



**EFFECTIVENESS OF MICROFINANCE BANK INITIATIVES IN PROMOTING SUSTAINABLE LIVELIHOOD PRACTICES AMONG FARMERS IN KWARA STATE, NIGERIA**

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**Abstract**

*The low-income poor rural entrepreneurs, farmers inclusive, are often excluded from conventional bank benefits in terms of access to financial initiatives. The introduction of microfinance banks across Nigeria by the Government was to enhance financial inclusion to cater to these vulnerable groups. This study, thus, aimed to assess the effectiveness of microfinance bank (MFB) initiatives in promoting sustainable livelihood practices among rural communities in Kwara State, Nigeria. A cross-sectional research design method was used to select 143 farmers following a multistage sampling procedure. Primary data were collected with structured interview schedule and analyzed using descriptive statistics and regression analysis. Results revealed that 61.0% of the farmers were males, educated (61.0%), with mean age of 34 years. The results also revealed that MFBs played a significant role in providing capacity-building and support services (Mean Score=4.23) which ranked highest in their effectiveness, while increase access to credit and small business was ranked least (MS=3.27). The findings further reveal that limited outreach and accessibility and insufficient long-term funding and investment were the most ranked challenges by the farmers in the study area. The regression analysis further highlighted that education ( $\beta = 0.273, p = 0.002$ ) and marital status ( $\beta = -0.285, p = 0.003$ ) significantly influenced the impact of rural finance, emphasizing the role of socioeconomic factors in shaping financial outcomes. The study concluded that improving outreach, tailoring financial products, enhancing financial literacy, and addressing infrastructure gaps could ameliorate the constraints facing rural finance programs in supporting sustainable livelihoods. The study therefore recommends the expansion of MFB services to expand outreach and enhancing financial literacy programs to maximize the benefits of these initiatives.*

**Keywords:** Microfinance bank, livelihood outcomes, economic shocks, income diversification, and financial literacy

**JEL Codes:** G21, G53, O16, D14

**INTRODUCTION**

Agriculture is a significant contributor to national economies, especially in developing countries. The sector plays a central role in rural areas, where it is often the primary economic activity and a crucial source of livelihoods (Gliessman, 2015). In rural communities, agriculture is more than just an economic pursuit; it is intertwined with social structures, cultural practices,

and the environment. In many rural areas, particularly in developing countries, agriculture is the main source of income for the majority of households. The MFB was inaugurated in 2007 in Nigeria and is borne with a focus to provide increased access of the poor and low-income earners to factors of production, especially credit (Central Bank of Nigeria, 2019). There are around 882 MFBs licensed, governed and monitored by the Central Bank of Nigeria (CBN) and are in operation in various locations in the country. Generally, the MFBs main goal is to provide financial services to the poor who are traditionally not served by conventional financial institutions (Central Bank of Nigeria, 2019). Other initiatives provided by the MFBs include savings, loans, domestic funds transfer, and other financial services that are needed by the economically active poor, micro, small and medium enterprises to conduct or expand their businesses as defined in the guideline for MFB in Nigeria. The MFBs are tasked with the responsibilities of providing financial initiatives to the grassroots entrepreneurs among which are smallholder farmers (Fadeyi *et al.*; 2021). In many developing countries, access to credit is often seen as a critical means of alleviating financial constraints faced by rural households (Manzoor *et al.*, 2021). These constraints prevent households from being able to develop sustainable livelihoods and improve their wellbeing (Olutumise, 2023). The provision of rural credit, particularly through microcredit programs, has been essential in enabling income-generating activities for poor households. As pointed out by Lin *et al.* (2019), access to credit is a potential solution to liquidity constraints that often limit rural households from investing in productive enterprises. In Nigeria, rural households rely on both formal and informal sources of credit to meet their financial needs. Formal sources include commercial banks and microfinance institutions (MFIs), while informal sources include friends, relatives, and local moneylenders.

