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Microfinance Banks and Rural Transformation in Nigeria

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ABSTRACT
This study examined the impact of microfinance banks in rural transformation in Nigeria. The indispensable role of microfinance banks in rural transformation and poverty reduction in Nigeria was identified. Microfinance has filled certain gaps which the conventional banks have neglected, viz. loans and advances to agriculture, commerce and transport, investment opportunities options in the informal sector, standard of living enhancement, employment generation and other financial services to the active poor in rural areas. This study concludes that microfinance banks have reasonably contributed to rural transformation and poverty alleviation in Nigeria. The study therefore recommends that government should encourage and create enabling environment for the establishment of more microfinance banks in rural areas as this gesture will afford rural dwellers that do not have direct access to formal banking services the opportunity of enjoying banking services seamlessly. Again, interest rate on credit is relatively higher than that of the deposit money banks when compared on annual basis. Monetary authorities should make concerted effort to keep the rate low to enable the rural active poor access these facilities.
Keywords: Economic Development, Financial Services, Microfinance, Rural Transformation

INTRODUCTION
The inability or unwillingness of the formal financial institutions to provide affordable and seamless financial services to the rural poor but active poor, coupled with the poor implementation of government financial schemes, gave rise to the growth of private sector-led microfinance banks in Nigeria. The gap created by the attitude of these formal financial institutions is being filled by the microfinance banks. The condition of the rural dwellers remained appalling in spite of the federal government's rural development programmes. A more participatory and decentralized approach, which paves the way for the active involvement of these rural dwellers in their development quest, was advocated.(Okwoli, Abubakar and Abubakar, 2013) The activities of the microfinance banks became more pronounced, more secured and gained wider coverage in December 15, 2005 when the microfinance policy, regulation and supervisory framework was launched. The policy which complements the banking sector reforms, not only brings the microfinance activities under the regulatory purview of the Central Bank of Nigeria, but also aims at providing sustainable access to financial services by the economically active poor in rural even n the urban areas of Nigeria (Onwumere, 2008).
According to the United Nations (2016), Nigeria has a total population of about 195.9 million people with approximately 40% (78 million) living below the poverty level estimated at US $1.25 per day. Gross National Income (GNI) per capita is approximately US$ 1140 with life expectancy at 53 years. The total adult population (18 years and above) is 63.1million and 63.3% of adults live in rural areas with 49.1% male and 50.1% female. Agriculture which is the mainstay of the Nigerian economy has the highest

practice among the rural population. But they are small scale farmers using local farming implements; this means that even though they constitute a formidable and significant source of agricultural labour, they are the most poor.

The size of the un-served market by the existing financial institutions is large. A study carried out by Enhancing Financial Innovation and Access (EFInA, 2018) revealed that 36.8 per cent of the adults in Nigeria were excluded from financial services. Out of the 63.2 per cent that had access, 51.5 per cent derive their financial services from the formal financial institutions, while 7.8 per cent exclusively patronized the informal sector. However, rural transformation is a process of change in rural areas, which depends on many factors and dynamics; the challenges and opportunities of rural transformation derive from rural-urban linkages and depend on many sectors inside and outside of agriculture. Development and transformation work hand in hand, the development of rural area will bring transformation to the rural area. The place of rural transformation in Nigeria cannot be overemphasized given the fact that the majority of the Nigerian people resides in the rural-Nigeria and its importance to the lives of rural dwellers and growth of the national economy. Thus, rural transformation is 'sine qua non' to national development. Consequent upon this, the microfinance by its statutory mandate has the capacity to lift transform lives in rural areas.

