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Microcredit and poverty reduction: the role of entrepreneurial self-efficacy: empirical evidence from Kano, Northwest Nigeria

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Abstract

Purpose: The African continent houses a greater percentage of the global poor. Despite the well-articulated Sustainable Development Goals (SDGs) the continent was projected to constitute largest percentage of the world poor by 2030. The level of Africa's poverty may not be divorced from its financial exclusion as more than 80 per cent of African households are excluded from formal financial services. The unbanked poor are exploited by informal financial service providers who effectively turned their customers into victims due to unfavorable loan terms. The establishment of several financial intervention programs was directed towards protecting the poor from informal money lenders inhumane exploitation that stifle the desire of the poor to engage in income-generating activities. Findings on the effectiveness of these intervention programs are inconsistent. The aim of this paper is to empirically investigate the influence of microcredit on poverty reduction in Kano State, Northwest, Nigeria using Entrepreneurial Self-efficacy as a moderator.

Methodology: To achieve this, a model was developed and empirically tested using responses elicited with structured questionnaire administered on 400 respondents drawn from eight microfinance banks (MFBs) using stratified sampling techniques.

Results and conclusion: The study found a positive association between microcredit and poverty reduction. Also, entrepreneurial self-efficacy moderates the relationship between microcredit and poverty reduction in the study area. The paper concluded that microcredit, though not a silver bullet, is a veritable tool for poverty reduction.

Implication of findings: The paper recommended additional commitment from government and NGOs on areas of microcredit provision as a tool for poverty reduction.

Keywords: Entrepreneurial self-efficacy, Microcredit, Northwest Nigeria, Poverty.

1. Introduction

It is beyond doubt that the world witnessed a significant reduction in the number of global poor at the end of 2015 when the famous Millennium Development Goals (MDGs) were appraised. The conclusion then was that global poverty measured by absolute poverty using the parameter of poverty line income was significantly reduced and will continue to go down by 2030 (Lakner et al. 2022). It is equally true that the MDGs is the most successful single global anti-poverty effort in history. Indeed, the MDGs served as a global report card for the fight against poverty within the period of its implementation. Although some developing countries have made noticeable progress in combating poverty several others (Nigeria inclusive) have vast majority of their people living below the poverty line (Kura & Mukhtar, 2019). In fact, it is highly regrettable, as submitted by Msuha and Kissoly, (2024) that the Sub-Saharan Africa (SSA) has witnessed a steady increase in its poverty level. In 1990 for instance, the region accounted for 14 percent of the global poverty but barely three decades later (2019), the number rose sharply to 57 percent. Worse still, Africa was projected to constitute largest percentage of the world poor by 2030; the time when the SDGs are expected to be attained. This therefore justifies the global consensus to continue the fight against poverty beyond the fifteen-year targeted period. Therefore, the phrase 'leave no one behind' aptly captures the first Sustainable Development Goals (SDGs) of ending global poverty in all its ramifications. Consequently, it is not out of place to state that despite the decades-long efforts

of various stakeholders in the fight against poverty, the challenge is far from over. It is in the light of this uncomfortable truth that Leal et al. (2021) stated that one of the biggest global problems today is poverty; and concluded that the state of deprivation is a threat to the implementation of the United Nation's SDGs of attaining zero hunger, good health and well-being, quality education as well as clean water and sanitation.

The global population stands at over 8 billion, 10 percent of which live below the official poverty line; the unfinished business of 21st century is still addressing global poverty. It is beyond any doubt that even the highly industrialized and developed countries are not immune to the problem of poverty. They are, however, only less affected because they have institutions with capacity for easy mobilization and transfer of funds thereby achieving a greater employment of resources often resulting in context specific definition - relative poverty versus absolute poverty. The absolute poverty speaks more of inability to attain minimum subsistence level while the relative poverty highlights a scenario where the relatively poor who might have fulfilled his basic needs still remains socially excluded (Decerf, 2020). In United States of America for instance, despite the Census Bureau report that over thirty million Americans are in poverty, Rector and Sheffield (2011) argued that those poor Americans have decent accommodation with chain of conveniences, good nutrition, healthcare and efficient transport. This American relative poverty can be attributed to the country's well developed social safety nets which reduce dependents pressure on household incomes (Bitler et al. 2016).

