
CLINICAL ANALYSIS OF THE CONTRIBUTIONS OF MICROFINANCE INSTITUTIONS IN NIGERIA

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Abstract:

This paper examines the impact of microfinance on credit expansion for microenterprises in Nigeria with an in-depth analysis of the effects of facilities offered by microfinance institutions on profit, income and savings as well as the training. We used ANOVA and Turkey's HSD test (Q Obtained) to examine the relationship between our dependent and independent variables, and among the independent variables, and observed that microfinance actually contributes to expansion of microbusiness and its survival in the long run. Our results shows that a functional relationship exist between all the independent variables. We recommends that microfinance institutions be strengthen and microentrepreneurs patronise microfinance so as to expand their business outfit.

Key words: *microfinance, ANOVA, microenterprises, Turkey's HSD test*

1. Introduction

The role of financial institutions in an economy can never be overemphasis as they help in mobilising idle fund from Surplus Spending Units, and channel them to the Deficit Spending Units for productive uses so as to enhance the growth and development of the economy. However, financial institutions vary in terms of structure, size and mode of operation. Our focus here is the Microfinance Institutions whose jurisdiction is the informal sector and low income earners.

Microfinance Institutions can be broadly divided into two: Traditional and Modern Microfinance Institutions. In Nigeria, the former predates the modern banking era, and includes Informal Self-Help Groups, Rotating Savings and Credit Associations (ROSCAs) etc while the later comprises of the relatively organised financial institutions with registered office(s) where financial operation are being carried out especially to aid the activities of the economically active poor, and Micro, Small and Medium Scale Enterprises.

A number of articles have been written on the role of Microfinance Institutions in an economy with each addressing a specific area of interest to the researcher, for instance Salim (2013) examined the revealed objectives functions of Microfinance Institutions in Bangladesh within the context of profit maximization and poverty

targeting (see also Brett E. Coleman, 2006) while others such as Christian Ahlin (2011), Roy Mersland, R. øystein Strøm (2009) focused their work on performance and governance in Microfinance institutions operations. Some authors focused on contributions of MFIs to solving poverty related problems (see Katsushiu et al, 2012, Brett E.C., 2006). Another area at which research related to MFIs have been explore is the area relating to risk management style and pricing models adopted by MFIs (see Hubert T.,2012, Dorfleither, 2013). Another interesting area in the literature on Microfinance Institutions deals with the factors that affect the repayment of loans and advances offered by MFIs. For instance, Norhaziah N. Et al (2012) examined the factors affecting repayment in MFIs programmes in Malaysia. Some authors have extended the body of knowledge by examining the contributions of a specific MFI (usually the largest in a given economy) to the availability of credit to SMEs or the economically active poor. For instance, Ogunrinola and Alege (2008) examined impact of a UNDP- sponsored microcredit programme in Nigeria on microenterprise development. In a related development, Norhaziah Nawai (2012) centres the work of determining factors affecting repayment performance in microfinance programs in Malaysia on facilities offered by Tekun Nasional (TN).

The essence of this paper is to examine the role of MFIs in expanding credit market in Nigeria, as well as determining the impact of MFIs facilities on profitability, that is, does MFIs facilities influences profitability. We also intend to examine the relationship between income of microenterprise and access to MFIs facilities, as well as the impact of training facilities offered by MFIs to microenterpreneurs. This in-depth examination makes this work unique in its contributions to the advancement of knowledge on microfinance.

This paper is divided into five sections: Section one provide the introduction; Section two provide the literature review; Section three provide the Methodology; Section four provide the results and implications while Section five provides the recommendations and conclusions.

2. Literature review

All over the world, it has been established that inability to access adequate means of financing business has been the main challenge of the growth and expansion of small scale businesses (Niels Hermes, Robert lensink (2011),Lawal (2012), Yinusa (2006) CBN (2005)). Timmons and Spimeli (2004) identified three main causes of bankruptcy in small enterprises to include: lack of vital business skills or knowledge; lack of access to finance; and an unfavourable macroeconomic condition. All of these causes have their roots in poor savings and lending structure especially in the developing economies that left over sixty five (65%) of world population without adequate access to financial facilities offered by the organised formal financial system (see Babajide 2011, Alexandra Pedzinski and Franklin Odomenam (2012))

The impact of Microfinance Institutions facilities on the growth and development of Small and Medium enterprises cannot be overestimated as Valentina

Hartarska, Denis Nadolnyak (2008) observed that microenterprises that have better access to credit depend less on internal fund for their investments. They used financing constraints approach to examine the impact of Microfinance Institutions improved access to credit on microenterprises in Bosnia and Herzegovina. They adopted a comparative analysis of investment sensitivity to internal funds of microenterprises in cities with significant present of Microfinance Institutions with that of cities with no (or limited) presence of Microfinance Institutions based on Living standards Measurement Survey and Microfinance Branch Location Data. Their findings show that Microfinance Institutions helps in alleviating microenterprises financing constraints.

