



**THE ROLE OF MICROFINANCE BANKS IN THE  
SOCIO-ECONOMIC DEVELOPMENT OF RURAL COMMUNITIES IN CROSS RIVER STATE**

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### ABSTRACT

This work examines the influence of microfinance bank operations (roles) on the socio-economic development of rural communities in CRS. Two sets of data were generated, the first from the central bank of Nigeria statistical bulletin, and the second, from the structural questionnaires. In the first section of chapter four, the method of simple percentages was introduced to investigate the physical characteristics of the 840 respondents from the fifteen communities sampled, then in the second section of chapter four, the method of ordinary least squares was introduced in the analysis. Here, we discovered that CBN credit policy has a significant effect on the supply of credit to institutional borrowers such as micro-finance banks; micro-finance bank operations (roles) has no significant effect on credit demand by small scale business enterprises; and that the roles of microfinance banks has no significant effect on the socio-economic development of rural communities in CRS. Therefore, a conclusion is drawn that except government adopts the policies prescribed in chapter five, especially by deregulating the operations and activities of the microfinance banks in CRS and Nigeria at large, the syndrome of economic meltdown will continue to linger, perhaps on higher magnitude.

**Key Words:** Microfinance, Banks, Development, Rural, Communities.



## **1.0. INTRODUCTION**

It is now common knowledge according to Egbe (2000) that the 1980s witnessed a rapid growth of commercial banking activities in many Nigerian rural communities where banking habits, culture, commitment and community development was poor if not non-existent. It is instructive to note that during this period, community funds among rural dwellers were hardly gathered for savings and loans in order to stimulate domestic investment. Suffice it to say that in rural communities, the rural business class hardly seeks formal institutional credits to improve their economic base.

It would be observed that, despite the presumed developments in the Nigerian economy, the country is still largely being regarded as a developing country (Onyema, 2006). More so, its industrial growth is not quite impressive. Before the emergence of formal microfinance institutions, informal microfinance activities flourished all over the country. Traditionally, microfinance in Nigeria entails traditional informal practices such as local money lending, rotating credit and savings practices, credit from friends and relatives, government owned institutional arrangements, poverty reduction programmes etc (Lemo, 2006). The Central Bank of Nigeria Survey in 2001 indicated that the operations of formal microfinance



institutions in Nigeria are relatively new, as most of them never registered after 1981. Before now, commercial banks traditionally lend to medium and large enterprises which are judged to be credit-worthy. They avoided doing business with the poor and their micro enterprises because the associated cost and risks are considered to be relatively high (Anyanwu, 2004).

Barbara (1999), posit that the need for microfinance banking among rural dwellers has been on the increase, and as such, between 1989 and 1990, the Federal Government initiative aimed at actualizing this growing need expanded the rural banking scheme with the launching of Peoples Bank and Community Bank respectively. To make borrowing easy enough for rural communities, these banks do not require sophisticated collateral for borrowing. Also, interest on borrowed money was made as low as possible by the two banks to enable small-scale rural community industrialist and agriculturist to borrow with ease. Today, many rural communities in Nigeria have one or more of this microfinance bank, and they have had far more reaching implications for the entire socio-economic development of rural communities in Nigeria. It is worthwhile to note, according to Usang (2006), that many would recall how lack of funds often caused the collapse of small businesses and the extinction of ingenious ideas before they could be translated into reality. It is now widely believed that following government's acclaimed policies on rural development, rural investment will be given a boost via microfinance banking as all frustrations of our hardworking, devoted but under-privileged masses would come to an end. However, the idea behind microfinance banking is to encourage rural development



through rural commitment in modern financial institutions within the rural environment. Thus, microfinance banking is supposed to be the machineries for financial and economic emancipation as its growth is connected with the community in which it serves. It is therefore not certain whether or not micro-finance banks actually impacts on small scale businesses in the rural communities. It is based on this that the purpose of this work attempts to ascertain the role of microfinance banks in the socio-economic development of rural communities in Cross River State, and specifically to:

- 1.) Identify and analyze the effect of microfinance banks on socio economic development i.e. employment and income generation of the rural communities in Cross River state.
- 2.) Examine the influence of bank credit policy on both the institutional lenders such as CBN and borrowers such as microfinance banks.
- 3.) Examine the influence of microfinance bank credit subsidy, interest etc, on the level of credit demand by small scale businesses.
- 4.) Make policy recommendations.

