AN ANALYSIS OF MICROFINANCE AND POVERTY REDUCTION IN BAYELSA STATE OF NIGERIA

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ABTRACT

This study investigates the relationship between microfinance and poverty reduction in Bayelsa State of Nigeria. Relevant literatures were reviewed for the study. To guide the study, four hypotheses were developed. They were used to measure the main variables of the study. The target population for this study was all women involved in small scale business in Bayelsa State, Nigeria. A sample of 286 respondents was purposively selected for the study. The instrument for the study was a questionnaire titled microfinance and poverty reduction. To analyse the data generated, the chi-sqaure, ANOVA and descriptive statistics were used. The analysis of the data revealed that there is a significant relationship between microfinance and poverty reduction in Bayelsa State; there is a significant difference between microfinance and traditional rotating system; there is significant difference between loan repayment by the women and poverty reduction in Bayelsa State and significant difference between microfinance and the status of women in Bayelsa State, Nigeria. The conclusion drawn from this study therefore was that microfinance alone cannot reduce poverty in any society where basic infrastructures like good roads, steady power supply, good transportation system etc are nearly not available for the women to benefits from the introduction of microfinance in Nigeria. The study therefore recommends among others that the governments in developing economies like Nigeria should as a matter of national priority provide the basic infrastructural facilities to enable small business owners grow; the National Poverty Alleviation Programme (NAPEP) should be well strengthened *to reduce the level of political manipulation by political leaders in the country; anda reduction in the interest rate for microfinance institutions and other stringent issues about microfinance model of poverty reduction should be adequately and seriously applied to minimize the level of poverty in Nigeria.*

Keywords: Microfinance, Poverty reduction, Bayelsa State, Nigeria.

1. INTRODUCTION

Poverty reduction has been an important development challenge over decades. One of the identified constraints facing the poor is lack of access to formal sector funds to enable them to take advantage of economic opportunities to increase their level of output, hence move out of poverty. The wide-spread poverty, with all the problems that comes with it, is the greatest challenge of our time. Traditional aid has not helped in solving this problem. One kind of development work, which promotes financial sustainability for poor individuals in the society, is micro finance (Lindvert, 2006). The microfinance revolution has changed attitudes towards helping the poor in many countries and in some has provided substantial flow of finance, often to very low-income groups or households, who would normally be excluded by conventional financial institutions (Kurmanalieva, Montgomery and Weiss, 2003). According to Morduch and Haley (2001), microfinance has proven to be an effective and powerful tool for poverty reduction. Like many other development tools, however, it has insufficiently penetrated the poorer strata of the society. The poorest form the vast majority of those without access to primary health care and basic education; similarly, they are the majority of those without access to microfinance. Also, Hussien and Hussain (2003) say there is increasing reliance on microfinance as an instrument of poverty alleviation in Pakistan.

The unwillingness or inability of the formal financial institutions to provide financial services to the urban and rural poor, coupled with the unsustainability of government sponsored development financial schemes contributed to the growth of private sector led microfinance in Nigeria (Anyanwu, 2004). Shastri (2009) maintain that

> *"the credit policy for the poor involves many practical difficulties arising from operation followed by financial institutions and the economic characteristics and financing needs of low-income households. For example, commercial banking institutions require that borrowers have a stable source of income out of which principal and interest can be paid back according to the agreed terms. However, the income of many self employed households is not stable. A huge number of micro loans are needed to serve the poor, but banking institution prefers dealing with big loans in small numbers to minimize administration expenses. They also*

> *look for collateral with a clear title-which many low income households do not have".*

Momoh (2005) said with an effective and efficient microfinance system operating in rural areas of developing countries, coupled with other enabling factors such as legal and policy framework, good governance and adequate physical infrastructure, the poor rural people will undertake diversified business activities, and also be able to adopt more appropriate modern farming technologies. This, it is assumed, will lead to the reduction of rural poverty and an increased overall standard of living of the rural poor in developing countries in general, and the Least Developed Countries (LDCs) like those in Sub-Saharan Africa and South Asia, in particular. Latifee (2003) also argues that the poor live in a high risk and vulnerable conditions. Their ability to take advantage of opportunities that will lead to increasing their income or economic status, to protect themselves against risks of crises, and to cope with these when they occur is very significant. Reduction of poverty is partly a process of increasing income and economic stability which enables fulfillment of basic needs and access to different kinds of services. This may also be understood in the form of developing a range of assets that will reduce the vulnerability of the poor of physical, economic and social shocks.

