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Impact of microfinance on poverty alleviation: A case of rural banks in Nigeria

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Abstract
The study investigates the impact of microfinance on poverty alleviation in Nigeria, using rural banks as a case study. The study adopted the mixed-methods design approach. The target population comprises customers of 5 rural banks in Nigeria. Both the convenience and purposive sampling technique was used. A sample size of 384 was determined using the Singh & Masuku (2014) formula. Findings of the study revealed that microfinance services (loans), while offering immediate financial improvement (relief) and investment opportunities also carried the burden of loan repayment obligations. Also, in the realm of children's school enrolment, microfinance services demonstrated their pivotal role in breaking down financial barriers to education. Both loans and savings services contributed significantly to higher school enrolment rates, providing families with the financial resources needed to afford school fees and related expenses. Conclusions and recommendations as well as suggestions for future studies are presented.

Keywords: Microfinance, poverty alleviation, rural banks, Nigeria

Introduction

The issue of poverty has been general concern to humanity due to the serious setback it is causing globally. It has become the World's epidemic threatening some economic especially those in the Less Developing countries (LDCs). Hence, the magnitude of poverty though varying in different parts of the world is known to be prominent in the LDCs. While humanity shares one planet, it is a planet on which there are two worlds, the rich and the world of the poor" these poor world countries are called the less developed countries. Eradicating the world's poverty is a stall order. However, studies (Khan *et al.*, 2021; Lal *et al.*, 2023) [16, 18] have underscored the importance of microfinance in curbing the pandemic. For instance, Morduch (2023) [23] asserted that microfinance has significantly influenced the economic outcomes of the world's poor. Defined as the provision of a variety of financial services, including credit, savings, insurance, and payment services to the underprivileged and low-income (Biosca *et al.*, 2024) [5], microfinance plays a significant role in the Nigeria economy by not only offering employment to the teeming unemployed masses but also empowering the poor for sustenance. The rural poor in less developed countries, and for that matter Nigeria, are unable to provide collateral for financial assistance in the traditional financial institutions; hence the inability to secure help financially from these institutions (Moll, 2021) [22]. Prior studies confirmed that the adoption of microfinance as a measure in poverty eradication is phenomenon to the developed world as well (Hicks, 2020) [13]. The beginnings of microfinance can be traced to Friedrich Ebert, who set up the first financial cooperatives in Germany's rural poor in the late sixteenth century. Many other nations throughout the world have adopted the idea of microfinance to combat poverty. Microfinance institutions have noted the 1980s as a major decade for offering loan facilities to the underprivileged on a big scale (Mawali, 2022) [20]. The employment of microfinance as a method to combat poverty has had a substantial positive influence on the economic empowerment of low-income households (Best, 2021) [4]. This was the concern of Sustainable Development Goal 1, with the objective of eradicating all forms of poverty by 2030 (UNDP, 2022). There were over 3.1 million people living in poverty in rural areas, with an average daily income of less than USD $1.90, and about 265,000 individuals living in extreme poverty in urban areas. More than three million people in rural areas and between two hundred and four hundred thousand persons in urban areas remained poor between 2016 and 2022 (Statista, 2022). Poverty indices in Nigeria (absolute povertydefined in terms of the minimal requirements necessary to afford minimal standards of food, clothing, healthcare and shelter) as reported by National Bureau of Statistics is that 46.3% of the population lived in poverty by 1985. It fells to 42.7% in 1992 and thereafter jumped to 65.6% in 1996. By 2004 it reached 54.7%, but this increased to 60.9% (or 99,284,512 Nigerians) in 2010. It jumped to 63% by 2022. This shows that research on poverty in rural areas is crucial for better understanding the issue and identifying different strategies for reducing poverty in the area.