In recent time, some studies on microfinance have been carried to investigated whether microfinance activities that are popular in Nigeria has really helped in rural transformation of the country in the areas of improving agriculture and eradicating poverty. Some of the studies have shown that there is significant positive impact of microfinance on rural development (Alani and Sani, (2014), Nwankwo, Olukotar and Abah, (2013), Oluwakemi, Gbadamosi and Adewale, (2018). But the works of Kokwoli, Abubakar and Abubakar, (2013) and Nwude and Anyalechi, (2018) revealed an insignificant relationship between microfinance activities and rural development. So this study has come to contribute to the knowledge by examining the impact of microfinance bank on rural transformation of Nigeria. It is a known fact that about eighty five percent (85%) of the microfinance banks are situated in the urban areas, maintaining a long distance from the rural dwellers. This makes accessibility of their services very difficult and expensive. In view of these issues, have microfinance banks really assisted in the rural transformation of the country? Again, have microfinance banks provided timely and affordable banking services to the economically active poor in the rural areas of the country?

The main objective of this study is to examine the impact of microfinance banks on rural transformation in Nigeria. However, the specific objectives include; to determine the level of microfinance in poverty alleviation in Nigeria, to ascertain effects of microfinance in encouraging and supporting agriculture in rural areas in Nigeria. In order to carry out a thorough study, these research questions are pertinent and shall form the basis for the discussion. (i) to what extent does microfinance banks contribute to rural transformation and improved standard of living of people in the rural areas of Nigeria ? (ii) to what extent does microfinance banks influence agricultural development in Nigeria? The rest of this study is presented in four sections, section two deals with the literature reviews; conceptual, theoretical and empirical. Section three looks at the impact of microfinance bank in rural transformation and poverty alleviation; while section four concludes and makes its recommendations.

Literature Review

This section reviews existing literature related to the subject matter of this study. Essentially, the reviews are packaged in three separate sub-sections including Conceptual Review, Theoretical Review and Empirical Review. In the course of this review, efforts were made to link the objectives of the study to existing literature to enable us do a detailed discussion of findings in this study.

Conceptual Review

The emergence of microfinance practice was prompted by the apparent failure of conventional formal financial institutions. Microfinance banks seek to provide low income people with capital to finance their income generating activities. It was reasoned that rural dwellers or farmers were poor because they lacked access to funds. Banks' unwillingness to support small farmers has always been there and farmers and business continue to suffer without easy access to financial services. Notwithstanding, commercial banks are profit oriented and will invest when the return on investment is be high. Even when these conventional banks grant small loans to farmers in farmers' different cooperative societies, associations that are duly registered amongst other identified groups, the poor refunding or repayment rate and low interest, forced these commercial banks to become disenchanted and uninterested in providing more funds for the rural community development groups and associations (Ojua, Tiku and Agbor, 2014)

The rural bank scheme started in 1977 under the supervision of the Central Bank of Nigeria (CBN). The technicalities of the scheme mandated commercial banks (now deposit money banks) to extend their branch network to various rural areas in order to provide adequate financial services in their areas. The numerical target of at least one branch in every local government area was met by the year 1991 and prior to the termination of the programme; over 700 rural branches were opened nationwide (Aligu, 2003). However, the mainstream commercial banks failed to meet the credit needs of the people, by mobilizing their deposits without granting credit facilities to most depositors. Most of the funds generated from the rural branches were channelled to meet the needs of the customers of branches located in the urban commercial cities. Thus, little or no impact was made in the lives of the rural residents.

The failure of the rural banking led to the establishment of the Peoples Bank of Nigeria, by the Federal Government in 1988. The People's Bank of Nigeria was established to encourage savings and provide loans to the small and medium scale enterprises and households all over the country. However, the bank's loan approval process were inefficient, thus the level of toxic loans went up and the bank's asset quality deteriorated, charges on bad and classified loans were high, and profitability was further impaired by rising overhead cost (Nwankwo, Olukotar and Abah, 2013). With all these problems, the financial condition of the banks deteriorated and consequently resulted to insolvency (Oyeyomi, 2003, Anyanwu, 2004). There was a need to create a more friendly and strong scheme that can cater for the financial needs of the active poor in the rural areas, that is, a self-sustaining community or group of communities being provided with financial services, particularly mobilizing deposits and granting of loans to people residing in the rural communities