Sustainable Livelihood (SL) comprises the capabilities, assets and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks” (Chambers and Conway, 1992). According to microfinance letter (2019) reported primarily arises from low capital base of the institution, inordinate fixed asset acquisition, ostentatious operational disposition, inability to mobilize deposits, poor lending and questionable governance and management arrangement. While microfinance bank initiatives such as loans and savings are recognized as essential drivers of sustainable livelihoods, there remains a critical gap in understanding the specific mechanisms through which these initiatives operate and impact rural communities in Kwara State, Nigeria. Empirical evidence has shown that the relationship between microfinance services and farmers performance in terms of production practices were positive (Tanko *et al.*, 2012); and Nzomo and Muturi (2014) while others were negative (Diagne and Zeller (2001); and Karnani (2007). Previous research has focused largely on understanding and unraveling the extent to which MFBs finance smallholder farmers. Some of these studies suggest that MFBs faces challenges in this aspect. Some of these challenges are regular changes in government policies, lack of requisite human capital, infrastructural inadequacies and socio-cultural misconceptions (Uchenna *et al.*, 2017). While other studies identified religious barrier, and lack of banking culture in the rural area are among the challenges faced MFBs (Ogujiuba *et al.*, 2013). However, none of these studies have focused on the impact of micro finance banks on promoting livelihood practices among farmers. The microfinance program considered as one of the most practical and attractive tools for providing access to credit to the poor and henceforth lessening poverty and achieving Sustainable Livelihood (SL). The study will enhance rural people knowledge on the usefulness and advantages of financial rural programs to improve sustainable livelihoods in their communities. The main objective of this study was to assess the effectiveness of microfinance

bank initiatives in promoting sustainable livelihood practices among rural dwellers in Kwara state Nigeria, while the specific objectives were to:

1. describe the socio-economic characteristics of the farmers
2. examine the perceptions of rural community members regarding the influence of financial initiatives,
3. examine the role of cooperative societies in facilitating access to credit, savings, and financial services,
4. assess the effect of rural finance on the diversification and resilience of rural livelihoods, and
5. identify the key constraints for rural finance programs in supporting sustainable livelihoods.

Hypothesis of the study

H<sub>01</sub>: Do socio-economic characteristics of the farmers impact rural finance in the study area.

## LITERATURE REVIEWS

### Conceptual framework

#### Microfinance Banking and Sustainable Livelihood

According to Imoisi (2014), microfinance refers to a collection of financial services, including credit, advance, money, and insurance cover, accessible by poverty- stricken industrialists and small commercial proprietors who have no security and would not otherwise meet the requirements for an average bank loan. According to Babajide (2011), the practice of microfinance is rooted in Nigerian culture. According to the Central Bank of Nigeria (2022) report, there are three different sources that may be used to provide microfinance services including formal institutions, semi-formal institutions and informal sources. Petrick (2004) emphasized that microfinance refers to “flexible processes and structures by which financial services are delivered to owners of micro enterprises on a sustainable basis”. Adebayo, Sanni, and Baiyegunhi (2012) defined microfinance as the extension of small loans to micro entrepreneurs on low income and too poor to qualify for conventional bank loans, which is channeled towards income generating enterprises. Micro credit is a part of microfinance that is typically geared to lower inequality (Debalina and Koushik, 2010).

In another contribution, Ojo, (2007) defined microfinance as smallholder financial services that are provided to rural/informal smallholder operators for farming, fishing, trading, and building of houses and to engage in any other productive and distributive activities. Microfinance is a category of financial services targeted at individuals and small businesses who lack access to the conventional banking and related services (Central Bank of Nigeria, 2005). These financial services include credit, savings, and micro-leasing and money transfer and payment services. The concept of ‘sustainable livelihood’ is increasingly important in the development debate. The term ‘Sustainable Livelihood (SL) came as a revolutionary development concept in the early 1990s, drawing on advances in understanding of famine and food insecurity during the 1980s. Moreover means ‘the livelihood when it can cope with and recover from external stress and shocks and maintain or enhance its capabilities and assets now and in the future. Moreover “The sustainable development means of meeting the needs of the present without compromising the ability of future generations to meet their own needs” (Lebel and Kane, 1987). Furthermore, “A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living.

## **Theoretical framework**

### **Microfinance theory of Change**

Microfinance theory of change explains the benefits of accessing microfinance services. Access to appropriate services like credits/loans, savings, insurance, pre-loan training etc. and the use of the services will in short-run increase the business turnover and employment, education for children, increase income-related activities of women and households, improve home facilities, assets and enhance consumption smothering. Continuous access to the services will have a long-run effect or potential outcome of the ability to cope with risk-reduced vulnerability, poverty reduction and improved standard of living of the people. A theory of change sets out the steps to be implemented, and what needs to happen, to achieve result, or address a particular problem. The microfinance theory involves three steps; accessing the credit/loan from or (save it) with a microfinance bank or related institution; investing the fund in a viable business and finally, managing the business to yield a significant return on the investment. When people from poor but active households tap microfinance services and invest in micro-enterprises, it will yield sufficient returns on investment to increase household income and consumption-leading to poverty alleviation. One of the advantages of the microfinance theory of change is its emphasis on the role of micro-financing in poverty alleviation and adherence to the steps will yield desired results.