While several studies have looked into the factors that influence microfinance globally (Shenouda, 2021) [29], there is very little information available about how microfinance affects the reduction of poverty in Nigeria. Only women and microcredit programs in the urban areas of Nigeria have been taken into account in the few studies, including Temitope DADA & Fanowopo (2020) [31], suggesting a gap. The study therefore aims at closing the gaps by investigating how microfinance impact poverty alleviation in the context of Nigerian rural areas

Policymakers, donors, program managers, NGO staff, researchers, and practitioners of microfinance services would all benefit from the study's understanding of the intervention process and the extent to which microfinance services contribute to eradicating poverty. In addition, the study would contribute to the corpus of literature already written about sub-Saharan Africa by bringing to light crucial information and broadening the field's frontiers of understanding. The study would be extremely beneficial to both the academic community as a whole and the numerous stakeholders engaged in poverty alleviation.

Study objectives

1. To examine the effects of microfinance services on income improvement in rural areas of Nigeria;
2. To analyze the influence of microfinance services on education enrolment of children in rural areas of Nigeria and;
3. To evaluate the effects of microfinance service's on family expenditure in rural areas of Nigeria

Theoretical review

Welfare theory (social well-being approach)

The welfare theory underpins the study. This theory was propounded by (Amartya, 1979) [2]. The welfarist or social well-being theory focuses on poverty reduction through the financial services supply to the poor who live below the $1.9 poverty line daily. This approach helps the poor to alleviate poverty and obtain financial autonomy, which improves their well-being. The theory is accompanied by non-financial services such as professional teaching and training, family planning, nutrition, health care, etc. According to (Woller *et al*., 1999) [33], the welfarist approach emphasizes microfinance institutions (MFIs) activities. The welfarists' objective is to promote self-employment among the economically active poor. Greater attention is tilted on women to modestly boost their incomes and savings, which improve their living standards. The most prominent welfarists' institution is the Grameen Bank in Bangladesh, which is the first microfinance model in the world founded by Mohammed Yunus in 1976. Bockstael & Freeman (2005) [6] state that welfarist theory evaluates the microfinance institutions' performance using a range of activity criteria, which impact the lives of clients

Conceptual review

Microfinance

The definition of microfinance has been given in different ways by different authors. According to Cai *et al.* (2023) [9], microfinance refers to a variety of financial services provided to the poor, including not just loans but also "savings, insurance, and money transfers". Buera *et al.* (2021) define microfinance as a range of financial services, which may include loans, savings, insurance, housing loans, remittances, and other financial products. Essentially, microfinance provides financial services, such as microloan facilities, credit, deposits, transfer payments, insurance, and micro-pensions, to underprivileged and low-income individuals. The goal is to help these individuals participate in the economy and take advantage of business opportunities, whether by expanding existing businesses or starting new ones (Buera, 2021). All three definitions imply the same thing. Hence in this study, microfinance is operationalized as the provision of services such as loans, savings, insurance and other. In developing countries where unemployment rates are high and economic stability is unstable, the informal sector is extensive and employs the vast majority of those who cannot find work with the government or the relatively few large corporations (Ochonogor, 2020) [25]. The most significant barrier in the informal sector according to (Buera, 2021) is access to money, or more particularly, the twin challenge of inadequate operating capital and no source to borrow it. This lack of credit inhibits individuals from attaining their full potential and escaping poverty (Cai *et al.*, 2023) [9]. In most cases, the poor are unable to get short- or medium-term loans from conventional banks since the fees associated with servicing these borrowers far outweigh the profits made by lending to them.

Savings

Nogueira *et al.* (2020) [24] posit that, about 10 per cent or less of those living below the poverty line in emerging nations are members of official saving organisations. Some microfinance institutions provide savings programs, often in tandem with microcredit loans. As insurance, microfinance borrowers may place excess funds in MFIs. Individuals may engage in financial planning activities such as risk management, long-term savings, income stabilization, and investment preparation in order to safeguard against unforeseen life events and economic downturns, achieve extended- term goals, mitigate income fluctuations (e.g., in agricultural pursuits), or ready themselves for forthcoming investments. Micro-savings programmes are designed to allow women an opportunity to save money without their families getting in the way, providing a secure environment in which they may prepare for the future. It is important to note that different MFIs provide varying degrees of access to micro-savings accounts, such as whether or not women may access their funds at any moment throughout the loan cycle

