

MICROFINANCE BANKS INTERVENTIONS ON POVERTY REDUCTION: A STUDY OF SELECTED MICROFINANCE BANKS IN ABUJA, NIGERIA.

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Abstract

Microfinance Banks have garnered significant attention as vehicles for poverty alleviation and economic development, particularly in developing countries. Understanding the factors influencing the effectiveness of microfinance interventions in promoting economic outcomes such as job creation and income generation is crucial for policymakers, practitioners, and researchers alike. This study aims to investigate microfinance banks interventions on poverty reduction in Abuja, Nigeria. The study employed a quantitative research approach, utilizing regression analysis to analyzed 686 data collected from customers of LAPO Microfinance Bank Limited and NPF Microfinance Bank Headquarters, all in Abuja Nigeria. The data encompassed information on microfinance processes and features, including group lending and targeting women. Three regression models were developed, with job creation and income generation as dependent variables, respectively. The regression analysis involved estimating the coefficients of the independent variables to determine their impact on the dependent variables. Both unstandardized and standardized coefficients were examined to assess the direction of the relationships. The significance levels of the coefficients were assessed using t-tests, and collinearity statistics were examined to ensure the robustness of the models. The regression analysis revealed several significant findings. Group lending emerged as a significant predictor across all two outcomes, demonstrating a positive impact on job creation and income generation. Targeting women also exhibited positive effects on economic outcomes. The findings underscored the importance of microfinance banks proxies, such as group lending and targeting women. Based on the findings, the study recommended that Policy makers and practitioners should focus on strengthening these aspects of microfinance banks interventions to maximize their impact on poverty reduction and economic development.

Keywords: Group Lending, Job creation, Income generation, Microfinance, Poverty Reduction, Microfinance and Targeting Women.

INTRODUCTION

For many developing countries, microfinance continues to be considered as a very important instrument for poverty reduction. The widely held assumption is that providing financial services to poor households enables them to become micro entrepreneurs, accumulate savings, improve their income, smooth consumption, manage risks and eventually escape the vicious cycle of poverty. There is great controversy as regards the poverty reducing effects of microfinance. Critics argue that microfinance has not improved incomes, which has led to increased indebtedness of

the poor, even leading to suicide in some cases and also financial strain because the loans are frequently used for non-productive purposes like consumption (VoxDev, 2023). The international development community remains optimistic about propagating microfinance as an effective tool for poverty reduction, and it appears that it is here to stay as a proclaimed sustainable instrument for poverty alleviation. This relies on the claim that partnership with microfinance banks has expanded and shown huge success in effectively and efficiently providing sustainable financial services to the poor who are otherwise excluded from mainstream financial services (BNP Paribas,

2024; International Finance Corporation, 2024; World Bank, (2024).

Microfinance is defined as the ‘provision of financial services to low-income people’ or more generally referred to as ‘a broad set of financial services tailored to fit the needs of poor individuals’ (Kiva, 2024). Microfinance is often viewed as a crucial tool for poverty reduction in many developing countries. The common belief is that providing financial services to poor households could help them become micro-entrepreneurs, accumulate savings, increase their income, manage risks, and eventually break out of the poverty cycle. Poverty is generally seen as a state of lack or deprivation. This includes lack of monetary and non-monetary resources to meet basic needs (World Bank, 2012); deprivation in choices, opportunities and the capability to better one’s life (UNDP, 2023); and deprivation in the capacity to participate effectively in society (Drishti IAS, 2023; UNECE, 2023). For contextual and relevance purposes, this study applied Amartya Sen’s capability approach to the analysis of poverty. Here, poverty is conceptualized as ‘capability deprivation’ so that poverty reduction is achieved through improved capabilities for the poor.

Microfinance has garnered attention as a pivotal strategy for poverty alleviation worldwide, particularly in regions with limited access to traditional financial services. Within the realm of microfinance, microfinance banks play a crucial role in providing tailored financial products and services to underserved populations, aiming to foster economic empowerment and social development. Abuja, Nigeria’s capital, epitomizes the complexities of urban poverty amidst burgeoning economic opportunities. While the city boasts a diverse economic landscape, characterized by robust sectors such as government, commerce, and services, disparities persist, especially among marginalized communities lacking access to financial resources and opportunities.

A body of research has explored the impact of microfinance banks interventions on poverty reduction, with findings spanning spectrum of outcomes. For instance, studies

by Banerjee, Breza, Duflo & Kinnan, (2021) and Buera, Kaboski, & Shin, (2021) underscore the potential of microfinance to stimulate entrepreneurship, generate income, and foster asset accumulation among low-income individuals. Conversely, critiques from FinDev Gateway (2024) and World Bank (2015) highlight the challenges such as over-indebtedness, limited scalability, and ambiguous impact on poverty.

