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A Case Study of IFAD/RUFIN Supported Project

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1. Introduction

The Rural Finance Institution Building Programme (RUFIN) is a Loan Agreement of US$27.2 million between the International Fund for Agricultural Development (IFAD) and the Federal Government of Nigeria. The central objective of the programme is to develop and strengthen Micro Finance Banks (MFBs), and other member-based Micro Finance Institutions (MFls), by enhancing the access of the rural populace to the services of these institutions in order to expand and improve agricultural productivity and Micro-Small Rural Enterprises(RUFIN, 2010 p.5).

The goal is to alleviate poverty with a particular focus on the rural poor, especially women, youth and the physically challenged. Poverty is a complex issue and is difficult to define, as there are various dimensions to it. According to the World Bank, poverty relates to income, and poverty measures are based on the percentage of people living below a fixed amount of money, such as US$1 dollar a day (World Bank, 2003). One and half billion people live below US$1 per day while 70-90 per cent of people in the developing world are poor (World Bank, 2003).

Goal 1 of the 17 Sustainable Development Goals (SDGs) is NO POVERTY and the reality the world is facing is that women and children are mostly vulnerable – 75 per cent of the world's poor are women. Several strategies applied in the past to fight poverty appeared ineffective, but the world seems to have found a most promising strategy. From the historical literature, informal savings and credit unions have operated for centuries across the world. In the Middle Ages, for example, the Italian monks created the first official pawn shop (1462 AD) to counter usury practices. In 1515 Pope Leon X authorized pawn shops to charge interest to cover their operating costs. In the 1700s, Jonathan Swift initiated the Irish Loan Fund System, which provided small loans to poor farmers who had no securities. It is on record that the fund gave credit to about 20 per cent of all Irish households annually. In the 1800s, the concept of financial cooperative was developed by Friedric Wilhelm in Germany. By 1865, the cooperative movement had expanded rapidly within Germany and other European countries, North America and some developing countries (Helms and Bright, 2006).

In early 1900s, adaptations of the models developed in the preceding century appeared in some parts of rural Latin America (Helms and Bright, 2006). Efforts to expand access to agricultural credit, in Bolivia, for example, were made unsuccessful as the rate charged was too low and banks failed. By early 1950 – 1970, experimental programmes were on stream to extend small loans to groups of poor women to enable them to invest in micro business. These experiments were initiated by the Grameen Bank of Bangladesh, ACCION International in Latin America and the Self-Employed Women's Association Bank in India (Littlefield et al., 2003).

The term 'microcredit' began to be replaced by 'microfinance' in the early 1990s. By that time, the term had started to include savings, and other services such as insurance and money transfers (Basu et al, 2000). Microfinance is the provision of financial services such as loans, savings, insurance, money transfers, and payments facilities to low income groups. It could also be used for productive purposes such as investments, seeds or additional working capital for micro enterprises. On the other hand, it could be used to provide for immediate family expenditure on food, education, housing and health.

Microfinance is an effective way for poor people to increase their economic security and thus reduce poverty. It enables poor people to manage their limited financial resources, reduce the impact of economic shocks and increase their assets and income (Robinson, 2001).

Microfinance is no longer an experiment or a wish; it is a proven success. It has worked successfully in many parts of the world – Africa, Asia, Latin-America, Europe and North America. It is safe and profitable; indeed, it is the oldest and most resilient financial system in history. The key issues in microfinance include the realization that poor people need a variety of financial services, including loans, savings, money transfer and insurance which microfinance provides. It is a powerful tool to fight poverty through building of five basic assets and serving as an absorber against external ties and financial shocks. Microfinance involves building of financial sub-systems which serve the poor and its architecture could be easily integrated into the financial system of the nation (Ihyembe, 2000).

The other key issues of microfinance include the fact that it can pay for itself and should do so if it is to reach a large number of poor people. Microfinance is not limited to only micro-credit; it is inclusive of other financial services such as micro-insurance, micro-asset finance, money transfer and savings (Olajide, 1999; Ayoade & Agwu 2015).

Furthermore, donor funds are meant only to support and assist microfinance institutions and not compete with them. In the developed world, leaders talk about the poor and how to alleviate poverty. One hears this often at political gatherings and conferences across Europe and other parts of the world. There are also talks of strategies of equitable trade, debt relief, subsidies and aid flows. It has become clear that the ultimate strategy for the world to meet the needs of the poor is through microfinance which gives them access to financial services to enable them to make everyday decision on payment of children school fees; payment for food and shelter; offset health bills and meet unforeseen finance needs resulting from flood, fire, earthquake, and other emergencies.

Anyanwu (2004) stresses that microfinance may not be able to solve all the problems of the poor, but it certainly puts resources in their hands in order for them to have an enhanced standard of living. Microfinance has globally recorded great accomplishments over the last 30 years. It has shown that poor people can be viable customers and that microfinance can create strong institutions which focus on them. No doubt, microfinance has strongly attracted the interest of private sector investors. However, the following challenges, among others, face microfinance institutions: They need to increase the scale of financial services to the poor; they need to reach out and seek the poor wherever they are and give them access to finance. The Grameen Bank of Bangladesh has set a good example in this direction by allowing credit and other services to cost less for the poor and training staff to be uniquely suitable to microfinance business. The latter enhances efficiency and sustainability of the sector; develops and tailors products to meet the needs of the clients – the poor (Ayoade & Agwu, 2015).

This study presents evidence-based and empirical findings on the impact of rural finance institution building programme on the livelihood of the indirect beneficiaries of ATISBO and Ibarapa local governments of Oyo State in Southwest Nigeria.

