THE IMPACT OF MICROFINANCE INSTITUTIONS ONECONOMIC GROWTH IN NIGERIA

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ABSTRACT

The study adopted a descriptive analysis and graphical approach in expressing the readily available data between 1992 and 2017 on how the microfinance institutions affected the following economic indexes used in the study: agriculture and forestry, mining and quarrying, manufacturing and food processing, real estate and construction, transport/commerce and other subsectors of the economy. The purpose of the study was to investigate the unimpressive performance of microfinance institutions in Nigeria over the past two decades. The result indicated that the loans from microfinance institutions had a positive impact on the selected macroeconomic sector and enhanced sector al productivity of the country as illustrated graphically in the study, and had a positive effect on the gross domestic product of Nigeria. Though, with a significant improvement in the operational modalities of the microfinance institutions, there will be an improved output, which will have a multiplier effect on the agriculture and forestry, mining and quarrying, manufacturing and food processing, real estate and construction, transport/commerce and other subsectors of economy as alighted in the study. The study, therefore, recommends that interest rates should be reduced on the loans given to the alighted subsectors to enhance economic growth.

1. INTRODUCTION

Nigeria is a country located in West Africa with a coast on the Gulf of Guinea and Atlantic Ocean. Neighboring countries include Benin, Cameroon, Chad, and Niger. The geography ranges from southern coastal swamps to tropical forests, woodlands, grasslands and semi-desert in the north. The government system is a federal republic; the chief of state and head of government is the president. Nigeria has a mixed economic system which includes a variety of private freedom, combined with centralized economic planning and government regulation. Nigeria is a member of the Economic Community of West African States (ECOWAS)[1].The growing awareness of the potential of microfinance in poverty reduction, economic growth and development, coupled with the emergence of several highly successful and fast growing microfinance institutions (MFIs), has effectively put the issue of microfinance on the political agenda of most developing countries. Consequently, the supervisory authorities of such institutions have taken active measures to address the issues of microfinance by developing an appropriate regulatory and supervisory framework based on the particular features and risk associated with these activities. There is a new challenge for developing an appropriate regulatory and supervisory framework for the microfinance service. It is significant to note that the characteristics of microfinance clients are distinct, their credit methodology is different and, in many cases, the ownership structure of the institutions is not the same as the one typically found in conventional financial institutions. In this regard, a risk based supervision shall be implemented which would focus mainly on: an effective governance and ownership structure, a responsive lending methodology, accurate and up-to-date knowledge of borrower characteristics, an appropriate management of information system, adequate internal control mechanisms and procedures. The concept of microfinance is not a new development; its origin can be traced back to 1976, when Muhammed Yunus set up the Grameen Bank as an experiment on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh (Khan &Rahaman, 2007). Since then several microfinance institutions have been founded and succeeded in reaching the poor and also derived new ground breaking strategies with the time for the fulfillment of their vision. These included the provision of collateral – free loans to the poor, especially in rural areas at full cost interest rates that are payable in frequent installments. In recognition of microfinance, the United Nations celebrated 2005 as the year of micro credits (Roy, 2003). As a result, this financing instrument is perceived worldwide as a very effective tool against hunger and poverty eradication, and for rural economic development. The level of poverty has been linked with measures of its

[1] https://globaledge.msu.edu/countries/nigeria (retrieved on 29/10/2018)

economic development and, therefore, it is important not to address the issue of poverty independently, but empower poor people to the point of developing their rural communities through stretching of their productive capacity in the form of microfinance institutions. Economic activities are seen to have grown sporadically in these areas due to the activities of Grameen Bank, and this has attracted notable attention of the communities and of this research work, as it makes obvious the prospects of microfinance banks in Nigeria in realizing economic development via micro and small businesses. This study analyzes the contribution of loans and advances of microfinance banks to the growth of the agricultural and forestry sector, mining and quarrying sector, manufacturing and food processing sector, real estate and construction sector, transport/commerce and other related sectors of the Nigeria economy that make an overall economic development.

Microfinance institutions**:** These are financial institutions that are involved in providing financial services to the poor who are traditionally not served by the conventional financial institutions (Awoyemietal, 2015).

What is economic development? The term 'economic development' refers to the long-term changes in the system of production and distribution of goods and services affecting human welfare. In contrast to **'**economic growth' it involves changes in the *form* as well as the *scale* of economic activity. In common usage, development is usually assumed to be by the definition a good thing. However, the students of development cannot assume this. Economic development is almost always fickle in its effects – some benefit at others' expense, long-term gain may require short-term pain (and vice versa), and one person's indicator of progress may be another person's indicator of regress (Caree, 2002).

