

MICROFINANCING, ACCESS TO CREDIT AND EDUCATIONAL ATTAINMENT IN NIGERIA: EVIDENCE FROM IJEBU ITELE, OGUN STATE

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ABSTRACT

The study examined the effect of microfinancing, access to credit and Educational attainment in Nigeria based on evidence from Ijebu Itele, Ogun State with a view to exploring the role of microfinance institutions in rural economies. The target population comprised of 2,100 individuals residing and patronising microfinance in Ijebu-Itele, Ijebu East Local Government Area, Ogun State, Nigeria while the sample was 336 respondents selected using Taro Yamane formula based on stratified sampling techniques. The method of data analysis was Logit regression. The result showed that modalities for collecting loan of Microfinance institutions has a significant effect on educational attainment through savings made, level of repayment, and rate of interest. The study concluded that loan provided by microfinance institutions contribute to improved educational outcomes in Ijebu-Itele rural community. It was recommended that there is the need to encourage and promote the establishment or location of more microfinance branches in the rural areas to improve educational achievement of microfinance borrowers.

Keywords: Microfinancing, education, access, rural area, logit and probit model

INTRODUCTION

Ogun State, one of Nigeria's 36 states, comprises 20 local government areas, with Ijebu-East encompassing the rural community of Ijebu-Itele. The roots of traditional education in Ijebu-Itele can be traced back to the initiatives of Christian missionaries, particularly the Anglican and Catholic missions.

These missions played pivotal roles in the establishment of educational institutions, such as St John Anglican Primary School founded in 1898, followed by the establishment of St. Francis School in subsequent years. Over the course of its history, Ijebu-Itele has witnessed a significant transformation in its educational landscape. The inaugural secondary school, Itele High School, was established in 1978 under the auspices of the State government and has continued to be a prominent institution. In the evolution of educational offerings, Louisville Girls High School emerged as the exclusive private secondary school in the late 1990s, significantly influencing the academic environment.

In a noteworthy development, Hallmark University in Ijebu-Itele, Ogun, obtained approval from the federal government of Nigeria on March 15th, 2015, to operate as the first private tertiary institution in the Ogun East Senatorial District. Since its establishment, Hallmark University has played a substantial role in contributing to the higher education sector in the region. Nigeria is often characterized among the largest economy in Africa, boasting a Gross Domestic Product (GDP) exceeding \$200 billion and a population of around 200 million people. The country is endowed with workforce and abundant mineral resources, as highlighted by various sources including the International Monetary Fund (IMF, 2023), the National Bureau of Statistics (NBS, 2023), and the National Planning Commission (NPC, 2023).

Despite these notable demographic dividends, Nigeria faced challenges in meeting the UNESCO recommendation of allocating 25 percent of the national budget to the education sector. The highest allocation, reaching over 10 percent, was recorded in 2015 (CBN, 2023). Unfortunately, according to UNICEF (2018), Nigeria has the highest number of non-enrolled children in the world.

Compounding these educational issues is Nigeria's status as a country with the largest proportion of its population residing below the extreme poverty line, primarily in rural areas where access to credit facilities is severely limited. These population lacks basic necessities such as food, shelter, primary healthcare, education, and social welfare, according to (CBN, 2014). The majority of this population engages in self-employment

as micro-entrepreneurs or farmers, further exacerbating the education disparity, with 36 percent of their children out of school compared to 12 percent of urban children facing the same predicament.

Recognizing education as an investment in human capital, research consistently demonstrates that increased investment in education correlates with improved overall economic performance. Countries with higher enrollment rates in schools tend to experience faster economic growth compared to those with lower levels of education. UNESCO (2012) highlights the economic benefits, revealing that investing \$1 (USD) in education can yield a return of nearly \$10 to \$15 (USD) in economic growth. This underscores the direct positive impact of the educational sector on economic growth, as the products of education skilled or semi-skilled labour contribute significantly to economic productivity.

The term "education finance" encompasses the financial and in-kind resources dedicated to education. Understanding education finance involves addressing questions about resource allocation, utilization, and accountability to ensure the sustainable provision of quality education for all children and youth. Education funding is sourced from various outlets, including public allocations from governments, private contributions from households, and donor funding. Despite the diverse funding sources, the rural poor often face marginalization, particularly in accessing credit facilities, thereby limiting their capacity to invest in education and savings. To address the financial challenges confronted by the rural poor, microfinance banks have emerged with a focused mission; delivering credit facilities tailored to the specific needs of the grassroots population. These financial institutions concentrate on fulfilling the day-to-day economic requirements and investment aspirations of the rural poor.