Therefore, several studies have been published on microfinance and poverty reduction. In some of these studies, microfinance has brought positive impact to the life of clients, boost the ability of poor individuals to improve their conditions and others have indicated that poor people have taken advantage of increased earnings to improve their consumption level, health and build assets. However, other studies have shown that microfinance is said to play insignificant role towards poverty reduction. These various arguments on the role of microfinance in reducing poverty in different parts of the world necessitated the researchers to ask the following questions in Bayelsa State: can microfinance be an effective strategy for poverty reduction? What are the problems of microfinance institutions in the State? What are the differences between microfinance and traditional savings rotating system? What is the difference between loan repayment and poverty reduction? How do women perceive their status in relation to the advent of microfinance? It is an attempt to find answers to these and similar questions that motivated these research work. The rest of the paper is divided into four sections. Section two is on theoretical and empirical literature; section three is on research methodology; section four is on results and discussions while section five is on conclusion and recommendations.

2. THEORETICAL AND EMPIRICAL LITERATURE

2.1 The Nature and Scope of Microfinance

Microfinance is coined as the financial service rendered to the deprived group of the people and small entrepreneurs to help them in developing self-employment opportunities and various income generating activities. The small size of the loan, regular savings, small scale entrepreneurs, diversified utilization and simple and flexible terms and conditions are the determining features of its definition.

Microfinance is the provision of financial services to poor and low income households without access to formal financial institutions. According to Rajasekhar (2004), microfinance is the strategy for providing to the poor in rural and urban areas, especially women with savings and credit facilities to set up or expand business, invest in self-employment activities and increase household security. Also Schreiner and Colombet (2001) 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”.

Lindvert (2006) said there are two main approaches in the area of microfinance today. One is described as Subsidized Credit Delivery. Which means poor people are considered unable to lend and save, and therefore are in need of subsidized credit services. The other approach is known as Commercialized Sustainable Microfinance which is based on the idea that poor people can and do save and repay their loans to a market-oriented interest rate, but need secure financial institutions for doing this. He said this approach has a more long term perspective, with the purpose to create sustainable organizations, communities and markets. Akanji (2001) in her paper on microfinance as a strategy for poverty reduction enunciated the following principles: simplify services, offer small initial loan, offer short term loan, localize services, focus on scale, short turn around time, motivate repayment, and recognize that the poor do save.

Commentators such as Littlefield, Murduch and Hashemi (2003), Simanowitz and Brody (2004) and International Monetary Fund (2005) have commented on the relevance of microfinance in achieving the Millennium Development Goals of eradication of poverty and hunger, achieve universal education, promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development. Simanowitz and Brody (2004) stress that "microfinance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people".

2.2 The Nature and Scope of Poverty

Poverty has been described by scholars and experts depending on its nature, place and volume. Poverty is a multifaceted concept being perceived by different people while using different criteria to assign a meaning to it, and therefore, this makes it difficult to give a concise meaning to the term (Kurfi, 2009). According to United Nations Development Program, around 2.7 billion people are considered to be living in poverty. These people have a consumption level of less than 2 US Dollars per day. Extreme poverty is defined as living in less than 1 US Dollar per day. Around 1.1 billion of the poor live in extreme poverty. People living in extreme poverty often lack opportunities to have their basic needs met, meaning access to food, clean water, clothes and decent shelter. Most lack education and are vulnerable to diseases (Lindsert, 2006). In a similar vein, Momoh (2005) note that

poverty is a multi-dimensional phenomenon related to the inadequacy or lack of social, economic, cultural, and political entitlements. Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future and living a day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom (World Bank, 2000).

Oyeranti and Olayiwola (2005) maintain that there are three dominant views in the literature on the meaning of poverty. The first view considers poverty in terms of deprivation in some materials of well being which can usually be assessed in terms of money. World Bank (2002) defines it as the lack of what is necessary for material well-being. The second view considers poverty as being multidimensional in nature entailing lack of adequate livelihood, assets and failure to achieve basic capabilities in nutrition, health, economic and social life etc. The third view considers poverty as a phenomenon that is difficult to objectively determine. According to Adebayo (2009), it is subjective in nature and has both physical and psychological dimensions that predispose its sufferers to hunger, violence and crime, insecurity, discrimination, victimization, political repression etc. According to Brock and McGee (2002), the dynamics of poverty are complex and mostly not easy to explain only by using economic models such as price equilibrium, perfect competition, and surplus extraction and so on.