Training

Numerous multi-study articles and meta-analyses have been conducted in a systematic manner to investigate the impact of business training on organisational outcomes, as reported by Mengstie (2022) [21]. Several research studies have demonstrated the positive impact of training programmes on business outcomes in economically disadvantaged nations (Otekunrin *et al.*, 2022) [26]. Microfinance institutions (MFIs) are providing women entrepreneurs with business training that emphasizes their unique role, in addition to general business training. These programs aim to raise women's awareness of their capabilities and encourage them to make business decisions that may have previously been denied to them. However, only a few studies have examined the effects of these programs. One such program is the Gender and Entrepreneurship Together Ahead (GET Ahead) course, designed by the International Labour Organization and implemented in over 17 countries (Chekenya, 2023) [10]. This program focuses on enhancing women's entrepreneurial capabilities, such as basic business and human resource management skills, while also emphasizing the unique role of women in business.

Impact of microfinance services on income improvement in rural areas

Chomen (2021) [12] evaluates the impact of the Oromia Credit and Saving Share Company on poverty reduction in the Welmera area of Ethiopia. Both random and purposeful sampling methods were utilized to acquire the data. Three hundred fifty-seven respondents from twelve distinct communities were recruited for data gathering. The research used a binary logistic regression to discover the most influential factors influencing respondents' income growth. The results revealed that education level, voluntary saving, and loans used for the intended objectives are statistically significant and favourably related to the respondents' income growth in the research region. Following participation in the programme, the majority of respondents' incomes increased, favourably impacting their living conditions.

Sumaila & Yusif (2022) examines the effects of microfinance and small loans centre on poverty reduction in Wa West District. The research focuses on microcredit, the most prominent component of microfinance programmes in which modest amounts of money are provided to underprivileged women in their neighborhoods at market interest rates. Overall, the data indicate that the economic effects of lending to the poor are at most small and cannot be assumed.

Using cross-country data from microfinance institutions in 96 countries, Tobi (2023) [32] examined the financial inclusion and poverty reduction in Nigeria: The Role of Microfinance Institutions. It was revealed that microfinance institutions significantly contribute to the fight against poverty and are excellent tools for fostering economic and monetary expansion

Impact of microfinance on educational enrolment of children in rural areas

Numerous research studies have studied the effects of microfinance on schooling. According to studies such as Batinge & Jenkins (2021) [3] and Mandy (2023) [19], participation in microcredit programmes increased family expenditures on children's education. The study of Batinge & Jenkins (2021) [7] in Ghana revealed that a service offered to beneficiaries is thought, in some capacity, to improve the educational condition of children. The authors found that the number of recipients' children attending school rose after they entered the institution. Also, Buhari (2020) discovered that microfinance had a favourable influence on schooling in Northern Ghana. Similarly, Al-Amin & Mamun (2022) [1] found out that microfinance has brought a lot of positive changes in respondents' income, family status, and overall socio-economic condition, enhancing children education and enrollments. In contrast, studies by Koomson & Afoakwah (2023) [17] revealed otherwise. Also, Kandulu *et al.* (2020) [15] examined the impact of microcredit loans on school enrolment in Bangladesh. A large-scale cross-sectional household dataset from Bangladesh and geospatial data to study how microcredit participation and increasing microcredit incomes – that is, the extensive and intensive margins of microcredit – affects the probability of children's school enrolment was examined. The causal influence of microcredit participation on enrolments was estimated by utilising the propensity score matching (PSM) technique – a quasi-experimental treatment effects model. The study revealed that microcredit participation did not significantly influence the likelihood of school enrolment for boys, it increased girls' enrolment.

