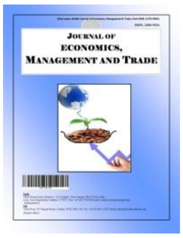

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Interrogating the Impact of Microfinance Banks on the Living Conditions of the Rural Poor in Akwa Ibom State, Nigeria. 1999 - 2020

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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ABSTRACT

More than twenty years after the introduction of microfinance banks into the financial and social lives of Akwa Ibom people, the impact of this initiative is yet to have any meaningful effect on the living conditions of the rural poor, which are primarily its main target. Clamped down by official red tape, incessant recapitalization demands, hounded by self-seeking revenue collection agency officials, operated by poorly trained and fraudulent staff on the one hand, and an equally fraudulent and uninformed clientele on the other. Microfinance banks in Akwa Ibom state have performed abysmally low. This paper adopts a historical and interrogative approach. It takes a critical look at the operating environment of microfinance banks in Akwa Ibom state. The paper establishes that less than ten percent of residents in the state patronize these banks and points out that rather than improve the quality of lives of its customers, it has on contrary left them worse off. It also suggests that Nigeria needs to deliberately make policies which will create an enabling environment for microfinance banks to succeed in their task of improving the quality of lives of the rural dwellers.

Keywords: Rural poor; microfinance bank; Akwa Ibom State.

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1. INTRODUCTION

Putting a lid on the rising level of poverty among Nigerians has been a constant source of concern for successive governments at all levels for over six decades. Whether these concerns have translated into churning out of informed poverty alleviation policies to cushion the frustrations in the society is apparent for all to see. For the generality of Nigerians, meaningful development initiatives are yet to leave the realm of rhetoric particularly among the suffering masses.

In spite of the huge investments allegedly expended in the course of lifting the living conditions of millions of poor Nigerians, the situation on ground still remains largely the same. A lot of hope was pinned on the year 2020, with governments under the erroneous impression that the particular year is still far away and hanged development projects to be achieved in that magical year which sort of saved them from the headaches of the present. Unfortunately, the much touted year has rolled itself into history, but the average Nigerian is not close to having an improved quality of life than he was sixty years ago when the Nigerian state first encountered independence. The numerous National Development Plans (NDP) fashioned from 1950s to the 1980s was with the clear aim of bringing the proceeds of independence to the doorpost of Nigeria's teeming freedom fighters who laid down their lives for the struggle.

Cape Verde's most famous activist, Amilcar Cabral, piqued with the goings on among newly independent African states made this now famous quote:

Always remember that people do not struggle for ideas, for things in the heads of individuals. The people struggle and accept the sacrifices demanded by the struggle, but in order to gain material advantages, to be able to live a better life in peace, to see their lives progress and to ensure their children's future. National liberation, the struggle against colonialism, working for peace and progress – independence – all these are empty words without meaning for the people, unless they are translated into real improvements in the standard of living. It is useless to liberate an area, if the people of that area are left without the basic necessities of life [1].

Cabral words spoken in the 1960s still rings true more than sixty years later and still haunts the Nigerian state today. Several attempts by the Nigeria to put structures in place to reduce the socio-economic frustrations in the society have come to naught. This is because, these structures have consistently been captured by other interests and have been used to facilitate the imposition on Nigerians of policies geared to these other interests and which most times run counter to the hopes and aspirations of the Nigerian masses.

Microfinance in Nigeria is dominated by two main leading approaches - the financial system approach and the poverty lending approach. The financial system approach focuses on reaching out to the economically active poor, in terms of concentrating its energy on borrowers who can repay micro loans such as household, enterprise income streams and savers. This system is concerned with institutional self-sufficiency as the most convenient method to meet widespread customers' demands.

