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Micro Finance Banking and Socio Economic Wellbeing of the Rural People in Ikot Ekpene Senatorial District of Akwa Ibom State, Nigeria

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Abstract:

This research was concerned with examining Micro finance banking and socio economic wellbeing of the rural people of Ikot Ekpene Senatorial district of Akwa Ibom State, Nigeria. The survey research design was adopted for the study. Data were collected from 400 purposively selected respondents. A 24-itemed questionnaire and a key formant interview schedule were developed by the researcher and validated by the supervisor. The purposive sampling technique was used to select the population of study. Three hypotheses were drawn for the study based on the identified major variables, namely; administration of thrift credit, promotion of entrepreneurship and teaching financial literacy. Data was analysed using Pearson Product Moment Correlation Coefficient at 0.05 level of significance. The findings revealed that administration of thrift credit (through increased income and household food security), entrepreneurship promotion (in terms of self-employment), and teaching financial literacy have statistical significance effects on the socio economic wellbeing of rural people in Ikot Ekpene Senatorial District of Akwa Ibom State, Nigeria. The major conclusion was that Micro finance bank has a significant impact on rural socio economic wellbeing. Based on the findings, a number of recommendations were made, one of such was that Micro finance banks should be extended to other communities in the Senatorial District to enable them enjoy the socio economic wellbeing which Micro finance bank is proved to offer.

Keywords: Micro finance and socio economic wellbeing

1. Introduction

Since Nigeria's independence in 1960, concerns have expressed about the neglect of the rural areas in terms of the dearth of infrastructure or facilities and services such as electricity, pipe born water, good roads, hospital etc. This has been of concern to governments (federal, state, and local). Rural areas are faced with enormous challenges such as low income, lack of food security, lack of opportunity to participate in the productive process, unemployment, lack of basic consumption needs etc. (Brautigan,2009).

Scholars (Fayorsey, 2010; Nasiru, 2010; and Iko, 1998) have argued that over the years, strategies and policies for the transformation of rural areas have not positively impacted on rural areas. Developmental efforts and strategies over the years have been based on the notion that once the urban areas were modernized, the effect would trickle down to the rural areas. This has not been realizable. The majority of rural poor and most times women are not always considered as part of the development process (Ola & Tonwe, 2005)

Rural socio-economic development represents perhaps the only logical way of stimulating overall development. This has motivated government (federal, state, and local) to pursue different policies and strategies for the transformation and development of the rural areas. These included National Directorate of Employment (NDE), Basic Primary Education Programme, Federal Assisted Mass Transit Scheme, National Poverty Eradication Programme, People's Bank, Community Bank etc. (Ocheni & Nwankwo, 2010)

These policies and programmes, both micro and macro have not been able to change the lives of rural poor, generally and particularly in Ikot Ekpene Senatorial District of Akwa Ibom State, Nigeria. Rural areas here are still characterized by lack of access to income generating activities, general low level of living standard accompanied by high level of food insecurity, illiteracy and vulnerability to diseases.

Agu (1996) observed that the mobilization of financial resources is the first step to resource mobilization for the purpose of rural development. However, the mobilization of financial resources requires an institutional arrangement which encourages and mobilizes

saving into productive investment. In this way, the establishment of finance institutions in rural areas and the manner in which they conduct their business activities and perform their developmental roles are particularly important.

The formal financial institutions have not successfully provided acceptable financial services to the rural poor. This has negatively affected their socio economic well being. Thus, the expected result of transforming the lives of the poor rural dwellers has not been achieved.

As part of the effort to address the crisis of development in rural areas, micro finance banking was established. They are rural-based and not particularly concerned with profit maximization. They are willing to assist the rural poor in solving rural problems. It offers small loans to the poor to either initiate or expand income-generating activities in order to improve the socio economic well being of the rural poor. The questions that necessarily come to mind are; what services have micro finance banking been able to provide to the rural people? What are the impacts of these services on the socio economic well being of the rural poor? What problems hinder enhanced implementation of micro finance services in Ikot Ekpene Senatorial District? What can be done to enhance the socio economic well being of rural dwellers?