### **Sustainable Livelihoods Theory**

The sustainable livelihood theory was developed by Robert Chambers and Gordon Conway in the 1990s. This theory sees microfinance as a component of a more comprehensive strategy for achieving sustainable livelihoods (Ellis, 2000). It highlights how crucial it is to tackle poverty's many facets by integrating financial services with complementing initiatives like healthcare, education, and skill development. Microfinance may not be enough to address all the facets of poverty because it is frequently a complex problem (Hashemi, Schuler, and Riley, 1996). A more thorough strategy for reducing poverty that considers both economic and social factors might be used by combining microfinance with other development initiatives, such as vocational training or health care (Aranas, Khanam, Rahman, and Nghiem, 2020). The sustainable livelihood theory applies to this study due to the need to relate microfinance initiatives to sustainability among farmers.

### **Empirical Review**

According to Ataguba and Olowosegun (2012) where they analysed the Micro-credit financing fish production in Nigeria. They observed that that MFBs operate in an environment that is already dominated by commercial banks. Despite that, the MFBs' continuous funding of smallholder farmers will ensure sustainable production and increase in the income of these farmers. Asogwa *et al.* (2015) focused on the impact of microfinance bank credit scheme in Nigeria. The findings indicated that MFB credit scheme intervention significantly improved the farm output of smallholder farmers and hence the income of the farmers. Kofarmata and Danlami (2019) analyzed determinants of credit rationing among smallholder farmers in developing areas with empirical evidence based on micro-level data. The study revealed that farmers who are either being engaged in subsistence farming or trading have a significant effect on credit rationing with the greatest impacts found on the farm profit and farmers' location.

Agada *et al.* (2018) carried out research on the Effect of microfinance banks' credit on cereal crops productivity in federal capital territory, Abuja. The study revealed that the cost of farm size, labour, seed, capital input and amount of credit had a significant positive impact on MFB credit to smallholder farmers. It further noted that bureaucratic procedure, high-interest rate,

and frequent absences of loan officer were among the constraints encountered by the respondent in accessing the loan. Kofarmata *et al.* (2016) analysed determinants of microcredit supply to farmers in Kano State, Nigeria, using a Tobit model approach. The study discovered that there is the need to have contact between the MFBs and the smallholder farmers. This creates awareness about the credit that can be accessed by smallholder farmers. It also noted that having a bank account and being a farmer with off-farming business increased the chances of obtaining credit.

## METHODOLOGY

### Study Area

The study was conducted in Kwara state Nigeria. Kwara State is located in the North-Central region of Nigeria, with geographic coordinates ranging between latitudes 8° 30' North and longitudes 5° 00' East. The state shares borders with Niger State to the north, Kogi State to the east, Oyo and Osun States to the south, and the Republic of Benin to the west. Kwara State covers an area of approximately 36,825 square kilometers and has a population estimated at around 3.2 million people as of the 2006 census. The state terrain is characterized by a mix of savannah and forest, which supports a variety of agricultural activities. The Niger River, which forms part of its boundary, is a significant geographical feature. Kwara experiences a tropical climate with distinct wet and dry seasons, favorable for the cultivation of crops like cassava, yam, maize, and rice. Kwara State is ethnically diverse, with major ethnic groups including the Yoruba, who are predominantly in the southern part of the state, the Nupe, Bariba, and Fulani in the northern regions. The Yoruba constitute the largest ethnic group, particularly in the capital, Ilorin, which also serves as a major cultural and religious center.

The economy of Kwara State is primarily agrarian. Agriculture remains the main occupation, with the state being a significant producer of food crops and cash crops like sugarcane. Kwara has a growing industrial sector, with industries in food processing, textiles, and cement. The Shonga Farms initiative is one of the state's notable commercial agriculture projects, involving a partnership with Zimbabwean farmers to boost agricultural productivity. Asa local government area was purposively selected for this study due access of farmers to microfinance bank in the location.

The cross-sectional survey research design was used in the study. As a survey, this study was interested in observing what is happening to sample variables without any attempt to manipulate them.



**Figure 1: map of the study area showing the study area.**

**Population of the study**

The target population of this study comprised of 143 farmers in Kwara state.

**Method of data collection**

Data was collected with the aid of a structured interview schedule, divided into five sections, based on the objective of the study.