Equally, poverty has been falling in the rest of developing nations with the exception of African continent that is characterized by rising abject poverty; and the disparity between rich and poor nations has been alarmingly wide (Sambit, 2016). Thus, the development of African continent is shrouded by poverty trap produced by several constraints. The level of poverty in the continent can be directly linked to its level of financial exclusion as greater percentage of its households lack access to formal financial services. The non availability of these services makes the poor to be exploited by informal financial service providers who effectively turned them into victims rather than customers due to unfavorable loan terms. The establishment of several micro financial intervention programs was directed towards protecting the poor from informal money lenders' inhumane exploitation that stifles the desire of the poor to engage in income-generating activities. Findings on the effectiveness of these intervention programs are inconsistent.

The Nigerian poverty situation is disturbing as large segment of the population still live in absolute poverty partly because they do not have access to cheap and adequate finance, lack productive employment, cannot achieve any savings for investment leading to the culture of poverty (Oscar, 1966). This state of hopelessness is further compounded by terrible monetary and fiscal policies resulting in the deterioration of the Naira exchange rate which pushes the $2 poverty line threshold difficult to attain.

Considering the various stand of several scholars pertaining to the impact assessment after a prolong use of microcredit in Nigeria we tried to add a new perspective by looking at the borrowers' entrepreneurial self-efficacy as a moderator of the relationship between microcredit and poverty reduction in the study area. Thus, this paper attempts to answer the questions – what is the impact of microcredit on poverty reduction? How does the borrowers' entrepreneurial self-efficacy help them to achieve their business goals and enhance their wellbeing?

Two factors serve as the motivation for this study. First, studies in the area of microcredit in Nigeria are largely concentrated in the southern part of the country thereby creating a paucity of empirical evidence

showing the effect of microcredit on poverty reduction in northwestern part of the country being the study area, despite being the region with the highest poverty level among the six geo-political regions (Jaiyeola & Bayat, 2020). Second, there is inconsistency in the research findings on the role of microcredit on poverty reduction. Some researchers found positive impact (see, for example Awojobi, 2019; Niyi, Aguda & Bandiya, 2024). Nevertheless, other scholars opined that microcredit is negatively associated with poverty reduction (see, for example Mansaray et al. 2015; Bateman, 2018;). Still, some scholars' findings fall in between these positions. For instance, Miah and Chowdhury, (2019) found positive and negative impacts on the poor. This calls for the need for further research (Yahaya et al. 2023). The aim of this paper is to empirically investigate the influence of microcredit on poverty reduction in Northwest, Nigeria. Subsequent portions of the paper contain a brief review of related literature centering on concepts of microcredit, poverty, entrepreneurial self-efficacy and how they interrelate with poverty reduction. This is followed by conceptual model of the study, methodology, results and discussion as well as recommendations.

2. Literature review

This section examines the work that has been done by researchers on poverty, microcredit and poverty reduction. The objective is to consolidate the work on this area by empirically contributing to the debate on the effect of microcredit on poverty reduction in the study area. It begins with a definition of the key concepts of poverty and microcredit.

The context of Nigeria

According to Leal et al. (2021) the term poverty is a very complex concept that is (ironically) simple to define. It denotes a condition in which individuals or families lack the essential resources necessary for the attainment of basic human needs including food, clothing, healthcare, shelter and education resulting to a poor standard of living within a community (Ndanitsa, et al. 2021). It follows therefore that poverty creates multidimensional problems (Alkire & Santos, 2013). This suggest therefore that total absence or low level of income is only a major cause of poverty that has a negative multiplier effect on wellbeing (Kura et al. 2019). Traditionally, poverty is measured with a single dimension of income - by comparing gross income to an established poverty threshold known as the poverty line income. The assumption here is that earning the said income threshold empowers the poor to enjoy certain minimum standards in other dimensions. Thus, an individual or household whose money income falls short of the threshold is said to be in poverty. This threshold, as pointed out by Bureau, (2023) is updated yearly to account for inflation using the Consumer Price Index (CPI).