On the other hand, the poverty lending approach is concerned with reducing poverty through credit, complementary services such as skills acquisition, training the poor in literary and numerical skills, health, family planning, civic education and others. The poverty lending approach entails government provision of credit to very poor people with little interest. It must be emphasized that the performance of both approaches in Nigeria could be subjected to debate. In Nigeria, government talks about the economically active poor when in reality every poor person can be said to be economically hyperactive as they engage in all sorts of vocation in their attempts to survive. Some aspects of the poverty lending approach cannot be said to be applicable in Nigeria. The CBN act of (2011) empowers microfinance banks to give loans and collect interest on a monthly rate of up to 5percent. In a year these amounts to 60 percent interest, conventional banks on the other hand collect 21-25percent interest annually. In addition, government excessive demands on MFBs have made these banks intensively profit-driven to the detriment of the rural poor.

This research interrogates the impact of microfinance banks on the living conditions of the rural poor in Akwa Ibom state of Nigeria. The work takes off from the year 1999, so that it could capture some of the traditional credit institutions in place before 2007 and terminates in 2020, because at this period, the microfinance banks have been in existence for about 21years, 1999 – 2020. The paper takes a critical look at the history of existing traditional finance institutions in Akwa Ibom state before the introduction of microfinance banks and other types of indigenous financial institutions. This work examines the impact of microfinance banks on the living conditions of the rural poor in the state.

Microfinance banks are one of the institutions that provide microfinance services. According to the Central Bank of Nigeria (2011:4) [2], 'Microfinance services refer to deposits, loans, insurance, funds transfer and other ancillary non-financial products targeted at low-income clients.' The microfinance services have three distinguishable attributes from other formal financial products which are smallness of loans and savings, absence or reduced emphasis on collateral and simplicity of operations. CBN also defined microfinance as institutions whose major business is the provision of microfinance services.

The paper is structured into nine sections which are the introduction, the conceptual clarifications, who the rural poor are, definition of microfinance, history of microfinance banks in Nigeria, impacts of microfinance banks on the living conditions of the rural poor, challenges of MFBs in Akwa Ibom State, prospects of MFBs in Akwa Ibom State and conclusion and recommendations.

2. CONCEPTUAL CLARIFICATIONS

It has been generally acknowledged that no meaningful socio-economic development of Akwa Ibom state and Nigeria in general can succeed without the development of rural areas, and the utilization of their human and material resources. It is on the strength of this understanding, that it is imperative to clearly define the concept of the word 'rural', so as to remove any ambiguity or misinterpretation of the concept. Apart from the concept rural, other terms that will feature largely in this work also include rural development, rural poor and microfinance banks. Definition of the concept Rural**:** In order to define rural poor, it is imperative to first define what is meant by rural. The definition of rural brings us to conceptual problems.

Defining the term 'rural' is often a herculean task, though most people would be at a loss, on why one finds it difficult to define a term seemingly easy to understand. The problem of defining the term rural stems from the fact that it can be defined from numerous perspectives and virtually all the definitions would be correct when viewed from the context in which it is being defined. Basically, there are many definitions of the term as there are many scholars in the different branches of knowledge. In the view of Otite, O. (1990) [3] he enumerated some of the characteristics that are expected in a rural area.

Some of the characteristics of rural communities in the opinion of Otite are poor or non-existent communication facilities such as roads, inadequate medical services and hospitals, poor school buildings and deficient educational facilities, absence of potable tap water and the presence of boreholes, rivers and streams. Otite emphasized that transportation in rural communities is generally by donkey, bicycle and boat and most times goods and farm produce are carried on the back, shoulders and through head pottage. In general, the scholar believes that rural communities are also characterized by generally high illiteracy levels and the dominant occupation among the rural folks is fishing, farming and animal husbandry.

Sorokin and Zimmerman [4] quoted In Otite and Okali are of the view that rural communities can be clearly distinguished on the basis of the types of occupation they engage in which includes fishing, farming and pastoralists. Otite also defined rural communities by their exclusion from the assorted types of quality urban amenities and services, and from access to modern social and physical structures and are differentiated by their unique behavioural tendencies. Otite further stated that rural societies are associated with farming, poverty, illiteracy, tradition and resistance to technological change. Ladigbolu, Olajide, Badiru and Yekinni (2020) [5] see poverty as 'a concept that entails socio-economic and political deprivation which may affect individuals, households or communities and which may result in lack of access to the basic necessities of life'.