## **2.0. RESEARCH METHODOLOGY**

### **2.1. Population of the study**

See Table 1.1 below for accredited microfinance banks that constitute the population of the study in Cross River State.

**Table 1.1 Showing the Population of the study (Microfinance Banks)**



S/N	Name of Microfinance Bank	Address of Location	Local Govt. Area Located	Senatorial District Located
1	Akin Microfinance Bank	Block F Ika Ika Qua Market, Big Qua Town	Calabar Municipality	Southern
2	Bakassi Microfinance Bank	199 Ndidem Usang Iso Road, Calabar	Calabar Municipality	Southern
3	Bekwarra Microfinance Bank	Abuochiche	Bekwarra	Northern
4	Calabar Microfinance Bank	17 Egerton Street, Calabar	Calabar South	Southern
5	CRUTECH Microfinance Bank	CRUTECH Campus, Calabar	Calabar South	Southern
6	CSD Microfinance Bank	2 Okim Osabor Street, Ikom	Ikom	Central
7	Ekondo Microfinance Bank	44 Murtala Mohammed Highway, Calabar	Calabar Municipality	Southern
8	First Royal Microfinance Bank	12 Chalmer Street, Calabar	Calabar South	Southern
9	FCE Microfinance Bank	Federal College of Education, Obudu	Obudu	Northern
10	Ishie Microfinance Bank	165 Odukpani Road, Ishie Town, Calabar	Calabar Municipality	Southern
11	Living Spring Microfinance Bank	1 Diamond Hill, Calabar	Calabar Municipality	Southern
12	Obudu Microfinance Bank	No. 1 Ranch Road, Obudu	Obudu	Northern
13	Ogoja Microfinance Bank	27 Mission Road, Igoli, Ogoja	Ogoja	Northern
14	Unical Microfinance Bank	Unical Main Campus, Calabar	Calabar Municipality	Southern
15	Utugwang Microfinance Bank	No. 5 Obudu Road	Obudu	Northern

Source: Central Bank of Nigeria, 2009

## 2.2. Sample and Sampling Techniques





Simple random sampling method was used in selecting 840 persons from the communities chosen for this study. Purposive sampling was employed in the selection of 56 respondents from each of the 15 communities. The communities are as shown in table 1.2 below.

**Table 1.2 Sample of the Study**

<b>S/N</b>	<b>NAME OF COMMUNITIES</b>	<b>NO. OF RESPONDENTS</b>
1	Okuni, Ikom	56
2	Bakassi	56
3	Bekwarra	56
4	Egerton Area, Calabar south	56
5	Ekpo abasi area, Calabar south	56
6	Ikom Town	56
7	Mkpani	56
8	Chamley street area, Calabar south	56
9	Obanliku	56
10	Ikot Ishie area, Calabar	56
11	Mbube west, Ogoja	56
12	Obudu	56
13	Ishibori, Ogoja	56
14	Akamkpa	56
15	Utugwang	56

### **2.3. Model Specification**

We hope to examine the influence of microfinance bank operation on both the institutional lenders and borrowers, that is, how credit policy influences supply of and demand for micro credit. This of course, is on the assumption that lending behavior of financial institution is influenced by credit allocation, interest rate policy, rural savings mobilization and available incentives such as guarantees and re-financing abilities.



The borrowing behavior of rural dwellers (credit demand) especially the farmers and traders is influenced by availability of subsidies, accessibility, cost of transactions and relative profitability of farming and trading, availability of improved technology and collateral incentives (Uzowulu, G. I. et al, 2008). Therefore from the foregoing we also hope to examine whether or not micro-finance banks, given its operations have any influence on the socio-economic development of the rural communities.

The first model which seeks to examine the influence of Central Bank of Nigeria credit policy on credit supply is of the form:

$$CDC = f(DR, PLR, RR) \dots \dots \dots (1.1)$$

$$CDC = b_0 + b_1DR + b_2PLR + b_3RR + e_0 \dots \dots \dots (1.1.1)$$

Where  $b_1 < 0$ ,  $b_2 > 0$ ,  $b_3 > 0$  on apriori.