The variables under scrutiny in this study encompass both the implementation processes and features of microfinance banks interventions, each with distinct implication for poverty reduction: Implementation processes which includes group lending-researched by Kassim, et al, (2022) suggested that group lending mechanisms can enhance social capital and mutual accountability among borrowers, potentially amplifying the impact of microfinance banks interventions on poverty reduction, while targeting women - researched by numerous researcher, including Selvaray, (2019) and 60 Decibels (2024), emphasize the importance of targeting women in microfinance programs, citing their role as key agents of economic change and the multiplier effects of women’s empowerment on household welfare.

The features of microfinance banks are specifically targeted towards poverty reduction which are : loans(the size, terms, and accessibility of loans offered by microfinance banks can significantly influence borrowers’ ability to invest income-generating activities and assets (Fanseca, Moreira & Mota, 2024), interest rate (High interest rates, often associated with microfinance loans, have been subject to debate, with proponents arguing that they reflect the high operational costs of serving low-income customers Christensson, Kasali, & Mhlanga, (2023), while critics raise concerns about their potential to exacerbate poverty (Hett, 2024, and Brune, Gine, Goldberg & Yang, 2023).

In synthesizing existing literature and integrating relevant variables, this study aims to contribute to a nuanced understanding of the dynamics between microfinance banks interventions and

poverty reduction in the context of Abuja. The study seeks to elucidate how access to financial services and knowledge can mediate the pathways through which microfinance impacts key poverty outcomes, including job creation, income generation, and asset accumulation.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Conceptual Review

Poverty remains a perpetual challenge for all societies and has regularly been followed by widespread efforts to provide inclusive financial systems to cater for the poor. The concept of poverty is highly contested: there is no single clear-cut definition (Academic, 2023). Traditionally, poverty is expressed in terms of ‘distributional issues: the lack of resources at the disposal of an individual or household to ensure a suitable standard of subsistence or living’ (Alkire & Santos, 2024). Beyond an individual’s ability to satisfy minimum living standards of food, clothing, shelter and fuel, it is also about ‘having what you need in order to have the opportunities and choices necessary to participate in society’ (Davis & Sanchez-Martinez., 2014).

Concept of Microfinance

Microfinance is generally perceived as the provision of financial services to the economically active poor who lack access to mainstream financial services (Morduch, & Schneider, 2017; (Kiva, 2024). It includes the provision of microcredit; and more recently has been expanded to include the provision of micro-savings, insurance and money transfer services. It has been welcomed by many as a golden bullet to poverty reduction, which is market-driven, enabling the poor to become micro entrepreneurs, improve their income, and eventually escape the vicious cycle of poverty. However, given the recent client over-indebtedness that plagued the sector and findings from rigorous impact studies suggesting that microfinance may not be the solution that many had hoped; there is a growing concern that these expectations are not being met. Recent debates have gone beyond this questionable positive impact to a

call for studies that listen to clients and approach the delivery and evaluation of microfinance from the ‘clients’ vantage point. Asking what it is that they are looking for when they utilize financial services? What features of microfinance are beneficial and which are not? (VoxDev, 2023). This study falls within this more recent client-focused approach.

One might ask: why do we need ‘microfinance’ for the poor or why do the ‘poor’ lack access to mainstream financial services, how is microfinance provided to the poor, and what are the poverty implications of microfinance? These are the questions to which this chapter attempts to provide answers. In answering the question of ‘why’ the exclusion of the poor from mainstream finance, this chapter turns to the theories on financial development as well as the financial exclusion literature. While the former argues for the emergence of financial institutions due to market imperfection and formal/informal institutions, profit/non-profit organizations. This is because; the objectives as well as institutional nature of the providers have implications for the implementation processes and terms and conditions in which microfinance is provided. For instance, we can assume that because formal MFBs are more likely to be regulated, they are therefore less likely to offer extortionate rates and more likely to be safer than informal MFBs. Also, while non-profit providers may provide subsidies, profit oriented microfinance banks may not.

Poverty and Microfinance

According to recent data from the National Bureau of Statistics (NBS, 2021), poverty remains a significant issue in Nigeria and has increased over the past decade. The poverty rate in Nigeria stood at 40.1% in 2019, representing an increase from 38.8% in 2018. In response, the government and various organizations have implemented anti-poverty initiatives, including financial interventions to increase access to finance for the poor. The history of microfinance in Nigeria can be traced back to the 16th century with the existence of indigenous thrift and credit groups, and has since evolved with the commercialization of microfinance and the

introduction of the Nigerian microfinance policy framework. As of 2021, the number of licensed Microfinance Banks (MFBs) in Nigeria has increased to over 900 (CBN, 2021).

