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Analysis and Computation of the Performance of Micro Finance Banks in Nigeria—A Case Study of Standard Microfinance Bank, Yola

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Abstract: This paper deals with the analysis and computation of the performance of Microfinance Banks in Nigeria in terms of credit performance, portfolio growth, link relative portfolio growth, and categorization of portfolio, food security and employment generation using a case study of Standard Microfinance Bank, Yola. The withdrawal of licenses from 103 out of 407 listed Microfinance Banks in Nigeria was a concern to the researcher, being that Microfinance institutions are the major financial servers to the majority of Nigerians who are low income earners that are hardly served by the commercial banks. Using a standardard computer package, the chi-square test application shows that, although the portfolio growth of Standard Microfinance Bank Yola is not averagely 50.20% as claimed by the bank, there is an appreciable growth of 28.96%. But again, with 2005 as the base period, it recorded all time high link relative total portfolio growth of 548%. And other indices such as credit performance of the bank and portfolio by category indicate that microfinance banking in the country may be heading to the right direction except for grossly inadequate portfolio allocation of 6% for Agriculture which is supposed to be in the driving sit of the food security and employment generation. In trying times for institutions such as Microfinance Banks which bear benefits to the masses, it is recommended that either or both the regulatory body or/and the institution should publish a hope-giving-information that will dispel the possibility of the public completely losing hope in such institutions. And also calculated attempt be made to reform the land use act of March 1978 coupled with insurance provision for farmers to ease access to fund.

Key words: Credit performance; Performing loan; Pass and watch; Sub-stand; Doubtful; Loss; Portfolio growth; Link relative; Portfolio by category

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1. INTRODUCTION

The practice of microfinance in Nigeria is culturally rooted and dates back several centuries. The traditional microfinance institutions provide access to credit for the rural and urban, low-income earners. They are mainly of the informal Self-Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs) types. Other providers of microfinance services include savings collectors and co-operative societies. The informal financial institutions generally have limited outreach due primarily to scarceness of loan-able funds. In order to enhance the flow of financial services to Nigerian rural areas, Government has, in the past, initiated a number of publicly-financed micro/rural credit programs and policies targeted at the poor. Notable among such programs were the Rural Banking Program, sector allocation of credits, a concessionary interest rate, and the Agricultural Credit Guarantee Scheme (ACGS). Other institutional arrangements were the establishment of the Nigerian Agricultural and Co-operative Bank Limited (NACB), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN), the Community Banks (CBs), and the Family Economic Advancement Program (FEAP). In 2000, Government merged the NACB with the PBN and FEAP to form the Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB) to enhance the provision of finance to the agricultural sector. It also created the National Poverty Eradication Program (NAPEP) with the mandate of providing financial services to alleviate poverty. Microfinance services, particularly, those sponsored by government, have adopted the traditional supply-led, subsidized credit approach mainly directed to the agricultural sector and non-farm activities, such as trading, tailoring, weaving, blacksmithing, agro-processing and transportation. Although the services have resulted in an increased level of credit disbursement and gains in agricultural production and other activities, the effects were short-lived, due to the unsustainable nature of the programs [1–3].

Robust economic growth cannot be achieved without putting in place well focused programs to reduce poverty through empowering the people by increasing their access to factors of production, especially credit. The dormant capacity of the poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in economic activities and be more self-reliant; increase employment opportunities, enhance household income, and create wealth. Microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions.

According to [2], three features distinguish microfinance from other formal financial products. These are: (i) the smallness of loans advanced and or savings collected, (ii) the absence of asset-based collateral, and (iii) simplicity of operations. In Nigeria, the formal financial system provides services to about 35% of the economically active population while the remaining 65% are excluded from access to financial services. These 65% are often served by the informal financial sector, through Non-Governmental Organization (NGO) - microfinance institutions, moneylenders, friends, relatives, and credit unions [4].