An extension of the model is of the form:

$$CDC = b_0 + b_1DR + b_2DR_{(-1)} + b_3PLR + b_4PLR_{(-1)} + b_5RR + e_0 \dots \dots \dots (1.1.2)$$

The log-linear form is as follows:

$$LCDC = b_0 + b_1DR + b_2DR_{(-1)} + b_3PLR + b_4PLR_{(-1)} + b_5RR + e_0 \dots \dots \dots (1.1.3)$$

The second model which seeks to examine the influence of micro-finance bank operations on credit demand is of the form:

$$CD = f(CS, AIT, MIR, T) \dots \dots \dots (1.2)$$

$$CD = b_0 + b_1CS + b_2AIT + b_3MIR + b_4T + e_0 \dots \dots \dots (1.2.1)$$



Where  $b_1 > 0$ ,  $b_2 < 0$ ,  $b_3 < 0$  on apriori.

In log-linear form we have:

$$LCD = b_0 + b_1LCS + b_2LAIT + b_3MIR + b_4T + e_0 \dots \dots \dots (1.2.2)$$

Since supply equates demand, we therefore have that,

$$(CDC/N_p) = (CD/C_p) \dots \dots \dots (1.3)$$

Where,  $N_p$  = Nigeria population, and  $C_p$  = Cross River State population.

Since the role of micro-finance banks could only be x-rayed through their operations, that is, in the form of credit supply/availability, interest rates subsidies/incentives, and improved technology, we examine the influence of the micro-finance bank operations on the socio-economic development i.e., on output and employment as follows:

$$Y = f(MIR, NMB, CS, T) \dots \dots \dots (1.4)$$

$$Y = b_0 + b_1MIR + b_2NMB + b_3CS + b_4T + e_0 \dots \dots \dots (1.4.1)$$

Where  $b_1 < 0$ ,  $b_2 > 0$ ,  $b_3 > 0$   $b_4 > 0$  on apriori.

In log-linear form we have:

$$LY = b_0 + b_1MIR + b_2LNMB + b_3LCS + b_4T + e_0 \dots \dots \dots (1.4.2)$$

The influence on employment is as follows:

$$NE = f(MIR, NMB, CS, T) \dots \dots \dots (1.5)$$

$$NE = b_0 + b_1MIR + b_2NMB + b_3CS + b_4T + e_0 \dots \dots \dots (1.5.1)$$

Where  $b_1 < 0$ ,  $b_2 > 0$ ,  $b_3 > 0$   $b_4 > 0$  on apriori.



In log-linear form we have:

$$\text{LNE} = b_0 + b_1\text{MIR} + b_2\text{LNMB} + b_3\text{LCS} + b_4\text{T} + e_0 \dots \dots \dots (1.5.2)$$

These prescriptions are in line with a production function model of Colombia, Brazil, and Ghana. Coyer and Jimencz (1971), Becker (1970) and Gyeke et al (1977), hypothesized that credit influences production. The model details the use of credit as a factor of production in addition to other inputs which captures the roles of the banking industry. These equations will be estimated in both linear and log-linear forms. The log-linear forms are preferred since one can read-off the elasticities of the dependent variables in relation to each variables. Amadi and Osaro (2000), Ekpo (1997), Friend and Pucket (1964), Boyd and Schonfeld (1977), all agree that the use of log-linear equations aim at reducing, if not completely removing the heteroscedasticity errors which may result from unscaled magnitudes in both sides of the equations.

### **2.3. Description of variables**

CDC = Central Bank Domestic Credit (as proxy for credit supply); LCDC = Log of Central Bank Domestic Credit; DR = Deposit Rate; PLR = Prime Lending Rate;  $\text{PLR}_{(-1)}$  = Prime Lending Rate lagged one year; RR = Reserve Requirement; CD = Credit demand; LCD = Log of Credit demand; CS = Credit Subsidy; LCS = Log of Credit Subsidy; AI = Agric Income; TI = Trade Income; ATI = Agric-Trade Income ratio; LATI = Log of Agric-Trade Income ratio; MIR = Micro-finance Interest Rate; T = Technological Growth; NE = Number of Employee; LNE =



Log of Number of Employee; NMB = Number of Micro-finance banks; LNMB = Log of Number of Micro-finance banks; Y = Total Income; LY = Log of Total Income

## 2.4. Estimation and validation

For easy understanding of how data will be analyzed, the choice of strongly agreed (SA), will be statistically evaluated as 4, agree (A) evaluated as 3, disagree (D) evaluated as 2, while strongly disagree (SD) evaluated as 1. Based on this, simple percentages will be used to analyze the magnitude of responses for the research questions in the first section.