Group Lending

Group lending is a popular microfinance intervention programs that has been used to increase access to finance for the poor in many developing countries. The basic idea behind group lending is to provide small loans to a group of individuals who are jointly responsible for the repayment of the loan. This approach allows MFBs to lend to customers who lack collateral or credit history, and it also helps to reduce the risk of default. Group lending has been shown to be an effective tool for poverty reduction in many developing countries. One of the key benefits of group lending is that it could provide a source of capital for small businesses and entrepreneurs who would otherwise have difficulty obtaining financing. By pooling their resources and guaranteeing each other's loans, group members are able to access larger loans than they would individually.

Targeting Women

Targeting women as beneficiaries of microfinance bank interventions has been a commonly employed strategy for poverty reduction in developing countries. Women have been recognized as a key demographic group for microfinance bank interventions due to their higher likelihood of being financially excluded and their tendency to use the loans for the betterment of their families and communities (Wang & Pacheco, 2023). The targeting of women in microfinance has its roots in the Grameen Bank in Bangladesh, which was founded by Muhammad Yunus in the 1970s. The bank focused on providing small loans to poor women in rural areas, with the belief that women were more likely to repay the loans and invest the money back into their households (Yunus, 2003). Several studies have shown the positive impact of targeting women in microfinance bank interventions. A study conducted in Bangladesh by Khandker (1998) found that microcredit programs targeted towards women resulted

in a significant increase in income, expenditure, and household assets. Another study in India by Mushtaq & Mehmood, (2023) found that targeting women in microfinance bank interventions not only led to increased income and savings, but also resulted in women having a greater say in household decision-making.

Job Creation

Job creation refers to the process of generating employment opportunities for individuals in the labor market, thereby increasing their earning capacity and improving their livelihoods. In developing countries, job creation is a critical strategy for poverty reduction and economic growth (World Bank, 2021). In Nigeria, as in many other developing countries, the unemployment rate is high, and job creation is a major concern for policymakers. One way to create jobs is through microfinance bank interventions, which provide small loans to entrepreneurs to start or expand their businesses. A study by Ayyagari, et al, (2021) found that microfinance bank interventions can create jobs in developing countries, as microenterprises are a significant source of employment. Microfinance banks provide access to credit, which enables entrepreneurs to invest in their businesses, purchase equipment, and hire additional staff.

Income Generation

Income generation is a critical aspect of poverty reduction, and it is the process of generating a steady flow of income through various means such as employment, entrepreneurship, and investment. It is an important aspect of economic development and is closely linked to sustainable development goals. According to the United Nations Development Programme (UNDP), income generation is the main driver of poverty reduction as it allowed people to access basic necessities such as food, healthcare, and education (UNDP, 2021). Income generation activities could be categorized into two main groups: formal and informal activities. Formal activities include wage employment, self-employment, and entrepreneurship, while informal activities include subsistence agriculture, small trading, and daily wage labor (Evans et al., 2018).

Theoretical Review

Financial Exclusion Theory: This theory suggests that poverty is closely linked to a lack of access to financial services. Microfinance bank interventions aim to address this problem by providing access to financial services to low-income households. Financial exclusion refers to the inability of individuals and households to access appropriate financial services and products. The concept of financial exclusion emerged in the 1990s as a result of concerns about the lack of access to financial services by certain sections of society, particularly low-income groups and those living in remote areas. The origins of financial exclusion theory can be traced back to the work of economists such as Merton (1973) and Stiglitz and Weiss (1981), who argued that information asymmetry between lenders and borrowers could result in credit rationing and exclusion of some individuals from formal financial markets. This led to the development of theories of adverse selection and moral hazard, which suggested that lenders may discriminate against certain groups or individuals based on their perceived creditworthiness, leading to financial exclusion. In the 1990s, concerns about financial exclusion began to emerge in the United Kingdom, where studies showed that a significant proportion of the population had limited access to mainstream financial services. The concept of financial exclusion was popularized by the UK government, which established the Financial Exclusion Task Force in 1997 to examine the extent and causes of financial exclusion and to develop policy solutions.