1.1 Problem Statement

Poverty reduction has been a major concern for successive governments in Nigeria because it is believed to be the universally accepted way of achieving economic growth in the country. The intended purpose is to raise the living standards of the people and improve upon their quality of life. Various initiatives have been put in place in Nigeria aimed at ameliorating poverty, unemployment and improving the livelihood of the rural poor. But most of these, rather than alleviate poverty, seem to have exacerbated it. In 1978, the Operation Feed the Nation was inaugurated. This was to encourage the youth and women to take to farming. The Better Life for Rural Women and Family Economic Advancement Programme were gender sensitive programmes aimed at lifting poor women from the shackles of poverty. The Rural Banking programme was aimed at extending banking services to the rural poor and mobilizing idle savings in rural communities. Certain percentage of the bank advance was to be extended to the host communities. The Agricultural Credit Guarantee Scheme (ACGS) was also inaugurated. Other institutional arrangements include the establishment of the Nigerian and Co-Operative Bank (NACB), the National Directorate of Employment NDE, the Nigeria Agricultural Insurance Cooperation (NAIC), the Peoples Bank of Nigeria (PBN) and even the community Banks (CBs). All of these programmes came as an intervention to reduce poverty and enhance livelihood, but they failed as poverty incidence is on the rise in Nigeria.

Table 1 shows the incremental pattern of poverty in Nigeria as the population also increases between 1980 and 2010

Table 1: Poverty incidence in Nigeria

Year	Poverty Incidence (%)	Estimated Population (M)	Population in poverty (M)
1980	27.2	65	17.1
1985	46.3	75	34.7
1992	42.7	91.5	39.2
1996	65.6	102.3	67.1
2004	54.4	126.3	68.7
2010	69.0	163	112.47

Source: National Bureau of Statistics. HNLSS 2010

Table 2 shows that the percentage of Nigeria's population that are in moderate to extreme poverty line in 2010 is 69% and only 31% is living above the poverty line.

Table 2: Poverty Severity in Nigeria

Year	Not poor	Moderately poor	Extremely poor
1980	72.8	21.0	6.2
1985	53.7	34.2	12.1
1992	57.3	28.9	13.9
1996	34.4	36.3	29.3
2004	43.3	32.4	22.0
2010	31.0	30.3	38.7

Source: NBS, Harmonized Nigeria Living Standard Survey, 2010

According to Pham and Lensink (2008), microfinance has been identified as an important instrument for poverty alleviation in developing countries, given the examples of Grameen Bank in Bangladesh, Banco Sol in Bolivis and Bank Rakyat in Indonesia. Between 1997 and December 2005, the number of people who received credit from the microfinance institutions worldwide rose from 13.5 million to 113.3 million (84% of them are women) and the number of microfinance institutions increased from 618 to 3,133 during the same period (Daley and Harris, 2006).

In 2005, the United Nation drew the attention of the world to the importance of microfinance and its role in reducing poverty through the declaration of 2005 as the international year of micro-credit. This was followed by the award of the Nobel peace prize to the founder of Grameen bank, Prof Mohammed Yunus, in 2006. According to the Nobel committee, microfinance can help people to break out of poverty (Pham and Lensink, 2008).

However, many other scholars have expressed doubt that micro-credit can contribute to a substantial reduction in poverty. While some argue that microfinance does not reach the poorest of the poor (Scully, 2004), others are of the opinion that the poorest are deliberately excluded from microfinance programmes (Simanowilz and Walter, 2002). Some others argue that microfinance programme leads to high transaction cost since most microfinance schemes have regular group meetings (Aghion and Morduch, 2000, Murray and Lynch, 2003).

This study explored the developmental relationship between microfinance and livelihood status of the indirect beneficiaries in the FGN/IFAD-RUFIN programme as a veritable tool for reducing poverty and enhancing livelihood among rural the poor in Nigeria.

1.2 Research Hypothesis

The study hypothesis is:

There is no significant difference between beneficiaries' and non-beneficiaries' livelihood outcomes (household income, household savings, access to credit, asset and profit making).

2. Literature Review

2.1 What is Microfinance?

Microfinance, according to Otero (1999, p.8) 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. Schreiner and Colombet (2001, p.339) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks." Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

2.1.1 Microfinance and Microcredit

In the literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (1998, p.2) states that "microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc)". Therefore, microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services.

2.2 History of Microfinance

Microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2001) and Otero (1999). Prior to that time, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidised rural credit programmes. These often resulted in high loan defaults, high losses and inability to reach poor rural households (Robinson, 2001).

Robinson states that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank and BRI began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001). It was also at this time that the term "microcredit" came to prominence in development (MIX, 2005). The difference between microcredit and the subsidised rural credit programmes of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were dependent on the informal sector for credit. It was now clear for the first time that microcredit could provide large-scale outreach profitably.

The 1990s "saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale" (Robinson, 2001, p.54). Dichter (1999, p.12) refers to the 1990s as "the microfinance decade".

Microfinance has now turned into an industry according to Robinson (2001). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services (MIX, 2005).

In Nigeria, micro savings and microcredit are as old as the use of money in various rural and semi-urban communities. According to CBN (2012), the "practice of microfinance in Nigeria is culturally rooted and dates back to several centuries"; the traditional microfinance institutions provide access to credit for the rural and urban low-income earners. They are mainly of the informal Self-Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs) types. Other providers of microfinance services include savings collectors and cooperative societies. It has been noted in Nwankwo et al., (2013) that cooperative societies have been closely identified with provision of financial services in the rural areas of Nigeria. They are organised to facilitate the financing needs of productive activities such as agriculture, general commerce and other monetary demands of the members. CBN (2005) states further that "the informal financial institutions generally have limited outreach due primarily to paucity of loanable funds." SHGs refer to activities of communities who organize themselves into social groups, for the purpose of contributing funds to a pool, from where members are able to obtain loans to finance personal projects and/or investments, and this is complemented by existence of money lenders. In the same vein, ROSCAS (also known as osusu or isusu) is a process of capital accumulation, which involves the coming together of a group of friends who embark on mandatory savings for a period, usually one year. The process is described in Nwankwo, Ewuim and Asoya (2013) in the following words: "if there are ten people in the team, (say) "A" through "J", they would raise, say, NGN 50,000 each to make a pool of NGN 500,000, which is disbursed to the first person "A" in the first month, say, January and by October, while in the tenth month, the last person "J" would collect his own NGN 500, 000 and the rotation continues." At the end of the collection period, the total capital of each member is refunded with commensurate share of interest earnings.