1.1. Objectives of the Study

The study sought to:

- i. Identify the services provided by Microfinance banks operating in Ikot Ekpene Senatorial District of Akwa Ibom State.
- ii. Assess the effect of these services (administration of thrift credit, promoting entrepreneurship and teaching financial literacy) on the socio-economic wellbeing of the rural people in Ikot Ekpene Senatorial District.

1.2. Research Hypotheses

- i. Administration of thrift credit does not significantly effect on the socio-economic wellbeing of rural people (through increased income and household food security).
- ii. Entrepreneurship promotion does not significantly effect on socio-economic wellbeing of rural people (in terms of self employment).

1.3. Literature Review

1.3.1. Emergence of Micro-Finance Bank in Nigeria

The central Bank of Nigeria (CBN) formulated the National Microfinance policy in December 2005 in order to deepen the access of micro entrepreneurs to financial services The microfinance policy presented a blueprint for the emergence of a regulated microfinance subsector in Nigeria (Dahiru & Zubair, 2008).

Several reasons were given by the apex bank for the emergence of micro finance banks in Nigeria. According to Umar (2008) such reasons include: weak institutional and network capacity, weak capital base, the existence of a huge un-served market, poor banking culture and low level of financial literacy, economic empowerment of the poor, the increasing interest of local and international investors in micro finance, urban bias in banking services,, thus, with the high proportion of the Nigerian population still living in the rural areas, it became absolutely imperative to develop an institutional framework to reach the hitherto un-served population with banking services.

Micro finance bank is concerned with the supply of loans, savings and other basic financial services to the poor. Micro finance evolved as all economic development approach intended to benefit the low-income part of a given society, both men and women (Irobi, 2008). According to World Bank (2007) micro finance is the provision of financial services (including saving and credit) to the poor. Micro finance institutions can be non-governmental organizations, savings and loans co-operations, loan unions, government banks, commercial banks etc. (Lodgerwood, 1997). The policy seeks to make financial services available on a sustainable basis to the economically active poor, low-income earners and micro, small and medium enterprises through privately owned enterprises.

1.3.2. Administration of Thrift Credit and Socio-Economic Wellbeing

Microfinance banking has been acknowledged as a viable alternative to the conventional banking in that it plays a vital role in positively affecting the socio economic lives of the rural people (Buckley, 1997). It has been observed to significantly aid in socio economic development in the areas of livelihood promotion, developing the local economy, empowerment, building people's organizations and changing wider systems of institutions within the society (Vasanthakumari & Sharma, 2010).

Ahmad, Naveed and Ghafoor (2004) asserted that community micro finance banking operations contribute to socio-economic well being by: creating employment opportunities through income generating activities, improving the living standard of the rural people, alleviating poverty of the rural people, making easy access to institutional credit facilities and resources, mobilizing rural savings, etc. Amadi (2010) reported that micro finance operation increases household income, changes or improves diet patterns, improves status of rural dwellers, participation in public life and improves network of social relations.

Micro finance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. Dichter & Harper (2007) averred that micro finance banking allows low income families to save their money. Most of the poor live day to day with the little money that they earn and cannot afford to save. Poor people need such alternatives in order to turn their savings into lump sums or receive large sums and pay monthly with low interest rates. It helps the poor rural dwellers get access or save funds over a period of time with low interest rates

1.3.3. Promotion of Entrepreneurship and Socio-Economic Wellbeing

Many recent studies have shown that a direct relationship exists between micro finance industrialization initiatives and socio economic well being (Udom, 2006; Jonathan, 2008). Micro finance banks are liaising with the government and the community to promote enabling environment for economic well being in its small and medium scale programmes. The importance of micro banks rural based programmes has been stressed by Ukpong (2005). His study on micro finance entrepreneurial programmes and socio-economic well being found that Non-Governmental Organizations (NGOs) and Community Based Organizations (CBOs) are assisted in promoting sustainability interventions by ensuring flexible access to fund, ensuring patronage, monitoring and undertaking effective follow up, ensuring that skills acquired are relevant to the need of the people, etc.