Social Capital Theory: This theory highlights the importance of social networks and relationships in poverty reduction. Microfinance bank interventions that emphasize group lending and social collateral are believed to strengthen social capital, which in turn can lead to poverty reduction. Social capital theory is a widely recognized and influential concept in the social sciences that has been used to explain various phenomena, including economic growth, political stability, and community development. The theory emphasizes the importance of social networks, norms, and

trust as valuable resources that can facilitate collective action, cooperation, and mutual support among individuals and groups. The history of social capital theory can be traced back to the early 20th century, when sociologist George Simmel first introduced the concept of "sociability" as a form of social interaction that creates social bonds and fosters solidarity among individuals. The concept of social capital was later developed by Pierre Bourdieu in the 1980s, who argued that social networks and relationships can provide individuals with valuable resources, such as information, social support, and access to opportunities that they can use to improve their social and economic position. Overall, social capital theory provides a useful framework for understanding how social networks, norms, and trust can facilitate collective action, cooperation, and mutual support among individuals and groups. By recognizing the importance of social relationships and networks in promoting development, education, health, and other outcomes, social capital theory offers a valuable perspective for policymakers and practitioners seeking to promote social and economic well-being.

Empowerment Theory: This theory emphasizes the importance of empowering individuals and communities to take control of their own lives and make positive changes. Microfinance bank interventions that provide financial and non-financial services can empower low-income households to improve their economic and social well-being. Empowerment theory emerged as a response to the limitations of traditional approaches to poverty reduction and development, which often focused on providing external assistance and resources to communities. Instead, empowerment theory emphasizes the importance of empowering individuals and communities to become agents of their own development, and to create sustainable solutions to their own problems (Babatunde et al, 2022). This theory draws on a range of social and psychological perspectives, including feminist theory, social learning theory, and community psychology. One of the earliest uses of the term "empowerment" in a social context can be traced back to the work of Paulo Freire, a Brazilian educator and

philosopher. Freire's concept of conscientization, or critical consciousness, emphasized the importance of individuals becoming aware of their own social and political realities, and taking action to change them (Freire, 1970). Empowerment theory has been applied to a range of fields, including community development, education, health, and social work. In the context of poverty reduction and development, empowerment theory has been used to guide interventions that aim to build the capacity of individuals and communities to create sustainable change. For example, microfinance interventions have been seen as a way to empower women to become economically self-sufficient and take control of their own lives (Mustaq & Mehmood, 2023). Similarly, participatory approaches to development, such as participatory rural appraisal (PRA), aim to involve community members in the planning and implementation of development projects, thereby empowering them to take ownership of the process (UNECE, 2023).

The Study's Theoretical Framework

The study is grounded in Social Capital Theory, which highlights the significance of social networks and relationships in facilitating economic activities and resources access. It underscores how group lending and targeting women within microfinance bank interventions can leverage the existing social capital to promote job creation, income generation, and asset creation.

Furthermore, the study draws on Empowerment theory, emphasizing how microfinance bank interventions empower individuals to exert control over their economic lives and resources. Through processes such as loans, savings, and access to financial services, individuals can enhance their economic well-being, leading to increased job creation, income generation, and asset accumulation. By combining insights from Social Capital Theory and Empowerment Theory, the study aimed to provide a comprehensive understanding of how microfinance bank interventions impact poverty reduction indicators, particularly in the context of job creation, income generation and asset creation.

Empirical Review

Asiedu & Freema (2017) investigated the effectiveness of microfinance bank interventions on poverty reduction in Ghana. Data was collected from a sample of 500 households in rural and urban areas of Ghana. The results indicate that microfinance bank interventions have a positive effect on the income and consumption levels of households. Furthermore, the study found that microfinance bank interventions are more effective in reducing poverty in rural areas compared to urban areas.

Mokuolu (2018) microfinance banks: antidote to poverty alleviation in Nigeria: case study of Ekiti state, Nigeria. This study investigated the roles microfinance bank plays in alleviating poverty in Nigeria beaming the search light on Ekiti State. Microcredit firms provides small loans to poor people and small enterprises, this study therefore provides an overview of the role and performance of micro finance institution in alleviating poverty at different levels in Nigeria. The study made use of structured questionnaires administered to a sample of 150 randomly selected staffs of ten microfinance institutions in Ekiti state and some people that have benefited from the program in the service and cottage industries. The Multiple Linear Regression models adopted for the study reveals that the effectiveness of microfinance bank and other explanatory variables are positively and significantly influencing poverty alleviation. Microfinance institution are now being considered as one of the most important and effective mechanisms for poverty alleviation through which precious information on ways to improve the health, education, legal rights, sanitation and other living standards which are of relevant concerns to the poor can be disseminated. It is hereby, recommended that the government should intensify her efforts in promoting, monitoring and adequately supervising the micro finance bank activities so as to reduce poverty in Nigeria.