The multidimensionality of poverty makes the concept to be very broad such that the meaning attached to it and the way it is measured and analyzed differ. For instance, while relative poverty analysis is achieved by comparing household income with national average, the chronic poverty sets the analysis based on the officially established poverty line parameter where individuals or households whose living income falls below the threshold are described as poor. This broadness as well as environmental dichotomy where underdeveloped countries poor are associated with chronic, abject or absolute poverty while their counterparts in developed nations are 'relatively' poor creates objectivity question and can cast a doubt on the current estimate (Moatsos & Lazopoulos, 2021), which calls for further discussions in this area (Filho et al. 2021).

As mentioned earlier, the poverty problem in Nigeria can be partly attributed to the financial exclusion of the economically active poor; with its adverse consequences on the country. A study on trends in income poverty in Nigeria that employed panel datasets by (Jaiyeola & Bayat, 2020) found an overall

deepening of poverty in all the six geopolitical zones of the country, with the Northern zones especially, the seven Northwestern states having higher poverty incidence than other geopolitical zones. In sum, it is highly regrettable that despite her abundant human and material resources Nigeria is aptly described as a rich country that is ironically, full of poor people. In fact, with about 87 million Nigerians living in chronic poverty Nigeria occupies top position as the global capital of people living in abject deprivation (Awojobi, 2019). The government and other stakeholders in the fight against poverty embarked on series of measures aimed at tackling the problem. Part of those measures is the provision of credit at a reasonable rate so as to break the credit constraints, support entrepreneurship and cut down poverty level. Microcredit effort as a poverty reduction intervention alternative is discussed below:

The concept of microcredit

It is a known fact that efforts aimed at presenting to the poor the opportunity to have access to affordable credit are not new. In essence, the work of the famous Bangladeshi professor of economics – Muhammad Yunus only popularized the immense benefits of micro credit to the poor with his Jobra village Grameen Bank (Village Bank) experiment, but the very idea of lending small amounts to less privileged individuals has been in existence for several centuries (Kura, Kuperan & Ishaq, 2017). Microcredit as the word "micro" indicates is simply small amount of money lent to financially excluded poor who lack both collateral and credit history which make them unworthy customers in the eyes of formal financial institutions (Ahmed & Siwar, 2014). It should be pointed out here that the terms microfinance and microcredit are often used interchangeably to mean the same thing even though the former is broader in scope than the later (Kura et al. 2023)

According to several scholars poverty is the product of credit constraint which hinders the poor from possessing productive resources (capital), which consequently crippled them from attaining their potentials, and earning reasonable income that makes them to afford necessities of life (Addae-korankye, 2012). Micro lending therefore, fits into this philosophy of breaking the credit constraint of the global poor with due attention given to Sub-Saharan Africa and South Asia where the chronically poor are domiciled. It is on this premise that Tavanti, (2013) submitted that social financial interaction as enjoyed by family, friends and relatives serves as the starting point for micro lending for business enterprise. This source is complemented by credit unions, traditional money lenders, village banks as well as financial institutions owned and operated by the countries.

Consequently, the motive behind the existence of these micro lending institutions has been to help the poor to escape the multidimensional deprivations by having affordable productive resources for economic engagements that alleviate or at least reduce poverty. In the next section, we now examine how microcredit affects poverty.

Microcredit and poverty reduction

Intellectual discussion on microcredit is now decades old. Scholars all over the world have at different times and environment investigated the effect of microcredit on poverty reduction (see, for example, Adeniran & Ogwumike, 2019; Awojobi, 2019; Ihugba et al., 2013) Results from these studies are not consistent: some of them indicate positive impact while others report either negative or mixed result (Kura, Kuperan & Ishaq, 2017).