2. DEFINITIONS OF MICROFINANCE

According to [2], Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low income households and their micro enterprises. Microfinance services are provided from three types of sources; formal institutions, such as rural banks and corporative; semi-formal institutions such as non-governmental organizations; and informal sources such as money lenders and shopkeepers.

Institutional microfinance is defined to include Microfinance services provided by both formal and semi-formal institutions. Microfinance institutions are defined as institutions whose major business is the provisions of microfinance services [5].

The concept of microfinance was examined from another perspective by Robinson [6], who defined it as small scale financial service primarily credit and saving, provided to people who farm fish or herd, who operate small enterprises or micro enterprises where goods are produced, recycled, repaired or sold; who provide services; who work for wages or commissions, who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries both rural and urban. This definition is encompassing as it fully indicates those who may benefit from microfinance institutions and also inform that developing countries need microfinance institutions than developed countries.

Otero and Rhyne [7] describe microfinance as a revolution that involves the large scale provision of small loans and deposit services to low income people by secure, conveniently located and competing commercial financial institutions thereby generating the process needed to democratize capital. This definition means that the members of microfinance institutions should be large enough to meet the needs of low income earners in the nation through the provision of deposit and loan facilities and to give room for health competition among them.

Ledgewood [8] viewed microfinance as an economic development approach intended to benefit low income women and men. It means that the purpose of microfinance is to reach the low income earners either in the urban or rural areas with financial services that will enable them create wealth without any discrepancy as to the sex of such person.

Microfinance provides financial services to a huge market considered as playing a key role in economic development and poverty reduction as noted by Olawepo [4]. Basically, microfinance is an economic approach to the delivery of financial services to those that are hitherto unreachable at a fee that is affordable and economic to the users of such services, and also, using funds from the providers of financial services to generate adequate returns for the users thereby building up their enterprises and creating employment opportunities which will reduce the poverty level in the economy. Microfinance is a holistic approach, designed to improve the lot of micro, small and medium scale entrepreneurs both in the rural and urban areas in accessing funds.

3. CONCEPTS AND TERMS RELATING TO MICROFINANCE INSTITUTIONS

Microcredit: Microcredit is a concept that has gained wide spread acceptance by international development agencies and major donors. It is viewed as a way to correct both governmental and market failure in sub Saharan Africa. Many view microcredit as a method for linking the formal and informal sector of African economies to increase the reach of the formal sector. Extending the reach of the formal economy through microcredit is possible and desirable depending on macroeconomic reforms, respect for traditional financing relationships and local control of institutions. However, very little has been done to determine the extent to which microcredit programs actually increase economic well being. Many of the loans, especially those made to women, are made using microcredit techniques, such as group lending [9]. Loans are targeted at the economically active poor - those not employed in the formal sector of the economy.

Community Banks: The failure of commercial banks to open branches in the rural areas of the country made government to set up the peoples Bank in 1990. In 1992, the community Banks Decree was enacted for a private sector driven supplement to existing rural banking efforts. Community banks can be defined as special banks whose operations are confined to specified geographical areas ([1]: section 61). It was hoped that the creation of community banks would solve the rural banking problem.

4. BRIEF HISTORY OF STANDARD MICROFINANCE BANK YOLA

Located at number 80, Mohammed Musdafa Way, Jimeta-Yola, Standard Microfinance Bank Yola Ltd (SMFB) formally called Jimeta Community Bank Nig. Ltd; was officially commissioned on November 30, 1992 as a unit bank in Jimeta, Yola North local government area of Adamawa State. The bank was incorporated on July 5, 1995 under the community banking Act of 1990.

