o s t - S e c o n d a r y</i>
M a l e	193 (21.2)	135 (14.8)	137 (15.0)	52 (5.7)
F e m a l e	148 (16.2)	147 (16.1)	67 (7.3)	33 (3.6)
<i>A g e G r o u p</i>	<i>N o n e</i>	<i>P r i m a r y</i>	<i>S e c o n d a r y</i>	<i>P o s t - S e c o n d a r y</i>
2 2 - 3 1	61 (6.7)	42 (4.6)	28 (3.1)	19 (2.1)
3 2 - 4 1	128 (14.0)	94 (10.3)	103 (11.3)	33 (3.6)

4	2	-	5	1	107 (11.7)	85 (9.3)	36 (3.9)	20 (2.2)
5	2	-	6	1	25 (2.7)	34 (3.7)	19 (2.1)	8 (0.9)
A b o v e 6 1					20 (2.2)	27 (3.0)	18 (2.0)	5 (0.5)
Marital Status					N o n e	P r i m a r y	S e c o n d a r y	P o s t - S e c o n d a r y
Never Married					71 (7.8)	54 (5.9)	72 (7.9)	20 (2.2)
Married Monogamous					165 (18.1)	145 (15.9)	87 (9.5)	49 (5.4)
Married Polygamous					55 (6.0)	27 (3.0)	17 (1.9)	7 (0.8)
Divorced/Separated					21 (2.3)	39 (4.3)	13 (1.4)	3 (0.3)
Informal Union					17 (1.9)	16 (1.8)	6 (0.7)	1 (0.1)
W i d o w e d					12 (1.3)	1 (0.1)	9 (1.0)	5 (0.5)

Source: Field survey (2021)

The relationship between Age Group and Gender

Figure 4.1 shows the relationship between gender and age group of the respondents. The relationship shows that 54 males and 96 females respondents are in the age bracket of 22-31. Also, 242 males and 116 females are in the age group 32-41. Also, for the respondents in the 42-51 age bracket, 112 are male while 136 are female. Furthermore, within the age bracket of 52-61, 60 are male while 26 are female. Lastly, in the age bracket above 61, 49 are male, while 21 are female. Overall, the majority of the respondents are male within the 32-41 and female within the age bracket 42-51.

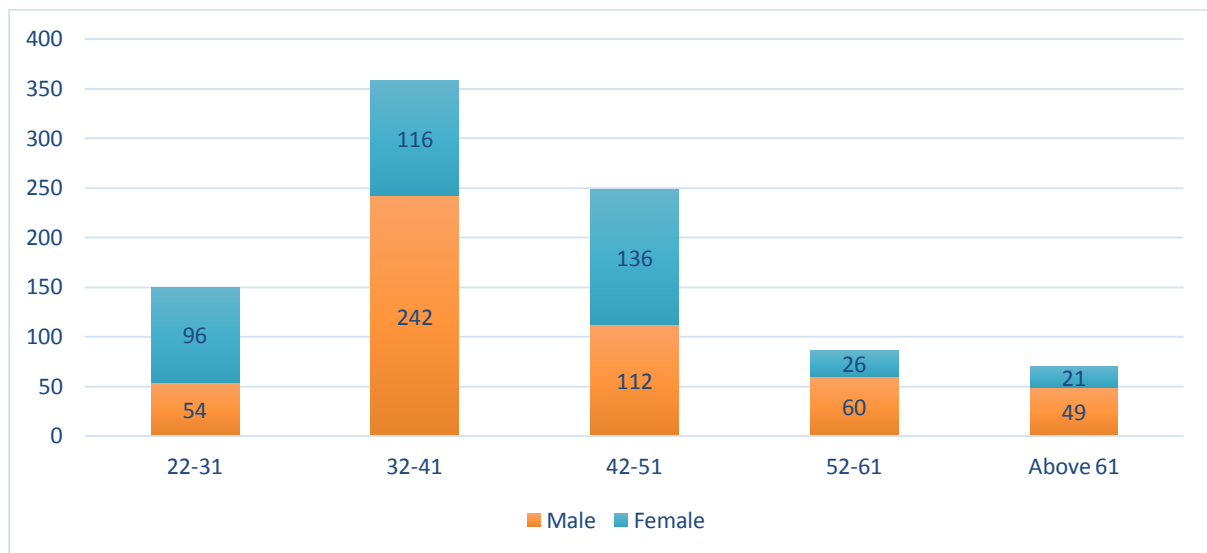


Figure 4.1: Gender and Age of the Respondents.