The importance of microfinance in the field of development was reinforced with the launch of the Microcredit Summit in 1997. The summit aimed to reach 175 million of the world's poorest families, especially the women of those families, with credit for the self-employed and other financial and business services, by the end of 2015 (Microcredit Summit, 2005). More recently, the UN, as previously stated, declared 2005 as the International Year of Microcredit.

2.3 Providers and Models of Microfinance Interventions

MIX defines an MFI as "an organisation that offers financial services to the very poor" (MIX, 2005). According to the UNCDF (2004), there are approximately 10,000 MFIs in the world, but they only reach four percent of potential clients, about 30 million people. On the other hand, according to the Microcredit Summit Campaign Report (Microcredit Summit, 2004) as of 31st December 2003, the 2,931 microcredit institutions that they have data on, have reported reaching "80,868,343 clients, 54,785,433 of whom were the poorest when they took their first loan". Even though they refer to microcredit institutions, they explain that they include "programs that provide credit for self-employment and other financial and business services to very poor persons" (Microcredit Summit, 2004).

The differences between these sources highlight a number of points. First is how the two terms, microcredit and microfinance, are often confused and used interchangeably, though in the strictest sense microcredit should refer only to the provision of credit to the poor. Second, the difference between the statistics shows how difficult it is to get a true picture of how many MFIs are in existence today and how many clients they are reaching. The IMF states that "no systematic and comprehensive data on MFIs is collected and there are no authoritative figures on key characteristics of the microfinance industry, such as the number and size of MFIs, their financial situation, or the population served" (2005, p.6).

Despite the lack of data on the sector, it is clear that a wide variety of implementation methods are employed by different MFIs. The Grameen Bank (2010) has identified fourteen different microfinance models of which this study will focus on three; Rotating Savings and Credit Association (ROSCAs), the Grameen Bank and the Village Banking models, as these are the three microfinance models encountered during the field research.

- **Rotating Savings and Credit Associations**

These are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Grameen, 2010). According to Harper (2002), this model is a very common form of savings and credit. He states that the members of the group are usually neighbours and friends, the group provides an opportunity for social interaction and is very popular with women. They are also called merry-go-rounds or Self-Help Groups (Fisher and Sriram, 2002).

- **The Grameen Solidarity Group Model**

This model is based on group peer pressure whereby loans are made available to individuals in groups of four to seven (Berenbach and Guzman, 1994). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly (Ledgerwood, 1999). According to Berenbach and Guzman (1994), solidarity groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organisations such as the Grameen Bank, who use this type of microfinance model. They also highlight the fact that this model has contributed to broader social benefits because of the mutual trust arrangement at the heart of the group's guarantee system. The group itself often becomes the building block to a broader social network (1994, p.121).

- **Village Banking Model**

Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings (Holt, 1994). They have been in existence since the mid-1980s. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2010). The loans are backed by moral collateral; the promise that the group stands behind each loan (Global Development Research Centre, 2005).

The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ledgerwood, 1999). Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings, but members receive a share of profits from the village bank's re-lending activities. Many village banks target women predominantly, as according to Holt (1994, p.158) "the model anticipates that female participation in village banks will enhance social status and intra-household bargaining power".

2.4 Microfinance and its Impact in Development

Microfinance has a very important role to play in development according to proponents of microfinance. UNCDF (2004) states that studies have shown that microfinance plays three key roles in development. It:

- helps very poor households meet basic needs and protects against risks,
- is associated with improvements in household economic welfare,
- helps to empower women by supporting women's economic participation and so promotes gender equity.

Otero (1999, p.10) illustrates the various ways in which microfinance at its core, combats poverty. She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organisation building, enables people to move out of poverty (1999). By providing material capital to a poor person, their sense of dignity is strengthened, and this can help to empower the person to participate in the economy and society (Otero, 1999).

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level; it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2003) state that the poor are generally excluded from the financial services sector of the economy, so, MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of the poor people they can reach (Otero, 1999).

More recently, commentators such as Littlefield, Murduch and Hashemi (2003), Simanowitz and Brody (2004) and the IMF (2005) have commented on the critical role of microfinance in achieving the Millennium Development Goals. Simanowitz and Brody (2004, p.1) state that "Microfinance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of most poor people." Littlefield, Murduch and Hashemi (2003) state that "microfinance is a critical contextual factor with strong impact on the achievements of the MDGs…microfinance is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale". Referring to various case studies, they show how microfinance has played a role in eradicating poverty, promoting education, improving health and empowering women (2003).

However, not all commentators are as enthusiastic about the role of microfinance in development and it is important to realise that microfinance is not a silver bullet when it comes to fighting poverty. Hulme and Mosley (1996), while acknowledging the role microfinance can play in helping to reduce poverty, conclude that "most contemporary schemes are less effective than they might be" (1996, p.134). They state that microfinance is not a panacea for poverty alleviation and that in some cases, the poorest people have been made worse-off by microfinance. Rogaly (1996, p.109/110) finds five major faults with MFIs. He argues that:

- they encourage a single-sector approach to the allocation of resources to fight poverty,
- microcredit is irrelevant to the poorest people,
- an over-simplistic notion of poverty is used,
- there is an over-emphasis on scale,
- there is inadequate learning and change taking place.