The bank currently serves Jimeta community and the local governments in Adamawa State. The authorized share capital at commissioning in 1992 was N5 million composed of 5,000,000 ordinary shares of N1.00 each and later increased to 20,000,000 ordinary shares of N1.00 each fully subscribed. The bank operated under a community bank provisional license for 10 years (Certificate NO. 000015). After successfully passing through series of rigorous and comprehensive pre-licensing scrutiny and examination, the bank was granted final Microfinance Banking License on 19th May, 2009 (Ref No. OFI/GHA/MST/GEN/01/003). SMFB Yola operates three types of loans with their following conditions:

Table 1
SMFB Yola Loan Types and Their Conditions

	Loan type	Conditions
1	Group lending	i. Group formation of at least 8 to 10 members ii. Compulsory savings account iii. 1/3 deposit of required amount of loan iv. Running business of at least 6 months v. Group cross guarantee vi. Assets pledged to group members
2	Individual salary	i. Maintaining salary account for at least three months ii. Guarantee letter from employer iii. Two guarantors who must be serving civil servants and maintain account with SMFB Yola
3	Overdrafts	i. Must be a salary account holder for at least 3 months ii. Liquidation period is 30 days or one month iii. Overdraft could be requested as many times as possible

The following terms describe the status of loan at any given time in SMFB Yola:

Performing Loans: these are loans that are paid within the payment period of 6 months.

Pass and Watch: these are loans that the payment dates have passed between 1 to 30 days.

Sub Standard: these are loans that the payment dates have passed between 31 to 60 days.

Doubtful: these are loans that the payment dates have passed between 61 to 90 days.

Loss: these are loans that the payment dates have passed from 91 days and above.

The Lending Methodology of SMFB Yola has three key methodologies in its bid to meet the financial needs of micro-entrepreneurs:

(1). Solidarity Group Methodology: The Banks solidarity group lending methodology entails the formation of groups of people who have a common purpose to access financial services. This methodology derives its meaning from the word solidarity where members unite under a common purpose and form a group. It is a minimalist approach to providing credit and financial services to the small and micro entrepreneurs. For the bank, these people form a group of 25 to 30 entrepreneurs. Upon establishing the possibility of working with the group, based on the set criteria, that is, their cohesiveness, commitment to group rules and banks rules; the bank proceeds to prepare the group over a period of six to eight weeks before they can access loans. Upon completion of the training period, the bank lends to the individuals within the group under the co-guarantee mechanism.

(2). Association Methodology: This methodology targets the big groups existing or in the formative stage. It brings together 30-50 entrepreneurs forming a self-help group, which is more advanced in terms of its operations than the normal solidarity group. In the association methodology the bank utilizes the self-help groups (of over 50 members) as the conduits of its credit facilities through an on-lending and then borrows from the bank for on lending activities. This is more desirable methodology especially where banking facilities are scarce, hence the need for association.

(3). Individual Methodology: This methodology is designed mainly for individual customers who operate salary accounts with the bank. However, for now, the bank uses this model to target individual customers who want to access workers banking services and individual loan product.

These are proven methodologies throughout the microfinance industry but SMBY continues to innovate on the best models that can work well with her customers, especially in the rural market by seeking to increase her outreach while at the same time ensuring quality portfolio performance.

5. BRIEF HISTORY OF MICROFINANCE BANKS IN NIGERIA

Microfinance banking came into being in 2005 with the launching of the microfinance policy by the former CBN governor Professor Chukwuma Soludo. The policy was influenced by the globally acclaimed impact of microfinance in helping the economically active poor to exit the poverty threshold and thus leading to significant poverty reduction. Hence microfinance banking was introduced with the expectation that over time, it would help in reducing poverty in the country. Hence, as stated in section 4:2:1 of the microfinance policy, the policy target includes "covering the majority of the poor" but economically active population by 2020 thereby creating millions of jobs and reducing poverty.

To achieve this, the CBN introduced and licensed Microfinance banks, which replaced community banks. According to the policy, microfinance banks are to:

(1). Provide diversified, affordable and dependable financial services to the active poor, in a timely and competitive manner, that would enable them to undertake and develop long-term, sustainable entrepreneurial activities; Mobilise savings for intermediation; Create employment opportunities and increase the productivity of the active poor in the country, thereby increasing their individual household income and uplifting their standard of living; Enhance organised, systematic and focussed participation of the poor in the socio-economic development and resource allocation process;

(2). Provide veritable avenues for the administration of the micro credit programmes of government and high net worth individuals on a non-recourse case basis. In particular, this policy ensures that state governments shall dedicate an amount of not less than one per cent of their annual budgets for the on-lending activities of microfinance banks in favour of their residents; and Render payment services, such as salaries, gratuities, and pensions for various tiers of government.