**Sampling procedure and sample size.**

The study was undertaken in Asa Local government area due to the access of the farmers to microfinance bank services in the location. With unknown study population, Cochran’s formula was used to determine appropriate sample size for the study. A multi-stage sampling techniques was then used to select 143 given by the formula. The first stage involved the selection of 3 district areas which are *Afon*, *Onire*, and *Owode*. The second stage involved a random selection of 1% of the number of villages in each district giving 2 villages from *Afon: Eleyele* and *Agboyi*; 2 from *Onire: Alapa* and *Agbona* and 1 from *Owode: Aiyede*, totaling 5 villages selected. The final stage involved the selection of 143 farmers from the selected villages, as shown in the table 1.

**use of cochran formula for determining sample size**

$$n = z^2 pq / e^2$$

n=sample size

z=critical value

p=estimation proportion of an attribute

q=1-p

e= margin of error

calculation; z= 1.96

$$p=0.84$$

$$q= 1-0.84=0.16$$

$$e=6\%$$

$$n = \frac{1.96^2 * 0.84 * 0.16}{0.0036} = 143.4$$

$$0.0036$$

final sample size= 143

**Table 1: Sampling table of respondents in the study area**

LGA	DISTRICT	1% villages	20% of Total (143) =28.6
Asa	Afon	2(eleyele,agboyi)	29,28
	Onire	2(alapa,agbona)	29,28
	Owode	1(aiyede,)	29
<b>Total</b>		<b>5</b>	<b>143</b>

**Data Analysis**

Data Collected Was Analyzed with descriptive and inferential statistics. These include frequency count, percentage, mean and standard deviation was used to analyze the data collected and the stated hypotheses. All data was analyzed using IBM SPPSS20.0. The Multiple Regression Analysis was used to test the hypothesis of the study.

**Model specification**

The model specification for the regression analysis showing the dependent and independent variables is as follows: -

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon_t \dots \dots \dots (i)$$

Y= Rural Finance

X1= Sex

X2=Marital Status

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X3=Age

X4=Level of Education

X5=Family size

X6=Religion

### Likert Mean Ranking

The five-point Likert-type scale ranking for this study is as follows: 1= Strongly Disagree (SD); 2=Disagree(D); 3= Undecided (U); 4= Agree(A); 5=Strongly Agree (SA). The mean values obtained ranged from 1 – 5 with higher values ranking higher on the attributes being measured.

## RESULTS AND DISCUSSION

### Socio-economic characteristics of the respondents

The socio-economic characteristics of the respondents was considered in this study because of their importance to agricultural development. These includes sex, age, level of education, household size. Result from Table 2 indicates that 61.0% of the respondents are male, while 39.0% are female. This disparity suggests a male dominance in participation, which could be reflective of traditional gender roles in agricultural activities in rural areas. This implies that male dominance in the agricultural sector could mean that interventions aimed at increasing agricultural productivity might need to focus more on male farmers. According to Kabeer (2015), gender disparities in agricultural participation often reflect broader social norms and economic factors that limit women’s access to resources and decision-making power in many rural settings. The result shows that both single and married respondents make up 48.9% each, with a small percentage of widowed respondents (2.1%). This distribution suggests that the study includes a balanced representation of single and married individuals, with very few widows. Ellis (2019) show that marital status can influence access to land, labor, and credit, with married individuals often having better access due to dual income and labor sources.

Most of respondents are between 26-33 years (48.2%), followed by those in the 18-25 years (27.7%) age bracket. The mean age is 34 years with a standard deviation of 8.94 years, indicating a relatively young population involved in agriculture. FAO (2017) emphasizes the importance of engaging youth in agriculture to ensure the sustainability of the sector, particularly through access to modern technology and innovative farming practices. The results reveals that a significant majority of respondents (61.0%) have tertiary education, with 19.1% having secondary education. Only a small percentage have no formal education (10.6%) or primary education (9.2%). The high level of tertiary education among respondents is indicative of a relatively well-educated population. This could imply better understanding and implementation of modern practices, as well as easier access to and utilization of information and resources. According to Aker (2019), education is a critical factor in the adoption of agricultural innovations, with higher education levels correlating with greater productivity and efficiency in farming practices. Most respondents have a family size of 6-10 persons (46.8%), with a mean family size of 13 persons and a standard deviation of 7.07. This suggests that large family sizes are common among the respondents. Larger family sizes might be advantageous in labor-intensive agricultural practices but could also imply higher household consumption needs.