Statement of a problem and a specific objective of the study

The study is therefore concerned with the basic research question: How have microfinance institutions contributed to the selected sectors of the economy in Nigeria: agriculture and forestry, mining and quarrying, manufacturing and food processing, real estate and construction, transport/commerce and other subsectors of the economy?

The specific objective of this study is "to investigate how microfinance institutions have contributed to the growth of agriculture and forestry, mining and quarrying, manufacturing and food processing, real estate and construction, transport/commerce and other sectors of the economy".

2. LITERATURE REVIEW

Theoretical review

The first wave of theoretical work on microfinance, formulated by Greg Fischer and Maitreesh Ghatak, focused exclusively on joint liability. The term joint liability can be interpreted in several ways which can be divided into two categories. First, under explicit joint liability, when one borrower cannot repay the loan, group members are contractually required to repay instead of the borrower. Such repayment can be enforced through the threat of common punishment, typically the denial of future credit to all members of the default group or by drawing on a group savings fund that serves as collateral. Second, the perception of joint liability can be implicit, that is, borrowers believe that if a group member defaults, the whole group will become ineligible for future loans even if the lending contract does not specify this punishment. One form in which this can happen is when the microfinance organization itself chooses to fold its operations when faced with delinquency (Onakoya, etal2013).

The Grameen model

The Grameen model was set up by Yunus, and it is currently referred to as the most successful model in the microfinance industry. The Grameen Bank finds the economically active poor who are excluded from formal financial services and helps them by providing financial services. The Grameen Bank also emphasizes the mobilization of savings. It is a kind of institution that provides small loans to the poor, especially women in Bangladesh, using innovative ways of getting around their borrowing constraint. The Bank has been enormously successful in generating sustainable livelihoods, reducing poverty and driving development in Bangladesh (Khan &Rahaman, 2007).

The closed economy under Laissez-faire

Dual economic theory

At least three distinct models can be distinguished within seminal article by Arthur Lewis entitled “Economic development with unlimited supplies of labor”. The simplest describes a single modern enclave or capitalist nucleus that expands by attracting migrants from a traditional low-productivity hinterland. Profits earned within the enclave are reinvested in new capital stock and this further raises demand for labor. However, wages do not rise because the extra demand is met through immigration. Thus profits remain high and can continue to be reinvested in new capital stock. Within this model there is no trade in goods with the hinterland, which exists only as a labor reserve. Three assumptions underpin this simple model. The first is the classical assumption of unlimited supply of labor at a slight premium to the wage in the traditional sector. Empirical support for this assumption was provided in the form of evidence that non-capitalist agrarian institutions often encouraged population to grow beyond the point at which the marginal product of labor was equal to the marginal return. The second assumption is of the existence of a dynamic business class (or state cadre) that reinvests the bulk of profits in new capital stock within the enclave. This assumption highlights the potential importance of the development of 'entrepreneurial culture' and the evolution of institutions conducive to risk taking and investment. The third assumption is of balanced growth of supply in goods and services (hence responsive allocation of capital and skilled labor) to meet changing patterns of demand (for both wage and investment goods) as growth proceeds. This assumption highlights the possibility that growth may also be constrained by sector specific bottlenecks and the terms of external trade. Even without relaxing these assumptions, the model can readily be extended to accommodate more complex labor and capital allocation. With respect to labor, it explains how labor absorption into the modern enclave is governed not only by the simple wage differential, but also by the costs and probability of finding employment there. This explains why rural migration can persist even when there is widespread unemployment within the modern enclave. With respect to capital, on the other hand, the model highlights how economic growth can be expressed as a function of the rate of saving (determined within this model by the profit rate) and the marginal rate of return on capital in the modern enclave. For example, 20 per cent saving rate combined with a marginal return on capital of 5 percent gives a growth rate (assuming zero depreciation) of 4 per cent per year. This explains the preoccupation of classical development economists with mobilizing extra capital. It also provides an explanation for increasing inequality (or appropriation of the surplus over subsistence needs by the dynamic capitalist class) in the early stages of economic development. Applying the concept of surplus labor to the entire world economy as a closed system highlights the importance of continued access to a pool of cheap labor (particularly in China and India) to global profit and hence growth rates (Wang, 2012).

It is a relatively simple step from the above dual economy model to a two-sector model in which the traditional sector is defined as rural and agricultural, whereas the modern sector is mainly urban and industrial. Relations between the sectors can then be extended to include product market specialization according to comparative advantage. In addition to surplus labor, the traditional sector now provides the principal wage (food) and raw materials as well as being an additional source of demand for industrial goods and a part of the arena for savings mobilization. The inter-sectoral terms of trade then get particular significance. If this swings in favor of industry then industrial profits and reinvestment will rise, but rural demand for industrial goods will be reduced. Conversely, high agricultural prices will reduce industrial investment but increase demand. The important implication is that expansion of the modern industrial sector may be held back by a failure to raise productivity of the generally larger population working in agriculture. Hence agricultural transformation, rather than industrial modernization may be the key constraint to economic development.