Wright (2000,p.6) states that much of the skepticism of MFIs stems from the argument that microfinance projects "fail to reach the poorest, generally have a limited effect on income…drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor". Wright adds that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from "more pressing or important interventions" such as health and education (2000, p.6). As argued by Navajas et al (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more. They state that governments and donors should know whether the poor gain more from microfinance, than from more health care or food aid for example. Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty.

Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty, and about the characteristics of the people it benefits (Chowdhury et al., 2004). Sinha (1998) argues that it is notoriously difficult to measure the impact of microfinance programmes on poverty. This is so, she argues, because money is fungible and therefore it is difficult to isolate credit impact, but also because the definition of 'poverty', how it is measured and who constitute the 'poor' "are fiercely contested issues" (1998, p.3).

Poverty is a complex issue and is difficult to define, as there are various dimensions to poverty. For some, such as World Bank, poverty relates to income, and poverty measures are based on the percentage of people living below a fixed amount of money, such as US$1 dollar a day (World Bank, 2003).

2.5 Impact of Microfinance on Poverty

There is a certain amount of debate about whether impact assessment of microfinance projects is necessary or not, according to Simanowitz (2001b). The argument is that if the market can provide adequate proxies for impact, showing that clients are happy to pay for a service, assessments are a waste of resources (ibid.). However, this is too simplistic a rationale as market proxies mask the range of client responses and benefits to the MFI. Therefore, impact assessment of microfinance interventions is necessary, not just to demonstrate to donors that their interventions are having a positive impact, but to allow for learning within MFIs so that they can improve their services and the impact of their projects (Simanowitz, 2001b, p.11).

Poverty is more than just lack of income. Wright (1999) highlights the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He states that there is a significant difference between increasing income and reducing poverty. He argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty as it depends on what the poor do with this money. Oftentimes, it is gambled away or spent on alcohol, so focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to "sustain a specified level of well-being" (Wright, 1999, p.40) by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.

It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators' skepticism of the impact of microfinance on poverty, studies have shown that microfinance has been successful in many situations. According to Littlefield et al., (2003, p.2) "various studies…document increase in income and assets and decrease in vulnerability of microfinance clients". They refer to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all show very positive impacts of microfinance in reducing poverty. For instance, a report on a

SHARE project in India showed that three-quarter of clients saw "significant improvements in their economic well-being and that half of the clients graduated out of poverty" (2003, p.2).

Dichter (1999, p.26) states that microfinance is a tool for poverty reduction and while arguing that the record of MFIs in microfinance is "generally well below expectation" he does concede that some positive impacts do take place. From a study of a number of MFIs, he states that findings show that consumption smoothing effects, signs of redistribution of wealth and influence within the household are the most common impacts of MFI programmes.

Hulme and Mosley (1996, p.109), in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programmes can improve the incomes of the poor and can move them out of poverty. They state that "there is clear evidence that the impact of a loan on a borrower's income is related to the level of income" as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the "middle and upper poor" (1996, pp.109-112). However, they also show that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets (1996, p.118).

Mayoux (2001, p.52) states that while microfinance has much potential, the main effects on poverty have been:

♦ credit making a significant contribution to increasing incomes of the better-off poor, including women,

♦ microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced, and their poverty situation improves. Johnson and Rogaly (1997, p.12) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries' overall vulnerability.

Therefore, while much debate remains about the impact of microfinance projects on poverty, we have seen that when MFIs understand the needs of the poor and try to meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society.

3.0 Methodology

3.1 Analytical Framework

Sustainable Livelihood Framework which was first developed by the Department for International Development (DFID, 2001) and used by Olayide and Ikpi (2013) is adapted as the analytical framework for the study. The analytical framework explicitly accounts for the theoretical and empirical continuum of livelihoods assets (inputs) leading to production output; and the livelihood outcomes (well-being). Furthermore, the proposed analytical framework recognises the role of financial asset (capital) and institutions in influencing well-being and development outcomes. As in the DFID framework, the ability of people to access food therefore depends on their assets. Assets act as a buffer between production, exchange and consumption. Assets are built up in times of surplus and can be converted into food or production inputs in times of need. Peasants, and, more generally, poor people tend to have fewer assets than other groups and may be constrained in the utilisation of those assets they do possess due to their partial integration in (imperfect) markets and society. Different assets have different roles in production, exchange and entitlements.

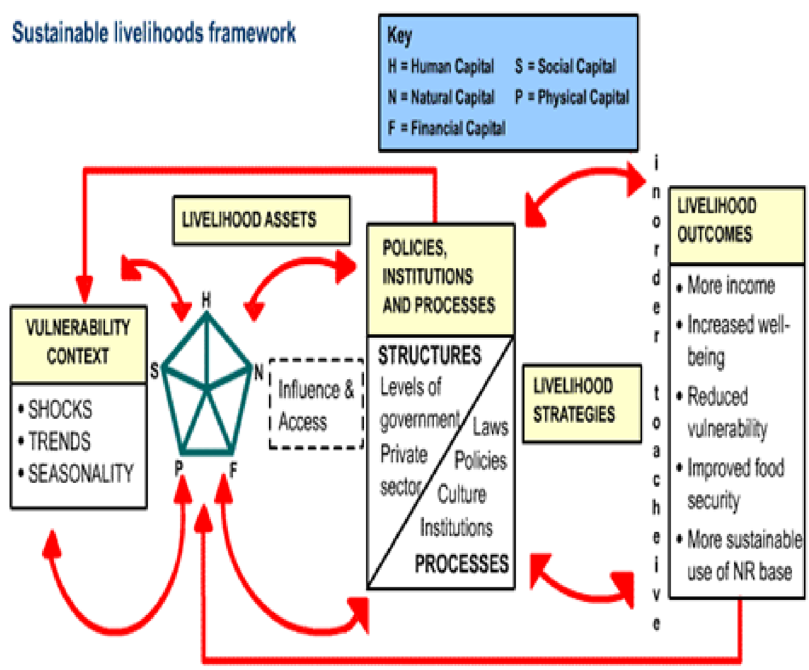

Figure 1: Source: Adapted from Olayide and Ikpi (2013)