The first community bank was incorporated in December 1990, with a statutory minimum share capital of five million naira. The power to regulate and issue provisional license to the community banks was subordinated by Central Bank of Nigeria to the National Board of Community Banks in Nigeria (NBCN). The association successful issued provisional licensees to 1366 community banks between 1990 and 1997. During that period, the Central Bank of Nigeria was responsible for granting final operating license to community banks that had successfully operated for a minimum of two years. Although most of the community bank were able to reach their target market (lower end of the population), performance was weak and a significant number of them were poorly funded (CBN 2002). Prior to year 2005 the government implemented other poverty reduction developmental initiatives. These developmental programmes were established to improve living standards, particularly in the rural areas. However, most of the programmes were poorly organized/ administered thereby not achieving the objectives for its establishment.

In 2005 a microfinance policy was launched and it recognizes the existing informal institutions and brings them within the supervisory purview of the Central Bank of Nigeria (CBN) which not only enhances monetary stability, but also expands the financial infrastructure of the country to meet the financial requirements of the micro, small and medium enterprises (MSMEs). The definition of microfinance is succinctly captured by Ehigiamusoe (2005) who aptly referred microfinance as a flexible process and structures by which financial services are delivered to owners of micro enterprises owners. This definition is identification of the challenges face by the active poor access credit from formal financial institutions.

Microfinance is loosely defined by Kimotha, (2005) as the provision of very small loans (micro credit) to the poor to help them engage in new productive business activities or to grow/expand existing ones. Thus, the narrow definition of microfinance equates it with micro credit. The current view of microfinance, however, includes a broader range of services mainly credit, savings opportunities, insurance and money transfer, which the poor who lack access to traditional formal financial institutions need to have to achieve meaningful improvement in their business activities. Microfinance can also be defined as the process through which the active poor is identified and financial services are seamlessly and affordably delivered to him to improve his business or to start a new business capable of transforming him and his environment.

Microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions. Three features distinguish microfinance from other formal financial products. These are: (i) the smallness of loans advanced and or savings collected, (ii) the absence of asset-based collateral, and (iii) simplicity of operations(CBN, 2005) Considering the importance of micro financing to economic development as identified in numerous literature, it is no wonder therefore that the Committee of Governors of the Central Bank of Nigeria (CBN), at its meeting held on 25thJanuary, 2011 resolved that microfinance banks must be well positioned within the next five years to play their roles in economic development of Nigeria. Indeed sustainable economic development in a country like ours cannot be achieved without rural transformation and empowerment of the teeming rural dwellers.

Microfinance banks (MFBs) are therefore strategically positioned to expand the financial frontier and stimulate the exploitation and development of economic opportunities in the informal sector through the provision of traditional and even non-traditional banking services such as technical and managerial assistance, sale of output and input purchase financing, machinery and equipment leasing and community development financing.

Rural transformation on the other hand can seen as a process of comprehensive societal change whereby rural societies diversify their economies and reduce their reliance on agriculture; become dependent on distant places to trade and to acquire goods, services, and ideas; move from dispersed villages to towns and small and medium cities; and become culturally more similar to large urban agglomerations. Despite these common trends, the rural transformation within different countries has different outcomes in terms of economic growth, social inclusion, and environmental sustainability. While global forces drive this transformation, they are mediated by localized social structures and institutional frameworks, and local societies at any given time have different potentials to do and see things—that is, they have different levels of human agency. Microfinance capability to induce rural transformation can never be in doubt. By its establishment, mandate and regulation, it is expected that rural transformation is receiving great attention required in Nigeria by the microfinance banks.

The studies of Nwankwo (2013) Olawepo (2004) and Olawepo Ariyo (2011), all subscribed rural development as the improvement and transformation of the rural space in order to enhance the quality of life of the inhabitants. They agreed on the important role of microfinance banks in the economic development of a nation and emphasized the fact that sustainable economic development in any nation cannot be achieved without rural transformation and the empowerment of rural dwellers. They affirmed the urgent need to reposition microfinance banks to optimally play their roles in economic development of nation.

Theoretical Review

In an attempt to provide sound theoretical underpinning for this study, these two theories are considered.