Within this framework, the market structure in both sectors becomes an important determinant of economic growth. For example, mark-up pricing of industrial goods in small modern industrial enclaves is likely to undermine attempts to stimulate agriculture through price incentives alone. Meanwhile, agrarian structure will determine how any surplus income over and above subsistence requirements is distributed, and how it is allocated between investment and consumption goods. But market structure itself changes with economic development. For example, rural to urban migration (and accompanying changes in institutions and culture) may proceed to the point at which the opportunity cost of labor in the agricultural sector ceases to be zero. Further migration will then raise food prices as well as change demand and supply of labor in each sector. At this point dualism has disappeared and the economy comes to resemble an orthodox neo-classical general equilibrium model (Copestake,1999).

Empirical literature

Nnamocha, Igwemma & Ekpenyong (2017) did an extensive analysis of microfinance institutions and the development of micro, small and medium scale enterprises in Imo state. The research was aimed at investigating the impact of microfinance institutions and the development of micro, small and medium scale enterprises in Imo state. The specific objective is to investigate the implication of microfinance institution loans on the growth of micro, small and medium enterprise, the future benefit from positive growth of MSME and determine the factor of MSME growth in Nigeria. Using the Likert scale in analyzing the collated primary data, the findings presented show that more males are involved in MSME. Most entrepreneurs are married couples aged between 31 and 40. Most of the business owners are retail traders, with SSCE, and formone to five year oldbusinesses. Total amount estimate invested in business prior to loan was between ₦51,000 and ₦100,000 and majority of the business are currently valued at between ₦201,000 and ₦500,000 and the net worth of business before receiving loan was between ₦101,000 and ₦200,000 and the current income after the issuance of loan was between ₦201,000 and ₦500,000. On the average, respondents agreed that microfinance institutions enhance the MSME growth and low interest rate loans from MFI and impact positively on the net income of MSME. One of the tables shows that the highest profitability level of MSMEs will increase the employment level and lead to economic growth and another indicates that the entrepreneur gender affects the effective running of the MSMEs. It is recommended that interest rates on loans issued by MFIs to MSMEs should be reduced in order to encourage their growth and the concept of MSME development should be modernized into an innovative technological base.

Adewale, Afolabi&Abumare (2015) investigated the trends in micro, small and medium enterprises (MSME) as a tool in fostering economic growth and development in Nigeria. MSMEs have a significant and pivoted role in the economic development of any country in the world. They form the backbone of the private sector; they make up over 90 percent of enterprises and fully developed MSMEs will no doubt contribute greatly to the Nigerian Economic development by providing employment, marketing goods and services, growth and development of the rural areas and growth of indigenous entrepreneurship in Nigeria and will be a catalyst and the real engine of growth. However, Nigeria's MSMEs are at present bedeviled by a lot of challenges and hardships. There area number of bottlenecks, serious undercapitalization, and difficulty in gaining access to bank credits, corruption, and lack of transparency. The study is anchored on two theoretical frameworks, "the bigpush theory of development and the active learning model" of Erickson and Pakes (1995). The methodology adopted in the study is content analysis. The paper therefore recommends that it is imperative to create the right and favorable policies for MSMEs, provide the necessary business support and development services like establishment of business support centers, vertical linkage of MSMEs with large enterprises, and also organize MSMEs into clusters for better effectiveness.

Afolabi and Oni (2015) examined the impact of microfinance bank on micro, small and medium scale enterprises (MSMEs) in Nigeria. Survey questionnaire was used to collect data from the respondents who are stakeholders of micro, small and medium scale enterprises (MSMEs). We find that there are challenges of accessing credit facilities, the micro credit programs that will increase self-employment, create jobs and enhance economic growth. However, some bank customers do not pay their interests when due. It was recommended that the supervisory agency (CBN) should ensure that microfinance banks operate in line with the microfinance policy objectives of increased credit access to micro, small and medium scale enterprises(MSMEs) for sustainable development. Also, the monitoring department of the microfinance banks should make regular on-site visits to the MSMEs to carry out continuous monitoring and ensure the approved credit facilities are used appropriately.

Igbatayo (2015) examined the pivoted roles of micro, small and medium enterprises in economic growth and development in Nigeria, with their potential in employment generation and the transformation of livelihoods, which is particularly instructive. MSMEs in Nigeria employ more than 32 million people across the nation. It has been recently revealed that there are 17,261,753 or 99.8% of micro enterprises, while small enterprises accounted for about 21,264 or 0.12% and medium enterprises accounted for about 1,654 or 0.01% of the total. Despite the acknowledged potentials of MSMEs in the economy, policy makers have failed to provide the enabling environment for the survival and prosperity of these enterprises. It is therefore recommended that there is a need for concerted efforts aimed at fostering access to funding various activities associated with MSMEs, as funding is critical to the survival and prosperity of this outcome.