Entrepreneurship in some localities is attributed to micro finance services in the area of economic well being (Otu, 2006). Otu stressed that SMEs in rural areas provide a training ground for the creation of indigenous entrepreneurs. Akpabio observed that the development initiatives of micro finance in rural areas have resulted in the sprouting of small-scale enterprises. Uzo (2004) commented that rural communities of Akwa Ibom State have benefited from micro finance bank services in the area of inducing socio economic wellbeing through entrepreneurship.

Todaro and Smith (2011) argued that a significant association exists between encouragement of entrepreneurship by micro banks and socio economic wellbeing. They stressed that economic research has consistently found that availability of credit is a binding force for entrepreneurship development. Irobi (2008) averred that microfinance through encouragement of entrepreneurship is able to create avenues for people to access financial services for developmental purposes. Micro finance energizes entrepreneurship through supply of loans, savings and other basic financial services to the poor to enhance their socio economic lives.

1.4. Theoretical Framework

This study was anchored on induced development theory by Hayami and Ruttam (1971). According to this theory, every country, which embarks on the course of economic development necessarily, encounters a set of constraints imposed by inelasticity on the supply of strategy inputs. The theory argues that availability of funds in an economy is a sine qua non to overcoming of the constraints. It identifies finance as indispensable tool in development process; a poorly developed financial system is an obstacle to the development of wealth, enhancement of socio-economic welfare and promotion of human dignity (Iniodu & Ukpak, 1996).

The theory stresses that the provision of financial support through credit and savings for the acquisition of capital goods is crucial for effective economic management. Based on the theory, economic management goals are consistent with the primary objectives of the provision of rural finance, which in this case is through the instrumentality of micro finance. Additional money from micro finance banks results in increase in overall liquidity available to the households. This can be used to expand production, consumption and/or investment activities.

2. Research Methodology

The research design adopted was the survey design. The study area was Ikot Ekpene Senatorial District of Akwa Ibom State, Nigeria. Specifically, the study was limited to Ini, Ikono and Essien Udim local government areas. The population of study comprised all inhabitants of adults of all works of life residing in the study area. According to the 2006 census, the population of these local government areas is 424,014 (NPC, 2006).

The sample size for the study was 400 respondents (males and females) derived using Taro Yameni's formulation. These respondents were purposively selected from the study area. Five communities were selected from each local government based on proximity to micro finance banks. Altogether, 15 rural communities participated. Data collection instrument included questionnaire and key informant interview.

S/N	Micro Finance Services	Yes	No
1	Administration of thrift credit	370 (92.5)	30 (7.5)
2	Promotion of entrepreneurship	376 (94.0)	24 (6.0)
3	Teaching financial literacy	385 (96.3)	15 (3.8)
4	Petty savings	383 (95.8)	17 (4.3)
5	Group lending	13 (3.3)	387 (96.8)
6	Car loans	400 (100)	0 (0.0)
7	Housing loans	400 (100)	0 (0.0)
8	Fixed deposits	395 (98.8)	5 (1.3)

Table 1: Services rendered by micro finance bank
Source: Field survey, 2015

Table 1 presented services rendered by micro finance banks. It is indicated that 92.5 per cent (N=370) agreed that administration of thrift credit is one of its functions. Similarly, 94.0(N=376) agreed that entrepreneurship is promoted; 96.3 percent (N=385) agreed that the bank teaches financial literacy; 95.8 percent (N=383) confessed that encouraging petty savings is part of its services; all those who participated in the study, representing the opinion of the community members agreed that the bank renders car loan service; the same people also agreed that housing loans are accessible; nearly the same respondents 98.8 percent (N=395) admitted that people enjoy fixed deposit services offered by the bank. This implies that micro finance bank owns up its responsibilities by rendering services which it was created to serve.