The supply-leading hypothesis

Supply-leading hypothesis suggests that causality flows from finance to economic growth with no feedback response from economic growth. A well-developed financial sector is a pre-condition for economic growth. The hypothesis holds that well-functioning financial institutions can promote overall economic efficiency, create and expand liquidity, mobilize savings, enhance capital accumulation, transfer resources from traditional (non-growth) sectors to the more modem growth inducing sectors, and also promote a competent entrepreneur response in these modern sectors of the economy (Ohwofasa and Aiyedogbon, 2013 cited in John and Ibenta, 2017) The central argument underlying supply-leading hypothesis is that financial deepening is a determining cause of economic growth. It posits that optimal allocation of resources is an outcome of financial sector development (Hurlin and Venet, 2008). A well-developed financial sector is a pre-condition for economic growth. Mckinnon (1973) and Shaw (1973) argued that a well-developed financial sector minimizes transaction and monitoring costs and asymmetric information; thus there is improvement in financial intermediation. The existence of well-developed financial sector enhances the creation of financial services as well as accessibility to them in anticipation to their demand by participants in the real sector of the economy. The supply-leading hypothesis presumes that the economy responds to growth in the real sector facilitated by financial development. Therefore, this study seeks to validate whether the supply-leading hypothesis holds in Nigeria or not.

Demand following hypothesis

The demand-following hypothesis predicts that growth in demand for financial services depend upon growth of real output as well as commercialization and monetization of agriculture and other traditional subsistence sectors. The hypothesis predicts that the financial sector precedes and induces real growth. The Keynesian theory of financial deepening asserts that financial deepening occurs due to an expansion in government expenditure. In other words, it states that financial development responds to changes in the real sector. The Keynesian theory of financial deepening asserts that financial deepening occurs due to an expansion in government expenditure. In the words of Ohwofasa and Aiyedogbon (2013), it indicates that any early efforts to develop financial markets might lead to a waste of resources which could be allocated to more useful purposes in the early stages of growth. As the economy advances, this triggers an increased demand for more financial services and thus leads to greater financial development.

Empirical Review

There have been conflicting ideas about the impact of microfinance in the transformation of rural dwellers in Nigeria by various researchers. Several works and studies have been carried out on microfinance and rural transformation. Some of these studies revealed that microfinance has impacted positively on the lives of people, boost the ability of the poor people to improve their conditions and also helped in transforming the rural communities. Several empirical studies have shown that microfinance reduces poverty and boast rural transformation. In the same vein, some scholars are of the view that microfinance alone is inadequate to fight poverty and improve lives in the rural areas.

However, other studies have shown that microfinance is said to play insignificant role towards poverty reduction and rural transformation in Nigeria. Alani and Sani, (2014) adopted a survey research method and assesses the effects of microfinance banks in Kogi State. A sample of five microfinance banks was selected. With the use of Z – Test statistical tool, the study reveals that the establishment of microfinance banks has significant impact on the life of the rural dwellers in Kogi State by mobilizing savings for financial intermediation and providing employment opportunities. The implication is that Microfinance banks have the potential of improving the economic potentials of the active poor in the rural communities, thereby increasing their productive output

Nwude and Anyalechi (2018) examined the impact of microfinance activities on rural economic growth and savings in Nigeria for the period 2000–2015. The ordinary least square regression was used as the technique of analysis. The findings revealed that the introduction of micro finance banking in Nigeria have not contributed to agricultural productivity but had assisted in increasing rural savings habits in Nigeria. Udeh, Eneje and Ani (2018) examined the impact of microfinance contribution to Nigeria's gross domestic product. Time series data for 12-years period 1999-2010 were collated from Central Bank of Nigeria. The least squares (LS) regression was used to analyze the data and the result revealed that microfinance activities have negative and non-significant contribution to gross domestic product in Nigeria.