Larson (1968) quoted in Otite (1990) [6] opined that some urban communities possess small enclaves which can be safely referred to as rural due to the absence of basic urban amenities in such areas. For instance, Lagos metropolis which is regarded as urban still has rural enclaves such as Ijora Badia, Ajegunle, Ajangbadi, Okokomaiko, communities around the Third Mainland Bridge and Oyingbo and its environs. Rios (1988) [7] defined rural areas as an open countryside, with communities of up to 10,000 people who dwell in non-metropolitan areas. Bamidele (2009) [8] quoted in Ini Etuk (2011) described a rural area as the backyard of human community of very low economy, low standard of living, migration of the young educated to the urban centres, low purchasing power and appalling conditions of living.

3. WHO ARE THE RURAL POOR?

According to the United Nations Food and Agriculture Organisation (UNFAO)[9] the rural poor can be divided into three broad categories: The first category of the rural poor are farming families, subsistence producers, landlords and agricultural workers. Included in this categorization are fisher folks, pastoralists, and forest dwellers that are dependent on the forest for their livelihood and have limited access to means of production. The second category, describe the rural poor as people without social protection or social safety nets. They are mainly rural dwellers, especially women and members of female-headed households who constantly struggle to maintain substantive livelihoods and face discrimination in their attempts to access productive resources such as land, technical training and markets. It is imperative to point out that this category of people can also be grouped among the urban poor in Nigeria.

The third categories of the rural poor are families who increasingly depend on non-farm incomes. These particular groups engage in small rural enterprises and provide basic services in rural communities where infrastructure is lacking and credit facilities are difficult to come by. These people are among the most vulnerable members of the rural society, as they are generally landless and therefore have no farms to fall back on. In Akwa Ibom context, the rural poor are those families who dwell in rural areas, which do not have access to some of the basic necessities of life – food, shelter and clothing and are regarded as poor even among the rural poor. They possess very limited access to land; do not have any means of production, except for their labour, which they hire out. They contract out their services as farm-hands, unskilled artisans and engage in virtually all types of menial work in order to eke out a living. These people receive payments in the form of farm produce and in fishing communities; they receive payment in some quantities of fish and are generally poorly paid.

In the opinion of Whitaker (1982) [10] the word rural poor was first used by the United State Bureau of Census in 1874, when it said that ‘rural’ connotes the population of a country exclusive of cities or towns with a population of 8,000 or more inhabitants. This definition falls short of the perception of rural areas in the context of Akwa Ibom communities: a population of about 8,000 residents or more would probably qualify for a local government area. Unlike some rural communities in the USA of that period, today’s rural communities do include semi-urban clusters housing customary courts, cottage hospitals and local government headquarters.

Todaro and Smith (2011) [11] gave the most vivid generalizations of the occupation and the habitation of the rural poor.

They are disproportionately located in rural areas, they are primarily engaged in agricultural activities, they are likely to be women and children than adult males, and they are often concentrated among minority ethnic groups and indigenous people…about two-thirds of the very poor scratch out their livelihood from subsistence agriculture either as small farmers or as low-paid farm workers (p. 236).

The definition by Todaro and Smith comes close to describe the situation of the rural poor in Nigeria and Ibibio communities of Akwa Ibom state, but the area of divergence is that poverty in the Nigerian context is not limited to ethnic minorities and indigenous population. It cuts across every ethnic group, regardless of geography, creed or language. Being poor in the context of Akwa Ibom means lack of access to potable water, living in dilapidated mud houses, basically as a farmhand or as a fishing canoe crew. They generally don’t have access to electricity, healthcare and food. Akwa Ibom rural areas lack access to even the bare necessities of life.

4. BRIEF DEFINITION OF MICROFINANCE

Mohapata and Sahoo (2009) [12] defined microfinance as small loans given to poor people who are already engaged in self-employment projects, that help them generate income and give them the opportunity to help themselves. The authors also describe microfinance as including a range of financial services that seeks to meet the needs of the poor. Microfinance is expected to act as a buffer to protect them from the vagaries of their socio-economic environment by providing them financial safety nets in terms of sustainable incomes and livelihoods. Another major feature of microfinance is that they were established to provide finance to economically active poor, particularly those excluded from financing by conventional banks. Microfinance provides employment, accelerate rural development initiatives and generally reduce poverty levels among rural dwellers. It is germane to point out that microfinance banks in Akwa Ibom state were primarily set up to cater for the informal sector of the state's economy. These categories of people are essentially the rural poor and the unbanked.