Microfinance encompasses a range of financial services, including small loans, credits, micro-leasing, micro-insurance, payment services, and money transfers. These services are extended to individuals excluded from formal financial institutions due to the stringent criteria set by conventional banks. Microfinance banks aim to achieve more than just the provision of finance, as highlighted by the Central Bank of Nigeria in 2014, their overarching objectives include fostering agricultural production, promoting small business development, generating job opportunities, reducing poverty,

and facilitating credit. These objectives aim to elevate household income and improve the standard of living for individuals in these areas. Given that the largest segment of the country's population resides in rural regions, these areas play a pivotal role in supplying raw materials, food, and labor to urban economies. Additionally, they significantly contribute to the production of diverse crops for both local consumption and foreign trade.

In spite of their crucial role, the rural population encounters challenges, particularly in accessing financial services offered by traditional banks. This exclusion from conventional banking services poses obstacles for rural residents engaged in productive activities, as emphasized by the Central Bank of Nigeria in 2014.

The performance of microfinance banks has attracted considerable attention in both local and international fronts, spanning countries such as Nigeria, Kenya, and Europe. While literature on the performance of microfinance banks such as studies on the effect of microfinance on poverty reduction or on rural communities, and the role in financing agriculture, is limited for developing countries like Nigeria, researchers including Appah et al. (2012), Ebewore (2010), Madugu and Bzugu (2012), Mohammed et al. (2012), among others, underscore a lack of empirical consensus in their findings. Nonetheless, the central objectives of microfinance institutions and their pivotal role in rural economies serve as the driving force behind this study. The study examined the effect of microfinancing, access to credit and Educational attainment in Nigeria based on evidence from Ijebu Itеле, Ogun State with a view to exploring the role of microfinance institutions in rural economies.

LITERATURE REVIEW

Martinez (2016) analysed the influence of Microfinance penetration rates on educational engagement. Employing a decade-long cross-country dataset sourced from the World Bank, the researcher utilized Regression analysis for data examination. The outcomes unveiled a multifaceted correlation. Specifically, the analysis demonstrated that deeper Microfinance penetration correlated positively with secondary school enrollment rates

among females. Nevertheless, the impact of Microfinance involvement on primary school education was deemed insignificant.

In a study by Phan, Sun, Zhou, Beg, and Ramsawak (2023), the focus was on rural Vietnam, where the researchers investigated the potential of productive Microcredit in enhancing the education of rural children. By formulating a theoretical model, the authors scrutinized specific households where microloans were allocated to bolster family-owned businesses, subsequently uplifting their socioeconomic status. The findings, drawn from the Vietnam Access to Resources Household Survey (VARHS) data spanning from 2008 to 2016, illuminated that small loans acquired by households exhibited adverse effects on male children but positive impacts on their female counterparts. The authors advocated for the integration of educational loans for children within the framework and evaluation of microcredit policies.

Conlin (2022) employed an extensive theoretical framework, the study assessed the contributions of Microfinance Institutions (MFIs), educational attainment, income levels, and empowerment. The findings underscored the association between Microfinance Institutions' interventions and augmented income levels and self-reliance. Moreover, educational advancements were found to correlate with heightened income, self-sustainability, empowerment, and self-reliance. Notably, financial services such as loans, credit facilities, and investments emerged as robust indicators of increased income.

Batinge (2018) explored the ramifications of women's access to microfinance loans on formal education for children in rural Northern migrant communities within the Brong Ahafo region of Ghana. Employing meticulous sampling techniques, the author conducted surveys across 500 villages and households of Northern migrants in the Techiman Municipality and Odumasi District. The study revealed that women leveraged Microfinance loans more effectively to bolster rural education compared to their male counterparts. However, a persistent acquisition of Microfinance loans compelled women microfinance clients to withdraw their daughters

from school to partake in small-scale businesses, thereby facilitating loan repayments. Consequently, the author advocated for a reevaluation of the continuous acquisition of microfinance loans as a reliable measure for children's education in rural Northern migrant communities, emphasizing the necessity for heightened awareness regarding rural children's education to enhance their overall quality of life.