Mazumder and Wencong, (2013) did an experimental survey of Bangladesh rural poor with a view to appraise how access to microcredit for rural poor impact their income generation and poverty level. To achieve the study's objectives respondents were segregated into treatment and control groups. The study

found a positive effect of microcredit on income, assets endowment, standard of living and poverty reduction. Similarly, (Awojobi, 2019) shared the position that his and several other studies supported the hypothesis that microcredit is a tool for poverty reduction. To arrive at this conclusion the author studied five relevant literature databases and critically reviewed many quasi-experimental, observation and comparative studies for a ten-year period; and opined that despite its positive contribution to poverty reduction there are a number of obstacles that hinder the poor from accessing the facility. Rather than conducting an empirical study, the study focused on review of related literatures. However, the review of existing literature on the subject to establish causality in the relationship between microcredit and poverty alleviation cannot be said to be adequate enough but demands for a more comprehensive empirical investigation. This is partly a gap that this paper seeks to fill by conducting an empirical study.

Alam et al. (2014) in their survey of Gujranwala rural farmers in Pakistan, using a sample of 185 respondents who obtained microcredit from Punjab Rural Support Program arrived at the conclusion that both socioeconomic status and household living standard of the poor measured by the parameters of food intake, health status as well as their children are positively impacted by the microcredit. Furthermore, Jan et al. (2017) studied the effect of microcredit on agricultural productivity in Mardan district of Pakistan. The study dwelled on issues surrounding access and proper utilization of microcredit. The study found that smallholder agricultural enterprises that enjoyed microcredit achieved increased output leading to significant rise in their income. The authors, therefore, in conformity with the position of Alam, concluded that access to microcredit improves the socio-economic conditions of the rural poor in general. They therefore recommended that microcredit program should be extended to not only cover all the farmers in the study area but made available with much convenience. Worthy of note here is the fact that these studies erroneously assumed that the sample respondents possess attributes of all poor people in the districts. This study, therefore, included in its sample small scale producers engaged in agriculture, trading and provision of services. This made our sample to be homogeneous and ensured adequate representation of many categories of the poor for valid generalization of results.

Kasali et al. (2015) examined the role of microfinance in poverty alleviation in South-West Nigeria and admitted that loans provided by microfinance institutions remained one of the numerous efforts aimed at poverty alleviation. The study data was collected using survey questionnaire; and both descriptive statistics and regression were used in the analysis. The study found that the loans obtained by borrowers had significant impact and resulted in a reduction in poverty level. The study recommended for softening the "stringent conditions" attached to loans from microfinance institutions (MFIs) and that there is a need for awareness campaign aimed at expanding operational outreach and coverage by the MFIs. This study like many others in the country (Nigeria) are concentrated in the south-western part of the country thereby creating paucity of empirically tested investigations on the relationship between microcredit and poverty alleviation in the northern part of the country despite having higher poverty incidence. Thus, this paper will not only add to the body of literature but also cut down its scantiness in the northern region. Other studies that lend credence to the positive impact of microcredit on poverty alleviation include among others; (Lawanson, 2016; Christenson, 2017; Ndanitsa, et al. 2021; Ilavbarhe & Izekor, 2022).

However, with all these scholarly works in favor of microcredit as a tool for poverty reduction, there has been opposing view by other scholars and practitioners who submitted that microcredit cannot rightly be described as a key enabler for poverty reduction; with some of these scholars asserting that it is not only counterproductive but does not support global poverty reduction programs as well. It is on this premise that Karlan and Zinman (2011) opined that micro loans cannot be used to establish big

businesses that have the potentials of enjoying economies of scale resulting in high-income-paying jobs, increased output and better societal wellbeing. Authors, therefore, concluded that microcredit reduces wellbeing instead of enhancing it. Small scale businesses established with microcredit have the merit of ease of formation and coverage – the number of people that rely on them for their sustenance as well as established records of how they positively transformed owners' lives. Thus, the claim that such businesses make their owners worse off cannot be said to be valid.

Nwibo et al. (2019) examined the effect of microcredit on poverty reduction among rural farm households in Northeast, Nigeria using descriptive and inferential statistics to analyze the primary data collected through structured questionnaires. Their result indicated that microcredit has a negative influence on poverty profile of farm households in the study area. The conclusion reached by this study is in tandem with position of Chowdhury, (2009) who asserted that the failure of microcredit to help generate productive employment rather than consumption smoothening, undoubtedly erodes its power of combating poverty. This conclusion is faulty considering the huge self-employment opportunities created by microcredit despite the smallness of the financed ventures.