Nasiru&Mohd (2016) did a study on the types of microfinance institutions in Nigeria. Microfinance institutions (MFIs) are considered important financial institutions in Nigeria. These institutions contribute significantly to the country's economic as well as social development. Surprisingly, despite their important role, there is little research as well as information on the nature of MFIs in Nigeria, in particular with regard to the types of MFIs in the country. In an attempt to narrow the information and research gaps in the area of MFIs, this study examines different types of MFIs operating in Nigeria. Data for the study was collected from 121 MFIs through questionnaires. The results of the analysis of data indicate that not only there are five specific types of MFIs in Nigeria but they also differ from each other in terms of their ownership, organizational characteristics and lending practices.

Murad and Idewele(2017) wrote the article "The impact of a microfinance institution on economic growth of a country: Nigeria in focus". The study examined the impact of a microfinance institution on economic growth of a country, thus using Nigeria as a case study. The study employs the multiple regression analysis given that data are cross-sectional and time series. Secondary data of all commercial banks were extracted from the Central Bank of Nigeria statistical bulletin and annual reports. Data used in this model are time series secondary data for the period from 1992 to 2012.The findings of the study show that microfinance loans have a significant positive impact in the short run economic performance in Nigeria. Microfinance loans enhanced consumption per capita in the short run with an impressive coefficient, although loans of these banks do not have a significant impact on economic growth in the long run. Microfinance investment, however, has a significant impact on economic performance in Nigeria in the long run. Although microfinance loans are relevant in the growth process in Nigeria, other measures such as boosting agricultural production and taking appropriate steps to enhance income per capita are equally important in boosting economic growthin Nigeria. It is recommended that microfinance institutions should loan to improve consumption in the short run, while the long run goal should be to improve investment and other capital accumulation.

3. HISTORY, CHALLENGES AND OBJECTIVES OF MICROFINANCE INSTITUTION IN NIGERIA

History of microfinance institutions in Nigeria

The Nigerian business environment offers several entrepreneurial opportunities. Despite the numerous advantages of being an entrepreneur, an average Nigerian citizen seems to prefer a salaried job which has led to high unemployment rate in the country. It is worth noting that the bedrocks of any nation's industrial development are entrepreneurial activities, but unfortunately, there is uneasy access to the conventional loan from the commercial banks to start up a small or medium scale enterprises, and the resultant effect of this situation is high poverty rate, high unemployment rate and economic dependence on foreign countries since collateral security is the yardstick for securing loan in commercial banks in case of repayment default. An average citizen in Nigeria cannot provide such collateral security, which makes it difficult for them to access loans from commercial banks and constitutes a great setback to entrepreneurial develop in Nigeria. The evolution of microfinance in the 1970s was to break the barricade to access capitals by low income individuals for the developmental purposes. Microfinance banking in Nigeria could be categorized mainly into two sources: formal and informal sources of microfinance. While it could be very easy to trace the origin of the formal sources of microfinance in Nigeria, the origin of the informal sources of microfinance is only traceable to the practices among ethnic nationalities without any known precise date. Sources of informal microfinance include money lenders, landlords, friends, relations among others. There is also the Rotating Savings and Credit Association (ROSCAs)within which members contribute certain amount of money regularly to a pooled fund of the association. This fund is shared among the members in turns until all the members of the association have taken money. ROSCAs can be traced back to 16 century in Nigeria and are best thought of as a form of social capital known in variance names across ethnic groups. ROSCAs is known as Esusu or "Ajo" among the Yorubas, Isusu or Atu among the Igbos, Osusu among the Edos, Adashi among the Hausa, Dashi among the Nupes and Etibe among the Efiks (Okorie&Miller, 1976). It should be noted that several unwritten guidelines based on mutual agreements are used to administer ROSCAs. Members feared defaulting completion of contribution cycle as this could lead to a serious consequence including social alienation amongst the people. The formal finance sector is made up of formal finance institutions such as commercial banks, microfinance banks, international development agencies, etc. The earliest attempt to facilitate formal microfinance banking is the establishment of the People's Bank of Nigeria(PBN) in 1988. This bank was founded mainly to cater for the savings and credit needs of the small business owners who not only have little savings capacity but also could not meet the stringent conditions usually required by the commercial bank before granting loan facilities (Adeoye and Emmanuel, 2015).In 1990, Community Bank was established with the objective of providing financial services to the rural areas and micro-enterprises in the urban centers. In December 2005, the Central Bank of Nigeria (CBN) issued the regulatory and supervisory guidelines for microfinance banks (MFBs) in Nigeria under which existing community banks, universal banks and non-governmental microfinance institutions (NGO-MFIs) were to operate under the newly enacted unified regulations (Adeoye&Emmanuel, 2015).