Monteza, Blanco, and Valdivieso (2015) investigated the utility of educational microcredit as a tool for empowering women through training initiatives. The authors analyzed a program implemented in a specialized training center for women in Condoray, Canete, Peru, elucidating how microloans designated for women's training fostered practical knowledge acquisition and sustained learning abilities over a short period. The outcomes indicated that microloans allocated for educational purposes and sustainable models significantly contributed to women's self-sufficiency and exerted direct positive impacts on society at large.

A comprehensive investigation was carried out by Augsburg, Haas, Harmgart, and Meghir (2012) to explore the complex interplay among microfinance, poverty alleviation, and education in Bosnia. Their study specifically targeted individuals excluded from conventional financial services, forming a population subset from which randomly selected clients received microfinance loans. The research outcomes revealed notable positive impacts on educational progress, increased profitability, and observable shifts in consumption and saving habits among the participants. In a separate study, Lindahl and Mokvist (2020) delved into the intricate dynamics surrounding microfinance accessibility and financial literacy in Kenya. Their research underscored the nuanced nature of this relationship, shedding light on the complex frameworks of financial literacy and its intricate connection to accessing microfinance—an aspect often overlooked in contemporary academic discourse.

Meanwhile, Otero (2018) investigated the role of microfinance in

facilitating educational accessibility in Namibia. Utilizing secondary data and employing descriptive analytical methods, the study highlighted the crucial role of microfinance institutions in meeting educational needs while elucidating the broader societal benefits derived from microfinance endeavors. The findings revealed a significant correlation between microfinance institutions and educational attainment, further emphasizing a strong association between wealth distribution and educational levels within the population.

METHODOLOGY

The study employed a survey design to explore the dynamics of microfinance institution within the rural community of Ijebu-Itele, Ogun State. The target population comprised 2,100 individuals residing and patronising microfinance in Ijebu-Itele, Ijebu East Local Government Area, Ogun State. The sample was 336 respondents selected using Taro Yamane formula based on stratified sampling techniques with a confidence level of 95% and a margin of error set at 5%, providing the framework for analyzing hypothetical data and evaluating the variable under investigation.

Primary data collection was through a self-designed questionnaire mechanism to uphold objectivity and minimize interference with the observed phenomenon specifically, the accessibility and utilization of microfinance institutions concerning education. The researchers subjected the questionnaires to thorough analysis, employing Cronbach's coefficient alpha test to gauge the reliability of the variables under scrutiny. The resulting scale reliability test produced a value of 0.781, affirming the quality of the instrument.

RESULTS AND DISCUSSION

Demographic Distribution of Respondents

Based on the questionnaire administered, 75% of the questionnaire administered were returned, amounting to two hundred and fifty-two (252) used for the research work. The demographic analysis of respondents based on age indicated that forty-four (17.5%) of the respondents are between the ages of 20-29years, seventy-two (28.6%) of the respondents are 30-39years

while one hundred and thirty-six (54%) are 40years and above. Sex distribution of respondents showed that fifty-six (22.2%) of the respondents are male respondents while one hundred and ninety-six (77.8%) of the respondents are Female respondents.

Marital status of the respondents indicated that eighty (31.7%) of the respondents are married, forty-eight (19%) of the respondents are divorced while one hundred and twenty-four (49.2%) of the respondents are single parent which implied that there is higher number of single parents among microfinance users in Ijebu-Itele, Ogun State. Educational qualification of the respondents revealed that forty-two (16.7%) of the respondents are first school leaving certificate, one hundred and four (41.3%) of the respondents are secondary school certificate examination, forty-four (17.5%) of the respondents are NCE certificate, eight (3.2%) of the respondents are OND certificate, four (1.6%) of the respondents are HND certificate, forty (15.9%) of the respondents are Postgraduate Diploma, two (0.8%) of the respondents are BA/B.Sc./Bed/MA/M.Sc./Med and eight (3.2%) of the respondents are MA/M.Sc./Med.