In another development, Robert J. Karftman et al (2012) studied the impact of Microfinance Institutions facilities on the socio-economic condition of the poor in developing economies as well as the long run sustainability of Microfinance Institutions facilities on micro businesses survival and thriving using empirical analysis approach and observed that Microfinance Institutions positively contribute to both the socio-economic condition of the poor and enterprises owned by the economic active poor (microenterprises), and that there is high survival rate of microenterprises that can further access credit facilities and other fridge-benefits offered by Microfinance Institutions.

Niels Herms and Robert Lensik (2011) examined the evidence of the impact of credit facilities offered by Microfinance Institutions as it relates to micro credit lending and micro saving among the poor and microenterprises with focus on income, savings, expenditure, accumulation of savings, non-financial resources such as quality of health, nutrition, food security, human capital development (education), child labour, women empowerment, housing, job creation, social cohesion and business expansion. It was observed that combinations of both negative and positive results were generated indicating the Microfinance Institutions does both harm and good to the livelihoods of the poor and the Micro, Small and Medium Scale Enterprises industry (see also C. van Rooyen, R. Steward and T. de Wet, 2012 Brau, James C. and Woller, Gray M.(2004), Barnes, C., and Morris, G. (2005) Joy M. Kiiru (2007)Latifee H.I (2003):).

In analysing the impact of Microfinance Institutions facilities on microenterprises as well as on economic growth and development, Heather Montgomery and John Weiss (2011) used a data obtained from a survey of about three thousand (3,000) respondents in Pakistan, and a difference in difference approach to test for the impact of access to loans. Their results shows that Microfinance Institutions facilities help to improve livelihood in both urban and rural areas, and help to improve or expand the level of credit availability to micro, small and medium scale industry.

In a related development, Katsushi S. Imai, Raghau Gaiha, Ganesh Thapa and Samuel Kobina Annim (2012) in a study titled 'Microfinance and Poverty –A Macro Perspective' used cross country and panel data obtained through the Microfinance Information Exchange Data on Microfinance Institutions and the World Bank data observed that contrary to micro evidence, microfinance facilities significantly reduces

poverty by boosting economic capacity of the borrower (mostly through job creation or business expansion). Their analysis took into consideration the existence of endogenous relationship associated with Microfinance Institutions loans. They recommend a shift from the existing pattern of concentration of funds from development finance institutions and government of developing countries into Microfinance Institutions for efficient poverty reduction and expansion of microenterprise industry.

Carlos Serano, Begoria Gutierrez-Nieto (2013) observed that theirs is a functional relationship between Microfinance Institution facilities and Micro, Small and Medium Scale Enterprises survival in the long run. They explained that so long as Microfinance Institutions as facilities exist and is available to Micro, Small and Medium Scale, chances are high that Micro, Small and Medium Enterprises will survive in the long run.

Olujobo (2010) in a study on the assessment of rural sustainability development based on the contributions of microfinance institutions between the period 1992 to 2006 using simple inferential statistical tools, observed that a major down trend exists in the value of credit to rural dwellers when compared with the level of savings mobilized from them. He explained that about thirty nine percent (39%) of loans and advances offered by Microfinance Institutions goes to other sector with little or no low income earners investment, while loan amount given to economically active poor is just about nine percent (9%). This, he explained contradicts the original intension of establishing a microfinance system in Nigeria (see Alexandra Pedzinski and Franklin Odomenam (2012), Charles Uchenna Onugu (2012)).

In another development, Fajonyomi and Jegede (2012) examined the determinants of microfinance banks sustainability in South-Western Nigeria using descriptive and the Generalised Least Squares Method to analysis secondary data comprising the portfolio and savings registers, balance sheets and income statements of selected microfinance institutions in Lagos and Ondo state, Nigeria between 2005 and 2010. They observed that evidence of increase sustainability exist for the banks; however, the impact of the Microfinance Institutions facilities on low income earners especially the micro entrepreneurs is extremely low though Microfinance Institutions were essentially established to cater for the micro entrepreneurs and economically active poor (see also Anyanwu(2004), Jonathan Morduch and Barbara Haley (2002)).