The work of Ihugba, Bankong and Ebomuche (2013) expressed doubt about the effectiveness of microfinance as an effective tool in the fight against poverty due to measurement and methodological challenges; coupled with the fact that despite the multidimensionality of the concept of poverty, microcredit impact assessments are context-specific. The authors discussed among others the history of microfinance banks in Nigeria and argued that despite their innovative business strategies and management, microfinance banks are still not worthy of the huge governmental commitment they enjoy as intervention alternative aimed at combating the scourge of poverty in the country. The paper therefore suggested that both the government and private sector should channel their efforts towards establishing commercial banks branches in rural areas with a view to making credit available to rural dwellers for them to be economically productive, enhance their standard of living and reduce poverty level. This study is limited to Imo state where the sample, due to its smallness, may not truly represent the study population not to talk of the south-eastern region or the country. Our paper addressed this shortcoming because our respondents comprise of people with different ethnic identities which helps the findings to have national outlook.

Additionally, Bateman (2018) nailed the coffin with his unpopular view in the microfinance palace that the commercialization of microcredit was but "explosion of greed and unethical behavior" which according to him crashed the then hard earned reputation of the microcredit sector. The sudden transformation of the pro-poor microcredit model to all-for-profit or profit-driven model of 1990s eroded the fundamental foundation upon which the Gramen Bank was based. The infamous case of Mexico's Banco Compartamos inhumanely, charging exploitative interest rates of close to 100 per cent and up to as much as 195 per cent stood tall among several other examples. The conclusion reached therefore, is that there has not been evidence of microcredit reducing the miserable poverty situation of the poor. This conclusion may sound captivating on its face value. However, there have been hundreds of thousands of microcredit institutions operating globally under sound and ethical practices to achieve the developmental goal of helping the downtrodden poor.

Thus, the operational practice of deviant ones should not be used to condemn the whole microcredit program. It is now pertinent to develop and empirically test a conceptual model incorporating some of the above observations with a view to examine the relationship between microcredit and poverty alleviation.

A Conceptual model of the impact of microcredit on poverty

The review of literature above presented inconsistent findings on the impact of microcredit on poverty alleviation which motivates further studies and in line with Baron and Kenny, (1986) requires the use of a variable that can moderate the relationship. In this regard, we introduce entrepreneurial self-efficacy (ESE) as the third variable. Self-efficacy theory is a brain-child of Bandura, (1977). The theory simply postulates that the fusion of environmental factor(s) with personal characteristics of individuals shape their achievements (Morris & Usher, 2011). ESE stands for the strength of an entrepreneur's belief that he is capable of successfully performing different tasks of entrepreneurship (Laguna, 2013). By using ESE as a moderator in the observed relationship this paper gives a relatively fresh perspective in looking at the attribute of the microcredit borrower (demand side) as against the popular traditional view of only breaking the credit constraint (supply side).