There are different types of poverty such as income poverty, absolute poverty, relative poverty and consistent poverty. **Income poverty** is type of poverty that is a result of lack of money or limited income. **Absolute poverty** is a type of poverty where people are starved, living without proper housing, clothing or medical care- people who struggle to stay alive. **Relative poverty** is a type of poverty where people are considered to be living substantially less than the general standard of living in the society. **Consistent poverty** is a type of poverty that is the combination of income poverty and deprivation (Momoh, 2005).

Mboho, and Ibok (2009) argue that poverty alleviation strategies are approaches designed to tackle underdevelopment. These strategies adopted depend on the developer, individuals, groups and institutions. According to Ogwumike (2002), poverty reduction can be group into four strategies. These strategies include:

1. **Economic Growth Strategy:** This strategy focuses on ensuring growth especially through increased focus on human capital formation via education, health, nutrition and housing need of the labour force.
2. **Basic Needs Strategy:** This is the provision of basic needs such as food, shelter, water, sanitation, health care, basic education etc.

3. **Rural Development Strategy:** This strategy considers poverty as a rural phenomenon and that traditional measures of poverty reduction may not work in the rural areas because of its peculiarities. This strategy recommends a multi-dimensional, multi-pronged, integrated strategy to poverty reduction through development programmes that provides basic needs and creates income generating opportunities for rural dwellers in general and the poor in particulars.
4. **Targeting Strategy:** This strategy focuses on specific groups (women, youths, disabled etc) in the reduction of poverty in the society.

The third view of the concept of poverty grouped poverty reduction into four approaches namely pro-poor approach, rights based approach, resource based approach and sustainable livelihood approach. The **pro-poor approach** aims at ensuring macroeconomic policy that are favourable to the poor to ensure stability of the economy, conducive business climate, growth enhancing technological innovation and improved output leading to increased earnings for the poor people (Adebayo, 2009). The **rights approach** ensures the empowerment and redistribution of political power. This approach emphasize issues such as improved political participation, good governance, rule of law, credit availability, skill enhancement, accountability etc. The **resource based approach** aims at redistribution of assets by the promotion of security against risks such as ill health, natural disaster and economic shocks. The **Sustainable livelihood approach** is people centred and a combination of all the other three approaches.

2.3 Microfinance and Poverty Reduction

There is an ongoing debate concerning the idea of microfinance alone or microfinance plus being capable of reducing poverty. There are views that microfinance alone is inadequate to fight poverty. The need for other services is also important in this respect. Such views, although, do not negate the role of microfinance; fail to appreciate the role of microfinance on its own advantage. Latifee (2003) says *nobody says that micro finance alone is cure for all. Most experts and practitioners believe that microfinance plays a vital role as an instrument of intervention for a poor person to discover her potential and to stride for better living.*

Muhammed Yunus advocates that microfinance is a human right. Once this right is established, the entitlement to other rights for leading a dignified life becomes easier. It empowers to break the vicious cycle of poverty by instantaneously creating self-employment and generating income. When in the ultimate analysis nothing can be said to be the panacea, by overemphasizing that microfinance is not a panacea is in a sense overreacting and underestimating the role of finance as an instrument to combat poverty. Microfinance has proved to be a powerful instrument for poverty reduction that enables the poor to build assets, increase incomes and reduce their vulnerability to economic stress. But if it is combined with others, it is definitely more empowering.

Studies have shown that microfinance has been successful in many situations. According to Little, Murduch and Hashemi (2003), “various studies on microfinance and poverty reduction have recorded increases in income and assets, and decreases in vulnerability of microfinance clients”. They refer to projects in India, Indonesia, Zimbabwe, Bangladesh, Ethiopia and Uganda which all shows very positive impacts of microfinance in reducing poverty. Mayoux (2001) 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.