Yahaya, Oni, Ishola, Gbadamosi and Odeseye (2018) examined the Impact of Microfinance Banks Policy on Rural Development in Kwara State, Nigeria. The study employed primary data obtained through questionnaire. Multiple regression analysis was used and results of the regression analysis revealed that there is positive relationship between the adoption of microfinance banks and its policy objectives of savings culture, provision of investment loans, and employment opportunities in rural areas of Kwara state. However, the provisioning of advisory and linkage service were not significant. The study concluded that microfinance banks policy has contributed to rural development in Kwara State.

Nwaeze, Ogbodo and Nwabekee (2015) examined the extent to which Microfinance banks have contributed to poverty reduction of the active poor rural dwellers in Nigeria. The survey research design was adopted in this study. Questionnaires were used in data collection while the data obtained were presented and analysed using tables and simple percentages respectively. The result shows that Microfinance Banks in Nigeria have not significantly contributed to rural poverty alleviation. The major reasons being that most Microfinance banks are found in urban centres and cities as well as the poor information available to rural dwellers on the activities of these banks.

Ojua, Tiku and Agbor(2014) theoretically focused on the role of Microfinance banks on the socio-economic development of rural communities in Nigeria. The study adopted the demand following and supply leading hypothesis to support its argument and concluded following its findings that small scale business men and women especially those operating within the rural communities are always confronted with the problem of financing their business; getting proper education to sustain the business and enlarge same. Nwankwo, Olukotu and Abah (2013) investigated impact of microfinance on rural transformation in Nigeria. The descriptive research was adopted and findings shows that micro-finance has impacted positively on the rural poor by providing loans and advances for agriculture, investment opportunities, savings mobilization and credit delivery; asset financing and community development financing. The study further stressed that despite the achievements of microfinance in transforming the rural areas they have been met with stiff difficulties like repayment problem, illiteracy among the poor and inadequate or non-monitoring of micro and small enterprises by the micro financial institutions.

In another study by Taiwo (2012) on the impact of microfinance banks on welfare and poverty alleviation in South West States in Nigeria The study indicates that from the analysis of the data collected from the customers of microfinance banks in Ogun and Lagos States of Nigeria shows that microfinancing has improved the welfare of the enterprises and the individuals in terms of improved savings, earning (both for individual wage earners and the self-employed), facilitated access to loan facilities, improved sales revenue as well as the level of employment and growth in the micro-enterprises examined. In the same year, Ojeme(2012) used descriptive method and analyzed what he called "poverty alleviation and rural transformation in Nigeria, microfinance; a tool for sustainable growth and development". The study conclusion construes that microfinance has not impacted significantly to poverty reduction and rural transformation due the requirement of tangible collateral as a condition for accessing financial services in the rural areas by the microfinance banks.

Obadeyi (2015) carried out a research and examined the microfinance banking and development of small business in emerging economy like Nigerian. The primary source of data was adopted via questionnaire and oral interview. The study established that MFBs have the capacity to boost economic development in Nigeria through the support of government agency (like Central Bank of Nigeria and NDIC) to keep them tracked and to be focused on the objectives for which they were established. Agbaeze and Onwuka (2014) empirically examined the impact of the MFBs in rural development in Nigeria. The ordinary least square econometrics was used and data for the study were gathered from the Annual Report and Accounts published by the MFBs and CBN statistical. The results of the study revealed that MFBs have impacted positively on our rural economy.

Okafor (2016) examine the impact of microfinance banks activities on the standard of living in Nigeria. Annualized time series for twenty years covering the period (1993-2012) were collated from the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS) and National Population Commission (NPC). The result showed that microfinance banks activities do not have significant positive impact on standard of living in Nigeria. This is contrary to the setting up of the Microfinance Policy Framework by CBN in 2005 which saw the existing community banks transformed to the microfinance banks

Impact of Microfinance Bank in Rural Transformation and Poverty Alleviation in Nigeria

The studies carried out by Pollinger and Cordero (2007) confirmed that microfinance banks in their various models assist to reduce and alleviate poverty and enhance economic development, particularly in developing economies. In Nigeria, microfinance banks have accelerated the operation of poverty alleviation programmes of the government and supported promising entrepreneurs while aiding new ones to emerge. The role of microfinance banks in the promotion of national economic development is entrenched in the objectives of the microfinance banking scheme in Nigeria that was formulated in line with the objectives of the Millennium Development Goals (MDGs), the National Economic Empowerment and Development Strategy (NEEDS) and the Vision 2020. Microfinance banks have impacted on the rural transformation and poverty alleviation in the following:

Loans and Advances to Agriculture, Commerce /Transport

By its former name "community bank" it was designed to positively impact on the lives of the active poor in the communities. Microfinance bank is primarily established to ensure that rural population has access to fund for micro- businesses. The economy of the rural communities in Nigeria is agro- based and business, consisting of numerous informal microeconomic units. Again, the bad road network in Nigeria has given rise to other means of transportation in the rural areas which has become a source of livelihood to the majority of people in the rural areas of the country. This include the use of bicycles, tricycles (Keke) motor cycles (Okada). Thus, agriculture, transport, commerce and allied economic act as sources of livelihood for the poor (majority of the people in the urban and rural areas) by providing economic opportunities for the production, processing, transporting and marketing of the agricultural products (Nwankwo,2013)

As a result, an enhancement in the availability of investment capital to agriculture, commerce and transportation through microfinance banking will transform the exploitation of economic opportunities in the informal sector and hence improve the standard of living of the populace, especially in the rural areas. A cursory look at the loans and advances of microfinance banks form 2014- 2018 revealed that agriculture and commerce/transport got the lion share of the total loans granted. In 2014, total loans and advances stood #112, 110.15, in 2015 it was #187,247.34 , in 2016 it stood at # 196,194.34, 2017 has #194,024.94 while in 2018, it was #207,963.32 (CBN statistical bulletin,2018). Out of these loans and advances agriculture and commerce/ transport got 59.37% of the total loans and advances in 2014, 69.19% in 2015, 70.77% in 2016 and 10.08% and 64.26% in 2017 and 2018 respectively. This figures revealed that from 2014 – 2018, agriculture and commerce/ transport have received 54.67 of total loans and advances of the microfinance banks in Nigeria. Therefore the loans and advances of microfinance banks to agriculture and commerce/ transport provide a useful indication of the level of contribution of microfinance banks to economic empowerment of majority of rural and urban poor. The group lending of the microfinance banks has been available to the teaming population of active poor in the villages or communities where there is no presence of any microfinance bank and inadequate or no collateral available for loans. Group lending is a lending mechanism which allows a group of individuals - often called a solidarity group to provide collateral or loan guarantee through a group repayment pledge. The incentive to repay the loan is based on peer pressure, if one group member defaults, the other group members make up the payment amount.

Investment Opportunities and Viability Options for Micro Finance Bank in the Informal Sector

The informal sector is the source of livelihood for the majority of the population in Nigeria, and the development of the informal sector is thus an imperative for the development of the entire economy (Nwankwo, 2013) The microfinance banking can make a significant contribution to the development of the informal economy and consequently to national economic development. Most Micro finance banks have however limited services to the traditional banking function of intermediating between surplus economic agents and deficit economic agents. Microfinance bank closeness with the rural dwellers gives them a better opportunity to utilize the potentials in the informal sector. Amuchie,(2020) stressed that the "unbankable" is now bankable with them and business has grown from plain ground to grace. In his opinion, microfinance banks have invested much in the informal sector which has helped in transforming the rural areas. Microfinance banks have assisted some local musicians (Bongo music) who ordinarily would have being wallowing in poverty with great potentials are today known and doing well because of the assistance of the microfinance banks.

Deposit Mobilization/ inculcating of Banking Habits

The inability of the deposit money banks to reach out to the rural dwellers has paved way for the microfinance bank to harness and mobilize deposit from the rural communities. Because of this, there are a lot of un-bankable population in the rural area that and there is no financial institution around, their marginal propensity to consume is very high given a percentage of 5% as the marginal propensity to save (Nwankwo, 2007). But with the advent of modern microfinance bank in these communities, most rural dwellers have developed the habit of savings; hence microfinance banks now tie any credit advance to compulsory saving. With advent of microfinance bank, such savings now earn interest for the people and encourage savings by the rural population. The money that was kept under the mattress and in holes before which were sometimes destroyed or stolen by unscrupulous persons is now being deposited in the bank. This money been pooled by the microfinance banks as deposit is profitably channeled to deficit economic units in the area. This process has also assisted in reducing the currency outside the banking system and integrated such funds mobilized into productive businesses in Nigeria.