Table 2: Socio-economic characteristics of the respondents.

Variables	Frequency	Percentage	Mean score	Standard deviation
Sex				
Male	86	61.0		
Female	55	39.0		

<b>Marital Status</b>				
Single	69	48.9		
Married	69	48.9		
Widowed	3	2.1		
<b>Age</b>				
18-25	39	27.7	<b>34 years</b>	<b>8.94</b>
26-33	68	48.2		
34-41	22	15.6		
42-49	12	8.5		
<b>Level of education</b>				
No formal education	15	10.6		
Primary	13	9.2		
Secondary	27	19.1		
Tertiary	86	61.0		
<b>Household size</b>				
1-5	44	31.2	<b>13persons</b>	<b>7.07</b>
6-10	66	46.8		
11-15	23	16.3		
16-20	4	2.8		
>20	4	2.8		
<b>Religion</b>				
Islam	90	63.8		
Christianity	51	36.2		

Source: Field survey, 2024

### Roles of MFBs in facilitating financial services for rural communities

The result from table 3 shows the respondents' perceptions regarding the role of Microfinance Banks (MFBs) in facilitating access to credit, savings, and financial services for rural communities. Capacity-Building and Support Services (MS=4.23) rank 1<sup>st</sup>, the highest mean score indicates that respondents strongly believe in the effectiveness of MFBs in providing capacity-building and support services such as financial literacy and entrepreneurship training. This suggests that MFBs are significantly contributing to empowering rural community members by equipping them with the necessary skills and knowledge to manage their finances and businesses better. A study by Osei-Assibey (2020) emphasized that financial literacy programs significantly improve financial decision-making among rural populations.

Flexible Repayment Terms for Loans (MS=3.83) rank 2<sup>nd</sup>. Respondents largely agree that MFBs provide flexible repayment terms for loans, which is critical for individuals and small businesses in rural communities who may face irregular income streams. Flexible loan repayment terms are vital for the sustainability of credit facilities in rural areas. This flexibility ensures that borrowers are not overly burdened, which can lead to better loan repayment rates and reduced default risks. Alam and Khatun (2021) suggest that flexible financial products are key to the success of microfinance initiatives in rural settings, particularly in developing countries. Range of Financial Services (MS=3.82) rank 3<sup>rd</sup> and this indicates that respondents agree that the diverse range of financial services provided by MFBs, such as money transfers, insurance, and payment services, meets the needs of the rural population. Improvement in Access to Credit (MS=3.27) rank 6<sup>th</sup> and this indicates that while respondents recognize the improvement in access to credit facilitated by MFBs, this area still has room for enhancement. Table 3: Distribution of respondents based on the roles of MFBs in facilitating access to credit, savings and financial services for rural communities

Role of MFBs in facilitating access to credit, savings and financial services for rural community	SA F(%)	A F(%)	U F(%)	D F(%)	SD F(%)	MEAN SCORE	RANK
MFBs have significantly improved the access	62(44.0)	24(17.0)	0(0.0)	0(0.0)	55(39.0)	3.27	6 <sup>th</sup>

to credit for individuals and small businesses in rural communities								
Microfinances provide flexible repayment terms for loans	68(48.2)	41(29.1)	0(0.0)	4(2.8)	28(19.0)	3.83		2 <sup>nd</sup>
MFBS' savings products and services have facilitated rural community members in building up their financial reserves	58(41.1)	36(25.5)	6(4.3)	6(4.3)	35(24.8)	3.54		5 <sup>th</sup>
The range of financial services provided by MFBS (e.g., money transfers, insurance, payment services) has adequately addressed the diverse needs of the rural population	56(39.7)	51(36.2)	6(4.3)	9(6.4)	19(13.5)	3.82		3 <sup>rd</sup>
MFBS have played a vital role in promoting financial inclusion by reaching out to traditionally underserved rural communities	52(36.9)	50(35.5)	4(2.8)	5(3.5)	30(21.3)	3.63		4 <sup>th</sup>
The capacity-building and support services provided by MFBS (e.g., financial literacy, entrepreneurship training) have been effective in empowering rural community members	76(53.9)	50(35.5)	0(0.0)	2(1.4)	13(9.2)	4.23		1 <sup>st</sup>

Source: Field survey, 2024 SA = Strongly agree, A = Agree, U = Undecided, D = Disagree, SD = Strongly disagree