Microfinance banks were generally believed to be the answer to bring succour to the informal financial sector and other businesses which are unable to withstand the predatory tendencies of conventional banks. Some of these informal financial businesses are mechanic workshops, roadside food vendors, hairdressers, market women, fisher folks, food processors, peasant farmers, petty traders, farm hands and other categories of rural dwellers.

5. BRIEF HISTORY OF MICROFINANCE BANKS IN NIGERIA

Before the Nigerian authorities borrowed the idea of micro credit schemes from Europe in the 1930s and from the Asian continent in the year 2000s, the indigenous population in Nigeria had perfected several credit schemes based on the types of crops in their geographical area, the occupation of its members, the amount of funds they can effectively handle and the sizes of their business which includes but is not limited to groundnut, palm produce, cocoa, kolanuts, timber, cotton and food crops like cassava, yams, piassava, hides and skin and others.

According to Beer (1976) [13], the foundations of micro financing were originally believed to have been laid during the period of the first and second world wars: 1920s – 1930s by the then colonial administration, particularly with the establishment of the Cooperative Societies Ordinance of 1935. Records have shown that, before the advent of the colonial administration in Nigeria, rural communities have evolved their own thrift and credit systems which were popular and generally more common among the rural dwellers. These sometimes include peoples from different vocations such as the fisher folks, petty traders, artisans, farmers, housewives, food processors, wood-workers and others. Okorie and Miller (1990) [14] believe formal savings and credit system in the form of *esusu* groups had already taken root in rural Nigerian communities. These groups are known by various names among the different ethnic groups. *esusu* or *ajo* among the Yoruba, *etibe* or *efe* among the Ibibio, *otutu* or *utu* among the igbo, *osusu* among the Edo, *dashi* among the Hausa, *dashi* among the Nupe and *oku* among the Kalabari.

This method of accumulating capital is an indigenous system of savings in which a group of people come together, to contribute a fixed amount of money, at fixed intervals and assign the total amount contributed to an individual on a rotational basis. These local clubs are also known to offer credit lifeline to their members, as a form of financial assistance for major projects like building, starting a new business, expansion of an existing business, marriage ceremonies, burials of monarchs and high class chiefs, chieftaincy titles, installation of new chiefs and others.

According to Udousoro (2010) [15]

Microfinance practice was prompted by the apparent failure of conventional development paradigms and approaches to achieve meaningful development.

Before the advent of British colonial authorities, there were extensive proliferation of several village and town-based self-help financial and social groups as already discussed in the preceding paragraphs. Apart from communal self-help schemes, successive governments particularly at the federal level initiated series of micro/rural credit programmes aimed at improving the living conditions of the rural poor. Some of these government sponsored institutions include the Nigerian Agricultural and Cooperative Bank (NACB), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN) and Community Banks (CBs). In 2000, the federal government merged NACB, PBN with the Family Economic Advancement Programme (FEAP) to form the Nigeria Agricultural Cooperative and Rural Development Bank Limited (NACRDB) [16]

The National Poverty Eradication Programme (NAPEP) was also set up to reduce poverty, particularly at the rural level. But as with every scheme of government, most of these programmes were laudable only on paper, the implementations always leave much to be desired. Suffice it to say that these policies rarely had impact on the target audience due to several factors among which are incoherent government policies, policy somersault, corruption and the continuous hijack of these schemes by local moneybags. The microfinance banks as with other government initiated financial institutions have been captured by other interests. Instead of extending credit facilities to the rural poor, the finance institutions have been used to facilitate the imposition of policies which favour local moneybags to the detriment of the rural poor, and tended to worsen their already dire living conditions.