Impact of microfinance services on household expenditure of the poor

Existing research indicates that microcredit has a mixed effect on the earnings of the poor. Rahman (2023) [27] acknowledged that disadvantaged individuals may climb out of poverty with dignity and improve their level of life if the appropriate environment and opportunities are there. Buhari (2020) found ambiguous evidence of the effect of microcredit on family income in research carried out in four areas in Ghana. In two of the four districts studied, the household income of microcredit customers was substantially greater than that of non-clients, while it was drastically reduced in the remaining two districts. Another research found that the longer a customer remained in a credit plan, the lower the business's profit (Hassana, 2023). According to research by Mengstie (2020), microfinance is an effective technique for combating poverty since it helps produce income and improves the social standing of the poor. Sumaila & Yusif (2023) [30] found in a fascinating research conducted in Nigeria that MFIs reduced the financial restrictions of micro companies. Chen *et al*. (2020) [11] performed empirical research on rural families in China and discovered that the microcredit programme improves home well- being by boosting family income and consumption. According to research by Chekenya (2023) [10], an abundance of microcredit programmes in Southern Africa rural regions has improved the economic status of the poor. According to Mengstie (2022) [21], microfinance interventions enhance the living situations of the disadvantaged by assisting par with microcredit and savings. These support services are also essential indicators of human development. Khan *et al*. (2021) [16] found that microfinance positively affects living standards. Loans and the capacity to manage money to create more income and profit are two methods of enhancing living standards. The provision of loans would result in greater availability of irrigation and electricity throughout the community, and an increase in commercial activity would result in an improvement in living conditions.

Methodology

The study employs a mixed-methods strategy with a descriptive design (Tan, 2017) in which procedures and methods were established to logically and justifiably bring together the various study components.

Study population

According to Etikan *et al.* (2016), the term "population" refers to the total number of study subjects. In the context of this study, the target population comprises customers of 5 rural banks in Nigeria

Sampling technique and size

The study employs both convenience and purposive sampling technique to select consumers who are available at the time of data collection and ready to participate in the study. Also, the purposive sampling was used to collect data from the bank's decision-making managers for an interview. The sample size was determined by the formula developed by Singh & Masuku (2014).

$$n = \frac{Z^2 (P) (1-P)}{C^2}$$

Where Z= the standard normal deviation set at a 95% confidence level

P=percentage picking a choice or response (50%)

C=Confidence interval

$$n = \frac{(1.96)^2 (0.50) (1-0.50)}{0.05^2}$$

Then, n=384.16 ≡ 384 respondents

Therefore, n~384

Based on the formula, 384 customers of five rural banks in Nigeria were drawn for the study and this represents the total number of participants participated in the study sample

Data collection procedure

Primary data was collected from respondents with the use of structured questionnaire and interview guide. The questionnaire administration and the conducted of interviews were carried out in the afternoon when respondents were less busy. The weekend strategy was also adopted to enhance response rate. In all, each respondent spent about 15 minutes in responding to the questionnaire and interviews. Secondary data for the study was primarily literature reviews, with information from books, journals, articles, theses, reports, and the Internet as well.

Data analysis

To accomplish the study's goal, both qualitative and quantitative research methodologies are used. To achieve this, the study categorizes, sort, and arrange data; examine data relationships; and integrate analysis with linking, shaping, and modelling. Statistical Package for Social Scientists (SPSS) and Haye Macro Process are two examples of computer software that are used to code and analyse the questionnaire's responses. The results are analysed using content analysis. To examine the relationship between the variables, regression analysis is performed. The qualitative data is also transcribed, coded, and abstracted for analysis.

Ethical consideration

On issues of ethics, respondents were notified of the purpose of the study. Hence, consent of respondents was sought. Each participant participated at will without any form of duress. Confidentiality and anonymity of respondents were also ensured.