6. REASONS FOR DEVELOPMENT OF MICROFINANCE IN NIGERIA ECONOMY

According to Yaron [10], the followings contribute to the reasons for establishing microfinance institutions in Nigeria:

Firstly, the concluded consolidation among conventional banks in Nigeria has systematically put to an end, more or less family banks. As a result 89 conventional banks in Nigeria were reduced to 26 by the end of December 31, 2006. With this, the CBN has opened another window C microfinance banks, with no restriction for the ownership of banks.

Secondly, Nigeria has remarkable entrepreneurs who need supports at every level and this includes micro, small and medium enterprises as well as big businesses. A common characteristic of these enterprises is their need for good financing. Therefore, the provision of strong, competitive and well regulated financial sectors, which will provide these categories of entrepreneurs with the much needed finance apart from the conventional banking institution, has become very important in Nigeria. Therefore, MFIs fill their requirement apart from other larger financial institutions in the country.

Thirdly, the micro credit programs of non-governmental organizations (NGOs) and government establishments concentrated entirely on provision of credit. Saving was forgotten in the delivery of financial services to the poor. Thus, microfinance banks have come to include the saving services to the masses.

Fourthly, donors, for instance, international financial corporation (IFC), were considered as the only sources of loan funds, which unfortunately encouraged independence.

In view of the above reasons, the government had reconsidered the operational modality of microfinance to facilitate a very significant improvement in financial service delivery and outreach.

7. STATEMENT OF RESEARCH PROBLEM

In October 2010, the researcher was puzzled with the withdrawal of licenses from 103 out of 407 listed Microfinance Banks in Nigeria by the CBN for non-performance. Meanwhile, the first goal/objective of CBN for Microfinance Banks in Nigeria is the establishment of microfinance banks to become imperative to provide diversified, affordable and dependable financial services to the active poor, in a timely and competitive manner that would enable them to undertake and develop long-term, sustainable entrepreneurial activities. If the non-performance is the reality of quite a good number of Microfinance Institutions in Nigeria, then, what is the destiny of the CBNs first goal for the Institution? What is the hope and fate of the majority of Nigerians who are served by microfinance institutions? These questions predicated the researchers drive for this study. (http//allafrica.com; [2,3])

8. OBJECTIVES OF THE STUDY

The objective of the study is to analyze and compute the performance of Standard Microfinance Bank Yola for the past 5 years in the following areas:

I. Total portfolio growth

II. Link relative portfolio growth

III. Portfolio by category
IV. Total credit performance
V. Food security and employment generation

9. PRESENTATION OF RAW DATA AND ANALYSIS

Data were collected by documentation from Standard Microfinance Bank Yola on 13th October, 2010. Oral interview was also done to gain understanding of the process and terminologies used in the data.

Table 2
Portfolio Growth from 2005 to 2009

Year	Total portfolio (N)	Increment (N)	Percent of increment (%)
2005	18,231,997	–	–
2006	39,409,555	21,177,558	116
2007	50,064,304	10,654,749	27
2008	75,980,294	25,915,990	52
2009	118,123,736	42,143,442	56

Source: Secondary Data, SMFB Yola, 2010.

Table 3
Portfolio by Category Between 01/04/2008 and 31/12/2009

S/N	Loan category	Total amount (N)	Percent of category (%)
1	Medical	1,746,000	0.6
2	Rent	365,000	0.1
3	Staff	3,255,500	1.0
4	Agriculture	19,147,000	6
5	Consumer	5,573,300	2
6	Transportation	1,100,000	0.3
7	Group lending	161,270,880	51
8	Standard forever	40,273,000	13
9	Education	12,137,500	4
10	Business	22,406,000	7
11	Construction	47,732,883.34	15
	Total	315,007,013.33	100

Source: Secondary Data, SMFB Yola, 2010.