In Nigeria, microfinance banks were set up among other reasons to give the grassroots an alternative to the predatory lending system which are the hallmarks of older and established commercial banks. Faced with the consistent failure of the financial institutions it had set up over the years, the government turned its attention to the Bangladeshi model of micro financing. This microfinance model advances loan facilities to the impoverished without collateral. What is required of prospective recipients of these loans was proof of an already existing business, liquidity of the business and the capacity to pay back. In Akwa Ibom state this model was adopted as soon as the federal government embraced it. Just like at the federal level, the microfinance banks which were designed to provide finance to the economically active poor, particularly those rural dwellers excluded from financing by conventional banks, provide employment, accelerate rural development, reduce poverty levels in the state and focus primarily on the informal sector of the economy.

6. IMPACT OF MICROFINANCE BANKS ON THE LIVING CONDITIONS OF THE RURAL POOR

Unlike the previous financial institutions - the Community Banks and Peoples' Banks, under the current regulations, it would be difficult for MFBs to be hijacked by moneybags due to Central Bank of Nigeria (CBN) regulations, as the CBN protects, monitors and regulates the activities of microfinance banks in Nigeria. The list of licensed MFBs in Akwa Ibom state as at November 2020 include [17]:

(a) Active Point Microfinance Bank - Uyo
(b) Advance Microfinance Bank - Uyo
(c) Akofed Microfinance Bank - Itu
(d) Edet Microfinance Bank - Uyo
(e) Eduek Microfinance Bank - Uyo
(f) Ikpe Annang Microfinance Bank - Essien Udim
(g) Ini Microfinance Bank - Ikpe Ikot Nkon
(h) Madelyn Microfinance Bank - Eket
(i) Nsehe Microfinance Bank - Uyo
(j) Palmcoast Microfinance Bank - Uyo
(k) Prospects Microfinance Bank - Uyo
(l) Zawadi Microfinance Bank - Uyo
(m) Gufax Microfinance Bank - Uyo
(n) University of Uyo Microfinance Bank Uyo
(o) Cashrite Microfinance Bank - Uyo
(p) Brooks Microfinance Bank - Uyo
(q) New Dawn Microfinance Bank - Uyo
(r) Prudential Cooperative Microfinance Bank Uyo
(s) Sapphire Microfinance Bank - Uyo
(t) Stanford Microfinance Bank - Uyo

Some of the MFBs are comatose though not yet liquidated by the CBN and NDIC. The likes of Cashrite, Palm Coast, Zawadi, Stanford, Active Point, Uniuyo, Nsehe, New Dawn and Prudential MFBs are active in the discharge of their businesses functions. Besides, most of the microfinance banks in Akwa Ibom state are located in Uyo, the state capital, except three that are located in semi-rural areas of Ikot Ekpene, Eket and Ini Local government areas.

From the interview conducted the customer base of these banks range between 5,000 and 150,000. However, many of the microfinance banks refused to disclose their exact customer base. What can clearly be deduced in the course of the research is that less than 500,000 Akwa Ibom residents have access to microfinance banks' facilities. The current population of the state is said to be over 6.0 million people (unverified statistics). Consequently, less than 10 percent of the people have access to microfinance banks' facilities after almost fifteen years of microfinance operations in the state. With only less than 10 percent access to microfinance, it is clear that the banks have made minimal impact on the living conditions of the active poor in the state.

Onyele and Onyekachi-Onyele (2020:272) [18] assessing the effect of microfinance banks on poverty reduction in Nigeria concluded that there is a relationship between MFBs' performance and national poverty index (measured by the ratio of people living below the poverty line (i.e. below income level of $1.90/day) in Nigeria expressed as a ratio of the population. The inability of the MFBs to reduce poverty between 1999 and 2020 (the period covered by this research), that is twenty-one years can be attributed to the low number of people served by the banks among several other reasons. Akwa Ibom state estimated population stands at over 6.0million people, the MFBs in the state serve less than 600,000 people.

7. CHALLENGES OF MICROFINANCE BANKS IN AKWA IBOM STATE

Several reasons have been advanced on the failure of microfinance banks to make meaningful impact on the lives of rural poor in Akwa Ibom state.