### Effects of rural finance on the diversification and resilience of rural livelihoods

This section highlights the significant impact of rural finance on the diversification and resilience of rural livelihoods. Result from Table 4 shows the effect of rural finance on their diversification and livelihoods. The savings and credit products offered through rural finance institutions have helped rural households smooth their consumption and better manage financial risks (MS=3.83) rank 1<sup>st</sup>, The positive response reflects the effectiveness of rural finance in providing financial stability and risk management for rural households. By smoothing consumption and providing access to credit, these financial products can reduce vulnerability to income fluctuations and unforeseen expenses. Babalola and Agboola (2022) found that savings and credit products significantly contribute to household financial stability in rural areas. Rural finance has played a significant role in enhancing the resilience of rural livelihoods to better cope with economic shocks and environmental disruptions (MS=3.63) rank 2<sup>nd</sup>, this highlights the importance of rural finance in building resilience within communities, enabling them to withstand adverse economic conditions and environmental challenges.

Financial products that support savings, insurance, and Investments in sustainable practices are vital for long-term livelihood stability. The availability of rural finance has helped rural communities invest in new enterprises and non-farm activities, reducing their reliance on a single source of income (MS=3.62) rank 3<sup>rd</sup>, This underscores the critical role of rural finance in promoting economic diversification and reducing vulnerabilities associated with reliance on a single income stream. The ability to invest in non-farm activities can enhance household resilience and economic stability. Access to rural finance has enabled rural households to diversify their income sources and livelihood activities (MS=3.23) rank 5<sup>th</sup>, the mixed responses suggest that while rural finance has the potential to aid in livelihood diversification, its impact may be unevenly distributed across different communities or households. This might be due to factors such as unequal access to financial services or differing levels of financial literacy among rural populations. Ojong *et al.* (2023) suggests that access to microfinance can significantly enhance livelihood diversification in rural areas, especially when coupled with financial education and support services.

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Table 4: Distribution of respondents based on the effect of rural finance on the diversification and resilience of rural livelihoods

The effect of rural finance on the diversification and resilience of rural livelihoods	SA F(%)	A F(%)	U F(%)	D F(%)	SD F(%)	MEAN SCORE	RANK
Access to rural finance has enabled rural households to diversify their income sources and livelihood activities	47(33.3)	36(25.5)	5(3.5)	9(6.4)	44(31.2)	3.23	5 <sup>th</sup>
The availability of rural finance has helped rural communities invest in new enterprises and non-farm activities, reducing their reliance on a single source of income	67(47.5)	26(18.4)	9(6.4)	5(3.5)	34(24.1)	3.62	3 <sup>rd</sup>
Rural finance has played a significant role in enhancing the resilience of rural livelihoods to better cope with economic shocks and environmental disruptions	57(40.4)	42(29.8)	8(5.7)	1(0.7)	33(23.4)	3.63	2 <sup>nd</sup>
The savings and credit products offered through rural finance institutions have helped rural households smooth their consumption and better manage financial risks	67(47.5)	38(27.0)	4(2.8)	9(6.4)	23(16.3)	3.83	1 <sup>st</sup>
Rural finance has enabled rural communities to invest in more productive and sustainable agricultural practices for overall livelihood resilience	54(38.3)	45(31.9)	5(3.5)	4(2.8)	33(23.4)	3.59	4 <sup>th</sup>

Source: Field survey, 2024 SA = Strongly agree, A = Agree, U = Undecided, D = Disagree, SD = Strongly disagree

### Perception of rural community members regarding the influence of MFBs on their livelihood choices

The section reflects respondents' perceptions of the influence that Microfinance Banks (MFBs) have on their livelihood choices and outcomes. Findings from Table 5 reveals the respondent's perception on the influence that MFBs have on their livelihood choices and outcomes. Improvement of Household Livelihood Outcomes and Resilience (MS=3.85) rank 1<sup>st</sup>, a significant proportion of respondents believe that the services and support provided by MFBs have substantially improved their household's livelihood outcomes and resilience. This highlights the crucial role MFBs play in enhancing the economic stability and sustainability of rural households. MFBs are seen as pivotal in helping households withstand economic challenges, suggesting that policies aimed at bolstering MFBs could directly contribute to poverty reduction and sustainable development in rural areas. Influence on Livelihood Strategies and Income Diversification (MS=3.76) rank 2<sup>nd</sup>, respondents strongly perceive that the presence and activities of MFBs have positively influenced their choice of livelihood strategies and the diversification of income sources.