A conceptual framework developed by authors

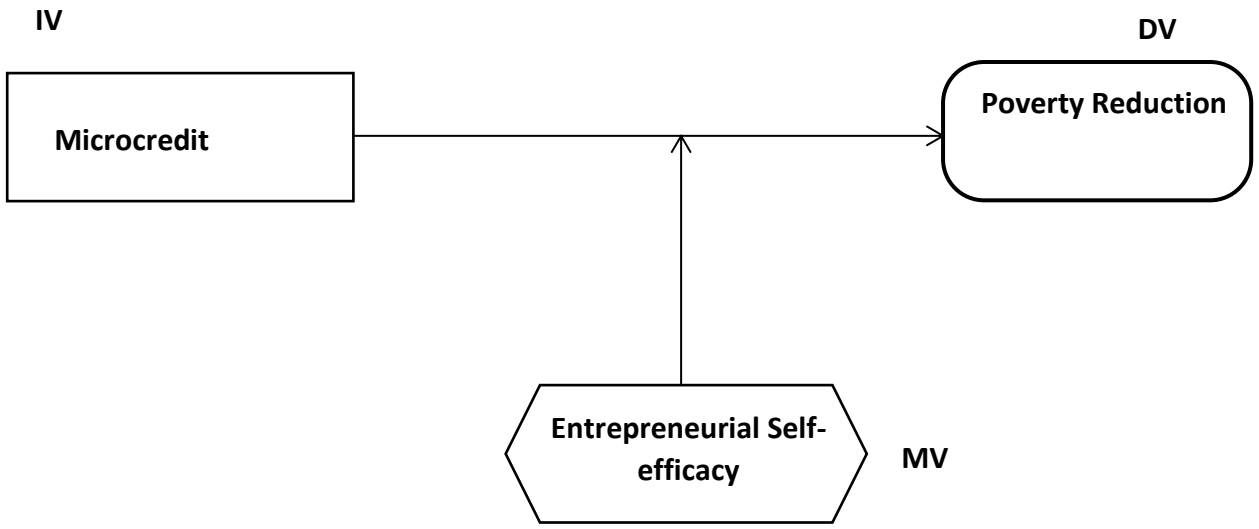

Figure 1: Model of the study

Additionally, authors used primary data to empirically test the above framework. The method employed is discussed below.

3. Methodology

This study was conducted in Northwestern region of Nigeria. The choice of the region is informed by two reasons. First, it is the most populous geo-political zone in the country. Second, it overwhelmingly dominates other regions in terms of both incidence and share of poverty. Northwest has a population of over 40 million with a total landmass of 216,065 km^2 that is mainly occupied by Hausa/Fulani ethnic group. Among the states that formed the region Kano has the lion share of the region's population. Further, the study is confined to Kano, which is the most populous of all the states in the country and being a commercial center, makes people from all other regions with their varied ethnic affiliations, culture and beliefs reside in the state to avail themselves with chain of economic opportunities. Thus, sample drawn from the selected Microfinance Banks (MFBs) becomes homogeneous and allows for results to be generalized for the whole country.

Authors used stratified sampling technique to draw 400 respondents from Grassroot MFB, North Bridge MFB, Dala MFB, Women Development Initiative MFB, Kano West MFB, Danbatta MFB, Wudil MFB and Rakib MFB. 282 questionnaires were retrieved. This produced 70 percent response rate. However, out of the collected questionnaires five were deemed unsuitable for further analysis during data cleaning. Thus, 277 responses were analyzed using hierarchical regression to examine the effect of microcredit on respondents' poverty level. Although, all the items of the instrument were adopted from Kashif et al. (2011); Iqbal, Iqbal, and Mushtaq, (2015); Mcgee, et al. (2009); Morales and Marquina, (2013); the validity of the construct was confirmed by principal component analysis (PCA) as well as convergent, discriminant and content validity which all showed satisfactory results. We employed internal consistency reliability test, and the constructs of microcredit, poverty alleviation and entrepreneurial self-efficacy enjoyed 0.72, 0.85 and 0.84 Cronbatch's Alpha coefficient all of which are above the minimum benchmark, indicating the validity and reliability of the construct. The demography of the respondents in the study is summarized in table 1.

Microcredit as an independent variable (IV) was measured using the dimensions of business start-up and expansion; and income generation. This dimension enjoyed two items on the questionnaire, which also contained ten items that relate to poverty reduction, being the dependent variable measured by the indicators of fulfillment of basic needs and living standard. The moderating variable (ESE) on the other hand was measured using the dimensions of searching, planning, marshaling and implementing. To achieve the measurement a total of ten items were used to solicit responses. All the dimensions measured with the items were reported to be reliable based on their Cronbach's Alpha values of 0.84.