Note: Payment period for all the loan categories is 6 months except for "Standard forever loan" which is a concessional type of loan that is allowed a payment period of one year.

Table 4
Total Credit Performance Between 01/04/2008 and 31/12/2009

S/N	Credit performance	Amount (N)	Percentage credit performance (%)
1	Performing loans	73,350,505.09	83.63
2	Pass and watch	1,869,653.15	2.13
3	Sub standard	1,998,888.06	2.28
4	Doubtful	1,450,967.17	1.65
5	Loss	9,034,428.05	10.30
	Total	87,704,441.52	100.00

Source: Secondary Data, SMFB Yola, 2010.

Note: Percentage Credit Performance $= \dfrac{\text{Amount of Credit Performance}}{\text{Total Amount}} \times 100\%$

Table 5
Average Percentage Portfolio Growth from 2005 to 2009

Year	Total portfolio (N)	Increment (N)	Claimed increment (%)	Actual Increment (%)
2005	18,231,997	–	–	–
2006	39,409,555	21,177,558	116	53.74
2007	50,064,304	10,654,749	27	21.28
2008	75,980,294	25,915,990	52	34.11
2009	118,123,736	42,143,442	56	35.68
Average percentage Increment = 251/5 = 50.20% (claimed)				
Average Percentage Increment = 144.81/5 = 28.96% (actual)				

Source: Secondary Data, SMFB Yola, 2010.

Discussion

In Table 5, the column titled "Actual Increment" is obtained by dividing each record of the Increment Column by each record of the total portfolio column and multiplying the result by 100. That is $\dfrac{\text{increment}}{\text{total portfolio}} \times 100\%$.

An interview with the banks official in charge of credits and loans Department revealed that, this was the same way the claimed increment was obtained by the bank. Why are their figures different? Probably, this was wrongly or mistakenly calculated.

It can be seen that, the percentage increment obtained from the bank as 116% for 2006, 27% for 2007, 52% for 2008 and 56% for 2009 which results to an average percentage increment of 50.20%; is the bank's claim of its yearly increment in portfolio growth.

Hence, we can run the Chi-Square test statistic at 5% level of significance under the hypothesis that:

H0: The yearly portfolio growth of SMFB Yola is averagely 50.20%

H1: The yearly portfolio growth of SMFB Yola is not averagely 50.20%

10. CHI-SQUARE TEST APPLICATION

Table 6
Actual and Claimed Percentage Portfolio Growth of SMFB Yola

	2006	**2007**	**2008**	**2009**
Actual Portfolio (f_0)	53.74	21.28	34.11	35.68
Claimed Portfolio (f_e)	116	27	52	56

The calculation of the chi-square test statistic for the pattern of the actual and claimed frequencies in Table 6 is as follows:

$$\chi^2 = \sum \frac{(f_0 - f_e)^2}{f_e}$$
$$= \sum \left[\frac{(53.74 - 50.20)^2}{50.20} + \frac{(21.28 - 50.20)^2}{50.20} + \frac{(34.11 - 50.20)^2}{50.20} + \frac{(35.68 - 50.20)^2}{50.20} \right]$$
$$= 0.2496 + 16.6607 + 5.1571 + 4.19 = 26.27$$

The required value of the chi-square test statistic to reject the null hypothesis depends on the level of significance that is specified and the degree of freedom. In goodness of fit test, the degrees of freedom (df) are equal to the number of parameter estimators based on the sample and minus 1. Where k = number of categories of data and m = number of parameter values estimated on the basis of the sample. The degrees of freedom in a chi-square goodness of fit test are:

$$df = k - m - 1 = 4 - 0 - 1 = 3$$

Critical $\chi^2(df = 3, m = 0.05) = 7.81$ (from chi-square table)
Calculated $\chi^2 = 26.27$

11. REMARK

The calculated chi-square statistic of 26.27 is greater than the critical value of 7.81. Therefore, the null hypothesis (H0) is rejected at the 5 percent level of significance. We then accept the alternative hypothesis (H1) that the yearly portfolio growth of SMFB Yola is not averagely 50.20%. Rather, Table 5 shows that, there is an appreciable portfolio growth of averagely 28.96%. This will be a lot of money when converted into Naira figures.