Khandker (2003) states that it is clear that what microfinance can do for the poor depends on the poor’s ability to utilize what microfinance offers them. He further said that microfinance provides a window of opportunity for the poor to access a borrowing and saving facility. In other countries, these facilities also provide organizational help, training, safety nets, empowerment, and financial and other help during crises. Microfinance organizations can alleviate liquidity constraints, stabilize consumption, and enhance both income and consumption for the poor, thereby augmenting the poor’s welfare. Kurmanalieva, Montgomery and Weiss (2003) submission on microfinance and poverty reduction is very interesting. They argue that if access to microfinance can be improved, the poor can finance productive activities that will allow income growth, provided there are no other binding constraints. This is a route out of poverty for the non-destitute chronic poor. For the transitory poor, who are vulnerable to fluctuations in income that bring them close to or below the poverty line, microfinance provides the possibility of credit at times of need and in some schemes the opportunity of regular savings by a household itself that can be drawn on.

2.4 Survey of Empirical Literature

Several empirical studies have shown that microfinance reduces poverty. For example Goldberg (2005) reported that the poor no longer remained as poor as a result of microfinance in Bangladesh. Khandler (2003) found that microfinance helped in poverty reduction and Zubair (2004) informed that microfinance has reduced vulnerability to domestic violence in Bangladesh. Studies conducted by other scholars concluded that there is no positive impact on microfinance (for example, Mayoux, 2001; Duong and Izumida, 2002). Table 1 below summarises the methodology, sample and main results of these studies.

Author(s)	Methodology	Main Results
Asemelash (2003) Ethiopia	Structured questionnaire using Descriptive statistics, Chi-Square test and ANOVA for the analysis and testing of hypothesis.	The microfinance provided to the poor has brought a positive impact on the life of the clients as compared to those who do not get access to these microfinance services. He showed that microfinance has brought a positive impact on income, asset building, and access to schools and medical facilities in the study area.
Alemu (2006)	A sample of 500 households from five different zones in the Amhara Region. Using chi-square, paired t-test, Anova and logistic regression.	The study has found out that the poor have smoothed their income in the study area. However, there was fungibility in the sense that clients were using the loan for unintended purposes.

Rajendran and Raja (2010)	A sample of 180 randomly selected leaders of Self Help Groups in Vellore district, India. Structured questionnaire and using simple statistical tools and ANOVA.	Microfinance and self help groups are effective in reducing poverty, empowering women, creating awareness and ensure sustainability of environment which finally results in sustainable development of the nation.
Imai, Arun and Annim (2010)	The study covered a sample of 20 Small Industries Development Bank of India partner microfinance institutions and 5260 households using descriptive statistics and Tobit regression model.	The study show that loans for productive purposes were more important for poverty reduction in rural than urban areas and significant positive effect of Microfinance Institution productive loans on multidimentional welfare indicator.
Green, Kirkpatrick and Murinde (2006)	A sample of secondary source of case studies and empirical work.	The causal linkages among financial policy, enterprise development and poverty reduction remain a key challenge given the commitment to achieve the MDGs by 2015.

Source: Adapted from various authors

3. RESEARCH METHOD

The design employed to carry out this study was the descriptive research with particular reference to the case study method. The instrument used for the study is the structured questionnaire which comprises items that generated data for answering the research hypothesis. The content validity of the questionnaire was established by making use of two experienced experts for their comments. Baridam (2001) stated that a test is valid if it measures what it is supposed to measure. The reliability of the questionnaire was determined by using inter-rater reliability approach. This approach was adopted based on the recommendation of Osuala (2005). He recommended that the pooling of the ratings of several judges about an individual will produce a composite that is more reliable.

The samples of the study include four hundred (400) entrepreneurs in various areas randomly selected from three local government areas from the three senatorial districts in Bayelsa State (Bayelsa East, Bayelsa West and Bayelsa Central). The stratified random sampling technique was used to select the three local government areas from the three senatorial districts while the convenience sampling was adopted to draw elements or respondents to be included in the study. A total of two hundred and eighty six (286) questionnaires were collected and used for the analysis.

The study used descriptive statistics, chi-square and ANOVA statistical tools in testing the hypothesis of the study. Chi- Square test is used for hypothesis one because the data generated is measured in nominal scale while ANOVA test is used for hypothesis two, three and four because the data generated is measured in nominal scale. Excel software helped us to transform the variables into a format suitable for analysis, after which the Statistical Package for Social Science (SPSS Version 15.0) was utilized for data analysis.