This perception underscores the role of MFBs in promoting economic diversification, which is critical for reducing dependency on single income sources and enhancing financial security in rural areas. Improvement in Coping with Economic Shocks (MS=3.70) rank 3<sup>rd</sup>, A considerable number of respondents feel that other financial services provided by MFBs, such as money transfers and insurance, have improved their ability to cope with economic shocks and unexpected events. This reflects the importance of diversified financial services in enhancing the economic resilience of rural populations. It suggests that MFBs are not just seen as providers of credit, but also as critical support systems during financial crises. Business Expansion through Credit and Loan Products (MS=3.25) rank 6<sup>th</sup>, while MFBs' credit products are appreciated, the lower ranking suggests that there might be challenges in accessing these services or that their impact is less pronounced compared to other services. This could indicate

a need for more tailored or accessible credit solutions.

Table 5: Distribution of the respondents based on their perception of rural community members regarding the influence of MFBs on their livelihood choices and outcome

The perception of rural community members regarding the influence of MFBs on their livelihood choices and outcome	SA F(%)	A F(%)	U F(%)	D F(%)	SD F(%)	MEAN SCORE	RANK
The credit and loan products offered by MFBs have enabled me to start or expand my own business or income-generating activity	45(31.9)	42(29.8)	4(2.8)	3(2.1)	47(33.3)	3.25	6 <sup>th</sup>
The savings services provided by MFBs have helped me build up financial reserves and better manage my household's financial needs	50(35.5)	44(31.2)	7(5.0)	7(5.0)	33(23.4)	3.50	5 <sup>th</sup>
The other financial services (e.g., money transfers, insurance) offered by MFBs have improved my ability to cope with economic shocks and unexpected events	62(44.0)	35(24.8)	12(8.5)	3(2.1)	29(20.6)	3.70	3 <sup>rd</sup>
The training and capacity-building programs organized by MFBs have enhanced my knowledge and skills to make more informed decisions about my livelihood activities	63(44.7)	36(25.5)	5(3.5)	9(6.4)	28(19.9)	3.69	4 <sup>th</sup>
The presence and activities of MFBs in my community have positively influenced my choice of livelihood strategies and diversification of income sources	60(42.6)	45(31.9)	4(2.8)	6(4.3)	26(18.4)	3.76	2 <sup>nd</sup>
The services and support provided by MFBs have significantly improved the outcomes and resilience of my household's livelihood	70(49.6)	35(24.8)	4(2.8)	9(6.4)	23(16.3)	3.85	1 <sup>st</sup>

Source: Field survey, 2024 SA = strongly agree, A = Agree, U = Undecided, D = Disagree, SD = strongly disagree

### Constraints of rural finance programs in supporting sustainable livelihood

This section provides the various constraints of rural finance programs in supporting rural people to have a sustainable livelihood. The result from Table 6 shows the various constraint limiting the rural finance programmes in supporting the livelihood of the rural people. Limited Outreach and Accessibility rank 1<sup>st</sup> as a significant 95% of the respondents identified limited outreach and accessibility as a key constraint in rural finance programs. This overwhelming majority suggests that financial services are not adequately reaching rural areas. This limitation can hinder the ability of rural populations to access essential financial products, thereby impeding their ability to sustain and improve their livelihoods. A study by Khan *et al.* (2023) highlights that limited accessibility to financial services in rural areas contributes significantly to the poverty cycle, as these populations lack the necessary resources to invest in income-generating activities. Insufficient Long-term Funding and Investment rank 2<sup>nd</sup> as 89.4% of respondents reported insufficient long-term funding and investment as a major constraint. The lack of long-term funding options can limit the ability of rural enterprises to make sustainable investments, ultimately constraining economic growth and the development of resilient livelihoods. A study by Mutua *et al.* (2024) suggests that long-term funding is crucial for the sustainability of rural enterprises, as it allows for investments in projects that can yield long-term benefits, thereby supporting sustainable livelihoods. Lack of Financial Literacy and Capabilities rank 3<sup>rd</sup> as 73.0% of the respondents identified a lack of financial literacy as a major constraint. The lack of financial literacy among rural populations hinders their ability to effectively utilize financial services, manage credit, and make informed financial decisions.