Results and discussions

Demographic characteristic

Out of the total sample size of 384 respondents, 150 participants responded. In terms of gender distribution, 96 respondents (64.0%) were female, while 54 respondents (36.0%) were male. Regarding age groups, 12 (8.0%) were aged 19 to 25, 18 (12.0%) were in the age range of 26 to 30, 15 (10.0%) fell between 31 and 35 years, 33(22.0%) were aged 36 to 40, and the majority, comprising 72 (48.0%), were 41 years and above

The study also assessed household sizes among the participants. While 6.0% of respondents had a household size of 2, 8.0% had a household size of 3, 30.0% had a household size of 4, 24.0% had a household size of 5, 20.0% had a household size of 6, and 6.0% had household sizes ranging from 7 to 21 members. In addition, the educational qualifications among the participants show that 20.0% had basic education, 18.0% had completed junior high school (JHS), 4.0% had no formal education, 22.0% had secondary or senior high school (SHS) education, 32.0% had tertiary education, and 4.0% had vocational or technical qualifications

Marital status was another important demographic factor with 6.0% of respondents divorced, 66.0% married, and 28.0% single. The study also examined annual income and found that 40.0% of participants had an annual income ranging from 10,000 to 14,999 Ghanaian cedis (GHS), 26.0% had an income of 15,000 GHS and above, 18.0% earned between 5,000 and 9,999 GHS, and 16.0% had an annual income below 5,000 GHS.

Objective one: Influence of microfinance services on income improvement in rural areas

The regression analysis results for the influence of microfinance services on annual income are insightful. Firstly, the constant coefficient of 28793.798 represents the estimated annual income when all other variables are set to zero, serving as a reference point. The negative coefficient for loans (-9420.672) suggests that as loan amounts increase, annual income tends to decrease. This implies that while loans can provide immediate financial relief, they might lead to a reduction in annual income due to repayment obligations or related factors. Table 1 presents the results.

Also, some respondent asserted as follows:

"Taking loans helped me in the short term, but it also meant I had to allocate a portion of my income to repayments. So, while I had extra money initially, my overall income did not increase much."(Respondent, 2024)

Table 1: Influence of microfinance services on annual income

Dependent variables = Annual Income				
Variables	**Coefficient**	**Std. Error**	**T-Statistic**	**P-value**
(constant)	28793.798	7427.706	3.877	.000
Loan	-9420.672	1627.273	-5.789	.000
Savings	2162.233	1182.684	1.828	.070
Training	1816.087	1097.590	1.655	.100
Household size	-330.395	283.896	-1.164	.246

Source: Author Computation, 2024. Note Annual Income was used to measure income improvement

On the other hand, the positive coefficient for savings (2162.233) indicates that higher savings are associated with greater annual income. This signifies that individuals who save money tend to have higher annual incomes. Another respondent intimated as follows:

"I started saving a portion of my earnings, even if it was a small amount. Over time, these savings grew, and I was able to invest in a small business. This significantly boosted my annual income." (Respondent, 2024)

Similarly, the positive coefficient for training (1816.087) shows that participation in training programs correlates with higher annual income. Acquiring new skills and knowledge through training can positively impact respondents' income levels, as one respondent shared,

"The training programs offered by the microfinance institution were a game- changer for me. I learned new skills, and it opened up opportunities for better- paying jobs. My annual income has steadily increased since." (Respondent, 2024)

Objective Two: Microfinance services have a positive impact on the educational enrolment of children in rural areas

With a constant coefficient of 1.473, the study establishes a baseline for children's school enrolment when there is minimal exposure to microfinance services. This baseline

suggests that even without direct engagement with microfinance, there exist a certain level of school enrolment among the children in these rural regions. Table 2 presents the results.
Also, a respondent's perspective resonates with the findings "Education has always been a priority for our family, even before we became involved with microfinance. Sending our children to school was non- negotiable." (Respondent, 2024)

On loans, the positive coefficient of 0.310 indicates that households actively participating in microfinance services through loans tend to have higher rates of child enrolment in schools. This suggests that microfinance loans play a pivotal role in facilitating access to education for children in rural areas. A respondent affirmed this, stating:

"Utilizing microfinance loans not only alleviated our financial challenges but also enabled us to invest more substantially in our children's education. Affording school fees and uniforms became feasible." (Respondent, 2024)