7.1 Excessive and Outrageous Taxation

It is imperative to mention the overbearing and unhealthy activities of the Federal and State Inland Revenue Services officials. It is reported that when they visit microfinance banks, the officials of these agencies take advantage of lack of financial statements and deliberately manipulate perceived or real inconsistencies in the banks' books and accuse the bank officials of deliberately under-reporting their profits. Consequently, they impose a levy of a higher amount and then advise the bank officials to come to their office for negotiations where an agreed, though not satisfactory position could be reached. Most microfinance banks operating in Nigeria are groaning under the yoke of stifling federal, state and local government tax regimes. First, is the fact that microfinance banks pay taxes to both federal and state Internal Revenue Services (IRS) and also pay the local government numerous levies such as radio and television, development, business premises, sanitation among several other levies. According to Aniefiok Udousoro [19] of Zawadi Microfinance Bank, these taxes not only stifle the development capacity of the microfinance banks, but also discourage entrepreneurs from venturing into the banking sector.

7.2 Political Influence

In an attempt to reduce poverty and support the growth of small and medium enterprises, state governments, once in a while, lodge huge sums of money with selected microfinance banks. The money lodged is accompanied with lists of beneficiaries that are hand-picked by politicians. The politicians then mandate the microfinance banks to disburse money to these protégées' even when guarantors have not signed the disbursement forms. The beneficiaries are usually relatives, political stalwarts, political cronies, hangers-on of government officials. The implication of this is that these beneficiaries, without an already existing business and a business feasibility report, squander government funds which were meant to be used for the growth of cottage and micro industries in the state. When they are unable to recover these monies, the same government officials now go after these banks with threat to prosecute their owners. This action of government and its officials puts MFBs in a precarious position and most times cause them to go under.

7.3 Unverified and Fraudulent Guarantors

Mention must be made of the clientele of some of these microfinance banks, most of who are based in towns and cities. In spite of the stringent conditions to be met before loans are given out, these clients bring guarantors who immediately change their address or relocate after loans have been disbursed to their protégées. Some of these guarantors do not spend time to read and understand the implications of guaranteeing a loan and its attendant risks in the event of a default. Most microfinance loans are usually guaranteed by the local elites who in the event of a default by their protégées threaten these banks, their staff and owners during debt recoveries.

7.4 Fraudulent Staff

A major challenge of microfinance banks is the issue of fraudulent staff. Most of the funds stolen from microfinance banks are perpetrated by the bank staff. Some staff of microfinance banks connive with their customers to obtain money from the bank without carrying out a thorough KYC (know your customer) which is a primary factor in eligibility for a loan disbursement. These fraudulent loan officials make spurious claims about a customer's business viability only for these same businesses to go under, after obtaining a loan. More often than not, it is usually discovered in the course of an investigation that the loan officer had a share in the loan, and was therefore reluctant to recover the loan from the defaulting customer. Besides, bank officials bring members of their household to obtain loan from the microfinance banks. Some clients are under the impression that money from microfinance banks are 'free money'. Some requests for loans to use in sponsoring traditional weddings, burial ceremonies, to pay house-rent, school fees and several other non-productive ventures. These customers apply for loans using fake or expired identity cards, and various names and passport photographs with the active connivance of some bank staff. Since they are based in the cities, most of them escape to villages and other rural communities other than their own to avoid arrest.

7.5 Poor Knowledge of Loans Management and Administration

According to Esther Archibong of Cashrite Microfinance Bank [20], customers who borrow money under group lending scheme tend to misappropriate the funds given to them and hide under other members of their group to avoid being prosecuted. Most times they dodge loan officials hoping to postpone payment till other members also pay up theirs. There are situations where bank customers move from one microfinance bank to another leaving string of unpaid loans behind them. In cases like this, they use different names and non-existent addresses to obtain loans. Some guarantors also make false claims about their financial capability and addresses.