Mishra & Mohanty (2018) analyzed the impact of microfinance interventions on women's empowerment and poverty reduction in India. Cross-sectional survey

method was used to collect data from 350 female borrowers in four districts of India. The findings revealed that microfinance interventions have a positive impact on women's empowerment and poverty reduction by increasing their income and improving their social and economic status.

Mwakalila, Ngowi, and Kimaro (2020) investigated the role of microfinance interventions in reducing poverty among smallholder farmers in Tanzania. The study used a sample of 400 smallholder farmers in rural Tanzania, and data was collected through interviews and surveys. The findings showed that microfinance interventions have a positive impact on the income and consumption levels of smallholder farmers. Moreover, the study found that microfinance interventions are more effective in reducing poverty among smallholder farmers who have access to training and extension services.

Mustapha, Yusuf, and Abdullahi (2019) investigated the impact of Rima Microfinance Bank on beneficiaries' income and poverty in Goronyo Local Government Area of Sokoto State, Nigeria. A multistage-sampling technique was used to draw the sample and a structured questionnaire was used for data collection. The data was analyzed using descriptive statistics (means, frequency, and percentages) and Foster, Greer and Thorbecke (FGT) poverty index. The result revealed that the beneficiaries had a mean per capita income of N47,489.19 before and N115,678 after using the Rima Microfinance credit facility. The result of the FGT poverty incidence reduces by 6%. This is reflected by the reduction in poverty depth and severity significantly after the Rima microfinance intervention in the form of agricultural input credit facilities. The study recommends a microfinance policy that will ease more access to credit as well as ensuring efficient utilization of acquired inputs through effective monitoring for better productivity, income and poverty reduction among rural dwellers.

Festus (2021) investigated the role of microfinance in women's economic empowerment, the well-being of the family, and access to finance from commercial

banks. This study reviewed a range of methodologies approaches and selected a mixed method approach to gain a deeper insight into the use of microfinance and its impact on borrowers. The study employed 305 questionnaires that were carried out with women borrowers who were supported by microfinance institutions. The results of the questionnaire were validated with 43 interviews and findings triangulated. The key findings suggest microfinance loans led to an increase in the enterprise's growth through sales, profit, and acquisition of assets. The empirical evidence suggests women who borrowed money from MFI do not become bankable and financial exclusion persists. Thus, the argument presented in the literature that microfinance loans contribute towards entrepreneurial culture is not supported by this research. The evidence further suggests women borrowers' aim is to support the immediate family and not necessarily desire to grow the business. Compared to rural, the economic empowerment of women in urban areas is more evident than in rural areas. There's evidence of women borrowing from multiple MFIs as there is no central database to monitor borrowers, thus MFIs create dependence on microfinance loans. The analysis of MFI borrowers suggested women borrow use MFI loans to support their families and merely for setting up businesses.

Nakato & Kakuru (2020) examined the impact of microfinance intervention on poverty reduction and women's empowerment in Uganda. The study used data from a survey of 400 microfinance borrowers and a control group of 400 non-borrowers. The results show that microfinance intervention has a positive impact on household income, women's empowerment, and poverty reduction. Moreover, the study found that microfinance intervention is more effective in reducing poverty among female borrowers and those with larger households.

METHODOLOGY

The survey research design was adopted because data was collected from a sample size while the

case study indicated that the study focused on selected microfinance banks, (Lapo MFB and Nigerian Police Force MFB) in Abuja Nigeria. The study focused on Microfinance Banks Interventions on Poverty Reduction of selected Microfinance Banks. Using LAPO MFB and the NPF Microfinance Bank Abuja Nigeria as a case study. The population of the study is 7,763 bank customers of the LAPO Microfinance Bank Limited (LAPO MFB) and 1,300 customers of the NPF Microfinance Bank in Abuja Nigeria, totaling 9,063 all of whom have already benefited from these interventions, as well as those who are currently receiving benefits. It encompasses both male and female adult customers. The sample size was determined using the Taro Yamane formula for Sample Determination (Yamane, 1973), for known populations, with an expected 95% confidence level and 0.05% error margin. The adopted formula was employed to calculate sample sizes for the two Microfinance Banks selected for the study, namely LAPO Microfinance Bank Limited (LAPO MFB) and Nigerian Police Microfinance Bank (NPF-MFB). Thus, the formula is as follows:

Taro Yamane formula is

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = Sample size

N = Population size

e = Margin of error/Level of Precision (Yamane, 1973)

Using this formula, the sample sizes for the study participants is calculated below:

- a. LAPO Microfinance Bank Limited (LAPO MFB), N = 7,763

$$n = 7,763 / 1 + 7,763 (0.05)^2$$

$$n = 7,763 / 1 + 7,763 (0.0025)$$

$$n = 7,763 / 1 + 19.4075$$

$$n = 7,763 / 20.4075$$

$$n = 380.39 \text{ approximately } 380$$

b. NPF Microfinance Bank, N = 1,300

$$n = 1,300 / 1 + 1,300 (0.05)^2$$

$$n = 1,300 / 1 + 1,300 (0.0025)$$

$$n = 1,300 / 1 + 3.25$$

$$n = 1,300 / 4.25$$

$$n = 305.88 \text{ approximately } 306$$

This study adopted the purposive sampling technique. The purposive sampling technique was implemented by first identifying key characteristic essential to the research objectives. For the purpose of this study, data was collected from a sample size of 686 staff of LAPO and NPF-MFB using a mixed method of data collection consisting of a questionnaire and a few interview sessions. While the questionnaire sought data via close-ended questions, the interview provided additional opportunities for some respondents to throw more light on the reason for their responses in the questionnaire. Data collection was done using Rensis Likert's 5-point scale. The questionnaire for this study was therefore designed on a 5-point Likert Scale reflecting responses ranging from strongly agreed, agree, undecided, disagree and strongly disagree. Responses on the questionnaire was coded to indicate distinct numerical values as reflected in appendix C: Strongly Agree (5), Agree (4) Undecided (3) Disagree (2) Strongly Disagree (1).

Copies of the questionnaire was distributed to scholars and subject matter experts drawn from outside the study population in order to validate the study's data collection instrument. This helped to determine a face and content validity test on the instrument. This research work adopted the Cronbach's Alpha (α) test for reliability, (Cronbach, 1951). Cronbach's alpha, α (or coefficient alpha) measures reliability or internal consistency of a measurement instrument.

In general, a score of more than 0.7 is usually acceptable. However, some authors suggest higher values of 0.90 to 0.95. A Pilot study was conducted to affirm the consistency of all the items in the questionnaire. The researcher pilot tested some staff from the banks under review using t-test statistical method to ensure the reliability of the questionnaire.

The quantitative data was analyzed using multiple regression analysis to determine the extent to which microfinance banks intervention explains the variations in poverty reduction among the banks that was surveyed in this study. Particularly, the regression adopted the ordinary least square (OLS) estimation technique.

This study also sought to bridge these gaps via the deployment of adapted version of already used model specifications. This study, the dependent variables include proxies for poverty reduction: Job creation, Income generation, while the independent variables are proxies for microfinance banks intervention which include Group Lending, Targeting Women. This study deployed an adaptation of the traditional regression model. The model is thus a departure from the commonly used model as evident in the literature.

The combination of proxy variables in this study are such that have not been used in the reviewed literature. The model specification in this study as shown below:

$$JC = \beta_0 + \beta_1 GL + \beta_2 TW + \varepsilon_i$$

$$IG = \beta_0 + \beta_1 GL + \beta_2 TW + \varepsilon_i$$

Where:

Dependent variable Proxies (Poverty Reduction)

JC= Job Creation (JC)

IG= Income
Generation

β_0 =the constant

Independent variable Proxies (Microfinance Intervention)

GL= Group Lending

TW= Targeting Women

β_1 to β_2 are parameters to be estimated.

ε_i is the error term.

This study adopted a 10% level of significance, that is $\alpha = 0.1$ (or 90% level of confidence). This means that, the null hypothesis is rejected only if the sample result is so different from the hypothesized value and the difference of that amount smaller and larger would occur by chance with a probability of 0.1 or less. This means that, there is a 90% chance that the sample is distributed in the same way as the population and

that there is only a 10% chance of errors.

The decision rule for accepting or rejecting the null hypothesis is also based on the Probability Value (PV). If the PV is less than 10% or 0.1 (that is, $PV < 0.1$), it implies that the variable or regressor in question is statistically significant at 10% level; otherwise, it is not significant at that level.

Result, Interpretation and Discussion

4.1 Test of Hypotheses

Table 4.10a The "Model Summary" Table Outlines the Key Statistical Indicators for two Regression Models, both Aiming to Analyze the Relationship Between Various Predictors and the Dependent Variable, Job Creation (JC).