Table 2
Summary of group-based respondents' demography

S/N	Variable	Frequency	Percentage
1	**Gender:**		
	Male	197	71.1
	Female	80	28.9
		277	**100**
2	**Age:**		
	18 – 25	30	10.8
	26 – 35	94	33.9
	36 – 45	106	38.3
	46 – 55	41	14.8
	56 and above	06	2.2
		277	**100**
3	**Marital Status:**		
	Single	64	23.1
	Married	167	60.3
	Divorced	30	10.8
	Widows	11	4.0
	Separated	05	1.8
		277	**100**
4	**No of Children:**		
	None	85	30.7
	1 – 2	91	32.8
	3 – 6	62	22.4

	6 and above	39	14.1
		277	**100**
5	**Type of Business:**		
	Agriculture	126	45.5
	Trading	108	39.0
	Services	43	15.5
		277	**100**
6	**Average Profit/Week:**		
	Less than N3000	47	17.0
	N3000 – N5000	68	24.5
	N6000 – N8000	92	33.2
	N9000 – N11000	70	25.3
		277	**100**
7	**Ethnicity:**		
	Fulani/Hausa	192	69.3
	Yoruba	31	11.2
	Igbo	43	15.5
	Others	11	04.0
		277	**100**
8	**Educational Level:**		
	Primary	85	30.7
	Secondary	114	41.2
	Tertiary	43	15.5
	Others	35	12.6
		277	**100**
9	**Years in Business:**		
	3 Years	52	18.8
	3 – 5 Years	132	47.6
	6 and above	93	33.6
		277	**100**
10	**Av. Savings/Week:**		
	Less than N1000	57	20.6
	N1000 – N2000	75	27.1
	N3000 – N4000	84	30.3
	N5000 – N6000	45	16.2
	N7000 and above	16	05.8
		277	**100**
11	**Household Assets:**		
	Transportation	98	35.4
	Appliances	94	33.9
	Others	85	30.7
		277	**100**
12	**Business Location:**		
	Urban	84	30.3
	Semi-urban	99	35.7

Rural	94	34.0
	277	**100**

Source: Descriptive Statistics – Respondents demography 2024

4. Results and discussion

Descriptive analysis concerning the gender variable for all the groups shows that 69% were male and 31% were female. The lower ratio of female relative to their male counterpart might have been accounted for by cultural and religious factors in Nigeria (especially in Northwestern region) which discourage women from not only banking transactions but other outdoor economic activities. Segregating the respondents by age factor indicates that those that fall within the age bracket of 36 - 45 were 38% and therefore are more than any other category. Married people with a number of children formed 63% of the total sample. Majority of the loan beneficiaries are in agricultural undertakings. 36% of the respondents got an average weekly profit that is lower than three thousand Naira (1 USD is equivalent to N1500) while 30.3% of the respondents could only achieve less than five thousand Naira weekly savings. The urban, semi-urban and rural dichotomy gives 39%, 26% and 35% respectively. In the same way, the survey revealed that the three major ethnic groups in the country were represented with Hausa/Fulani having 69.3%. Second to this group are the Igbo traders from the Eastern region that take 15.5, followed by the Yoruba from the Western region with 11.2% and other minority ethnic groups with 4.0%. 30.7% of the respondents had only primary education; secondary level with 41.2%; tertiary level with 15.5% while others had 12.6%. Similarly, almost all the respondents had one form of household assets or the other. Summarily, it could be deduced from this demographic statistical analysis that the data for this study was supplied by respondents with different ethnic, educational and regional backgrounds but commonly bound by their desire and effort of becoming economically active aimed at enhancing their wellbeing. It follows therefore that; respondents' backgrounds variance can help in result generalization.

Table 2

Hierarchical regression result: microcredit, entrepreneurial self-efficacy; and poverty alleviation

Variables	Standardized Coefficients Beta	T Value	P Value
Microcredit (MC)	0.154	2.840	0.005
Entrepreneurial Self-efficacy (ESE)	0.422	7.843	0.000
Interaction variable1	-0.181	-3.402	0.001
R Square 0.245			
Adjusted R Square 0.237			
F Value 29.598			
F Value Sig 0.000			
R square Change 0.032			

P<5%

Table 2 shows that microcredit has a beta value of 0.15 which indicates its unique contribution to poverty alleviation. Then, ESE was regressed as a predictor so as to test whether it has any direct effect on poverty alleviation. The effect was an increase in the variance explained from 4.7% to 21.3% (R^2 =0.213). The value of R^2 change was 0.166 with sig. F change of 0.000 at p<0.0005 level. ESE has a beta value of 0.417 which indicates a distinct contribution of 41.7% at sig. 0.000 (refer to table 3b). The interaction variable increased R^2 from 0.213 to 0.245; producing R^2 change of 0.032 and sig. 0.001 at p<0.05. Table 2 therefore indicates that the interaction term has a standardized beta value of -0.181 which means an additional

18% variance explained. Again, the model summary (see table 3a) shows that the presence of the interaction term enhanced the model's predictive power with 3.2% rise in R^2 as well as an overall significant F change at 0.001.