S/N	ITEM	SA	A	D	SD
1	Provision of micro credit has helped to reach the un-served population with financial services.	354 (88.5)	0 (0.0)	28 (7.0)	18 (4.5)
2	Thrift credit facilitates easy borrowing for rural community dwellers for productive purposes	80 (20.0)	243 (60.8)	63 (15.8)	14 (3.5)

Table 2: Responses on thrift credit sub-scale
Source: Field survey, 2015

Table 2 indicates the responses of respondents to the sub-scale on Administration of thrift. The options were collapsed into agree and disagree. In whether the provision of micro-credit has helped to reach the un-served population with financial services, 88.5 percent (N=354) agreed while 11.5 percent (46) disagreed. Thus, with provision of micro-credit, financial services have spread. In addition, 80.8 percent (N=323) agreed that thrift credit facilitates easy borrowing for rural community dwellers to aid productive activities.

S/N	ITEM	SA	A	D	SD
1	Ensuring flexible access to fund helps in entrepreneurship in localities.	74 (18.5)	224 (56.0)	79 (19.8)	23 (5.8)
2	Financial services including credit supplied in small allotments enable entrepreneurs to engage in productive ventures.	70 (17.5)	212 (53.0)	95 (23.8)	23 (5.8)

Table 3: Responses on Promotion of entrepreneurship sub-scale
Source: Field survey, 2015

Table 3 indicates that 74.5 percent (N=298) of total respondents accepted that ensuring flexible access to fund helps in entrepreneurship promotion in localities. Also, 70.5 percent (N=282) admitted that financial services including credit supplied in small allotments enable entrepreneurs to engage in productive venture.

S/N	ITEM	SA	A	D	SD
1	The financially excluded now have access to financial services for improved household food security.	338 (84.5)	47 (11.8)	10 (2.5)	5 (1.3)
2	Investment opportunities have been expanded and this has brought improved income.	178 (44.5)	186 (46.5)	36 (9.0)	0 (0.0)

Table 4: Socio Economic wellbeing sub-scale
Source: Field survey, 2015

From table 4, majority of the respondents, 97.2 percent (N=385) admitted positively that the financially excluded now have access to financial services for improved household food security. Also, 91 percent (N=364) admitted that investment opportunities have been expanded and this has brought improved income.

2.1. Testing of Hypotheses

2.1.1. Hypothesis One

Administration of thrift credit does not significantly effect on the socio-economic wellbeing of rural people (through increased income and household food security).

Variables	N	Mean	SD	r-value	Sig.
Administration of thrift credit	400	18.80	2.49	0.885**	.008
Socio-economic wellbeing	400	18.83	1.80		

Table 5: Pearson product moment correlation of Administration of thrift credit and socio-economic wellbeing

*significant at $P < .05$; critical r -value = 0.138; $df = 398$

Source: Field survey, 2015

Pearson product moment correlation analysis was conducted to investigate the relationship between Administration of thrift credit and socio-economic wellbeing. As presented in Table 5, the calculated r -value of 0.885 was found to be greater than the critical r -value of 0.138 with 398 degree of freedom. Thus, the null hypothesis was rejected. It means there is statistical significant relationship between Administration of thrift credit and socio-economic wellbeing of dwellers in the study area.

2.1.2. Hypothesis Two

Entrepreneurship promotion does not significantly the socio-economic wellbeing of rural people (in terms of self employment).

Variables	N	Mean	SD	r-value	Sig.
Entrepreneurship promotion	400	17.18	3.07	0.765	.003
Socio-economic wellbeing	400	18.83	1.80		

Table 6: Pearson product moment correlation of Entrepreneurship promotion and socio-economic wellbeing

*significant at $P < .05$; critical r-value = 0.138; $df = 398$.

