

Challenges of microfinance banking in nigeria

[Finance](#), [Banking](#)



CHALLENGES OF MICROFINANCE BANKING IN NIGERIA-1 Nigerians, like many other Africans are generally known as their brother's keepers in view of the extended family system. But when truly analyzed, there is a possibility that this may not be so? Perhaps a hypothetical deep may reveal that not up to 10% of Nigerians would invest in ventures or people that would yield them nothing in return and here I mean, "Returns in the short run or in the immediate". The returns may be financial, emotional, spiritual, relational or social.

But fact is, there is something the investors expect in return when they give and these could include being worshipped as personal heroes, fear of harassments, fear of being harmed, for family ties, religious ties, being perceived as a caring corporate organization with the intent of bigger business tickets etc. Hardly do the "Nigerian rich" set aside a portion of their riches for the "unknown poor" or for true charity except such gifts are meant to make them be seen by the Society or Divinity as good or circumvent some threatening harms etc.

This anti-poor behavior is projected into organizations; corporate, social, religious and sometimes even Government and parastatals as people see only the short end of developments without heeding the social woes of economic imbalance and insecurity. Consequent upon my above beliefs, I may classify the challenges of Microfinance banking in Nigeria under five (5) main headings: 1. COMMUNICATION GAPS AND INADEQUATE AWARENESS

As a background to the undeniable problem of communication for effective microfinance, listen to this quote by Stan Paris on his article on Microfinance

As A Means of Reaching The People “ Problems of communication are endemic in the industry, dating back to what could be considered the first micro-loan. In 1976, Muhammad Yunus, a young economics professor at Chittagong University, Bangladesh, took his students into a small village where he discovered a woman crafting beautiful stools out of bamboo. He inquired what the woman earned for her work after repaying the trader from whom she borrowed. She told him she earned the equivalent of 2 cents in net profit. Yunus was appalled. He wanted to help her find a means of financing that would allow her to make more net profit. But, first, Yunus had an enormous communication barrier to overcome. That was a time in Bangladesh when women didn't touch money and didn't talk to men, explains Sam Daley-Harris, director of the Microcredit Summit Campaign, an important facilitator of dialogue in the industry. Yunus had to have a female student ask the woman a question, then return to tell him the answer.

There were barriers of communication even in explaining the value proposition. “ Truth is that today, communication barriers exist heavily in Nigeria particularly given that even within a State, there exist as many languages and dialects as exist ethnic groups. Also, high level of illiteracy even among the educated who fails to read important things that would enable them take positive steps towards personal, interpersonal and national development. I recall given many flyers of Elim Kit “ n” Kin to a friend of mine who is well educated and is on a billion naira business locally and international.

This guy was in a church service when a play-lets on Kit “ n” Kin was delivered by a group of young people. But after the service, he approached me on how to go about empowering a friend he wants to help and when I suggested kit “ n” Kin, he asked me what that was? Obviously, my educated friend neither read the flyer which is comprehensive and explanatory nor listened to the play..... here lies the problem of many Nigerians of all classes, hence my concern for communication on micro financing. Lets now look at some of areas of specific communication challenges in Nigerian Microbanking

In adequate awareness campaigns and supports by the regulators: The CBN and the NDIC as Federal Government’s engine of economic development need to do greater and continuous campaigns to all stake holders; investors, universal banks, the banking public, the micro targeted poor and low-medium scale entrepreneurs until the micro banking ideas sink in the society and gets well accepted. I hear and read the Governor of CBN assuring the public of safety of the Consolidated Banks. But the Similar truths and campaigns should also be carried for the microfinance industry Lack of trust by the oor themselves who believe that the microfinance banks are just like the unregulated community banks and unregulatedfinancehouses. Going by the antecedents of the banking industry in general, no one would blame the people for lack of trust. Only effective and far-reaching campaigns and exhibited trust in the microfinance banks by the government and the regulators can achieve this desirable confidence. An Uneducated Population: A critical ill of the populace in Nigeria is the bottom, bottom level of pooreducationof the people.