4. RESULTS AND DISCUSSIONS

This section discusses the descriptive statistics, chi-square and analysis of variance results on the effect of microfinance on poverty reduction in Bayelsa State. The results obtained from the analysis were used to test the hypothesis of the study which is stated in the null forms as:

Hypothesis One:

Ho_1: There is no significant relationship between microfinance and poverty reduction in Bayelsa State.

Table 1: Chi Square test

	Value	df	Assmp. Sig (2-sided)
Pearson Chi-Square	291.995[a]	195	.000
Likelihood Ratio	277.199	195	.000
Linear by Linear Asso.	3.855	1	.050
N of Valid Cases	286		

a. 222 cells (99.1%) have expected count less than 5. The minimum expected count is 0.01

The table above shows that the Pearson Chi-Square (291.995) is greater than p-value of (.000), the Likelihood ratio of (277.199) is greater than p-value of (.000), linear by Linear association of (3.855) is greater than the p-value of (.050), hence the null hypothesis is rejected that there is no significant relationship between microfinance and poverty reduction in Bayelsa State and the alternative hypothesis is accepted that there is a signigicant relationship between microfinance and poverty reduction in Bayelsa State, Nigeria. This result is consistent with the studies conducted by Asemelash (2003), Khandler (2004) and Goldberg (2005) that microfinance assists in the reduction of poverty.

Table 2 Descriptive statistics

	N	Mean	Std	Variance	Skewness		kurtosis	
	Statistics	Statistics	Statistics	statistics	Statistics	Std error	Statistics	Std. error
MC	286	19.80	3.463	11.994	-.512	.144	-.835	.287
PR	287	18.4321	13.75820	189.288	15.508	.144	254.969	.287

Source: SPSS output version 15.0 for data collected from field survey, 2010.

Table 2 above shows the mean, standard deviation, variance, skewness and kurtosis for microfinance and poverty reduction of (19.80, 3.463, 11.994, -.512 and -.835) and (18.4321, 13.75820, 189.288, 15.508, 254.969). The descriptive statistics is consistent with the chi-square result in table 1 above.

Hypothesis Two

Ho_2: There is no significant difference between microfinance and traditional savings rotating system in Bayelsa State.

Table 3: ANOVA

Source	Sum of squares	df	Mean square	F	Sig.

Corrected model	389.126[a]	14	27.795	2.478	.003
Intercept	49759.820	1	49759.820	4436.587	.000
TSR	389.126	14	27.795	2.478	.003
Error	3039.479	271	11.216		
Total	115877.000	286			
Corrected total	3428.605	285			

Source: SPSS output version 15.0

The table above shows the analysis of variance for hypothesis two. The corrected model gave an f value of 2.478 which is greater than the p-value of 0.003 and the traditional savings rotation system f value of 2.478 which is still greater than the p-value of 0.003, hence we reject the null hypothesis that there is no significant difference between microfinance and traditional savings rotating system and accept the alternative hypothesis that there is significant difference between microfinance and traditional savings rotating system in Bayelsa state, Nigeria.

Table 4: Descriptive statistics

	N	Mean	Std.	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. error	Statistics	Std. error
MF	286	19.83	3.468	12.030	-.509	.144	-.844	.287
TSR	286	17.72	3.270	10.695	-.011	.144	-.877	.287
Valid N	286							

Table four above shows the descriptive statistics of the difference between microfinance and traditional savings rotating system. Microfinance mean, standard deviation, variance and skewness, and kurtosis values are (19.83, 3.468, 12.03, -.509, and -.844) and the traditional savings rotating system values were (17.72, 3.270, 10.695, -.011, -.877). These values showed differences between microfinance and the traditional savings system.

Hypothesis Three:

Ho3: There is no significant difference between loan repayment and poverty reduction in Bayelsa State.

Table 5: ANOVA

Source	Sum of Square	df	Mean square	F	Sig.
Corrected model	418. 161[a]	14	29.869	2.769	.001
Intercept	37419.857	1	37419.857	3468.688	.000
PR	418.161	14	29.869	2.769	.001
Error	2923.521	271	10.788		
Total	116187.000	286			
Corrected total	3341.682	285			

a. R Squared = .125 (Adjusted R Squared = .080)

Table five above shows the analysis of variance between loan repayment and poverty reduction in Bayelsa State, Nigeria. The corrected model f-value of 2.769 is greater than the p-value of 0.001 and the poverty reduction f value of 2.769 is also greater than the p-value of 0.001. Hence, we reject the null hypothesis and conclude that there is significant difference between loan repayment and poverty reduction in Bayelsa State, Nigeria.