In the second section of our analysis, to obtain an empirical evidence to test the explanatory power of some of the variables in our given models, we employ an econometric technique to enable us estimate and validate our models of equations 1.1 to 1.5. The method of estimation we adopt is the Ordinary Least Squares (OLS) technique. It is in respect of this method that Gauss – Markov theorem enunciates thus; “the classical Ordinary Least Squares estimator is the best, linear, unbiased estimator (BLUE), compared to all other linear unbiased estimators of the true  $\beta$  in the sense that it is linear, unbiased and has the smallest variance (Wannacott and Wannacott, 1970).

## 3.0. PRESENTATION OF RESULTS

### 3.1. Presentation by simple percentages:

Table 2.0 Sample distribution by Gender

Gender	No. of respondents	Percentage (%)
Male	500	59.5
Female	340	40.5



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Total	840	100.0
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Source: Field survey data, 2010

**Table 2.1 Sample distribution by Age**

Age	No. of respondents	Percentage (%)
20-30	100	11.9
31-40	300	35.7
41-50	330	39.3
51-60	80	9.5
61-70	30	3.6
Total	840	100.0

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**Table 2.2 Sample distribution by educational status**

Qualification	No. of respondents	Percentage (%)
Non-formal education	40	4.8
Adult education	90	10.7
Primary education	160	19.0
Secondary education	250	29.8
Tertiary education	300	35.7
Total	840	100.0

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Source: Field survey data, 2010

**Table 2.3 Sample distribution by marital status**

Marital status	No. of respondents	Percentage (%)
Single	300	35.7
Married	360	42.9



Divorced	100	11.9
Separated	80	9.5
Total	840	100.0

Source: Field survey data, 2010

**Table 2.4 Sample distribution by household size**

Household size (No. of persons per house)	No. of respondents	Percentage (%)
1-5	250	29.8
6-10	350	41.7
11-15	210	25.0
16 & above	30	3.6
Total	840	100.0

Source: Field survey data, 2010

**Table 2.5 Sample distribution by occupation**

Occupation	No. of respondents	Percentage (%)
Trading (general commodities)	200	23.8
Civil/public servants	100	11.9
Supplies/construction works	60	7.1
Auto repairs	60	7.1
Hairdressing	120	14.3



Tailouring	100	11.9
Restaurant operator	200	23.8
<b>Total</b>	<b>840</b>	<b>100.0</b>

**Table 2.6 Sample distribution by source of information**

Source of information	No. of respondents	Percentage (%)
Television	300	35.7
Radio	250	29.8
Friends	170	20.2
Printed materials (newspapers)	100	11.9
Workshop	20	2.4
Total	840	100.0

**Table 2.7 Sample distribution by source of loans**

Source of loans	No. of respondents	Percentage (%)
Osusu	220	26.2
Microfinance Banks	300	35.7
Commercial banks	40	4.8
Friends and family relatives	80	9.5
Local money lenders	200	23.8
Total	840	100.0

Source: Field survey data, 2010

### **3.2. Presentation of regression result**





Here we concentrate on four major equations, the credit supply equation, the credit demand equation, the employment equation and the income equation. The credit supply equation is generated from a time series data from the CBN statistical bulletin, while the other equations are generated from Cross sectional data from the structured questionnaires.

To obtain the best performance, we first run the regression in its linear form, then in its log-linear form, and finally by considering an extension of the log-linear transformation model by lagging some of the independent variable. The best set of results will be selected for discussion:

### 3.3. Linear result of the credit supply equation

$$\begin{aligned}
 CDC &= 62913.859 - 3951.395DR - 90.720 PLR + 599.647 RR \\
 &\quad (2.576)^* \quad (-1.492)^{**} \quad (-0.087)^{**} \quad (0.203)^{**} \\
 R^2 &= 0.132; F = 0.607; DW = 0.607; N = 15
 \end{aligned}$$

### 3.4. Extension of linear result of credit supply equation

$$\begin{aligned}
 CDC &= 8.9440.374 - 2800.751DR - 4525.362 DR(-1) - 508.104PLR \\
 &\quad (1.710)^{**} \quad (-0.378)^{**} \quad (-0.875)^{**} \quad (-0.400)^{**} \\
 &\quad - 38.967 PLR(-1) + 9659.622RR \\
 &\quad (-0.022)^{**} \quad (0.925)^{**} \\
 R^2 &= 0.021; F = 0.371; DW = 0.767; N = 15
 \end{aligned}$$