Link Relative Portfolio Growth (2005-2009)

$$\text{Using Portfolio value relative } \; p_{0/n} = \frac{p_n}{p_0} \times 100\% \tag{1}$$

with p_n and p_0 as portfolio values during the given period and refernce or base period respectively.

Now Refer to Table 5. Considering the periods under review, we have

$$\begin{aligned}
p_{2005/2006} &= portfolio\ value\ in\ 2006/portfolio\ value\ in\ 2005 \\
&= 39,409,555/18,231,997 = 2.1616 = 216(\%) \\
p_{2006/2007} &= portfolio\ value\ in\ 2007/portfolio\ value\ in\ 2006 \\
&= 50,064,304/39,409,555 = 1.2704 = 127(\%) \\
p_{2007/2008} &= portfolio\ value\ in\ 2008/portfolio\ value\ in\ 2007 \\
&= 75,980,294/50,064,304 = 1.5177 = 152(\%) \\
p_{2008/2009} &= portfolio\ value\ in\ 2009/portfolio\ value\ in\ 2008 \\
&= 118,123,736/75,980,294 = 1.5547 = 155(\%) \\
p_{2005/2009} &= p_{2005/2006}p_{2006/2007}p_{2007/2008}p_{2008/2009} = 648(\%)
\end{aligned}$$

12. INTERPRETATION

The result simply means in 2005, the value of portfolio was 216% of that in 2006; that is, it grew by 116%. In 2007, the value of portfolio was 127% of that in 2006; that is, it grew by 27%. In 2008, the value of portfolio was 152% of that in 2007; that is, it grew by 52%.

However, by link or chain value of portfolio growth, we observed that in 2009 the value of the portfolio was 648% of that in 2005 (the base period); that is it grew by 548%.

$$\begin{aligned}
p_{2008/2009} &= portfolio\ value\ in\ 2009/portfolio\ value\ in\ 2008 \\
&= 118,123,736/18,231,997 = 6.4789 = 648(\%)
\end{aligned}$$