Source: Field survey, 2015

Pearson product moment correlation analysis was employed to investigate the relationship between Entrepreneurship promotion and socio-economic wellbeing. From Table 6, the calculated r-value of 0.765 was greater than the critical r-value of 0.138 with 398 degree of freedom. With this result, the null hypothesis was rejected. This means Entrepreneurship promotion has a significant impact on socio-economic wellbeing of rural dwellers.

2.2. Discussion of Findings

The result of statistical analysis of hypothesis one revealed that has a significant relationship exist between administration of thrift credit and socio economic well being of the rural people. The finding agrees with Buckley (1997) that micro finance banking has been acknowledged as available alternative to the conventional banking in that it plays a vital role in positively affecting the socio economic lives of the rural people. Bayes (2005) findings are consistent with the findings here. Through the administration of thrift credit, individual are able to accumulate useably large sums of money and invest in their entrepreneurial vision, work towards financial stability and build a better future for the entire community.

The key formant interview carried out on administration of thrift credit by Micro finance bank, one of the respondents aged 29 a carpenter said: “the bank’s activity on thrift credit administration has helped in financial empowerment and socio economic well being of the people in my community and its environments”. On credit administration, a staff of Microfinance bank reported that: “the bank has improved banking-community relations” on monthly basis, not less than twenty (20) people/groups have been issued credit facilities to boost their businesses.

The results of statistical analysis of hypothesis two revealed that entrepreneurship promotion has a significant relationship with socio economic well being of the rural poor, most of whom are female. The findings agreed with Otu (2006) that entrepreneurship in some localities is attributed to micro finance services in the area of economic well being. Akpabio (2010) confirmed that micro finance banking has positively impacted on the lives of community members. The development initiatives of micro finance in rural areas have resulted in the sprouting of small scale enterprises.

In the key informant interview carried out, one of the respondents agreed that “the bank has helped to encourage entrepreneurship by offering accessible and low interest credit facilities as start up capital for young entrepreneurs”.

3. Conclusion and Recommendations

The statistical analyses have affirmed that micro finance banking has a significant relationship with socio economic well being of the rural people in Ikot Ekpene Senatorial District of Akwa Ibom State, Nigeria. A liberal access to financial services is expected to economically empower the rural dwellers and enhance socio economic well being.

The study recommends that since administration of thrift credit is positively linked with socio economic well being of the rural people, appropriate measures should be put in place to ensure consistent access to thrift credit by rural dwellers.

- Entrepreneurs should be more encouraged to see micro finance banking as very essential for the promotion of small scale enterprises for the overall goal of improved socio economic well being. The rural dwellers should be assisted to use their loans to establish successful businesses

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APPENDIX 1**Questionnaire on Micro Finance Banking and the Socio-Economic Wellbeing of the Rural People**

Dear Respondent,

I am a post graduate student in the department of sociology, University of Calabar, Calabar carrying out a research on Micro Finance Banking and Socio-Economic wellbeing of the rural people in Ikot Ekpene Senatorial District of Akwa Ibom State, Nigeria. Kindly answer the questions asked to the best of your knowledge as all information would be used purely for academic purposes and treated with outmost confidentiality.

Thanks for your assistance and cooperation.

Yours faithfully

Usoroh, Beauty O.
Researcher

SECTION A**Personal Data**

Instruction: Please write and tick (✓) where applicable.

1. Name of the Local Govt:

Ini []
Ikono []
Essien Udim []

2. Do you own a Micro finance savings account: Yes [] No []

3. How long have you been operating with your current Micro-finance bank:

Less than 3yrs []
3 – 6yrs []
7yrs and above []

4. Age 18-23 yrs []

24-29 yrs []

30-35 yrs []

36-41 yrs []

42 and above []

5. Sex: Male [] Female []

6. Occupation: Gainfully employed []

Self-employed []

Farmer []

Entrepreneur []

Others (specify) []

7. Annual income: ₦ 100,000 - ₦ 199,000 []

₦200,000 – ₦ 299,000 []

₦300,000 – ₦ 399,000 []

₦ 400,000 – ₦ 499,000 []

₦ 500,000 above []

8. Educational status: No formal education []

- F.S.L.C. []
- S.S.C.E. []
- O.N.D./N.C.E []
- B.Sc./B.A./B.Ed./H.N.D []
- M.Sc./M.BA/M.Ed []
- Ph.D []

Services rendered by micro finance bank: tick as many services rendered to you.