### 3.5. Extension of log-linear result of credit supply equation

$$\begin{aligned}
 LCDC &= 14.036 - 0.088DR - 0.0914 DR(-1) - 0.142PLR - 0.00153PLR(-1) \\
 &\quad (9.100)^* \quad (-0.403)^{**} \quad (-0.599)^{**} \quad (-3.795) \quad (-0.029)^{**} \\
 &\quad + 0.181RR \\
 &\quad (0.588)^{**} \\
 R^2 &= 0.691; F = 7.262; DW = 1.148; N = 15
 \end{aligned}$$

**3.6.. Linear result of credit demand equation**

$$CD = 6243077 + 5493.702CS - 42817.2ATR - 60962.7MIR - 297171T$$

$$(1.615)^* \quad (0.093)^{**} \quad (-0.008)^{**} \quad (-0.019)^{**} \quad (-0.007)^{**}$$

$R^2=0.004; F=0.101; DW=0.110; N=15$

**3.7. Log-linear result of credit demand equation**

$$LCD = 13.665 + 101LCS - 0.031L ATR - 0.00802MIR - 0.0105T$$

$$(33.200)^* \quad (1.017)^{**} \quad (-0.396)^{**} \quad (-0.968)^{**} \quad (-0.094)^{**}$$

$R^2=0.0042; F=0.535; DW=1.993; N=15$

**3.8. Linear result of employment equation**

$$NE = 15.981 + 0.05908MIR - 0.063NMB + 0.01657CS + 0.731T$$

$$(7.092)^* \quad (0.937)^{**} \quad (-0.167)^{**} \quad (0.502)^{**} \quad (0.862)^{**}$$

$R^2=0.003; F=0.474; DW=2.569; N=839$

**3.9. Log-linear result of employment equation**

$$LNE = 2.703 + 0.003196MIR - 0.00383LNMB + 0.0128LCS + 0.04981T$$

$$(12.869)^* \quad (0.758)^{**} \quad (-0.086)^{**} \quad (-0.254)^{**} \quad (0.879)^{**}$$

$R^2=0.003; F=0.348; DW=2.660; N=839$

**3.10. Linear result of total income equation**

$$Y = 511959 - 287.736MIR + 168277.1NMB - 428.230CS + 94589.387T$$

$$(2.800)^* \quad (-0.019)^{**} \quad (1.863)^{**} \quad (-0.054)^{**} \quad (0.466)^{**}$$

$R^2=0.0; F=0.908; DW=1.591; N=840$

**3.11. Log-linear result of total income equation**

$$LY = 14.087 - 0.00318MIR + 0.08348NMB + 0.02176LCS + 0.0845T$$

$$(58.387)^* \quad (-0.656)^{**} \quad (1.631)^{**} \quad (0.374)^{**} \quad (1.298)^{**}$$

$R^2=0.001; F=1.208; DW=1.199; N=840$

\*= 5% significant



\*\* = *not 5% significant*

#### **4.1. SUMMARY OF MAJOR FINDINGS**

To test for the validity of our equations, the Cross River State economy was empirically examined using ordinary least squares (OLS) technique after a careful examination of the physical characteristics of the various respondents by simple percentages. Based on the results obtained, we present our findings as follows:

- 1.) From the sample distribution by gender we discovered that 59.5 percent of the male who run small scale businesses are influenced by the activities of Microfinance banks, while the female are only 40.5 percent.
- 2.) By sample distribution by age only those within the age limits of 31-40 and 41-50 are mostly involved in small scale business enterprises this is because they constitute 35.7 percent and 39.4 percent of the sample size.
- 3.) By sample distribution by educational status, we discovered that the higher the level of educational qualification the greater the number of small scale business enterprises owners. This is because 35.7 percent of the respondents acquired tertiary education, closely followed by 24.8 percent who acquired secondary education, and then 19.0 percent with primary educational qualification.
- 4.) By sample distribution by marital status we observed that those married and the singles constitute the highest number of respondents. This is so because they comprise 42.9



percent and 35.7 percent respectively of the sample size. The remaining 11.9 percent and 9.5 percent are the divorced and separated ones.