Balogun, Akinlade and Campbell (2012) studied the impact of microfinance on rural household in Nigeria with emphasis on Microfinance Institutions and Clients with microenterprises from Osun and Ekiti states. The centre piece of their work lies in examining the significant role play by the Microfinance Institutions in transforming the rural financial system in Nigeria. They observed that though formal and informal credits coexist in rural areas in Nigeria, it is evidence that credit markets are functioning below their potentials as credit demand of households (microenterprises inclusive) are not being satisfied by the finance industry. They suggests that both formal and informal (Microfinance Institutions inclusive) as well as government establishment should be

actively involved in credit delivery to Micro, Small and Medium Scale Enterprises so as to impact positively on their productive capacity.

Mohammed Aliyu Dahiru and Hasan Zubair (2008) studied the contributions of the existing Microfinance Institutions in Nigeria and find out that the existing microfinance in Nigeria serves less than 1 million people out of 40 million potential clients that need microfinance facilities. They further explained that, the aggregate micro credit facilities in Nigeria, account for just about 0.2 percent of GDP and less than one percent of total credit to the economy. They submitted that the effect of not appropriately addressing this situation would further accentuate poverty and slow down growth and development as accessibility of microcredit scheme will be constrained. The centre piece of their argument revolves around the system of running micro financing operation in Nigeria characterized by high margin on the part of the operators at the expense of the weak borrowers. Their findings show that the microfinance institutions charge high interest rate on lending (as high as 100%) and pay low interest rate on saving (as low as 5%). Thus, they recommended an Interest-Free Islamic Microfinance System where the margin on interest and charges will be eliminated and Profit-Loss sharing formula will be used in advancing credit facilities to the would be customers.

A new dimension to the impact of Microfinance Institutions on economic agents (individual households and firms – Micro, Small and Medium Scale Enterprises) was introduced by Brett E. Coleman (2006) in a study titled 'Microfinance in North East Thailand: Who benefits and how much?' His results shows that the wealthier members of Microfinance Institutions (either board members or management staff) stands in better position to experience positive impact than those that are less privileged, in that the former are usually board executive.

Oyetayo oluwatosin (2012): studied the impact of microfinance on occupational choice and performance of women entrepreneurs using data sourced from three major microfinance institutions in Nigeria and ten reputable Cooperatives Societies and observed some differences and similarities in the impact of microfinance facilities on occupational choice and business performance among women entrepreneurs and economically active poor. He explained that both MFIs and Cooperative societies have contributed significantly towards reducing barriers associated with business expansion but not to a satisfactory level as most women entrepreneurs now sourced fund internally through personal saving rather depending on MFI facilities.

Having review the relevant literature, it will be of interest to us to analysis the impact of Microfinance facilities on micro, small and medium scale with focus on access to credit, training facilities, profitability among other things.

3. Methodology

The study deals with a survey of views and e7xperiences among Nigerians on the impact of microfinance institutions on the growth and development of microenterprises in Nigeria using multiple regression analysis. Kwara state was used

as a case study and six (6) Local Government Areas were selected randomly, out of the six-teen Local Governments that made up the state. Kwara state is a multi-ethnic state and located at the middle- belt of the nation, this make it a good representation of the Nigeria state at large. The state broadly shares similar characteristics in varying degree with other states of the federation, other features that the state shares with rest of the nation includes: being an agricultural state, a civil service state, a rural based economic state, a multiethnic state and above all an economically emerging state . Thus, it could be argued to a reasonable level that evidence from the state would be similar to many states of the federation. The Local Government Areas were randomly selected. One hundred and twenty (120) microenterprises were selected randomly from each of the Local Government Areas. A total of seven hundred and twenty (720) microenterprises were interviewed via structured questionnaires. Only three hundred and sixty (360) microenterprises representing about fifty (50%) of the respondents returned the questionnaires. Interview lasted for period of twelve months between the months of September 2011 and August 2012. As at the time of this work, we have 20 registered microfinance banks in the state, ten each in both the South and the Central Senatorial Districts, no registered Microfinance bank exist in the Kwara North Senatorial District.

Thirty six (36) research trainees were employed to administer the questionnaires. The questionnaires contained information such as accessibility to loan or credit facilities through any Microfinance Institutions, knowledge or awareness of any credit facility or microfinance institutions, effects of accessed credit facilities on business in term of expansion of business and returns just to mention a few. Data for the study were generated mainly through the use of structured questionnaires, oral interviews and focus group discussion which were developed after the review of relevant literature.