7.8 Dearth of Infrastructural Facilities in the Rural Areas

The absence of rural infrastructure needed for rural dwellers to access the benefits accruable to rural banking is another problem. Virtually all the microfinance banks in Akwa Ibom state are located in Uyo, the state capital, with only three of the banks located in local government headquarters. The implication of this arrangement is that rural dwellers have to travel long distances to access microfinance banks hitherto known as community banks services in cities and towns. Fishermen have to leave their fishing transit camps to go to the cities to access microfinance services. This has discouraged rural business owners and caused them to depend on the activities of local money lenders with its attendant exorbitant interest rates and risks.

7.9 Absence of Security to Protect MFBs' Facilities in the Rural Areas

There is virtually no security presence in the rural areas in Akwa Ibom state. Most Local Government Areas have just a Divisional Police station at the headquarters, with or without a functional vehicle to help protect microfinance banks facilities in the rural areas. Even conventional banks with reasonable financial muscles and personnel find it unsustainable to operate in rural communities. As such, they avoid banking operations in rural areas as these banks have on several occasions been targets of local robbery gangs who have always succeeded in raiding bank vaults and Automated Teller Machines (ATM). This is a major reason banks do not site their branches in the rural areas, let alone MFBs.

7.8 Urbanization of Microfinance Banks

Microfinance Banks, hitherto known as community banks, created for rural dwellers, are now located in the cities and are competing with commercial banks instead of its intended target market, the rural poor. This locational problem leads to MFBs misplacing their priorities and serving an unintended market. Obongodiong Ikpe [21] of Nsehe microfinance bank corroborated this position when he said that most microfinance banks in Nigeria and Akwa Ibom State are located in major towns and cities because most of their clients are based in towns and cities. It is instructive to note that with the absence of banking services in the rural areas, the rural economically active poor still remains unbanked, as most of them continue to patronize the traditional money lenders. Most Akwa Ibom people in this category prefer to patronize the financial services of informal traditional finance outfits such as *etibe, ajo, osusu*, still dominating informal financial services in the rural areas.

7.9 Absence of Valid Means of Identification

Mr. Joel David [22] of Stanford Microfinance Bank said that most of the rural dwellers do not have the accepted conventional means of identification such as drivers' license, international passports, national identity numbers and voters' cards.

7.10 Insider Credit Abuse

Just like what obtains in conventional banks, the staff of many microfinance banks contributes in no small measure to the collapse of the institutions they work for. Some credit and loans officers connive with some unscrupulous customers to defraud the banks. It is common knowledge that account officers deliberately over-value a customer's business and thereby encourage such customers to apply for loans, which is far above the capacity of the customer to pay back. When there is default in payment, the staff in question feigns ignorance. Sometimes, having given out loans to customers under fraudulent circumstances, in which case the bank's customer and the microfinance bank staff are 'beneficiaries' of a customer's loan. At repayment time, the customer pays only the amount they actually collected from the bank loan deal. The portion of the loan which the bank staff cornered is thereby left to hang while it accumulates interests and default charges.

7.11 Threats from Major Depositors

Some members of the banking public are ignorant of the fact that microfinance banks are clearly different from conventional banks. Wealthy bank clients who may want to hide their affluent status borrow money from banks but failed to pay back in line with the loans' terms and conditions are in the habit of issuing threats of either withdrawing their huge deposits or threaten the staff with prosecution in the course of loan recoveries. This attitude frustrates banks marketing staff that would be directly affected by the loan default and consequently may lead to bank failures and staff disengagement.

7.12 Unsustainable Business Life Style

In addition, most microfinance banks in the state, behave like small mega banks; they appear to be in sort of subtle competition with them. Staffs of these microfinance banks insist on being driven around with company vehicles, just like their counterparts in conventional banks. They are mandated by their managers to bring huge deposits and in the course of this rat race; the main purpose for setting up the bank is defeated.

7.13 Inexperienced Staff Members

Very few bank staff comes with any experience in microfinance banking. Consequently, they have little or nothing to offer small business owners in terms of business development, sales, marketing and general administration. Some loan officers entice prospective customers with loan offers without disclosing some of the conditions attached to these loans. Consequently, without the right banking relationship a client goes to the bank only with one thought, get loan. They therefore do just about anything to get these loans, including giving false information and 'doctoring' their books.