Challenges faced by microfinance banks in Nigeria

Regulatory challenge: Regulation of microfinance banks operations is directly under the Central Bank of Nigeria. Given that the CBN has other overwhelming responsibilities to perform, microfinance banking regulation is not as regular and thorough as that of commercial banks. Considering the overview of the performance of small and medium enterprises in Nigeria, past policies made limited impact on the micro-enterprises sector.

Corruption, embezzlement and frauds: The case for regulatory challenges is worsened by the fact that it paves way for other sharp practices to flourish within microfinance banks. It is usual to find cases of large-scale mismanagement of bank's resources, granting of credit facilities without recourse to due process for the purpose of making personal gains, reported cases of massive frauds on the part of bank staff irrespective of their cadres, etc.

Misplaced philosophy, ethics and culture: When microfinance banks recruit workforce mostly inherited from the commercial banks, there is tendency for misplacing the philosophy, ethics and culture of microfinance banking by those old commercial bank staff.

Lack of skilled human capital: Unlike the big commercial banks, microfinance banks lack access to capital base with which they could run their specialized training institutions to groom their force. This coupled with poor remuneration of staff by microfinance banks has led to recruitment of poorly skilled manpower, very high turnover, and in some cases, microfinance banks are left with no option other than employing retired, fired and rejected staff from the commercial banks.

Lack of public confidence and high operational costs: The regular policy reforms in the microfinance banking sector have led to the liquidation of microfinance banks in different parts of Nigeria. For instance, the withdrawal of the license of 224 microfinance banks in 2010 has badly damaged public confidence in these banks (Acha, 2012). In line with the directives of Central Bank of Nigeria, most microfinance banks are usually established in the rural areas where basic facilities such as electricity, good roads, water supply and other infrastructural services lack. These usually put them at disadvantage position when compared with the commercial banks.

Objectives of microfinance institutions in Nigeria

It is aimed at contributing to rural transformation, and promoting linkage programs between universal/development banks, specialized institutions and microfinance banks.

It makes financial services accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services.

It promotes synergy and mainstreaming of the informal subsector into the national financial system, and enhance service delivery by microfinance institutions to micro, small and medium enterprises (CBN, 2017).

Prior to the promulgation of the indigenization decree, the lending of predominantly foreign-owned commercial banks to indigenous firms was abysmally low. During the period, the Central Bank through the Central Bank Credit Guidelines issued directives to financial institutions to extend certain percentages of their total loans to businesses in which Nigeria equity participation is not lower than 50%. The percentage allocation increased from 35% in the late sixties to 90% for fiscal year 1984 (CBN, 2015).

4. METHODOLOGY

The secondary date used reflected the period of study (1992 – 2017), with the variable alighted below as independent and dependent respectively: real gross domestic product, agriculture and forestry, mining and quarrying, manufacturing and food processing, real estate and construction, transport/commerce and other subsectors of the economy, eachepitomizing the contribution of microfinance to various sectors of theeconomy in Nigeriaand how it affects GDP.A descriptive analysis is usedin explaining the graphical illustrations, as alighted in the table below.

Data collected:

Year	RGDP (₦ billion)	Ag&Fo (₦ billion)	Min&Qua (₦ billion)	M&FP (₦ billion)	RE&Co (₦ billion)	TrC (₦ billion)	Others (₦ billion)
1992	19,620.19	29.5	3.7	19.9	14.6	45.6	22.5
1993	19,927.99	123.2	5.7	129.6	47.5	280	68.5
1994	19,979.12	155.4	32.2	201	34.9	513.8	283.3
1995	20,353.20	98.6	17.9	124.8	102.6	575.7	210.2
1996	21,177.92	229.4	17.6	155.4	92.7	695	210.1
1997	21,789.10	367.4	28.5	200	105.2	729.9	187.8
1998	22,332.87	962.7	31	299.4	67.1	1,042.70	123.9
1999	22,449.41	1,007.20	27	293.5	71.9	1,447.80	110.9
2000	23,688.28	1,248.40	33.5	363.8	89.1	1,794.40	137.5
2001	25,267.54	447.4	12	130.4	31.9	643.1	49.3
2002	28,957.71	1,467.70	39.3	427.7	104.8	2,109.80	161.6
2003	31,709.45	3,389.30	90.9	987.6	241.9	4,871.90	373.2
2004	35,020.55	3,865.60	103.6	1,126.40	275.9	5,556.60	425.6
2005	37,474.95	9,704.90	260.2	2,828.00	692.8	13,950.30	1,068.60
2006	39,995.50	505.2	449.3	492	2,554.40	5,078.30	7,370.90
2007	42,922.41	701.8	624.1	683.4	3,548.20	7,054.10	10,238.60
2008	46,012.52	3,354.30	412.4	2,006.30	2,139.20	23,962.50	10,878.40
2009	49,856.10	4,736.90	569.7	2,275.70	2,421.10	28,314.20	19,898.10
2010	54,612.26	5,102.90	520.4	2,172.90	2,257.40	25,975.90	16,956.90
2011	57,511.04	4,679.20	329.4	1,728.90	1,725.50	36,114.90	6,350.50
2012	59,929.89	5,056.80	524	2,482.60	4,222.30	59,774.30	8,067.90
2013	63,218.72	4,803.10	603.3	2,937.30	2,616.00	53,409.50	29,686.50
2014	67,152.79	7,735.70	187.1	3,156.50	5,486.50	58,821.80	7,033.50
2015	69,023.93	11,761.50	390.9	3,372.80	5,218.30	117,759.40	108,822.60
2016	67,931.24	15,058.50	181.3667	3,591.03	7,042.57	141,013.47	127,650.30
2017	68,814.43	18,537.70	75.16667	3,808.78	8,343.72	173,188.42	167,218.35