We adopt the use of descriptive statistics and Analysis of Variance (ANOVA) to infer the relationship between the dependent variable and the independent variables of the study, while Post Hoc (Posteriori) or Unplanned Comparisons techniques such as Q-Distribution or Turkey's HSD test were used to examine the direction of relationship among selected socio-economic features of the respondents and impact of various microcredit schemes on the respondents (see Renee R. Ha and James C. Ha (2012)

The Analysis of Variance (ANOVA) is express as follows: see

$$\begin{aligned}
 SS_w &= \sum_{\text{all variables}} PRT \\
 &- \left\{ \left[\frac{(\sum BizExp)^2}{n_1} \right] + \left[\frac{(\sum ACT)^2}{n_2} \right] + \left[\frac{(\sum BOPP)^3}{n_3} \right] + \left[\frac{(\sum TMFI)^2}{n_4} \right] \right. \\
 &\quad \left. + \left[\frac{(\sum PRT)^2}{n_5} \right] + \left[\frac{(\sum YPB)^2}{n_6} \right] + \left[\frac{(\sum SRT)^2}{n_7} \right] \dots \dots \left[\frac{(\sum Xk)^2}{n_k} \right] \right\} \\
 SS_b &= \left\{ \left[\frac{(\sum BizExp)^2}{n_1} \right] + \left[\frac{(\sum ACT)^2}{n_2} \right] + \left[\frac{(\sum BOPP)^3}{n_3} \right] + \left[\frac{(\sum TMFI)^2}{n_4} \right] + \left[\frac{(\sum PRT)^2}{n_5} \right] + \left[\frac{(\sum YPB)^2}{n_6} \right] + \right. \\
 &\quad \left. \left[\frac{(\sum SRT)^2}{n_7} \right] \dots \dots \left[\frac{(\sum Xk)^2}{n_k} \right] \right\} - \left[\sum_{\text{all variables}} PRT \right] / N
 \end{aligned}
 \tag{1}$$

Where:

PRT = impact of credit facilities by MFIs on Microenterprises business

BizExp = Business Expansion

ACT = Access to credit from MFIs

BOPP = Business Opportunities

TMFI = Impact of Training Facilities by MFIs on Microenterprise

PRT = impact of credit facilities by MFIs on Microenterprises business

YPB = Years of profitable business activities

SRT = Saving Rate among enterprises

U_i = random error term

To test whether the data contain any evidence suggesting y is related to x , we test the null hypothesis

$H_0 : \beta_2 = 0; H_0 : \beta_3 = 0; H_0 : \beta_4 = 0; H_0 : \beta_5 = 0; H_0 : \beta_6 = 0; H_0 : \beta_7 = 0$ against the alternative hypotheses $H_1 : \beta_2 \neq 0; H_1 : \beta_3 \neq 0; H_1 : \beta_4 \neq 0; H_1 : \beta_5 \neq 0; H_1 : \beta_6 \neq 0; H_1 : \beta_7 \neq 0$.

Our Turkey's HSD test (Q Obtained) is expressed as follows:

$$Q \text{ obtained} = \frac{X_i - X_j}{\sqrt{\frac{SSW}{n}}} \quad (2)$$

Where: X_i = larger of the two means;

X_j = smaller of the two means

4. Result and discussion

Table 1. Distributions of Respondents on Access MFIs Facilities (Microenterprise).

Local Govt. Areas	Agro-allied	Craft	Trading	Services	Never	Total
Irepodun	16	10	14	10	10	60
Offa	10	12	28	20	10	80
Oke Ero	12	8	8	6	6	40
Ilorin-West	15	16	25	20	14	90
Ilorin-East	10	15	17	8	10	60
Moro	7	7	8	-	8	30
Total	70	68	100	64	58	360

Source: Field work 2012

Table 1 above shows the distributions of respondents on access to new business opportunities based on Microfinance Institutions facilities. 19.44 percent of the respondents were able to access new business opportunities in agro-allied related businesses, 68 respondents representing 18.89 percent were engaged in craft related businesses while about 32.22 percent of the respondents found new business opportunities in service (such as renting out of Canopies, Chairs and Tables, Wheel

Barrows, Barbing Saloon etc) related industry. About 16.11 percent of the respondents have never benefitted from any micro credit facilities from any MFIs though they are members.