7.14 Excessive Interest Rates

Microfinance banks charge between three to five (3-5) percent interest rate a month, unlike conventional banks which charge interest on an annual basis. What this means is that loans from microfinance banks amount to between 36 to 60 percent interest rate in a year. Some microfinance banks charge as low as 2.5 percent a month, which is 30 percent a year. Even if the banks were to charge less, it would still amount to a huge sum over a six-month period. Such cost of funds is definitely not in the interest of the rural poor whether in Akwa Ibom state or anywhere else in the country.

8. PROSPECTS OF MICROFINANCE BANKS IN AKWA IBOM STATE

Every business that is alive must always see opportunities and hope to breakthrough someday. Likewise, MFBs' business opportunities abound. From the inclusion of MFBs' deposits as part of the insured deposits by Nigeria Deposit Insurance Corporation (NDIC), the future of depositors of the banks is guaranteed to some extent. By this, depositors stand to be refunded any deposit not more than ₦200, 000.00 in the case of failure of any MFB. This assurance gives customers confidence that their money is secured.

The activities of Agent Bankers and FINTECH (financial technology) operators make banking in the rural areas and for rural dwellers, a moment of truth. Rural dwellers in recent times have heaved a sigh of relieve with the presence of Point of Sales (POS) operators at almost every street corner, civic centres, schools, eateries and other places all over the state. Their activities tend to have both positive and negative effects on MFBs. Positive in the sense that MFBs can position themselves to provide ancillary or complementary services to the agency bankers and negative in the sense that agency bankers tend to collect deposits that ordinarily should be lodged at MFBs. With the internet, financial technology companies are licensed to provide banking services that are being provided by conventional banks. These services eat into the core mandate of MFBs and complement their roles in the rural areas while also depriving them of some of their customers.

Recapitalization requirement of the Central Bank of Nigeria (CBN) is another booster that will further increase the level of confidence in MFBs as many people see MFBs as 'wonder banks' in disguise owing to their frequent liquidation. Recapitalization heals more wounds than the pains it may cause.

9. CONCLUSION AND RECOMMENDATIONS

Microfinance banks which were originally called community banks are no more community but urban banks in that they are mostly located in city centres. With this locational issue, the rural poor are not reached and impacted as expected. Various issues ranging from regulation, character of staff members and customers, quality of guarantors to government agencies impact the performance of microfinance banks. Creating an enabling environment that not only allows microfinance banks to thrive, but to also succeed should be a major concern of government. Microfinance banks must be properly midwifed so it can succeed, create employment for millions of youths and jump-start the establishment of cottage, small and medium scale industries.

The study is limited by the fact that it covered the activities of microfinance banks in Akwa Ibom state of Nigeria. Akwa Ibom state is just one of the thirty-six states in Nigeria and this tends to limit the findings to this study, but since banking principles are universal in a way, it is believed that what plagues banks' customers in Akwa Ibom could also be replicated in other states of the federation.This accounts for the general low performance of MFBs throughout Nigeria.

In view of identified gaps and challenges, the following recommendations are made: Regulators should ensure microfinance banks are accessible to the rural poor and accordingly cater to their needs. Regulators should also be guided by good conscience and environmental factors in discharging their responsibilities. Regulators should continue to enforce mandatory training programmes for employees of MFBs. SMEs operators and other users/beneficiaries of MFBs' loans should be trained on possible business options available for them based on their capital. Considering the amount of losses suffered from government deposits, MFBs should be ready to play professionally or reject government deposits, henceforth. To avoid taxes being estimated from unpublished financial records, MFBs should form the habit of preparing their financial statements to guide tax authorities in assessing tax amount.

In addition, wealthy customers or customers with huge deposits should be made to use part or their total deposits in securing loans collected from the banks to avoid repayment issues. Due diligence should be applied in accepting loan guarantors to avoid accepting vague or fraudulent guarantors. MFBs should limit themselves to micro and short term financing instead of venturing in to areas that are beyond their scope. Banks that were established to enhance the livelihood of the rural poor should not, for any reason, impoverish them through high interest rates.

MFBs should reposition themselves to complement the services of agent bankers and FINTECH operators for their survival and effective performance.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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