3.2 Research Design

This section covers the description of the type of survey adopted in the study. It is expected to define the population, the sample size as well as the sampling technique adopted in selecting the sample size. Sources of data collection, data analysis and data presentation are part of the research design. This research is designed to study the impact analysis of microfinance institutions on rural households' wellbeing in Oyo State, using the IFAD/RUFIN supported project as a case study. The purpose is to assess the role of RUFIN in stimulating capacity building for the MFIs and the VSCG providing the need linkages to improve the livelihood of the indirect beneficiaries. ATISBO and Ibarapa-East Local Governments of Oyo State constitute the scope of field survey. Questionnaire was administered in a survey conducted among the benefitting microfinance banks and the Village Savings and Credit Groups in the benefitting LGAs.

3.3 State of Study Area

Oyo State is an inland state in southwest Nigeria, with Ibadan as its capital. The state is bounded in the north by Kwara State, in the east by Osun State, in the south by Ogun State and in the west partly by Ogun State and partly by the Republic of Benin.

3.4 Geographical Location within the Country

Oyo State has a land area of about 28,454 square kilometres. The stretches of northern zones of Oyo falls within the transition woodland or southern guinea while some parts of the north are derived guinea savanna where the Asabari hill is a prominent relief feature The Tropical High forest covers much of the southern zone. The dry season runs from

November to March while the rainy season is from April to November. The rainy season is characterized by high humidity and occasional gusty winds. Between December and January is harmattan.

River Osun and River Oyan are within the state borders. The former serves as the source of the man-made Asejire lake, a reservoir of water storage for domestic and industrial consumption (Oyo State Government Website: https://oyostate.gov.ng/about-oyo-state/).

3.5 Demographic Situation

Oyo State is one of the most populous states in southern Nigeria. The state largely comprises Yoruba speaking people of various dialects such as Oyo, Ibadan, Ibarapa while there are significant Fulani settlements in parts of northern Oyo.

3.6 Socio-economic Data

Table 3: Socio-economic Data

Features	Statistics
Land Area	32,249 Km2 (Cultivatable: 27,107.5km2)
Population (Approximation from 2006 census)	7 million people
Working Population (Approximation)	4.5 million
Gross State Product (GSP)	Approx. N381.1bn
Per Capital GSP (Approximation)	N84, 688

Source: Data (http://yeso.oyostate.gov.ng/news/Govspeech.pdf) (NBS)

The target population for this study consists of the benefitting Village Savings and Credit Group in the three local government areas.

According to the secondary data obtained from RUFIN, there were a total number of 295 groups as at May 2016 and were categorised as strong, moderate and weak, using the following parameters: regular savings evidence, credit history, loan recovery, minutes of meetings, bye laws and its implementation, readiness to accept small loan, frequency of meetings, attendance at meetings conducted, readiness to accept loans from other members, functional leadership and strong social benefit. Each of the parameter has a maximum score of 10.

Figure 4 Map of Oyo State.
Source: Online: www.nigeriagalleria.com

Table 4: Akinyele Local Government, Moniya- RUFIN Group Category Rating, May 2016

CATEGORY	NO OF GROUPS	PERCENTAGE (%)
Strong	65	96
Moderate	3	4
Weak	0	0
Total	68	100

Table 5: Ibarapa East Local Government, Eruwa- RUFIN Group Category, May 2016

CATEGORY	NO OF GROUPS	PERCENTAGE (%)
Strong	141	100
Moderate	0	0
Weak	0	0
Total	141	100

Table 6: Atisbo Local Government, Tede- RUFIN Group Category Rating, May 2016

CATEGORY	NO OF GROUPS	PERCENTAGE (%)
Strong	86	100
Moderate	0	0
Weak	0	0
Total	86	100

The sample selection takes into cognizance the groups that are led by women so as to underscore the gender parity of the study.

Focus group discussion and key informant guide were used to obtain relevant information from participating MFB, MFI and a cross section of members and leadership of the VSCG.

3.7 Data Collection and Source of Data

At the core of any assessment study are two measurements: a baseline survey conducted before the beginning of the intervention and one follow-up survey, conducted afterwards. We employed qualitative survey methods which are Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs) and quantitative survey methods (structured questionnaire administration). Multi-stage sampling technique was also employed. A total of 450 (that is, 150 from each of the three LGA) beneficiaries were randomly sampled

The type of data collected include socio-economic data, welfare data, gender-specific data and information on the administration of credits by the MFIs.

Both secondary and primary data were used in this study. The primary data were collected through the use of well-structured questionnaires and administered by well-trained enumerators in the study area. The study covers two benefitting LGAs and one non-benefitting LGA in Oyo State, Nigeria. Secondary data were obtained from the records made available by the RUFIN Coordinating Centre in Abuja, Nigeria, through relevant reviews and publications, text books and publications of the Central Bank of Nigeria.

3.8 Reliability of Instrument

The questionnaire employed for the primary data in this study was pilot-tested at Akinyele LGA, a benefitting LGA, and was found very reliable. It was reworked before the main study was conducted. Although the respondents may be subjective, the questionnaire is still able to capture relevant and needed information based on their opinions.

The data were analysed using Statistical Package for Social Sciences (SPSS.

3.9 Questionnaire

Basically, the questionnaire is structured in such a manner to bring out maximum information about the indirect beneficiaries of the group and also of the group to which they belong, such as loan activities of the group and the five domains of livelihood assets. The questionnaire contains a combination of closed and open-ended questions. The open-ended questions encourage respondents to provide detailed answers to the questions, while answers to the closed ended questions require that the researcher seeks further clarification from other sources in order to be able to use such information adequately.