- 5.) By sample distribution by household size, we discovered that the household size with the range of 6-10 and 1-5 are mostly engaged in business enterprises. This because the constitute 41.7 percent and 29.8 percent respectively of the total respondents.
- 6.) By sample distribution by occupation, we discovered that 23.8 percent of the respondents are purely into trading, and another 23.8 are also into restaurant business. This is closely followed by 14.3 percent who are into hair dressing, the remaining 11.9 percents are civil/public servants and into tailoring. The least in this category are those engaged in construction works and auto repairs.
- 7.) By sample distribution by sources of information 35.7 percent and 29.8 percent of the respondents admitted that their major source of information is television and radio respectively.
- 8.) By sample distribution by sources of loan, 35.7 percent of the respondents admitted that their major source of loan is from microfinance banks, 26.2 accepted that they borrow from 'Osusu' groups, while 23.8 percent loan from local money lenders.
- 9.) From our regression model on credit supply, the best result is that of equation 2.2.3, an extension of the log-linear model. There we observed that even though only the constant term and the coefficient of the prime lending rate is statistically significant at 5 percent level, the credit supply variation is explained by 69 percent variation in the



deposit rate and its lagged value, prime lending rate and its lagged value and the reserve requirement. Likewise, the result of Durbin Watson statistic reveals that the analysis is inconclusive. Therefore, by considering the magnitudes of the relationship between the dependent and explanatory variables we deduce that only prime lending rate has significant and negative effect on credit supply to the microfinance banks as well as other institutional borrowers. However, in the absence of all other explanatory variables central bank of Nigeria could still offer credit facility at the rate of 14.036 unit as requested by the significant constant term.

- 10.) In the credit demand equation, 2.2.2 appears to be the best even though all other explanatory variables are insignificant; the constant term is significant at 5 percent level implying that irrespective of the roles and operations of the microfinance banks in CRS, the rate of credit demand by small business enterprises is still within 13.665 units. The Durbin Watson statistic shows that there is no auto-correlation present at 5 percent level.
- 11.) In the employment equations of 2.3.1 and 2.3.2, only the constant term has a significant effect on the number of employees. The other explanatory variables such as microfinance interest rates, number of microfinance banks, credit subsidy and technology which captures the roles and operations of microfinance banks, have no significant effect on the number of employees. By implication, irrespective of the roles



of microfinance banks in CRS, small scale business enterprises in the rural communities still employs.

- 12.) In the total income equations, 2.4.2 appears to be the best due to the slide margin in the coefficient of determination,  $R^2$ . The result reveals that irrespective of the roles and operations of microfinance banks, the total income of the small scale business enterprises in the rural communities in CRS still stands at 14.087 units.

#### **4.2. POLICY RECOMMENDATIONS**

From the summary of our major findings, we proffer the following recommendations:

- 1.) Government should set-up a high pioneered committee to aid in the deregulation of the activities and operations of the microfinance banks especially in the areas of unifying of interest rates, deposit rates, credit subsidies and even in the mode of institutional lending.
- 2.) Government should design a programme to facilitate the issuance of loan facilities to indigenes with established skills in diverse businesses.
- 3.) Government should set-up a monitoring and evaluation team to facilitate a cordial link between small scale business enterprises and microfinance banks in rural communities.
- 4.) Women and youths, especially those within the ages of 20 to 30 years should be encouraged to be fully involved in setting up of business out-lets.



- 5.) An adult educational scheme embracing business techniques should be developed and introduced in rural communities in the state in order to create awareness on the essence of business transactions especially at a larger scale.
- 6.) Radio and television programmes which centers on enterprise development should be designed to create rooms for business opportunities and awareness on the way withal in business transactions.

#### **5.0. CONCLUSION**

However, this research reveals that in spite of all the images micro finance banks have always portrayed in Nigeria, the situation on ground appears to be different. The role played by micro finance banks in Cross River State in terms of granting credit subsidies, interest rate disparities, the number of micro finance bank branches operating and even its technological growth, has no significant effect on credit demand by small scale business enterprises, and hence, has no significant effect on the socio-economic development of the rural communities. The reason for this could be traceable to the complicated nature of services rendered in terms of seeking for guarantors, seeking for collaterals, seeking for minimum deposit flows, and even the time frame of disbursing credit. Therefore, for the socio-economic growth of the rural communities in Cross River State, an efficient and cordial relationship between microfinance banks and the small scale business enterprises must be maintained, as prescribed in the policy recommendations above; through this medium, the syndrome of economic meltdown may cease to linger.



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