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
a. Without mediating variables: (Constant), TW, GL	.434 ^a	0.188	0.180	0.87266	1.863

b. Dependent Variable: JC

In Model a, the multiple correlation coefficient (R) is 0.434, indicating a moderate positive linear relationship between the predictors (Constant, TW, GL,) and Job Creation. The coefficient of determination (R Square) is 0.188, suggesting that approximately (18.8%) of the variance in Job Creation is explained by the

predictors. The Adjusted R Square, which accounts for the number of predictors and sample size, is slightly lower at 0.180. The standard error of the estimate (0.87266) represents the average accuracy of predictions for Job Creation, and the Durbin-Watson statistic (1.863) suggested no significant autocorrelation issues in the

residuals.

Table 4.10b The "Model Summary" Table Presents Key Statistical Measures for two Regression models focusing on the Dependent Variable Income Generation (IG) and Various Predictors.

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
(Constant), TW, GL	.443 ^a	0.197	0.189	0.80291	2.241

b. Dependent Variable: IG

In Model a, without mediating variables, the coefficient of determination (R-squared) is 0.197, indicating that approximately (19.7%) of the variance in the dependent variable IG is explained by the independent variables (Constant, TW, GL). The adjusted R-squared value, which adjusts for the number of predictors in the model, is slightly lower at 0.189. The standard error of the estimate

reflects the average deviation of the observed values from the predicted values, with a value of 0.80291 in this model. The Durbin-Watson statistic, used to detect the presence of autocorrelation in the residuals, has a value of 2.241, which falls within the acceptable range, suggesting no significant autocorrelation.

Table 4.11a The "ANOVA" Table Presents a Comparison of Regression Models Assessing the Impact on the Dependent Variable, Job Creation (JC).

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
(Constant), TW, GL	Regression	106.474	6	17.746	23.303	.000 ^b
	Residual	459.206	603	0.762		
	Total	565.680	609			

a. Dependent Variable: JC

The ANOVA table compares two regression models, one without mediating variables and another with mediating variables, concerning the dependent variable JC (Job Creation).

In Model a, without mediating variables, the regression model is statistically significant (F(6, 603)

= 23.303, $p < 0.001$). The regression accounts for a significant amount of variance in TP, as indicated by the high F-value. The sum of squares for regression is 106.474, and the mean square is 17.746, suggesting that the variation in TP can be attributed to the

Table 4.11b The presented "ANOVA" table provides insights into the dependent variable, Income Generation (IG).

predictors included in the model. The residual sum of squares is 459.206, indicating the unexplained variance in JC. Overall, the model explains a substantial portion of the variance in JC.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
(Constant), TW, GL,	Regression	95.103	6	15.850	24.587	.000 ^b
	Residual	388.733	603	0.645		
	Total	483.836	609			

a. Dependent Variable: IG

In Model a, which excludes mediating variables, the overall regression is highly significant ($F = 24.587$, $p < 0.001$). The sum of squares for the regression is 95.103, indicating the extent to which the predictors explain variability in Income Generation.

The residuals, representing unexplained variability, have a sum of squares of 388.733. The F-statistic's significance leads to the rejection of the null hypothesis, confirming a meaningful regression relationship.

Table 4.12a Model 1: Job Creation (JC) as Dependent Variable

Coefficients ^a								
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1. Without Mediating Variable	(Constant)	0.595	0.307	1.938	0.053			
	GL	0.221	0.052	0.178	4.241	0.000	0.765	1.307
	TW	0.179	0.065	0.115	2.767	0.006	0.773	1.293

a. Dependent Variable: JC

The regression analysis for Model 1, focusing on Job Creation (JC) as the dependent variable, provides insights into the impact of various processes and features of microfinance banks interventions. Contrary to Hypothesis 1 (H01), Group Lending (GL) emerges as a significant predictor of Job Creation, with a notable

positive impact ($t = 4.241$, $p < 0.001$). This finding contradicts the expectation that GL would not significantly affect Job Creation. Previous research has highlighted the potential of group lending in fostering entrepreneurship and income generating among borrowers, thereby contributing to job creation.

Table 4.12b Model 2: Income Generation (IG) as Dependent Variable

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1. Without Mediating Variable	(Constant)	0.850	0.283		3.007	0.003		
	GL	0.282	0.048	0.246	5.887	0.000	0.765	1.307
	TW	0.172	0.060	0.120	2.880	0.004	0.773	1.293

a. Dependent Variable: IG

The regression analysis for Model 1, with Income Generation (IG) as the dependent variable, sheds light on the influence of various processes and features of microfinance banks interventions. Consistent with Hypothesis 1 (H01), Group Lending (GL) emerges as a significant predictor of Income Generation, exhibiting a strong positive impact ($t = 5.887$, $p < 0.001$). This finding aligns with previous research highlighting the role of group lending in fostering entrepreneurship and income generation among borrowers.