Table 2. Distributions of Respondents access to training facilities facilitated by MFIs

Zone/Duration	<5 Days	Between 1-2 Weeks	About 1 month	Above a month	Never	Total
Irepodun	20	10	5	-	25	60
Offa	30	7	5	2	36	80
Oke Ero	10	6	-	-	24	40
Ilorin-West	50	6	-	3	31	90
Ilorin-East	40	5	3	-	12	60
Moro	8	4	-	-	18	30
Total	158	38	13	5	146	360

Source: Field work 2012

The table above shows that a total of 214 respondents representing about 59.44 percent affirm that MFIs have benefitted from the training facilities offered by the various MFIs. It could also be seen from the table that about 158 of the respondent have in one way or the other been trade for a period of about 5 days by various MFIs that made up the sample. The highest in this category (in term of absolute figure) was Ilorin West with a total of 50 respondents. On the other hand, 146 respondents have never benefitted from any training facilities offered by the MFIs.

TABLE 3. Distributions of Respondents with a means of income generation as result of MFIs credit facilities

Zone/ Type	Seasonal	Relatively stable	Stable
Irepodun	12	22	26
Offa	16	24	40
Oke Ero	18	12	10
Ilorin-West	25	20	45
Ilorin-East	15	18	27
Moro	12	8	10
Total	98	104	158

Source: Field work 2012

Table 3 above shows the distributions of respondents based on the improvement in income generating capacity as a result of MFIs intervention. It could be seen that about 158 respondents, which represent about 43.9 percent have a stable sources of income as a result of MFIs interventions. It also be seen that a total of 104

respondents have a means of income that is relatively stable as a result of MFIs interventions. Another interesting thing to note is that a total of 98 respondents, which represent about 27.22 percent of the respondents were able to access increase in income on a seasonal bases. The bulk of this category lies in agricultural related industry.

Table 4. Distributions of Respondents in Relation to Saving as a Proportion of Income

Zone	< 1/3 of income	About 1/3 of income	>1/3 of income
Irepodun	18	16	26
Offa	19	22	39
Oke Ero	18	14	8
Ilorin-West	26	18	46
Ilorin-East	15	18	27
Moro	7	15	8
Total	103	103	154

Source: Field work 2012

As income increase, so is the rate of savings, from the table above, about 42.8 percent of the respondents saves more than one-third of their income. For savings less than one third of income, a total of 103 representing about 28.6 percent was recorded, the same applies to savings around one third of income.

Table 5. Distribution of Respondents based on access to new business as a result of MFIs facilities

Zone/ Type	Agro-allied	Craft	Trading	Service
Irepodun	26	9	18	7
Offa	14	9	32	15
Oke Ero	16	7	10	7
Ilorin-West	24	18	42	6
Ilorin-East	22	12	14	12
Moro	12	4	8	6
Total	114	59	124	53

Source: Field work 2012

From the table above, it could be deduced that 26 respondents in Irepodun Local Government Area were able to establish a new business in the agro-allied industry. The aggregate for the agro-allied industry was 114 while that of the craft was 59. The highest number of respondents found new business opportunities in trading with a record of about 124 respondents representing about 34.44 percent while the

least in this category were those that fell under Service providers such as Rentals, Tailor etc with a total of about 53 respondents.

Table 6. Distributions of Respondents based on years of profitable business activities.

Zone	≤ 3years	Between 3-5 years	>5 years
Irepodun	34	16	10
Offa	49	22	9
Oke Ero	20	14	6
Ilorin-West	50	26	14
Ilorin-East	35	18	7
Moro	14	9	7
Total	202	105	53

Source: Field work 2012

The table above shows the distributions of respondents based on years of doing profitable business after accessing Microfinance Institutions credit facilities. Two hundred and two respondents representing about 56.11% of the total respondents have been in business making profit for about up to three years; in this category about 50.99 percent are from the Southern Senatorial District while just 49.01 per cent are from the Central Senatorial District. About one hundred and five respondents representing 29.17 percent have been in business between 3 to 5 years. It can also be deduced from the table that about 53 respondents representing over 14.72 percent have been in business making good profit after accessing credit facilities from Microfinance Institutions.

Table 7: Distribution of Respondents businesses that expanded as a result of MFIs facilities

LGAs	Numbers of beneficiaries	Percentage
Irepodun	38	63.3
Offa	56	70
Oke Ero	28	70
Ilorin-West	75	83.3
Ilorin-East	45	66.7
Moro	20	66.7
Total	262	72.8

Source: Field work 2011

From the above table, it can be seen that 63.3 percent of respondents in Irepodun Local Government Area have their business expanded as a result of MFIs facilities. Offa and Oke-Ero Local Government Areas had a record of 70 percent each. The highest concentration is found in Ilorin-West with about 83.3 percent. On the

aggregate, about 262 respondents have their businesses expanded as a result of Microfinance Institutions interventions.