On how the microcredit has impacted on borrowers' standard of living, virtually most of them, as 61% opined that the loan helped them in affording nutritious food and medication for their families. Many of the loan beneficiaries confirmed that they could afford good clothes and transportation services as compared to the pre-loan period. In addition, over 60% of the respondents claimed that microcredit helped them to improve their household sanitation as in having latrines for instance. Moreover, the hierarchical regression result indicates that microcredit has a significant positive effect on poverty alleviation and that entrepreneurial self-efficacy moderates the relationship.

5. Conclusion

From the foregoing, it becomes apparent that literature relating to impact assessments of microcredit on poverty alleviation produces divergent views. While part of the literature stands with the position that microcredit has a positive relationship with poverty alleviation another part hangs with negative relationship. In between these polar opinions exists the middle cause belonging to scholars who view that there is a mixed relationship between microcredit and poverty alleviation. These conflicting literatures motivated Duvendack et al. (2011) to rigorously reassess previous impact evaluations. They found out that most impact evaluations have shortcomings of weak methodologies which greatly reduces the reliability of their outcomes. They concluded that less reliable impact estimates can mislead stakeholders and stop them from searching for more appropriate interventions that will lead to poverty reduction. Consequent upon these various stands of the literature on the relationship between microcredit and poverty reduction suggests the need for further research and the use of a moderator on the relationship. The study model stands with the previous research that showed positive effect of microcredit on poverty alleviation. In the same way, the model indicates that entrepreneurial self-efficacy wielded moderating influence on the association between microcredit and poverty alleviation (refer to table 3 b).

This paper found a positive impact of microcredit on poverty reduction. It recommends that both government and non-governmental organizations should support MFIs so as to expand their outreach and coverage. The debate on the impact of microcredit on poverty reduction is on-going. There is therefore the need for more studies to be carried out. This paper recommends further research on the relationship between microcredit and poverty reduction to shift focus onto personal attributes of the micro borrowers rather than the microfinance institutions' act of breaking the credit constraints. This, in essence, will provide a new dimension as the over concentration of literature is on supply side of microcredit but not the demand side. Further, as microcredit is not a silver bullet in the fight against poverty, innovative combination of environmental and or political factors should be made to enhance its effectiveness.

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Appendix

Table 3 (a)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.218[a]	.047	.044	.799	.047	13.665	1	275	.000
2	.462[b]	.213	.208	.727	.166	57.861	1	274	.000
3	.495[c]	.245	.237	.714	.032	11.575	1	273	.001

a. Predictors: (Constant), TMC
b. Predictors: (Constant), TMC, TESE
c. Predictors: (Constant), TMC, TESE, Interaction1

Table 3 (b)
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	2.705	.228		11.865	.000	2.256	3.153					
TMC	.227	.061	.218	3.697	.000	.106	.348	.218	.218	.218	1.000	1.000
2 (Constant)	1.773	.241		7.358	.000	1.299	2.247					
TMC	.136	.057	.131	2.389	.018	.024	.249	.218	.143	.128	.957	1.045
TESE	.363	.048	.417	7.607	.000	.269	.457	.444	.418	.408	.957	1.045
3 (Constant)	1.701	.237		7.167	.000	1.234	2.169					
TMC	.160	.056	.154	2.840	.005	.049	.272	.218	.169	.149	.942	1.062
TESE	.367	.047	.422	7.843	.000	.275	.459	.444	.429	.412	.956	1.046
Interaction1	-.148	.043	-.181	-3.402	.001	-.233	-.062	-.137	-.202	-.179	.982	1.019

a. Dependent Variable: TMF