The questionnaire seeks information about the personal data of respondents, circle of credit obtained from the banks, the use to which such loans are put, length of time for repayment, and profit profile of small-scale business borrowers. The questionnaires were administered directly to respondents and responses were collected immediately, except where the respondent asked for more time. This ensures collection of a high percentage of responses for analysis and results presentation. The schedule of the questionnaire is attached as an annexure to this chapter.

3.10 Analytical Technique

Descriptive statistics and cross tabulations are used to describe the socio-economic characteristics of the beneficiaries' households.

4.0 RESULT AND DISCUSSION

4.1 Socio-economic Characteristics of the Respondents

Table 7 below shows that the mean ages of the beneficiaries' respondent is 42.9 years while that of the non-beneficiaries is 42.4 years which implies that the respondents were in the active and productive age. Age has been found to determine how active and productive the individual would be. Majority of the beneficiaries in the study area are energetic and still able to work.

Table 7: The Mean Age of respondents

Item	Beneficiaries	Non-Beneficiaries
	%	%
Mean Age	42.9	42.4

Table 8 below shows that 44.3% of the beneficiaries are male compared to 58% of the non-beneficiaries while 55.7% of the beneficiaries are female compared with 42% of the non-beneficiaries. This underscores that the RUFIN programme is female gender inclusive.

Table 8: Gender of Respondents

Item	Frequency	Beneficiaries	Frequency	Non-Beneficiaries
Male	133	44.3	87	58.0
Female	164	55.7	63	42.0
Total	300	100	150	100

Table 9 below reveals that 3% of beneficiaries and 18.7% of non-beneficiaries are single/never married as at the time of survey. About 96.3% of beneficiaries and 66.7% of non-beneficiaries are married, and 0.7% of beneficiaries and 2% of non-beneficiaries had separated from their spouses. Some of the beneficiaries are divorced or widowed. Marriage in the African culture is a hallmark of responsibility and various religious faiths adduced to the fact that marriage is the foundation for household development.

Table 9: Marital Status of the Respondents

Item	Frequency	Beneficiaries	Frequency	Non-Beneficiaries
Single/Never Married	9	3.0	28	18.7
Married	289	96.3	100	66.7
Separated	2	.7	3	2.0
Divorced	0	0	6	4.0
Widowed	0	0	13	8.7
Total	300	100	150	100

Table 10 below reveals that most of the beneficiaries and non-beneficiaries respondents have completed secondary (45% and 52.7%) and post-secondary (21.3% and 32%) school education while the remaining 33.7% and 15.3% of the respondents had no formal education or uncompleted secondary school education. The level of education plays significant role in the success of any micro credit-based programme and the study area indicates a high literacy level among respondents. The level of education could determine the level of opportunities available to improve livelihood strategies, enhance food security and reduce the level of poverty. High education status of farmers and petty traders will enable them acquire knowledge and skills, for budgeting, saving, adoption of innovations and using resources as it was demonstrated by the RUFIN programme (Esturk and Oren, 2014). Okojie (2002) also reports that the higher the educational level of the household head, the greater the household welfare and food security and the lower the probability of the household being poor. RUFIN therefore is a programme that is relevant to the targeted rural working poor.

Table 10: Level of Education of Respondents

Item	Proportion of Beneficiaries (%)	Proportion of Non-Beneficiaries (%)
No formal education	7.7	7
Primary education not completed (years)	6.7	2.7
Primary education completed	12.7	8.0
Secondary school not	6.7	4.0
completed (years)	45.0	52.7
Secondary school		
completed	21.3	32.0
Post-secondary education (years)	100	100
Total		

Table 11 shows that 40% of the respondents are engaged in petty trading, 31% are farmers, 11.3% are craft makers, 4.0% engage in bi-vocational enterprises (farming and petty trading:3.7% farming and craft making :0.3%).

Table 11: Enterprises Experience of Respondents

Item	Frequency	Beneficiaries	Frequency	Non-Beneficiaries
Farmer	93	31.0	17	11.3
Craft making	34	11.3	16	10.7
Petty traders	120	40.0	33	22.0
Others (specify)	41	13.7	82	54.7
Farmer and petty traders	11	3.7	1	0.7
Farmer and craft making	1	0.3	1	0.7
Total	300	100	150	100

Table 12 below shows that majority of the beneficiaries have enjoyed a linkage to access credit. It worthy of note that 18.7% of the non-beneficiaries have access to credit which is as a result of the spill over effect of impact of RUFIN programme: a second-degree impact.

Table 12: Linkage for Access to Credit

Item	Frequency	Beneficiaries	Frequency	Beneficiaries
0.00	97	32.3	122	81.3
1.00	58	19.3	29	18.7
2.00	77	25.7	0	0

3.00	13	4.3	0	0
4.00	31	10.3	0	0
5.00	11	3.7	0	0
6.00	3	1.0	0	0
7.00	1	.3	0	0
8.00	9	3.0	0	0
Total	300	100	150	100

4.2 Gender Access to Credit

Table 13 below shows that 55.6% of the loan beneficiaries are female while 44.4% are male. This underscores the fact that the RUFIN programme gave priority to the female gender and this was attested to by the MFI officials.

Table 13: Gender Access to Credit

Variables	Frequency	Percentage
Male	87	44.4
Female	109	55.6
Total	196	100

4.3 Comparative Analysis of the Impact of RUFIN on Rural Household, between Beneficiaries and Non-beneficiaries of the Supported Project

From Table 14 below, it is evident that the project has a very strong positive impact on the physical and financial assets of the beneficiaries of the RUFIN supported project. More than 75 percent improvement is noticeable in the physical and financial assets (size of dwelling unit, quality of dwelling unit, farm machinery, household income, household savings, access to credit, business assets and profit making) of the project beneficiaries. There is only a case of less than 75 percent improvement, and this in farm machinery which has 43.2 percent improvement.