Source: Field survey (2021)

Gender and Marital Status

Figure 4.2 shows the relationship between gender and marital status of the respondents. The relationship shows that amongst the respondents who are never married, 117 are male while 100 are female. Among the married monogamous respondents, 247 are male, while 199 are female. Also, among the married polygamous respondents, 72 are male, while 34 are female. Furthermore, among the respondents who are divorced/separated, 37 are male while 39 are female. Among respondents who are in an informal union, 25 are male and 15 are female. Lastly, among the respondents who are widowed, 19 are male, while 8 are female. Overall, the majority of the female respondents have married monogamous status, while, the majority of the male has married polygamous status.

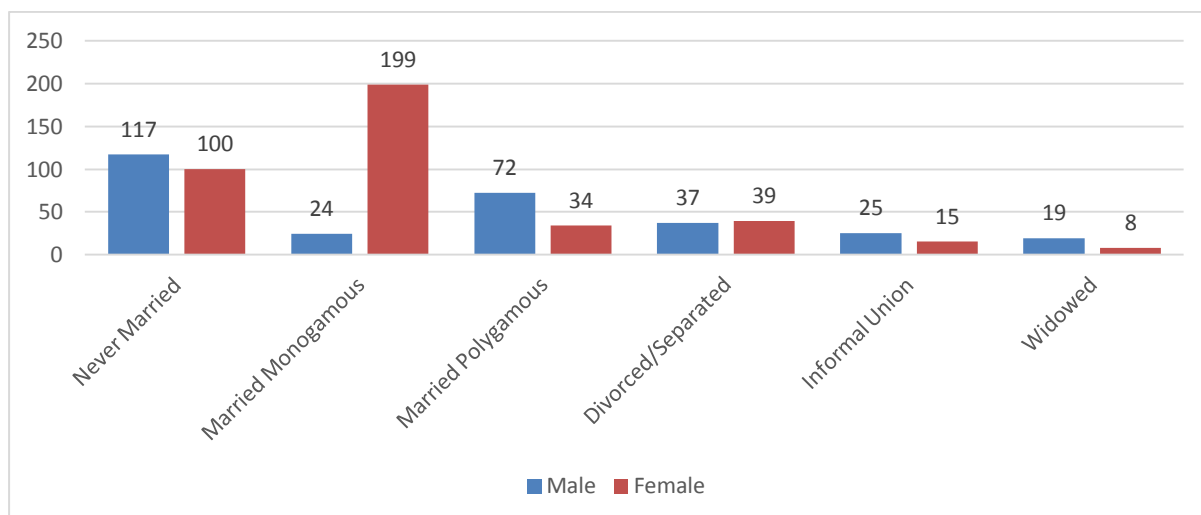


Figure 4.2 Relationship between Gender and Marital Status of the Respondents

Source: Field survey (2021)

4.2.2 The characteristics of the micro and small-scale enterprises

Business Ownership Type and Position in the Business

Table 4.5 shows the distribution of respondent's business ownership type. The results show that among the respondents, 48.6% are sole proprietors, 24.6% are in partnership business, 20.8% are into cooperative, while 6% of the respondent are into limited liability. Overall, the majority of the respondents are sole proprietors. Table 4.5 shows the position of the respondents in an enterprise. The results show that among the respondents, 74.1% are owners of an enterprise while 25.9% are managers in an enterprise. From the result, majority of the respondents are owners of an enterprise. Also, 79.6% runs a micro-scale business while 21.4% runs a small-scale business.

Table 4.5: Current Ownership Type

Current Ownership Type	Frequency			Percentage		
Sole proprietor	4	4	3	4	8	.6
Partnership	2	2	4	2	4	.6
Cooperative	1	9	0	2	0	.8
Limited liability	5		5	6		.0
Total	9	1	2	1	0	0
Position	Frequency			Percentage		
Owner	6	7	6	7	4	.1
Manager	2	3	6	2	5	.9
Total	9	1	2	1	0	0
Types of Business Scale	Frequency			Percentage		
Small	1	8	6	2	0	.4
Micro	7	2	6	7	9	.6
Total	9	1	2	1	0	0

Source: Field survey (2021)

Type of Business activity

Table 4.6 shows the type of business activities of the respondents. As seen in the table 4.9, 48.7% of the respondents indicated that they are into agriculture, 24.8% are into wholesale/retail traders, 7% are into accommodation/food service business, 5.5% are in transport/storage business, 3.8% are in the business of information/communication and 10.2% are in the administrative/support activities. By implication, a greater percentage of the respondents are into agricultural activities.