Table 2: Microfinance services and educational enrolment of children in rural areas

Variables	Coefficient	Std. Error	T-statistics	P-value
Constant	1.473	.295	4.989	.000
Loan	.310	.065	4.786	.000
Savings	.200	.047	4.262	.000
Training	.155	.044	3.552	.001
Household size	-.037	.011	-3.274	.001

Source: Fieldwork, 2024

On savings, the coefficient of 0.200, also positive, signifies that households engaged in microfinance savings have a higher likelihood of enrolling their children in school. This implies that microfinance savings services contribute to building financial resources that can be directed towards education expenses. A respondent shared a similar sentiment:

"Microfinance encouraged us to save regularly. We now have a dedicated fund for our children's education, ensuring they have the necessary resources to attend school." (Respondent, 2024)

With a coefficient of 0.155, training provided by microfinance institutions also exerts a positive influence on children's school enrolment. This implies that financial education and training programs equip households with knowledge and skills to prioritize education. A respondent highlighted this:

"The financial training we received through microfinance opened our eyes to the importance of education. We learned how to manage our finances better, including budgeting for our children's schooling."(Respondent, 2024)

The coefficient of -0.037 shows a negative but modest impact of household size on school enrolment. Larger households tend to have slightly lower rates of children enrolled in school. However, it is crucial to emphasize that this negative effect is relatively small

Objective three: Microfinance services impact on household expenditure of the poor

The constant coefficient of 11119.994 serves as a pivotal reference point in understanding annual expenditure patterns. This value represents the estimated annual expenditure when all other variables are held at zero, essentially signifying the baseline level of annual spending among the respondents. The negative coefficient associated with loans (-3,707.465) is a significant finding. It implies that as the amount of loans acquired increases, annual expenditure tends to decrease. This intriguing result suggests that individuals who avail themselves of loans through microfinance institutions adopt a more cautious approach to their spending habits. This could be attributed to the necessity of allocating a portion of their income to repay these loans. Table 3 presents the results.
In support of the, a respondent shared as follows:

"Taking loans from the microfinance institution has undeniably helped us financially, but it has also made us more aware of our spending. We don't want to overspend and struggle with repayments." (Respondent, 2024)

This insight underscores the prudent financial management that often accompanies loan acquisition

Table 3: Influence of microfinance impact on household expenditure

Dependent variables = Annual Expenditure				
Variables	**Coefficient**	**Std. Error**	**T-Statistic**	**P-value**
(constant)	11119.994	2780.510	3.999	.000
Loan	-3707.465	609.158	-6.086	.000
Savings	452.445	442.729	1.022	.309
Training	1094.754	410.875	2.664	.009
Household size	-62.211	106.274	-.585	.559

Source: Author Computation, 2024. Note: Annual Expenditure was used to measure family expenditure

Conversely, the positive coefficient for training (1,094.754) reveals a noteworthy correlation. It indicates that participation in training programs offered by microfinance institutions corresponds with higher annual expenditure levels. This suggests that the acquisition of new skills and knowledge through these training programs can empower individuals to make investments or engage in spending that contributes to increased annual expenditure. For instance, a respondent explained as follows:

"After I participated in the training programs, I felt more confident about investing in my children's education and improving our living conditions." (Respondent, 2024)

This testimonial underlines the transformative impact of training on financial decision- making.
In contrast, the coefficient for savings (452.445) is positive but fails to attain statistical significance (p-value = 0.309). This implies that there is no strong statistical evidence to assert that higher savings are intimately linked to significantly increase annual expenditure among the respondents. A respondent aptly captured this sentiment, saying:

“While I diligently save some money, I remain cautious about our family's spending. I believe it's essential to have savings for emergencies or future goals."(Respondent, 2024)

This viewpoint underscores the prudence exhibited by respondents regarding their savings habits.
Regarding household size, the negative coefficient (-62.211) similarly lacks statistical significance (p-value = 0.559). This suggests that the size of the household does not wield substantial influence over annual expenditure within the context of this study