This low-level improvement is due to the fact that there was no provision for direct farm machinery in the implementation of the supported project. The beneficiaries got these implements through the funds they were able to access through the MFBs. However, in spite of the low improvement recorded, the improvement still surpasses that of non-beneficiaries, which shows 15.3 percent improvement in their farm machinery. This could be owing to the fact that there was no supported programme on ground, either from the government or non-governmental organizations (NGOs) through which this category of people could derive benefits.

Table 14: Effects of the Project on the Physical and Financial Assets of the Beneficiaries

Variables	Beneficiaries		
	Improved (%)	No Change (%)	Worsened (%)
Size of dwelling unit	78.7	16.7	4.7
Quality of dwelling unit	85	10.3	4.7
Household income	94.3	2.7	3
Household savings	93.3	4.7	2
Access to credit	83.7	15	1.3
Business assets	95	4	1
Profit making	97	2	1

Subsequently, the only improvement worthy of note from the non-beneficiaries section, which stood as the control unit of the research work, is their household income which records more than 75 percent improvement level, though it is still lesser when compared to that of the beneficiaries with 94.3 percent level of improvement. Therefore, these results show the significant effect the supported project has on the physical and financial assets of the beneficiaries.

Table 15 reveals and reflects on the effect of the project on the social capital as well as empowerment of the respondents. The table reveals that the project supported by RUFIN brought note-worthy improvements to the beneficiaries' social capital and empowerment. This is seen in the record of 70 percent or more level of improvement on the perceived notion that the responsiveness of government to livelihood issues is viewed on the premise of the linkage between community and NGOs, the private sector, their membership to community association, and access to financial services.

Although in some variables such as the responsiveness of government to the needs of the community, the poor and the physically challenged, the percentage of improvement is less than 70 percent, to a reasonable extent, it is still appreciable.

The consequence of this low record is the downward shift in the economy of the country, referred to as "recession". This was captured through the open-ended questions that the beneficiaries responded to.

On the other hand, considerable amount of improvement is also noted in the non-beneficiaries sections (control units), and this is in their membership of association, which has 69.3 percent improvement level. Similarly, it is lesser when compared to that of the beneficiaries with 90 percent level of improvement.

Table 15: Effects of the Project on the Social Capital and Empowerment of the Beneficiaries.

Variables	Beneficiaries		
	Improved (%)	No Change (%)	Worsened (%)
System of Farm input supply	52	43.3	4.7
Responsiveness of government to community needs	67.3	21.7	11
Responsiveness of government to gender issues	71.3	24	4.7
Responsiveness of government to the needs of the poor	64.3	26.7	9
Responsiveness of community to the needs of the poor	62.3	28.3	9.3
Responsiveness of government to the needs of the physically challenged	55.7	37.3	7
Linkage between community and NGOs	83.7	10.3	6
Linkage between community and the private sector	70.3	23.7	6
Membership of association	90	9.7	0.3
Access to financial services	83	16.3	0.7

The implication of this is that the non-beneficiaries also have a cooperative society through which they could be empowered as long as they belong to that society. However, it is observed that their societies lack substantial financial capacity because they have no link with the government, private sector and non-governmental organizations (NGOs). These results, therefore, show significant level of impact the supported project has on the social capital and empowerment of the beneficiaries.

Table 16 below indicates the effect of RUFIN on the human capital resources of the beneficiaries. About 91% have been trained, 92.7% have access to linkages and market information while 72.7 % have enjoyed some form of skill improvement. Human capital development is key to any successful intervention.

Table 16: Effects of the Project on the Human Capital and Empowerment of the Benefiting Respondents

Item	YES	NO
Human capital development (training)	91.0	9.0
Linkage and market information	72.7	7.3
Dissemination of improved processing techniques	92.7	27.3

4.4 Sustainability Indicator of the Programme

The programme delivers on the economic dimensions of sustainability which are expressed in the figure below. Over 80% of the respondent experience improvement in their business asset, household savings, household income, quality of dwelling unit etc. Economic empowerment of the rural poor was a major thrust of the programme.

Table 17: Indicator of Economic Sustainability of the Project

Livelihood Outcomes	%
Household Income	94.3
Household Savings	93.3
Quality of dwelling Units	85
Electrical Appliances	86.7
Size/Number of Landed properties owned	87
Ease of Rural-Urban Movement	83
Access to Market Information	90
Business assets	95

The programme addresses the social dimensions of sustainability through its impact as measured above. Over 70% of the beneficiaries have experienced improvement in female gender inclusion, access to food market, drinking water, health service, education and community participation. Indeed, RUFIN has delivered on its mandate of social inclusiveness.

Table 18: Indicator of Social Sustainability of the Project

Livelihood Outcome-Increasing well being	%
Membership of Association	90
Involvement in decision Making	95
Participation in group activities	88.3
Involvement in management of group savings and loans	83.3
Access to Human capital Training	91
Access to Primary/Secondary School	88
Access to Health services	91.3
Access to drinking water	79.3
Access to food market	86.7
Access to means of communication	97.3
Workload of Women	70.7
Workload of Girl Child	72

The third dimension of sustainability is the environment and it is a key component in measuring sustainability of any developmental programme. Over 79% of the beneficiaries' experience ease of rural-urban movement which amplified the peaceful coexistence of the community and development is hinged on prevailing environmental peace. Other environmental variables measured are access to transportation, food market, drinking water, health services, education and human capital training (skill acquisition)

Table 19: Indicator of Environmental Sustainability of the Project

Livelihood Outcome-Reduced Vulnerability	%
Access to Human capital Training	91
Access to Primary/Secondary School	88
Access to Health Services	91.3
Access to Drinking Water	79.3
Access to Food Market	86.7
Access to Means of Communication	97.3
Ease of Rural-Urban Movement	83

The test of hypothesis shows that microfinance has a significant impact on the livelihood outcomes of the rural household at the significant level of 0.000. This underscores their participation in the socially inclusive village savings and credit group which in turn reduces their vulnerability.