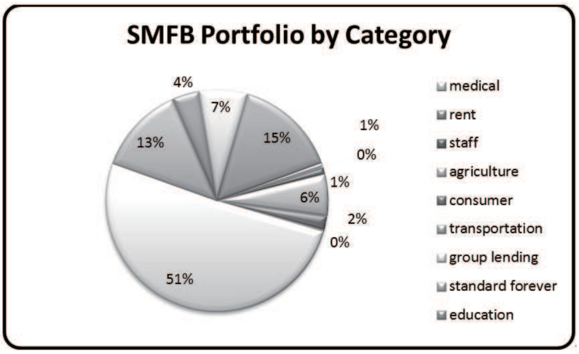

Figure 1
Pie Chart Showing Portfolio of SMFB Yola by Category

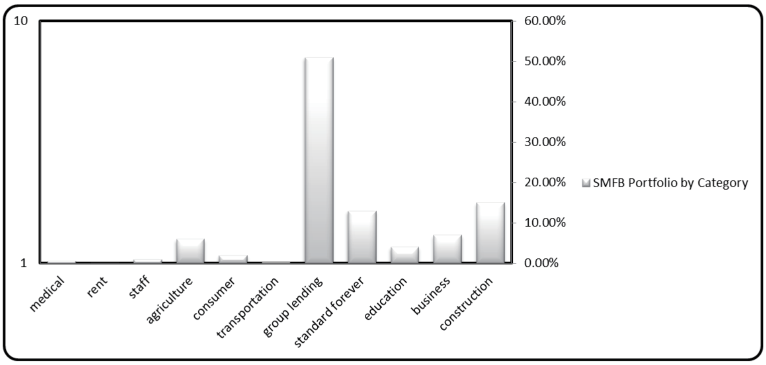

Figure 2
Bar Chart Showing Portfolio of SMFB Yola by Category

The bar and pie charts above diagrammatically display a clear picture of the portfolio by category of SMFB Yola. Group lending which is the formation of at least 8 to 10 members with a compulsory savings account with the bank, and have been running business of at least 6 months; tops the category chart with 51%. The least is the rent category with 0.1%. The rent category is loan given to borrowers who want to settle rent issues.

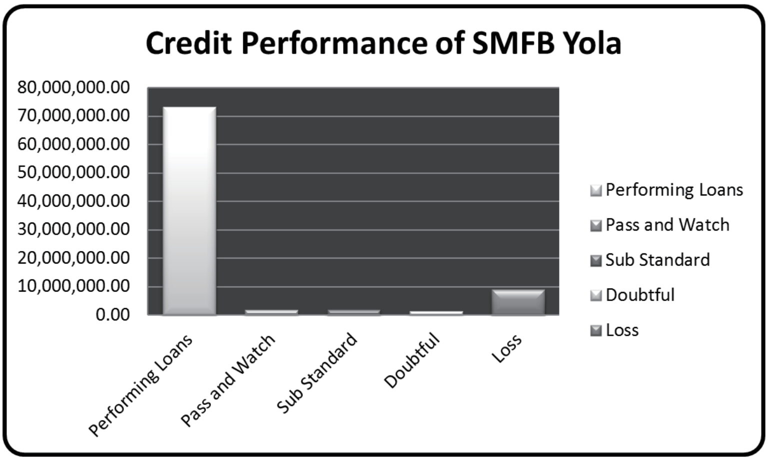

Figure 3
Bar Chart Showing Credit Performance of SMFB Yola

Note that, performing loans top the bar and pie charts above with over 70 million Naira. Loans in the loss category are less than 10 million Naira. We can then conclude that, SMFB Yola is not doing badly in the area of credit and loans. However, 9 million Naira cannot be termed small money for Microfinance Bank today. Therefore, the bank must sit up in pursuance of these out-standing loans to claim the money.