Conclusion

This study has illuminated the multifaceted impact of microfinance services on rural areas, providing valuable insights into income improvement, children's school enrolment, and family expenditure. The findings underscore the nuanced dynamics of these services and their implications for poverty alleviation and education access in rural communities. Firstly, about income improvement, it became evident that microfinance loans, while offering immediate financial relief and investment opportunities, also carried the burden of loan repayment obligations. This duality highlighted the need for responsible lending practices and financial literacy programs to help borrowers navigate the potential pitfalls of debt.
Conversely, savings emerged as a powerful tool for enhancing annual income, emphasizing the importance of promoting savings habits among rural residents. Furthermore, the transformative impact of training programs on income growth was evident, showcasing the potential of education and skill development to boost earning potential. Secondly, in the realm of children's school enrolment, microfinance services demonstrated their pivotal role in breaking down financial barriers to education. Both loans and savings services contributed significantly to higher school enrolment rates, providing families with the financial resources needed to afford school fees and related expenses. Training programs further reinforced the importance of education, equipping households with the knowledge and skills to prioritize their children's schooling.
Apparently, the study delved into family expenditure patterns, revealing intriguing insights. Loans, despite their initial financial assistance, led to more cautious spending habits among borrowers, aligning with the theory of constrained optimization. On the other hand, training programs encouraged higher expenditure levels, emphasizing the role of education in enhancing future income and expenditure. While savings exhibited a positive but statistically insignificant relationship with family expenditure, it highlighted the prudent financial behaviour of saving for unforeseen emergencies or future goals

Recommendations

Based on the comprehensive findings of this study, several key recommendations emerge, aimed at optimizing the impact of microfinance services on income improvement, children's school enrolment, and family expenditure in rural areas
Firstly, microfinance institutions should adopt responsible lending practices to mitigate the potential negative consequences of loans on borrowers' income. This includes conducting thorough assessments of borrowers' financial capacities, ensuring transparent and fair interest rates, and providing financial literacy training to borrowers. By promoting responsible borrowing and informed financial decision-making, microfinance institutions can help borrowers better manage their loan obligations while reaping the benefits of credit access.
Secondly, efforts to encourage savings habits among rural residents should be intensified. Microfinance institutions can play a pivotal role in promoting savings by offering attractive savings products, facilitating automatic savings mechanisms, and conducting financial education campaigns. Moreover, governments and non- governmental organizations should collaborate with microfinance institutions to implement savings-focused programs that target rural communities. These initiatives can help individuals build financial resilience and enhance their annual income.
Furthermore, the role of training programs offered by microfinance institutions should not be underestimated. These programs should be expanded and diversified to cover a broader range of skills and knowledge areas. Additionally, collaboration with local educational institutions and vocational training centers can enhance the quality and relevance of training programs. By equipping rural residents with practical skills and knowledge, these programs can contribute significantly to income growth and financial empowerment. In terms of children's school enrolment, microfinance institutions should continue to promote microfinance products that are explicitly designed to support education-related expenses. This includes education loans with favorable terms, savings accounts earmarked for education purposes, and educational insurance products. Creating financial products that align with the specific needs of the families in the rural areas can facilitate greater access to quality education and improve enrolment rates
Moreover, microfinance institutions should integrate financial education modules into their training programs. These modules should emphasize the importance of investing in children's education, budgeting for school-related expenses, and long-term financial planning. By instilling a culture of education and financial responsibility, microfinance institutions can empower families to prioritize their children's schooling. Lastly, policymakers should recognize the potential of microfinance services in rural development and consider implementing supportive policies and incentives. This includes providing tax incentives to microfinance institutions that focus on rural outreach, allocating resources for financial literacy campaigns, and promoting public- private partnerships to expand the reach of microfinance services.

Suggestions for future Studies

For future research, it is recommended to explore the long-term impacts of microfinance services in rural areas, considering a longitudinal study design. This would provide insights into the sustainability of income improvement, children's school enrolment, and family expenditure over extended periods

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