Table 1: Demographic Distribution of Respondents

	Frequency	Percent
Age Distribution		
20-29Years	44	17.5
30-39Years	72	28.6
40Years and Above	136	54.0
Total	252	100.0
Sex Distribution		
Male	56	22.2
Female	196	77.8
Total	252	100.0
Marital Status		
Married	80	31.7
Divorced	48	19.0
Single parent	124	49.2
Total	252	100.0
Educational Qualification		
FSLC	42	16.7
SSCE	104	41.3
NCE	44	17.5
OND	8	3.2
HND	4	1.6
PGD	40	15.9
BA/B.Sc./Bed/MA/M.Sc./Med	2	.8
MA/M.Sc./MEd	8	3.2
Total	252	100.0

Source: Authors Computation, 2024

Effect of modalities for collecting loan on educational attainment Estimated logit regression results on

the effect of modalities for collecting loan on educational attainment are presented in Table 2.

Diagnostics of the model such as Likelihood ratio and Log likelihood were high and significant ($P < 0.05$) suggesting the fit of the model. The results showed that modalities for collecting Microfinance loan has a significant effect on educational attainment through saving made ($\hat{\alpha} = -2.443$, $t = -3.94$, $p < 0.05$) and easy access of credit facility ($\hat{\alpha} = 0.970$, $t = 1.48$, $p > 0.05$). This implies that savings made with the microfinance improves rural education performance. The finding is in line with the work of Monteza, Blanco, and Valdivieso (2015) that indicated that microloans allocated for educational purposes and sustainable models significantly contributed to women's self-sufficiency and exerted direct positive impacts on society at large.

Table 2: Effect of modalities for collecting loan on educational attainment
(Dependent Variable: Educational Attainment)

Variable	Coefficient	Std. Error	t-value	p-value
Saving made	-2.443403	.6204354	-3.94	0.000
Easy Access of Credit Facilities	.9704465	.6574154	1.48	0.140
Constant	-1.413173	.4614401	-3.06	0.002
Number of obs	252			
LR Chi ² (2)	15.66			
Prob > Chi ²	0.0004			
Log likelihood	-59.551362			
Pseudo R ²	0.116			

Relationship between level of repayment of Microfinance institutions loan and educational attainment

The relationship between level of repayment and Microfinance institutions loan and educational attainment is presented in Table 3. Using logit regression model, the result showed significant and positive ($\hat{\alpha} = 2.303$, $t = 2.22$) relationship between level of repayment of Microfinance institutions loan and educational attainment. The result suggests that the interest rate charged are moderate for education loan. However, the results significantly ($p < 0.002$) showed that level of repayment has helped to sustain fees of the beneficiaries. There is also a negative and significant relationship ($\hat{\alpha} = -0.687$, $p < 0.05$) between high rate of interest of Microfinance institutions loan and educational attainment. The results suggest that high rate of interest affect the repayment level of the loan.

The findings corroborate Conlin (2022) findings which underscored the association between Microfinance Institutions' interventions and augmented income levels and self-reliance. Moreover, educational advancements were found to correlate with heightened income, self-sustainability, empowerment, and self-reliance. Notably, financial services such as loans, credit facilities, and investments emerged as robust indicators of increased income.

Table 3: Estimated Relationship Between Level of Repayment and Educational Attainment

Variable	Coefficient	Std. Error	t-value	p-value
Interest rate charged	2.303434	1.036603	2.22	0.026
Sustain Education	1.982203	0.6314381	3.14	0.002
High rate of Interest	-1.686849	0.7192822	-2.35	0.019
Constant	-2.817109	0.3579278	-7.87	0.000
Number of obs	252			
LR Chi2(3)	25.01			
Prob>Chi2	0.0000			
Log likelihood	-54.87525			
Pseudo R2	0.1856			

CONCLUSION AND RECOMMENDATIONS

The study found that saving money with the microfinance institution leads to improved educational outcomes in rural areas while the methods used to collect loans have a substantial impact on the educational achievement of microfinance borrowers. It was also found that the interest rates for education loans are reasonable, but high rates negatively impact the ability to repay the loan.

In order to further ensure that Microfinance Institutions (MFIs) make substantial contributions to educational attainment, the following recommendations are pertinent:

- **Regulation and monitoring of the activities of Microfinance**
Banks (MFBs) should be strengthened to address identified weaknesses;
- **Microfinance Institutions (MFIs) should be incentivized to raise**
awareness about their activities among aspiring entrepreneurs, particularly in rural and semi-urban areas;
and
- **Given that microfinance loans significantly influence educational**
outcomes, the Central Bank of Nigeria (CBN) should involve MFIs in administering specialised funds
allocation.

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