4.1. Presentation of ANOVA results and analysis

The ANOVA equation above defines the expected relationship existing between Microfinance credit facilities offered by MFIs (dependent variable) and other independent variables such as the rate at which Business expands, Business opportunities, Impact of training, Saving rate of the respondents etc. The result of the equation is presented in table 8 below.

Table 8 Result of ANOVA

ANOVA					
LGAs	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	191.250	31	6.169	1.625	.153
Within Groups	60.750	16	3.797		
Total	252.000	47			

From the table, it could be deduced that our p (reported in the SPSS as Sig.) is about 0.153 while the value of our F-obtained is 1.625 thus we can say there is at least one significant difference between the outputs. Since $F(31, 16) = 1.625$, $p < 1.625$, we thus reject the null hypothesis that MFIs facilities does not improve Microenterprises credit facilities. The implication is that there is evidence that MFIs facilities help to improve the availability of credit facilities for the growth of Small and Medium Scale Enterprises in Nigeria. The result is in line with findings of Babajide(2011), Ogunriola and Alege (2008), Valentina Hartarska, Denis Nadolnyak (2008) and C. van Rooyeen et al (2012) but contradicts the findings of Brett E. Coleman (2006), Mohammed and Hassan (2008).

4.2 The results of the Turkey’s HSD Test (Q Obtained)

As earlier explained, the Turkey’s HSD test otherwise known as Q Obtained was used to examine the level of the impact of each the independent variables on the dependent variables. When considering the impact of MFIs on profitability, that is, does MFIs facilities influences profitability, our results (by analysing Q obtained based on Q-critical values) shows that when $\alpha = 0.05$, our critical value was 4.82 while our Q obtained was 30.295, thus given that $30.295 \geq 4.82$, so we reject the null hypothesis that MFIs facilities does not influence the profit level. On the relationship between income and access to MFIs facilities, our result shows that $8.2965 \geq 4.82$, we also reject the null hypothesis that MFIs facilities does not aid increase in income. When we consider the impact of training facilities offered by MFIs to microenterpreneurs, it could

be deduced that a positive relationship exist between MFIs training facilities and entrepreneurs growth as Q obtained at $10.056 \geq 4.33$, thus we reject the null hypothesis that training facilities offered by MFIs does not aid the growth of microenterprise in Nigeria.

4.3 Implication of result

The result of this paper shows that access to credit facilities by micro entrepreneurs from Microfinance Institutions, training facilities offered by MFIs among other things have helped increase the level of profitability among the respondents. This has a multiplier effect on income generation, saving rate, business expansion which leads to overall growth of the microenterprise industry in particular and the economic as a whole.

5. Conclusion and recommendations

This paper uses primary data sourced from August 2011 to September 2012 to analysis the impact of microfinance on access to credit for microenterprises in Nigeria. We observed the impact of microfinance services other than loan and advances, such as training facilities offered by MFIs among other things on business expansion and long run survival. Descriptive statistics and Analysis of Variance (ANOVA) were used to infer the relationship between the dependent variable and the independent variables of the study, while Post Hoc (Posteriori) or Unplanned Comparisons techniques such as Q-Distribution or Turkey's HSD test were used to examine the direction of relationship among selected socio-economic features of the respondents and impact of various microcredit schemes on the respondents. Our result (ANOVA) shows that to a large extent microfinance contributes to expansion of credit while the Q-Obtained result shows that Microfinance Institutions through loans and advances impacts positively on profit, leads to increase in income and the rate of business expansion.

Our result is consistent with results of existing impact studies in Nigeria for the same period, an indication that microfinance institutions contribute greatly toward the development of micro, small and medium scale enterprises. We therefore suggest that policy makers and viable Non-Government Organisations whose aim is to alleviate poverty and help boost the economic capacity of the poor should encouraged establishment of more Microfinance Institutions in places like Kwara North Senatorial District were microfinance institutions does not exist.

Similarly, the existing microfinance institutions should be strengthening so as to be able to meet ever increasing demand from the public. Finally, since it could be seen from the results, that Microfinance Institutions helps improve credit facilities which in turn improve the business of the respondents, it will be interesting for policy makers and the general public to encourage patronage of microfinance by the economically active poor.

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