Source: CBN Statistical Bulletin 2017 edition

RGDP =f (Ag&Fo, Min&Qua, M&FP, RE&Co, TrC, Others) .... 1.

Microfinance institution has contributed to the following macroeconomic sectors in Nigerian economy as represented in the table above: Ag&Fo, Min&Qua, M&FP, RE&Co, TrC, Others.

Mfi = Ag&Fo, Min&Qua, M&FP, RE&Co, TrC, Others .... 2.

RGDP = f(mfi) .... 3.

Graphical description of variables

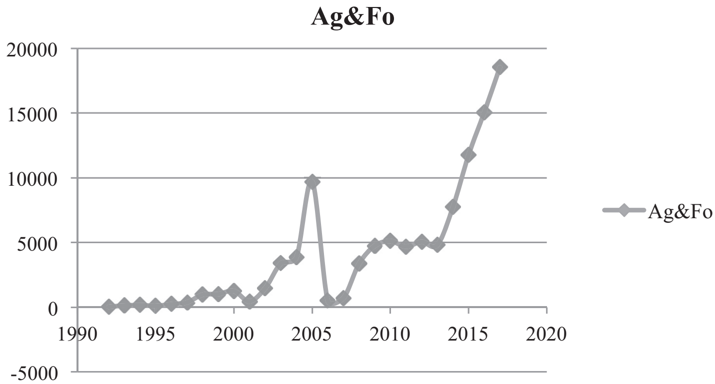

Figure 1. Agriculture and forestry: Ag &Fo

The above table is the graphical illustration of how the microfinance institution impacted the agriculture and forestry subsector of the economy in Nigeria. The chat shows that between 1992 and 1994 there was a stable sectoral growth in the economy, with a diminishing growth returns in 1995 and a rise between 1996 and 2000 in the growth of sectors, which increased the rate of food supply in the sector. Though, production declined from 1467.70 to 447.0(Nbilion) in 2001. From 2002 to 2005 the rate of growth consistently increased and decreasedin 2006. From 2007 to 2010, the growth of sectors became stable at an increasing rate, but became inconsistent fluctuation between 2011 and 2013, and from 2014 to 2017, there was a consistent growth in the agriculture and forestry subsector, as the same had a positive effect on the economy in Nigeria at large.

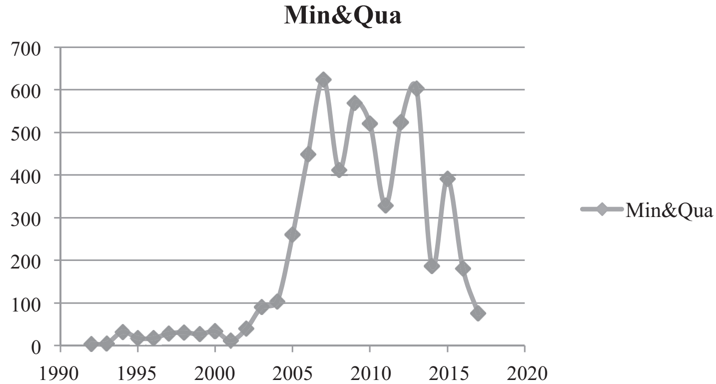

Figure 2. Mining and quarrying: Min&Qua

The above is a graphical illustration of how the microfinance institution affected the mining and quarrying subsector and the effect it had on the economy in Nigeria between 1992 and 2017. The chat shows that between 1992 and 1994, there was an increase in MFI's impact on mining and quarrying, but it experienced decreasing returns from 1995 to 1996, only to pick up again from 1999 to 2002. From 2003 to 2007 there was an increase in MFI's impact on the stipulated subsector, with diminishing returns in 2008, picking up in 2009 and diminishing from 2010 to 2011. Between 2012 and 2013 the subsector experienced an increasing return, which dropped in 2014, but with a sustained growth from 2015 to 2016. In 2017 the sector's outcome dropped drastically.

