

## **1.0 INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

It would be observed that, despite the presumed developments in the Nigerian economy, the country is still largely being regarded as a developing country (Onyema, 2006). More so, its industrial growth is not quite impressive.

Before the emergence of formal micro-finance institutions, informal micro-finance activities flourished all over the country. Traditionally, micro-finance in Nigeria entails traditional informal practices such as local money lending, rotating credit and savings practices, credit from friends and relatives, government owned institutional arrangements, poverty reduction programmes etc (Lemo, 2006). The Central Bank of Nigeria Survey in 2001 indicated that the operations of former microfiche institutions in Nigeria are relatively new, as most of them never registered after 1981.

Before now, commercial banks traditionally lend to medium and large enterprises which are judged to be credit-worthy. They avoided doing business with the poor and their micro enterprises because the associated cost and risks are considered to be relatively high (Anyanwu, 2004).

The Federal and State governments have recognized that for sustainable growth and development, the financial empowerment of the rural areas is vital, being the repository of the predominantly poor in society and in particular the SMEs. If this growth strategy is adopted and the latent entrepreneurial capabilities of this large segment of the people is sufficiently stimulated and sustained, then positive multipliers will be felt throughout the economy. To give effect to these aspirations various policies have been instituted over time by the Federal Government to improve rural enterprise production capabilities. (Olaitan 2006)

In view of this, the impact of micro finance bank in economic growth and development of Nigeria started showcasing itself. With the initiative of microfinance, rural areas are opportune to grow and develop as loan and fund are easily given to rural farmers and

entrepreneur. Jobs opportunities were created since there is avenue for lending and investing.

## **1.2 AIMS AND OBJECTIVES**

The main objectives of this research work are to investigate the impact of micro finance bank in economic growth and development of Nigeria.

Other objectives are as follows

it will explicate in detail ways in which micro finance banks can contribute in developing rural areas and improving the life of the poor people.

It will investigate the ways microfinance bank can contribute in building entrepreneurship within the country.

## **1.3 STATEMENT OF RESEARCH PROBLEMS:**

There are so many problems and challenges that hinders the functionality of the microfinance bank in carrying out their major role of improving economic growth and development in Nigeria.

These problems include

poor attitude of Nigerians towards MFBs

insufficient support from the regulators and government

There are communication gaps and inadequate awareness among the masses.

Undue competition rather than cooperation from the mega banks, and undue malpractice/Sharp practices by microfinance bank operation.

The researcher will in the research find possible ways of solving or making better the conditions for the operation of MFB

## **1.4 SIGNIFICANCE OF THE STUDY**

This study is essentially significant in that it is directed towards evaluating the impact and role that micro finance banks have on the economic growth and development of Nigeria, especially the rural areas which is a criteria aimed at measuring economic standard.

Owing to the fact that researcher has aimed at pinpointing the ways in which micro

finance bank can help in the revamping of the nation's economy, the findings of this research work will be of great help to most developing countries who may wish to toe the part of Nigeria in MFB development. It will also serve as a reference point for future researchers who in one way or the other will try to unveil the role and impact of micro finance bank to economic development.

### **1.5 SCOPE OF THE STUDY**

The scope of the study is subjected around the frame work of micro-finance bank in Nigeria vis-à-vis its contribution to the economic growth and development. For accuracy and coherency, the research work will take as a case study the Community bank Enugu to enable precision and distinctiveness.

### **1.6 LIMITATION OF THE STUDY**

During the course of this research, a lot of obstacles were encountered. Thus, the noncooperation of most people working in the library and other offices where the researcher needed to get materials posed great problem to the researcher. Some of the staffs do not feel safe letting us have access to some materials while others will charge me more than double cost of Photostat before I can get what I wanted.

Financial constraint is another limitation to this work which is as a result of high cost of transportation fare to the areas of study to gather data, combined with the cost of materials to carry this work to conclusive end.

It also took great strength to convince the respondents that their responses to the questions in the questionnaire will be treated with great confidentiality and are purely academic.

### **1.7 STATEMENT OF RESEARCH HYPOTHESIS**

It is quite evidential that the major ways in which microfinance bank can help in economic development is through the encouragement of entrepreneurial development. The essence of microfinance bank is to enable the poor individual to be able to obtain loan and be able to manage their enterprise.

To this effect, the following hypothesis will be tested, thus.

## **Hypothesis I**

Ho: Micro finance bank is irrelevant to the economic development and growth of Nigeria since the number of entrepreneurs that uses their services is low

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## **Hypothesis II**

Ho: Microfinance institution do not contribute to entrepreneurial productivity

H1: Micro finance institutions do contribute to entrepreneurial productivity.

## **1.8 DEFINITION OF TERMS**

### **IMPACT:**

According to the advanced oxford learner's dictionary, impact is the powerful effect that something has on somebody or something

### **MICRO-FINANCE BANK**

According to the Nigerian Banking Act, 1969 (as amended Bank amendment act 1979), Microfinance banks are institutions constructed as a company licensed to carry on the business of providing microfinance services such as collection of savings, loans provision, insurance money transfer services and other non financial services that are needed by the poor.

The clients of microfinance banks are typically self employed low income entrepreneurs in both urban and rural areas, they include traders, subsistence farmers, street vendors, motorcycle riders and blacksmith etc.

### **ECONOMIC GROWTH AND DEVELOPMENT:**

This term has generated a lot of controversies over the years. Some economics see it as political and structural change while others are of the opinion that it relates the progress in the basic human needs over time. Another school of thought defines it as growth accomplished by changes i.e. change in structure of the economic in the country's social structure and its political structure.

Others have tended to make basic human needs approach, an approach which

defined economic development in terms of progress toward reducing the incidence of poverty, unemployment and income inequalities and for those whose living standards have not been rising. This approach also seeks ways and means of improving their conditions,

### **NIGERIA:**

A nation in the African continent and located in the western part of Africa. it was colonized by the British and got its independent in 1960.

### **REFERENCE**

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### **IMPACT OF MICRO-FINANCE BANK ON ECONOMIC GROWTH AND DEVELOPMENT OF NIGERIA**

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