S/N	Micro Finance Services	Yes	No
9	Administration of thrift credit		
10	Promotion of entrepreneurship		
11	Teaching financial literacy		
12	Petty savings		
13	Group lending		
14	Car loans		
15	Housing loans		
16	Fixed deposits		

SECTION B

Instruction: Please choose any of the following options that best express your position regarding the items below.

- SA= Strongly Agreed
- A = Agreed
- D = Disagreed
- SD = Strongly Disagreed

S/N	ITEM	SA	A	D	SD
B ₁	SUB-SCALE 1: ADMINISTRATION OF THRIFT CREDIT				
17.	Provision of micro credit has help to reach the un-served population with financial services.				
18.	Micro credit does not allow people to diversify and increase income sources.				
19.	Micro finance bank credit stimulates domestic investment.				
20.	Thrift credit facilitates easy borrowing for rural community dwellers for productive purposes.				
21.	Thrift credit helps to manage the assets of the poor and generate income.				
22.	Through micro credit, rural dwellers gain access or save funds over a period of time.				
B ₂	SUB-SCALE 2: PROMOTION OF ENTREPRENEURSHIP				
23.	It is possible for micro finance banks to create enabling environment for entrepreneurship.				
24.	The bank permits entrepreneurs to use local technology for development.				
25.	Ensuring flexible access to fund helps in entrepreneurship in localities.				
26.	Entrepreneurship provides opportunities to enterprising individuals of limited financial means to participate in the development process.				
27.	Financial services including credit supplied in small allotments enable entrepreneurs to engage in productive ventures.				
28.	In my community, poor and low income people have become successful business experts because of micro credit facilities.				
B ₃	SUB-SCALE 3: TEACHING FINANCIAL LITERACY				
29.	We have acquired knowledge on financial matters now than before.				
30.	Our people know the importance of the bank's existence in our community.				
31.	I have acquired money management skills.				
32.	I am unable to make informed decisions about personal income.				
33.	In my community, we have been encouraged to save and invest our money.				
34.	Financial education has changed the way we use money.				
	SECTION C				
	SOCIO ECONOMIC WELLBEING OF RURAL PEOPLE				
35.	The financially excluded now have access to financial services for improved household food security.				
36.	Investment opportunities have been expanded and this has brought improved income.				
37.	The encouragement of entrepreneurship has improved the income of rural dwellers.				
38.	Through access to financial services, the disadvantaged and low income segments of the society have improved their consumption and diet.				
39.	The poorest cannot benefit from micro finance in terms of satisfying their unmet needs.				
40.	Access to micro finance empowers the entrepreneur to meet social welfare needs.				

APPENDIX 2**Key Informant Interview Schedule**

- Section A: Demographic data
 - Age:
 - Marital status:
 - Level of education:
 - Level of occupation:
 - What is your annual income?
- Section B: Administration of thrift credit
 - i. Has the micro finance bank been able to administer thrift credit to members of the community?
 - ii. In what ways have the bank's activities affected the lives of members of the community?
 - iii. How has the administration of thrift credit by microfinance bank affected the economy of these communities?
- Section C: Promotion of entrepreneurship
 - i. Has the micro finance bank been able to encourage entrepreneurship?
 - ii. In what ways have the bank help to encourage entrepreneurship?
 - iii. How have these encouragements of entrepreneurship impacted on the lives of the people in this community?
- Section D: Teaching financial literacy
 - i. Is the micro finance bank providing financial literacy to the community?
 - ii. What major problems are the communities facing in terms of financing their businesses?
 - iii. Has there been any change observed since the existence of micro finance banks in these communities?
 - iv. What in your opinion could help remedy the problems identified?