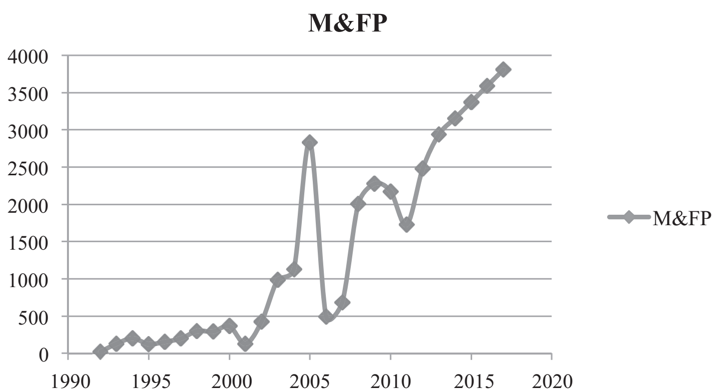

Figure 3. Manufacturing and food processing: M&FP

The above is a graphical illustration of how MFI's helphad an impact on the manufacturing and food processing subsector of the economy in Nigeria between

1992 and 2017. The chat above shows that between 1992 and 1994, there were increased returns in the manufacturing and food processing subsectors production, which dropped in 2001, but with an increased impact from 2002 to 2005, reduced in 2006, but increased from 2007 to 2010. The sectors output dropped to 1,728.90(N Billion) in 2011, but with a consistent increase from 2012 to 2017.

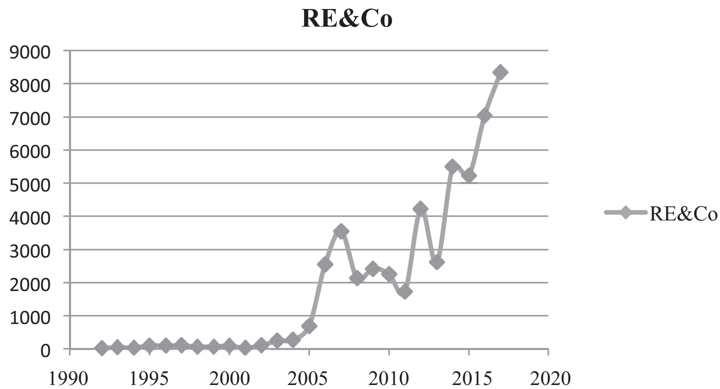

Figure 4. Real estate and construction:RE&Co(N Billion)

From 1992 to 1995 there was a consistent increase in productivity, but with a slight decrease from 102.6(N Billion) to 92.7 (N Billion) in 1996; it increased to 105.2 in 1997. Though reduced from the initial impact in 1998, it consistently increased from 1999 to 2010 as indicated in the graph above. With a fluctuation impact from 2011 to 2015,it experienced an increase from 2016 to 2017.

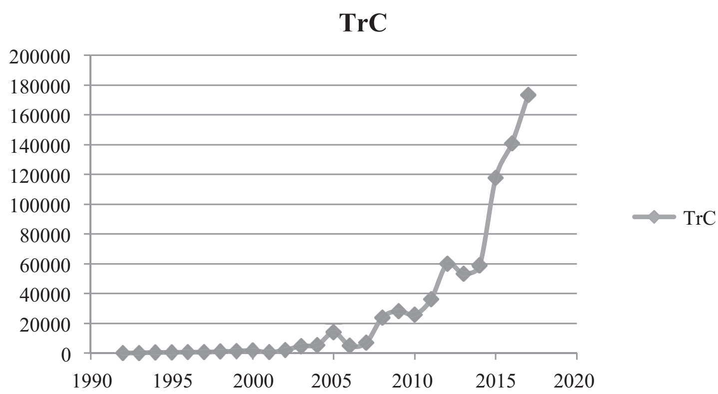

Figure 5. Transport/commerce:TrC

Transport and commerce: From 1992 to 2000, there was a consistent impact of microfinance institution on the transport and commerce subsectors, but the same dropped in 2001. From 2000 to 2005 there were increasing returns in sectoral productivity, but reduction in 2006 from 13950.30 to 5,078.30. From 2007 to 2009 it picked up, but dropped in 2010. From 2011 to 2017 there was a consistent increased impact.