4.5 The Result of Hypothesis

Table 20: Test of Hypothesis

Variables	Chi Square Value	Probability	Remark
Household Income	40.364	0.000	Significant
Household Savings	73.187	0.000	Significant
Access to Credit	51.863	0.000	Significant
Business Assets	122.807	0.000	Significant
Profit Making	123.955	0.000	Significant

5. Summary, Conclusion and Recommendations

5.1 Summary of Major Findings

1) One major finding of this study is that the implementation of the RUFIN programme has improved the capacity of most of the beneficiaries through human capital empowerment. It is noteworthy that most of the beneficiaries are in their active age which falls within the economic activity group.

2) The study also confirms that majority of the beneficiaries have only primary and secondary education. Only very few of them possess post-secondary education. This corroborates earlier findings that most of the MFIs in Nigeria are built after Grameen Bank model which focuses on poor people with little or no education.

3) It has also been established that the programme has a far-reaching effect on households since most of the

beneficiaries are married. The female gender had better access to microcredit and as such the workload of both women and girl child improved significantly.

4) It was also established that the programme satisfies the three dimensions of sustainability which are economic, social and environmental well-being.

5.2 Conclusion

The focus of this study is to prove with empirical evidence the impact RUFIN has had on the beneficiaries who in this case are the individual members of the groups and their households. From the findings, it can be said that the micro-financing of farming and small-scale enterprises in the rural areas is a major policy thrust towards alleviating poverty. Living standards of group members have improved through the acquisition of assets such as furniture, motorbikes, cars and home-improvement investments. Increase in household cash flows has enabled smoother payment of children's school fees, purchase of better quality of food, easier payment for medical treatment and better participation in community decision making process.

The project in itself has some shortcomings as attested to by the respondents. Some of the beneficiaries lamented the loan accessing procedure of the MFBs which made things difficult for them. This ranges from high interest rate, short repayment duration, credit disbursement un-timeliness, difficulty in getting civil servants as guarantors to insufficient fund to procure business assets and farm implements. All these factors affected their profit making. However, it must be noted that the beneficiaries did not remain at the same level they were. After all, the purpose of every project is to improve on the existing situations and circumstances.

It is to be noted also that many of the RUFIN interventions were introduced quite late in the project life and required major thrust in follow-up and implementation to ensure their sustainability.

Rural population can only be helped if interventions are designed for continuity. This was a concern for RUFIN, according to the mid-term report of 2013. Rural microfinance as demonstrated by RUFIN is a veritable tool towards alleviating poverty.

5.3 Recommendations

The impact of microfinance on poverty alleviation is a keenly debated issue. The generally accepted view is that it is not a silver bullet; it has not lived up to its expectation (Hulme and Mosley, 1996). However, when implemented and managed carefully, and services are designed to meet the needs of clients, microfinance has had positive impacts, not just on beneficiaries, but on their families and on the wider community. There is, however, a need for greater assessment of these wider impacts if the true value of microfinance to development is to be understood (Zohir and Matin, 2004). One such tool for measuring wider impact is a livelihood security analysis based on a livelihoods framework which analyses how a project impacts on the livelihoods of beneficiaries as used in this study.

The apex bodies that are saddled with the responsibility of helping the poor get out of poverty must conduct a social inclusive capacity building on the implementers of rural micro financial services and also approve the establishment of Rural Outreach Units (ROUs) to further consolidate on the gains of the programme. The hiring of the RUFIN VSCG volunteers as agents by R-MFIs should also be considered so as to increase the bottom tier beneficiaries.

The establishment of socially inclusive loanable fund with lowest possible interest must be considered as an option of financial service for the rural poor. The establishment of equipment and machinery centre where simple and basic equipment can be accessed at an affordable fee that will foster return on investment is of great importance in order to advance the wellbeing of the rural poor.

The RUFIN model should be scaled up to more local government areas to entrench the benefit of microfinancing to the rural poor.

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Centre for Sustainable Development

ABOUT CENTRE FOR SUSTAINABLE DEVELOPMENT (CESDEV)

The Centre for Sustainable Development (CESDEV) was established by the University of Ibadan through Senate paper 5386 in May 2010 as a demonstration of the University's commitment to Sustainable Development. It was based on the need to provide intellectual platform for identification of issues germane to sustainable development, critically analyse them, and provide leadership in finding enduring solutions that will enhance sustainable development.

The establishment of CESDEV was sequel to series of events, paramount among which was the winning of a USD 900,000 grant from the MacArthur Foundation to establish the Master's in Development Practice (MDP) Programme. The University of Ibadan was one of the ten original Universities that won the grant in a global competition involving over 70 Universities. Further brainstorming led to defining the composition of the emerging Centre beyond the MDP Programme. It was resolved that a number of development programmes that were "hanging in the balance" be moved to the Centre. The **Centre for Sustainable Development** (CESDEV) thus became a Teaching and Research Centre with a mandate in multi- and inter-disciplinary approach to Sustainability issues affecting not just our continent but the whole universe. The Centre is designed to be a Teaching, Research and Development unit in the University. Presently, CESDEV has the following academic and outreach programmes:

- Development Practice Programme (DPP)
- Tourism and Development Programme (TODEP)
- Indigenous Knowledge and Development Programme (IKAD)
- Sustainable Integrated Rural Development in Africa Programme (SIRDA)
- Climate and Society Programme (CSP)
- Environmental Protection and Natural Resources Programme (EPNARP)
- Leadership and Governance Programme (LGP)
- Annual Ibadan Sustainable Development Summit (ISDS)

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