

## PDF - FINANCIAL RECORD KEEPING AND CHALLENGES IN MICRO FINANCE BANKS -

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### INTRODUCTION

#### 1.1 BACKGROUND TO THE STUDY

Micro-finance is the supply of loans, savings, and other basic financial services to the poor. People living in poverty, like everyone else, need a diverse range of financial instruments to run their business, build assets, stabilize consumption, and money transfer services.

Financial services for the poor have proved to be a powerful instrument for poverty reduction that enables the poor to build assets, increase, and reduce their vulnerability to economic stress. However, with nearly one billion people still lacking access to basic financial services, especially the very poor, the challenges of providing financial services to them remains. Convenient, safe and secured deposit services are a particularly crucial need.

Nonetheless, these financial institutions have challenges in keeping their financial records. Financial record keeping is so important in any financial organization that is, it forms the foundation stone in which a business is laid and it determines the survival and continuity of that business. It gives direction and flow of activities and it brings to light a good record which initiates business ideas.

Financial record keeping in business ranging from the smallest business activities up to the complex multinational business, cannot be overemphasized. It relates the internal business activities such as policies, plan and finances as well as inter-business activities to the external world.

The relevancy of record-keeping is statutory back by the provision of CAMA 1990, BOFID and other regulatory pronouncement such as SAS, GAAP etc.

However, financial record-keeping geared toward micro-financing aspect, a necessary adjunct in business financing which provides an elementary survey of trends in the previous and recent development in micro-activities in Nigeria.

The poor, to a greater extent heavily reliance on micro-finance and on special credit evidently seen in the support of the government and private sector initiatives to support small scale enterprises. The traditional financial system which to a large extent have supported the course have began to wane off recently due to conflict of interest between borrowers and lenders due to risk and uncertainty such as death of borrower, lack of collateral security due to limited (or no) assets and most importantly lack of record-keeping (borrower) and track record of borrowing by lender (Haile 1998).

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