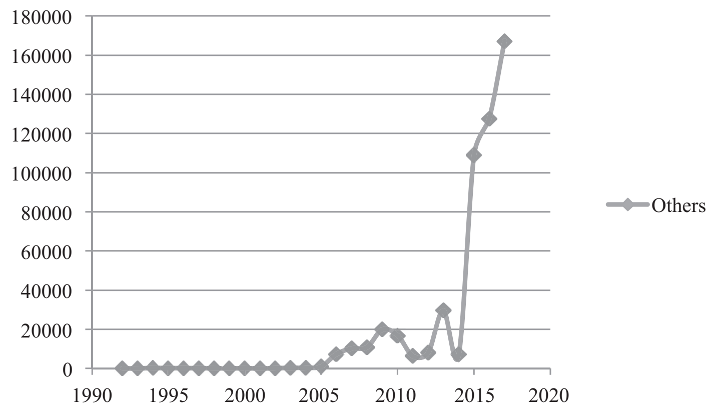

Figure 6. Other sectors of economy

Other sectors of economy indicate that the same experienced an increase from 1992 to 1996. In 1999 it decreased and picked up in 2000 to N137.5 Billion. In 2001 it dropped to N49.3 Billion, but from 2002 to 2009 there was an increase. In 2010 it reduced drastically by 2011, but picked up from 2012 to 2013. It increased and decreased in 2014, but experienced an increase from 2015 to 2017.

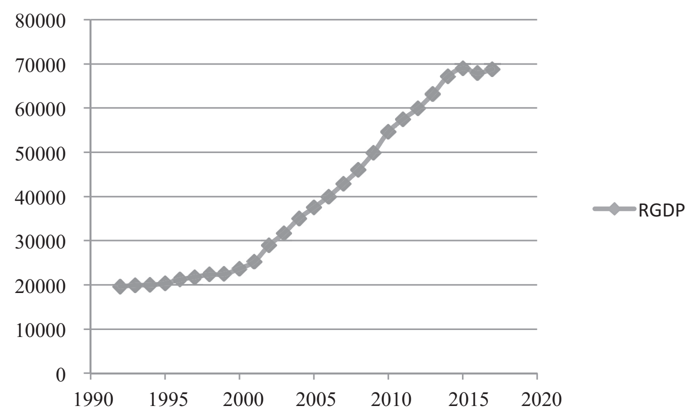

Figure 7. RGDP

It showed consistent growth in the GDP within the stipulated period covered.

5. CONCLUSION

The study concludes that microfinance institution loans have a positive impact on the selected macroeconomic sector and enhance sectoral productivity of the country as alighted in the table above and the gross domestic product of Nigeria. Therefore, it is inline with the work of Murad and Idewele (2017) and serves as a backbone of the sectors which is in line with works of Adewale, Afolabi and Abumare (2015). Though, with significant improvement in the monitoring of its modus operandi, there will be an improved output, which will have a multiplier effect on the alighted sectors. The study therefore recommends that interest should be reduced on the loans given to the above alighted sectors to enhance economic growth. Budgetary allocation in the aforementioned macroeconomic sector should be improved for a sustained economic growth. It is hoped that the study will guide the policy makers and microfinance institutions in the formulation and implementation of macroeconomic policies which may affect the stability of the economy in Nigeria.

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УТИЦАЈ МИКРОФИНАНСИЈСКИХ ИНСТИТУЦИЈА НА ЕКОНОМСКИ РАСТ НИГЕРИЈЕ

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САЖЕТАК

Студија користи дескриптивну анализу и графички приступ приликомизношења лако доступних података између 1992. и 2017. године о утицају микрофинансијских институција на економске показатеље који су кориштени у студији: пољопривреда и шумарство, рударство и ископавање, производња и прерада хране, некретнине и грађевинарство, транспорт, трговина и остали сектори привреде. Сврха студије била је истражити неимпресивни учинак микрофинансијских институција у Нигерији у посљедње двије деценије. Резултат је показао да су кредити микрофинансијских институција имали позитиван утицај на одабрани макроекономски сектор и да су повећали секторску продуктивност земље, као што је графички приказано у студији, те да су имали позитиван утицај на бруто домаћи производ Нигерије. Премда, уз значајно побољшање оперативних модалитета микрофинансијских институција, доћи ће до побољшаног резултата који ће имати вишеструки утицај напољопривреду и шумарство, рударство и ископавање, производњу и прераду хране, некретнине и грађевинарство, транспорт, трговину и остале секторе привреде обухваћене студијом. Према томе, студија препоручује да се каматне стопе смање на кредите за остале секторе како би се побољшао привредни раст.

Кључне ријечи:

микрофинансијске институције, привредни раст, кредити.