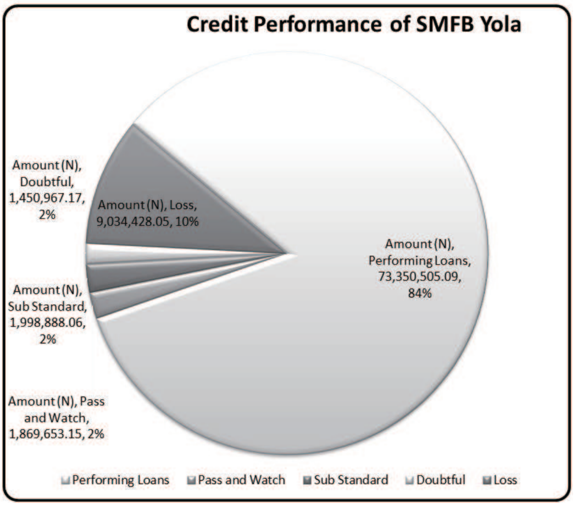

Figure 4
Pie Chart Showing Credit Performance of SMFB Yola

13. FOOD SECURITY AND EMPLOYMENT GENERATION

Refer to Table 5 and Figure 2, 6% of the total portfolio allocation went to Agriculture coming a distance 4th to Group leading. This is grossly inadequate for a portfolio that is supposed to be the flagship of Food Security And Employment Generation given that Jemeta community and indeed Adamawa State with Population: 3,168,101 (2006 est.) in the North-Eastern Part of Nigeria is an Agrarian society with vast capable of being primarily engaged in farming and herding (cattle, goats, sheep). Besides, what about the fishing opportunity along the her riverbanks. And This is a place where Peanuts (groundnuts), cotton, sorghum, millet, rice, and corn (maize) are the main crops which can be exported, as are cattle, dyed skins, and gum arabic thereby improving the non-oil sector of the nation economy whose performance in the last one year has very encouraging. Since independence Agriculture has remain the largest employer of labour in Nigeria (before the discovery of crude oil) which has at today account nearly 42% of the nation G.D.P. Consequently, increasing the credit facility to Agricultural portfolio will have a multiplying effects in terms food security and job generation thereby going a long way to addressing the issues of absolute poverty and insecurity.

Today, credits from Banks be it Commercial or Micro Finance to Agricultural portfolio have been abysmally hovering around 1-2% which confirm our result. For instance, a leading bank in the Nigeria precisely Access Bank Plc with all its spread committed less 2% of it funds to Agriculture this year in terms of credits to small, medium and large scale farmers with the claimed that the sector is largely not insured. No wonder, Agriculture which contributed 60-70% of the nation earnings in seventies today hardly account for 2-3% forty years after.

14. SUMMARY

Microfinance banks were established to help the poor and micro businesses by extending financial services to them so that in the process, the poor and micro businesses will grow, generate income and bring about employment.

Between April 2008 and December 2009 C duration of less than 2 years; SMFB Yola gave out loans in the tune of over 315 million naira. This means that, there is huge demand by low income earners and micro businesses in Nigeria for financial services. As such, MFIs have a prominent role to play.

15. CONCLUSION

The analysis and computation of the performance of Standard Microfinance Bank (SMFB) Yola which is one of the MFBs in Nigeria shows a yearly portfolio growth of 28.96% (see Table 5) and chain relative portfolio growth of 548%, performing loans of 83.63%, pass and watch loans of 2.13%, substandard loans of 2.28%, doubtful loans of 1.65% and loss loans of 10.30% (see Table 4). This tending-to-good-performance indicates that, some MFBs in Nigeria will actually help to achieve CBN's first goal for MFBs. Thus, dispelling the researcher's fears about the destiny of the first goal of CBN for MFBs and the fate of the majority of Nigerians who are served by microfinance institutions. Besides, the study shows that portfolio allocation to Agricultural sector in Nigeria is grossly inadequate hovering around 1-6% as such majority of farmers do not have access to reasonable fund to the extent that the cherished vision for food security and employment generation might become a pipe dream with concomitant national insecurity.

16. RECOMMENDATIONS

In the face of trying times for institutions such as Microfinance Banks which bear benefits to the masses, it is recommended that either or both the regulatory body or/and the institution should publish a hope-giving-information that will dispel the possibility of the public completely losing hope in such institutions.

Also, in order to avoid further occurrence of non-performance of MFBs in Nigeria, it is recommended that, MFBs should focus more on quality service and good governance than complain of inadequate finance. This may help to avoid sharp practices and poor management that usually bring about bank's failure.

On the issue of food security and employment generation, the Federal Government through its organ of Central Bank should direct the MFBs and commercial banks to setup special Agricultural units cutting across the nation's communities to increase famers access to credit and other extension services .

Government should reform the land use act of March 1978 through appropriate legislation to enable farmers use their land as asset collateral to access credit from banks. And also strengthen the Nigeria Agricultural Insurance Cooperation (NAIC) to provide insurance for farmers and their farms to encourage lending to Agricultural sectors.

Central bank should provide intervention funds mechanism that will ensure that funds made available through MFBs and other Agricultural based banks targeted at providing credit at concessionary interest rate to small, medium and large scale farmers to boost food production and generate jobs are not through poor cooperate governance diverted or veered to other portfolios categories. However, should such infraction occurs the affected MFBs or any other bank in that matter should be sanction for sabotage.

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