This constraint can lead to poor financial outcomes and limit the potential impact of financial services on livelihoods. Vulnerability to External Shocks and Risks ranks 7<sup>th</sup> as 59.6% of respondents identified vulnerability to external shocks and risks as a significant issue. Rural populations are often more exposed to external shocks such as economic downturns, natural disasters, or market fluctuations. Without adequate financial protection, these shocks can

severely disrupt livelihoods and exacerbate poverty. Lack of Digital Infrastructure and Technological Adoption rank 8<sup>th</sup> as just 51.1% of respondents highlighted a lack of digital infrastructure and technological adoption as a constraint. The relatively lower percentage here compared to other constraints suggests that while digital infrastructure is an emerging issue, it is not yet as pervasive a barrier. However, without improvements in digital infrastructure, rural populations will increasingly be left behind in the digital economy, limiting their ability to access modern financial services.

Table 6: Distribution of the respondents based on the constraints of rural finance programs in supporting sustainable livelihood

<b>The key constraints of rural of rural finance programs in supporting sustainable livelihood</b>	<b>Yes F(%)</b>	<b>No F(%)</b>
Limited outreach and accessibility	134(95.0)	7(5.0)
Mismatch between product offerings and client needs	112(79.4)	29(20.6)
Lack of financial literacy and capabilities	103(73.0)	38(27.0)
High transaction costs and risks	93(66.0)	48(34.0)
Insufficient long-term funding and investment	126(89.4)	15(10.6)
Vulnerability to external shocks and risks	84(59.6)	57(40.4)
Long distance from financial institution	108(76.6)	33(23.4)
Lack of digital infrastructure and technological adoption	72(51.1)	69(48.9)

Source: Field survey, 2024

### **Result of the tested hypothesis**

Table 7 shows the result of the linear regression analysis examining the relationship between the respondent's socio-economic characteristics and the effect of rural finance on the diversification and resilience of the rural livelihoods of the rural people. Findings shows that Sex (B=0.050, p=0.565) indicates a positive but statistically insignificant relationship between sex and the effect of rural finance on diversification and resilience. This suggests that gender does not have a significant impact on how rural finance affects livelihoods in this context. Interventions aimed at improving rural livelihoods through finance should not be heavily gender-biased. Marital Status (B=-0.285, p=0.003) indicates that being married or not has a statistically significant negative effect on the relationship between rural finance and livelihood diversification and resilience. This could imply that married individuals might have more financial responsibilities, reducing their capacity to utilize rural finance for livelihood diversification effectively. Oluwafemi and Adewale (2021) have found similar results, where marital status influenced financial decision-making and risk-taking behavior in rural settings.

Age (B=0.193, p=0.057) the positive standardized coefficient suggests that age has a positive impact on the effect of rural finance on livelihoods, but this relationship is not statistically significant. Older individuals may be more experienced and better able to leverage rural finance to diversify and strengthen their livelihoods, but the lack of statistical significance suggests that age alone is not a strong determinant. Level of Education (B=0.273, p=0.002) The positive and statistically significant coefficient indicates that higher levels of education significantly enhance the positive effect of rural finance on livelihood diversification and resilience. Education equips individuals with the knowledge and skills necessary to effectively utilize financial resources for diversification and resilience. This finding suggests that improving educational opportunities in rural areas could amplify the benefits of rural finance initiatives.

Table 7: Linear regression showing the relationship between Socio-economic characteristics of the respondents and the effect of rural finance on the diversification and resilience of rural livelihoods.

Predictors	Standardized Coefficients		T	Sig.
	B	Std. Error		
(Constant)	14.512	2.440	5.948	0.000
Sex	0.050	0.832	0.577	0.565
Marital status	-0.285	0.813	-3.038	0.003***
Age	0.193	0.535	1.916	0.057**
Level of Education	0.273	0.392	3.201	0.002***
Family size	-0.051	0.458	-0.565	0.573
Religion	0.050	0.830	0.584	0.560

Source: Field survey, 2024  $R^2 = 0.134$ , Adjusted R square = .096, F = 3.465

## CONCLUSION AND RECOMMENDATIONS

The study concluded that there was a generally positive perception of the role of MFBs in rural communities, particularly in capacity-building and offering flexible financial services. However, areas such as improving access to credit could benefit from further enhancement. There was a significant impact of rural finance on the diversification and resilience of rural livelihoods, with respondents acknowledging the role of finance in enhancing resilience, supporting new enterprises, and promoting sustainable agriculture, there are areas where the benefits are not uniformly experienced. The study therefore recommends the expansion of MFB services and their product offerings to include loans and financial products that support non-farm activities. Financial products should be designed with flexibility in repayment terms, low-interest rates, and consideration of the agricultural cycles to better serve rural clients. MFBs should invest in capacity-building programs that educate rural communities on financial management, the benefits of savings, and the use of credit.

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