Employment Generation

It is not arguable again to say that microfinance banks have helped in creating employment in the rural areas. Many young and energetic graduates are today being employed by microfinance banks. According to Onyeso,(2019) many graduates and non graduates have benefited from microfinance banks within their locality. These include but not restricted to, the carpenter who comes to repair damage furniture or doors, electrician who comes to fix the damages caused by power supply, food vendor which sells food to the staff, the cleaner who cleans the bank and suppliers who supply one thing or the other to the bank.

Assets Financing

Asset financing involves companies or individuals using financing to secure the use of assets, including equipment, machinery, property, and other capital assets. The company or individual will be entitled to full use of the asset over a set period of time and will make regular payments to the lender for the use of the asset. Purchasing assets outright can be expensive, risky, and hold a company of individual back from expansion. Asset financing provides a viable option to acquire the assets the business needs without excessive expenditures.

According to Nwankwo,(2013) Most microfinance banks help their customers to acquire some needed assets and allow them to pay within a specific period of time. Hair dressers and barbers need generator for the smooth operation of their business due to the epileptic power supply in Nigeria. Some do not have the finance to get there assets. Some women and men who are into frozen food also need some equipment that they cannot afford due to their limited resources, and some that are into business centers also need some assets to start off. Their assets are computer sets, generators, office equipment and household items. The Okada and Keke riders have successfully acquired these working assets from the microfinance banks. Their microfinance arrange with the suppliers to supply these items to their customers and allow their customers to pay back within a specific period of time.

Standard of living Enhancement:

Standard of Living is closely related to the quality of life. Human beings strive day and night to improve and or maintain their standard of living and consequently the quality of life. And in a bid to improve the standard of life, microfinance bank provides small loans to the active poor for undertaking self-employment projects that could generate income and enable them provide for themselves and their families. It has been observed that microfinance banks have great impact on the standard of living of the rural dwellers. With the empowerment obtained from these banks in the form of credits and asset acquisition, they were able to set up small businesses which otherwise will translate to financial empowerment. They will be able to take care of their family members. It does not limit to that, hence some will expand their business to the extent of employing more people thereby affecting their standard of living too. Idohor and Imhanlahi (2011) agree that credit helps the poor create income. To the extent of the poor creating income, their standard of living increases.

CONCLUSION AND RECOMMENDATIONS

The paper has attempted to discuss the effects of microfinance in rural transformation in Nigeria. Rural transformation in Nigeria has become crucial in view of the fact that rural dwellers in Nigeria constitutes the largest percentage of Nigerian society, the most depressed segments and the potential reservoir of national foodstuffs, wealth and energy. Most empirical evidences have confirmed that microfinance banks have on several ways helped in rural transformation and poverty alleviation in Nigeria. Microfinance has filled certain gaps which the conventional banks have neglected, viz. loans and advances to agriculture, commerce and transport, investment opportunities options in the informal sector, standard of living enhancement, employment generation and other financial services to the active poor in rural areas. The study aligns with the supply-leading hypothesis and therefore recommend thus;

1. Government should encourage and create enabling environment for the establishment of more microfinance banks in rural areas as this gesture will afford rural dwellers that do not have direct access to formal banking services the opportunity of enjoying banking services seamlessly.
2. Financial education is needed for the rural dwellers. The Central Bank of Nigeria (CBN) in collaboration with other institutions should roll out programs that centers on business opportunities obtainable from microfinance banks services.
3. Interest rate on credit is relatively higher than the rate of the deposit money banks when compared on annual basis. Monetary authorities should make concerted to keep the rate low to enable the rural active poor access these facilities with ease

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