**CHAPTER ONE**

**BACKGROUND OF THE STUDY**

**1.1 INTRODUCTION**

Poverty is currently one of the most serious problems in the world. Recently World Bank estimate indicated that about 1.5 billion people live below poverty line of less than one dollar per day in the whole world. out of the 1.5 billion people, Africa contribute about 250 million which is about 17% of the world total poor population, the alleviation of absolute poverty is one of the central objectives of contemporary development policy of the government. Although each country is different, experience had shown that the key element that country stakeholders need to put in place overtime is to build a robust micro finance system that acts as catalyst for rescuing the poor populace form poverty. Although these days the left and the right since of the political spectrum cannot in much agree on micro financing is one of the exceptions for liberals microfinance reaches into the poorest areas of the world making loans that help people living on earth edges of survival move into the economic system by starting their own business. From conservation, microfinance puts the magic of the market place to work to help overcome poverty clearly there are many micro finance institution that do reach down to the poorest of economically active in the countries. There are also microfinance organizations that make use of commercial funds for different types, saving borrowing and equity investment which can reach down the lowest level so as to alleviate poverty within the within the society. Over the years, microfinance has come of age. Poor women and men have shown that they are strong entrepreneurs borrowers and changes agents. Outreach has expanded rapidly while heading microfinance institution such as bank and cooperatives have demon started how to provide efficiently responsibly, profitable are responding to the poor people needs for a range of lending, saving and insurance services.

The microfinance institution is still at its infant stage of development in most countries, it is within this content that the researcher wants to look closely at the effect of microfinance institution on poverty alleviation in Akwa Ibom State

* 1. **HISTORICAL BACKGROUND OF MICROFINANCE INSTITUTION**

Micro finance banks which was formally known as community banks fully comes into revolution in the late 20th century in Nigeria. Their avocation were necessitated by the consolidation process in the Nigeria banking sector by the central bank of Nigeria the concept of micro finance is not new, savings and credit groups have been operated for centuries. Such groups include “susus” for Ghana, “cliff funds” in India “Cheetin“ in sir Lanka, “lontines” in west Africa as well as numerous co-operative societies, saving clubs and burial societies funds all over the world. Formal credit and saving institutions for the poor have also been around for decades providing customers who were traditionally neglected big commercial books a way to obtain financial services through cooperative and development financial institution. The avocation of micro financing was triggered by the poor performance of the conventional finance section. The essence as to reach the overwhelming population of the poor to assist in the dive to alleviate poverty. Barely a millions had been provided with some credit in Nigerian while a yawning 40 million people yet to be attended to. In term of supply, commercial and development finance institution one in the fore front of the outfits that provide credit to the microfinance institutions. Despite their efforts, rates of interest. Inequitable distribution of wealth and income are outreaching the poor constitute challenges the operation. The establishment of microfinance institution in Nigeria was base on weak institutional capacity, weak capital base existences of a huge unserved market utilization SEETS fund among other things.

In Akwa Ibom State, many microfinance institutions are spring up on daily basis. Their presence has really influence the business atmosphere positively in the area. They have assisted improving money to co-operative groups (such as co-operative society are age groups) which ordinarily cannot obtain loan due to collateral security . These microfinance institution gone up the to extent of linking tools paying for shops and providing business to build enterprises.

* 1. **STATEMENT OF THE PROBLEMS**

The federal government in Nigeria particularly in Akwa Ibom State has been batting with how to tackle the problem of poverty. In its effort at combating this problem it has established many poverty alleviation programmes. These programmes are aimed at providing adequate resources to boast real per capital income, improve good health and improve education sector with the view to enhancing living conditions of Nigeria. Many Nigerians have been disturbed about the extent to which these programmes have successes in alleviating poverty among Nigeria.

Lolapo (2004) for instance asserts that inspite of the efforts of the federal government towards poverty alleviation, the problem still persists. It is necessary therefore to establish empirically whether or not. These programmes have eliminated poverty in Nigeria. The questions therefore are:

**1.4 RESEARCH QUESTIONS**

1. To what extent has the microfinance institution contribute to the poverty reduction in Akwa Ibom State?
2. How does the poverty alleviation affect microfinance institutions?
3. Does microfinance institution really help in alleviating poverty? If it is yes, how and to what extent is the impact felt?
   1. **OBJECTIVE OF THE STUDY**

The study have the following objectives

* To evaluate the microfinance institutions being established in Akwa Ibom State
* To find out whether the micro fiancé institution are real help in reducing poverty in Akwa Ibom State.
* To ascertain whether microfinance institution encourages entrepreneur training.
* To examine the role micro finance institutions played in poverty alleviation in Akwa Ibom State.
  1. **RESEARCH HYPOTHESIS**

The following hypotheses are formulate for this study

**HO**: There is no significant relationship between microfinance Institution and private ownership business initiative.

**Hi**: There is a significant relationship between microfinance institution and government grassroots economic empowerment.

**Ho**: There is no significant relationship between micro-finance and creation of employment opportunities.

**Hi**: there is a significant relationship between micro-finance and creation of employment opportunities.

**Ho**: there is a significant relationship between micro-finance institution and the standard of living of the NAPEP grandaunt.

**Hi**: there is a significant relationship between micro-finance institution and the standard of living of the NAPEP grandaunt.

* 1. **SIGNIFICANCE OF THE STUDY**

The following are the significance of the study:

1. This study would provide useful information to government policy markers and the poor people who constitute a greater percentage of the Nigeria’s population.
2. The study will discover numerous government policies in the area of micro finance yielding desire result.
3. It would also help national poverty eradication programme in Akwa Ibom State to redesign its programme to promote efficiency.
4. It would also open various opportunities for the less privileged which they could use to better their life, on the whole the means talk about private sector driven economy will be a realty.
5. The management of microfinance institution can use it as a guide for effective planning and decision making.
   1. **SCOPE OF THE STUDY**

For the purpose of achieving this study which was designed, the study is link to some selected microfinance institutions in Akwa Ibom State and the impact it has on poverty alleviation programme in Akwa Ibom State

* 1. **LIMITATION OF THE STUDY**

This research work is limited to the data collected from the selected and distinguished staff and management of microfinance institution. Another limitation is the short term factor which did not give room for effective exploitation of the activities of microfinance institution.

The problem of finance was encountered during this research work and also approved supply of information

* 1. **DEFINITION OF TERMS USED**

**Microfinance**: This is a source of finance services for entrepreneur and small businesses lacking access to banking and related services.

**Poverty:** This is a state of being poor Oxford Learner’s Dictionary 4th edition.

**Micro credit:** this is grant normally given low income earners for investment which could in turn improve their standard of living of the people. Especially in the rural area.

**Microfinance Institution**: This is defined as body which embark on issuance and supporting of 10m income earners financially.