Discussion of Hypothesis Findings

The discussion of hypothesis findings synthesized the results obtained from the regression analyses, providing valuable insights into the factors influencing the effectiveness of microfinance banks interventions in promoting economic development and empowerment. Contrary to some initial expectations, Group Lending (GL), Targeting Women (TW), and Education (EDU) emerged as significant predictors across all three economic outcomes, highlighting their pivotal roles in fostering entrepreneurship, income generation. In contrast, Financial Inclusion (FI) did not exhibit significant direct effects on economic outcomes, suggesting that their impact may be more nuanced or indirect (Rashid & Kumar, 2023; Sarwar & Akram, 2021; Awojobi, 2019; Nakato & Kakuru, 2020). These findings contributed to a better understanding of the dynamics of microfinance banks interventions and provide valuable insights for policymakers and practitioners seeking to maximize their impact on poverty reduction and economic development.

This study investigated the impact of various processes and features of microfinance bank interventions on Job Creation, Income Generation. The hypotheses tested whether Group Targeting Women (TW), Financial Inclusion (FI), and Education (EDU) significantly influence these outcomes.

H01: Group Lending (GL): Contrary to the hypothesis, Group Lending (GL) emerged as a significant predictor across all two outcomes. Specifically, GL had a positive impact on Job Creation ($t = 5.887$, $p < 0.001$), Income Generation ($t = 4.241$, $p <$

0.001). This finding suggests that GL plays a vital role in enhancing entrepreneurial activities and fostering economic empowerment among borrowers Asiedu & Freema (2017); Festus (2021).

H02: Targeting Women (TW): Similarly, Targeting Women (TW) was found to be significant in predicting all two outcomes. Despite the hypothesis suggesting otherwise, TW exhibited a positive impact on Job Creation ($t = 2.880$, $p = 0.004$), Income Generation ($t = 2.767$, $p = 0.006$). This contradicts previous literature emphasizing the importance of gender-focused interventions in promoting women's economic empowerment (Mustapha et al. (2019); Mishra & Mohanty (2018); Mwakalila et al. (2020).

CONCLUSIONS

In conclusion, this study examined the multifaceted impact of microfinance banks interventions on job creation, income generation, with a focus on identifying the influential processes and features within these interventions. Through comprehensive regression analyses and hypothesis testing, valuable insights have been garnered regarding the mechanisms through which microfinance banks interventions contribute to economic empowerment and poverty alleviation.

The findings of this study underscore the pivotal role of certain key factors in shaping the outcomes of microfinance banks interventions. Firstly, in line with the objectives, group lending emerged as a significant predictor across all three outcomes, demonstrating a positive impact on job creation, income generation, and asset creation. This finding aligns with previous research highlighting the importance of collective lending schemes in fostering entrepreneurship and facilitating economic empowerment among borrowers Asiedu & Freema, 2017; Festus, 2021).

Similarly, based on the objectives, targeting women within microfinance banks interventions was found to have a statistically significant positive influence on job creation, income generation, and asset creation. Contrary to previous assumptions,

this result suggests that gender-focused interventions can play a crucial role in promoting women's economic participation and empowerment within microfinance settings (Mustapha et al., 2019; Mishra & Mohanty, 2018; Mwakalila et al., 2020).

RECOMMENDATIONS

The researcher recommended that microfinance banks (MFBs) should continue to prioritize and expand their group lending initiatives. They should focus on strengthening group cohesion, providing adequate training and support, and leveraging social capital within borrower groups to maximize the benefits of group lending Asiedu & Freema, 2017; Festus, 2021).

MFBs should design and implement targeted interventions tailored to the specific needs and challenges faced by women entrepreneurs. This may include providing specialized training, mentorship programs, and access to networks and resources (Mustapha et al., 2019; Mishra & Mohanty, 2018; Mwakalila et al., 2020).

It is imperative for MFBs to prioritize financial literacy and entrepreneurship education programs to equip borrowers with the necessary knowledge and skills to manage their finances effectively, make informed decisions, and capitalize on opportunities. These programs should be tailored to the specific needs and literacy levels of the target population and delivered through various channels, including workshops, mobile applications, and community outreach initiatives (Mamaw et al., 2018; Jahan & Hossain, 2021; Mutua & Ngau, 2021).

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