Table 6: Descriptive statistics

	N	Mean	Std.	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std Error	Statistic	Statistic
LRP	286	19.86	3.424	11.725	-.485	.144	-.801	.287
PR	286	17.92	3.136	9.833	-.056	.144	-.823	.287
Valid N	286							

The descriptive statistics table 6 above shows the mean, standard deviation, variance, skewness and kurtosis for loan repayment (LRP) of (19.86, 3.424, 11.725, -.485, and -.801) and poverty reduction (PR) of (17.92, 3.136, 9.833, -.056 and -.823). This descriptive statistics values also showed differences that is consistent with the analysis of variance result.

Hypothesis four:

Ho_4: There is no significant difference between microfinance and the status of women in Bayelsa State.

Table 7: ANOVA

Source	Sum of Squares	df	Mean square	F	Sig.
Corrected model	485.258[a]	13	37.328	2.864	.001
Intercept	60357.763	1	60357.763	4630.700	.000
SW	485.258	13	37.328	2.864	.001
Error	3545.319	272	13.034		
Total	117991.000	286			
Corrected total	4030.577	286			

a. R Squared = .120 (Adjusted R Squared =.078)

Table 7 above shows the analysis of variance result for the difference between microfinance and the status of women in Bayelsa State, Nigeria. The corrected model f-value of 2.864 is greater than the p-value of 0.001 and the status of women f-value of 2.864, which is also greater than the p-value of 0.001. Hence, we reject the null hypothesis and accept the alternative that there is a significant difference between microfinance and status of women in Bayelsa State, Nigeria.

Table 8: Descriptive statistics

	N	Mean	Std.	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. error	Statistic	Std. error
MF	286	19.96	3.761	14.142	.063	.144	1.742	.287

SW	286	17.90	3.202	10.250	-.011	.144	-.926	.287
Valid N	286							

The table above shows the descriptive statistics of microfinance and status of women in Bayelsa State, Nigeria. The mean, standard deviation, variance, skewness and kurtosis values of (19.96, 3.761, 14.142, .063, and 1.742) and (17.90, 3.202, 10.250, -.011 and -.926) for microfinance and status of women. The statistics is consistent with the analysis of variance result above.

5. CONCLUSION AND RECOMMENDATIONS

Microfinance is a very important means of reducing the level of poverty in developing economies like Nigeria. Poverty is a threat to the poor, because he cannot meet up his primary or basic needs of life, that of his family or his dependents. Poverty is like that which sucks the blood for its livelihood. It exists where people are unable to make both ends meet for better livelihood. This study set out to establish the relationship between microfinance and poverty reduction, the difference between microfinance and status of women in the society, microfinance and traditional savings rotating system and loan repayment and poverty reduction. After a theoretical and empirical exploration of relevant literatures, the paper found that there is a significant relationship between microfinance and poverty reduction; significant difference between microfinance and traditional savings rotating system; loan repayment and poverty reduction; and microfinance and status of women in the society. On the premises of the revelations from this study, we conclude that thus microfinance alone cannot reduce the level of poverty in any given society except the government provide the basic infrastructural facilities such as good road, constant power supply, good transport system etc that is when microfinance will play an effective and efficient role of poverty reduction instrument in contemporary society. Therefore, the following recommendations were provided to stimulate the use of microfinance as a poverty reduction strategy in modern societies:

1. The government should provide the basic infrastructural facilities such as good roads, schools, hospitals, constant power supply etc in the state to enable individuals achieve the benefits of microfinance.
2. The level of corruption in Nigeria should be reduced to prevent the misplacement of microfinance funds to the hands of the politicians in the society.
3. The National Poverty Alleviation Programme (NAPEP) should be restructured to meet the needs of the less privileged members of the society mostly the women that are in serious need for microfinance.
4. The interest rate for microfinance funds should be kept in an acceptable rate to enable people pay principal and interest as at when due.
5. The government should place proper supervision and regulation of most of the microfinance institutions in the country to prevent the collapse of such institutions as witnessed in the banking sector in Nigeria.

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