A country where less than 10% of the populace pays attention to the print media, less than 20% listen or watch educative audio-visuals is a great challenge to information dissemination. Incidentally, the literally “very” educated people do not read handbills and communicative documents that deal with those things like microfinance banking since they have no interest in such activities. A survey of how many people would read this documentary would shock you even if the Guardian Newspapers circulate it free to just the middle and upper classes. This attitude is worse with the targeted microfinance clients.

They are more interested in chasing their “kobos” than reading or listening to programs that would help them build up and improve on their standards of living. The Active Poor’s Current Preference for Gifts Than Loans. Generally, a hindrance to economic development in Nigeria is the gift preference of the poor as a culture from political and religious biases. The politicians, the rich in religious circles, towns and villages all over Nigeria have cultured the poor to beggarliness and dependence rather than empowerment for productive and financial independence.

Gifts are not usually regarded as re-investment treasures by the receivers. This is why givers ought to challenge the receivers to effectively put their gifts to work by rendering these helps through microfinance banks. Products such as ELIM Kit “n” Kin are meant for well intended givers to assist the poor live above perpetual begging. It is known internationally that micro-financing is not charity. Micro funds are meant for the productive activities of the beneficiaries.

Consequently, only people who fall within the active poor or low income earners who are willing and able to utilize the loans for productive activities and repay both interest and capital are the bona-fide candidates for microfinance. 2. ANTI-POOR ATTITUDES OF NIGERIANS Dearth of quality investments in microfinance banks:. Most surplus spenders and investors in Nigeria, because of the lethargic attitudes to the poor, would not invest in Micro finance banks. They prefer to invest in the “ billion naira profit making consolidated banks”.

Again, Nigeria investors are coasted by the quick-return and trader-like attitudes which surely does not result in a meaningful development for the Nation. They are therefore unable to go through the gestation period required in the young microfinance industry for their investments to start yielding good dividends. The Grameen Bank of Mohammad Yunus did not start making profit in year one, but today, that bank is one of the most profitable financial institutions in Asia and yet, it is a financial institution with classic recognition for adding the greatest value to humanity.

Snobbish and selfish attitudes by the financially well to do Nigerians. Hopefully, good campaigns and direct involvement by the who is who in Nigeria would solve the current snub by the rich onpovertyalleviation programs and enable these categories of Nigerians see that Microfinance is both a good and rewarding investment and a good development project that directly and indirectly impact their lives. 3. INSUFFICIENT SUPPORT FROM THE REGULATORS AND GOVERNMENTS

Poor buy-ins and competitive approaches by the State Governments and Local Governments. The policy direction towards the millennium development goals is that one percent of the annual votes of the State and Local Governments should be channeled to Microfinance banks for on-lending to the poor and low to medium scale entrepreneurs. So far, very few states have taken steps to get this started. Lagos state is a shining example that has taken the lead to effectively and efficiently put microfinance banking into focus.

Their microfinance institutionalization, the depth of involvement of the Ministry of Women Affairs and Poverty Alleviation in developmental activities at the grassroots is equaled by none I know in Nigeria of today. This Ministry is not just a moribund ministry; it is a ministry that is empowered and achieving evidential results. This ministry needs to be copied by every state in Nigeria. Today, some 800 microfinance banks are established in Nigeria, but some states rather than use the services of these banks licensed by the CBN, choose to find a round about way of dealing with mega banks or establishing their “owned” micro credit institutions.

It is my candid opinion that government involvements in microfinance banking would be counterproductive as they should concern themselves with policy formulation and control rather than implementation. How can someone formulate policies, implement it and effectively control it? Nigerian Microfinance banks have what it takes to manage micro funds for states and international bodies and should be given the chance to do so under strict supervision and controls.