Table 4.6: Type of Business activity

<i>B u s i n e s s a c t i v i t y</i>	<i>F r e q u e n c y</i>			<i>P e r c e n t</i>		
A g r i c u l t u r e	4	4	4	4	8	7
W h o l e s a l e / R e t a i l T r a d i n g	2	2	6	2	4	8
A c c o m m o d a t i o n / F o o d S e r v i c e	6		4	7	.	0
T r a n s p o r t / S t o r a g e	5		0	5	.	5
I n f o r m a t i o n / C o m m u n i c a t i o n	3		5	3	.	8
A d m i n i s t r a t i v e / S u p p o r t A c t i v i t i e s	9		3	1	0	2
T o t a l	9	1	2	1	0	0

Source: Field survey (2021)

Number of Employees

Table 4.7 shows that 52% of the respondents who own an enterprise have 1-3 employees, 24.6% have 4-6 employees, 8.3% have 7-9 employees and lastly, 15.1% of the respondents who own an enterprise have 10-12 employees. From the table 4.10, majority of the respondents who own an enterprise have 1-3 employees.

Table 4.7: Number of Employees

<i>N u m b e r o f e m p l o y e e s</i>				<i>F r e q u e n c y</i>			<i>P e r c e n t</i>				
1	-	3		4	7	4	5	2	.	0	
4	-	6		2	2	4	2	4	.	6	
7	-	9		7		6	8		.	3	
1	0	-	1	2	1	3	8	1	5	.	1
T	o	t	a	l	9	1	2	1	0		0

Source: Field survey (2021)

Access to Credit Facilities and Frequency of the Accessibility

Table 4.8 shows the distribution of the respondents access to credit facilities. The results show that among the respondents, 32.1% have access to credit facilities while 67.9% do not have access to credit facilities. Conclusively, the majority of the respondents do not have access to credit facilities. Table 4.8 shows the respondents access to microcredit finance. The results show that among the respondents, 0.7% have weekly access to microcredit, 18.9% have monthly access, 10.2% have quarterly access, 59.1% have annual access, 8.2% indicate that they have access to microcredit facilities once in two years while 3% are not available to access microcredit finance. From the result, majority of the respondents have annual access to microcredit finance.

Table 4.8: Access to Credit Facilities and Frequency of the Accessibility

<i>A c c e s s t o C r e d i t F a c i l i t i e s</i>	<i>F r e q u e n c y</i>			<i>P e r c e n t</i>			
Y e s	2	9	3	3	2	.	1
N o	6	1	9	6	7	.	9
T o t a l	9	1	2	1	0		0
<i>A c c e s s t o M i c r o c r e d i t F i n a n c e</i>	<i>F r e q u e n c y</i>			<i>P e r c e n t</i>			
W e e k l y	6			7			
M o n t h l y	1	7	2	1	8	.	9
Q u a r t e r l y	9		3	1	0	.	2
A n n u a l l y	5	3	9	5	9	.	1
O n c e i n t w o y e a r s	7		5	8		.	2
N o t a v a i l a b l e	2		7	3		.	0
T o t a l	9	1	2	1	0		0

Source: Field survey (2021)

Source of Credit

Table 4.9 shows the respondents' source of credit. The result shows that 8.7% of the respondents obtain microcredit from deposit money banks (DMB)source, 4.6% from bank of industry (BOI), 41% from microfinance banks (MFB), 8.6% from agriculture bank, 8.9% from cooperative, 27.6% from money lenders, while 0.7% respondents obtain microcredit from relatives. From the result, majority of the respondents obtain microcredit from Microfinance banks.

Table 4.9: Source of Credit

Source of Credit	Frequency	Percentage
Deposit Money Bank	7	9
Bank of Industry	4	2
Microfinance banks	3	7
Agriculture Bank	7	8
Cooperative Bank	8	1
Money lenders	2	5
Relatives	6	0
Total	9	1

Source: Field survey (2021)

Repayment Period

Table 4.10 shows the repayment period of microcredit finance. The result shows that 19.6% of the respondents repay the credit at 3months after collection, 5.9% repay after 6months, 59.6% repay in 12months while 14.8% repay credit more than one year after collection of credit. From the table, the majority of the respondents repay credit 12months after collection.

Table 4.10: Repayment Period

Repayment Period	Frequency	Percentage
3 months	1	7
6 months	5	4
12 months	5	4
More than one year	1	3
Total	9	1

Source: Field survey (2021)

V. Conclusion

It was concluded that majority of micro and small scale entrepreneurs obtain microcredit from microfinance bank ,money lenders have second majority could be as result of lack of access to conventional bank in the area. Also repayment is another factor which encourage majority to access microcredit from microfinance bank due to long time repayment period, which is 12 months compared to others. Majority of the users are into agricultural activities ,those who involves in wholesale/ retail trade are second highest in the business type.

VI. Recommendation

The government needs to do more to educate the citizens on the real motive of savings. There should be a reorientation to these business owners which must be done even before any government intervention else those proceeds from the intervention may still be wrongly used.

Also, loan size should be increased to meet the requirements of borrowers, but this should be done very carefully depending on the ability of the client to pay and on the suitability of each project. This is critical for business expansion as the micro-business owners would need microcredit to be able to expand their businesses and this will also create employments thus achieving the SDG one of poverty reduction and inequality.

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