

Occupation, Culture and Religion as Mediating Effect of Borrowers' Poverty Alleviation Loan Repayment

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Abstract

It is widely believed that religion and culture offer distinctiveness to credit loan for poverty alleviation programmes, and loan repayment. The major religions of the world urge members to assist the poor, devoting time, material and spiritual resources to this cause. It is widely believed that religion and culture offer distinctiveness to credit loan for poverty alleviation programmes, and loan repayment, but this has not sufficiently proved true. The purpose of the study is to resolve the problem of the small entrepreneurs in accessing loans for poverty alleviation through further investigating the moderating effect or otherwise of culture, religion and occupation on poverty alleviation loan repayment. The exploratory cross sectional research design was adopted. The population is the entire microfinance banks in Ogun State, Nigeria which are 53 (CBN, 2012), including micro-loan beneficiaries. The value of loan granted to the beneficiaries of selected microfinance banks is N185,115,000 while the total numbers of beneficiaries is 4,016 between the year 2008 and 2012. Logistic regressions model was adopted to ascertain if borrower's culture, religion and occupation have mediating effect on Loan Repayment-Poverty Alleviation relationship. The simultaneous effect of the three predictor variable (borrower's culture, religion and occupation) was analyzed using logistic regression model and the results were presented. The analysis was performed with a total of 1745 cases. The full model significantly predicted the poverty alleviation and loan repayments among beneficiaries (omnibus chi square = 16.997, df = 3, $p < 0.05$). i.e., there is statistically, simultaneous effect of borrower's culture, religion and occupation on loan repayment and poverty alleviation. The full model accounted for between 1 and 2.5% of the variance in poverty alleviation and loan repayments. However, the logistic regression model for each predictor variables revealed that only borrower's culture is significant. The model predicts a negative effect of borrower's culture on loan repayment-poverty alleviation relationship. The negative value indicates that the probability of alleviating poverty and loan repayments among beneficiaries declined with increase in borrower's culture by a factor of 0.442 and 0.170. The magnitude of the decrease for poverty alleviation is in the range of 23.3 to 83.9% and 9.2 and 31.6% for loan repayment

Keywords: Borrowers' poverty alleviation, Occupation, culture, Religion, mediating effect.

1.0 BACKGROUND

Most governments' policies on economic development are designed to alleviate poverty, and enhance human capital development efforts. Despite these efforts, over 90% of Nigerians live below two dollars (N320) daily. Nigeria's poor measured 18million people; 35million in 1985; 39million in 1992; 67million in 1996; and 74million in 1999; and at the time of this study, about two-third (over 150million people) are confirmed poor (Yahaya, Osemene, & Abdulraheem, 2011; Ugoh & Ukpere, 2009). Nigeria is indexed among least developed countries by the United Nations.

The poor finds it difficult to access capital to apply to their small businesses and they cannot access the commercial banks in Nigeria for support as lending rate hovers between 20% and 25%. Besides, collaterals and class distinctions on who gets loan and who gets rejected is another problem. Borrowers are also to blame for their lack of transparency in operations, poor accounting standards, and financial indiscipline. The lack of trust between the lender and the borrower increases the risk of financing the sector and eradicating poverty from poor households. (Obamuyi, 2011; Bi & Pandey, 2011). In the opinion of Adebayo (2012), poverty is an epidemic ailment in the third world countries including Nigeria. The concern is the economists and policy makers' ultimate objective of management to improve the general standard of living of the citizenry, enhance economic activities and wealth creation. However, the lack of money is more of a symptom of poverty than its cause. In most cases, the poor are not without an income, what they lack is the ability to accumulate assets, which is a key ingredient in the creation of wealth and breaking of cycle of poverty (Dada, 2005).

Small business needs financing to provide for working capital, loans, consumer credit, savings, pension, insurance and money transfer services. The majority of Nigeria's poor belong to the unbanked sector, despite

Nigeria's robust financial system. Due to the extent of illiteracy among the poor, products and services offered by microfinance banks are difficult to contemplate (Aina, 2007). Literacy level and unstructured financial services have combined to motivate the poor to seek help from money lenders who charge exorbitant fees but are very efficient (Yahaya *et al*, 2011). This cycle of debt entrapment adds to the cycle of poverty afflicting the poor.

It is widely believed that religion and culture offer distinctiveness to credit loan for poverty alleviation programmes, and loan repayment. The major religions of the world urge members to assist the poor, devoting time, material and spiritual resources to this cause. Also, governments offer grants to faith-based banks for the economic and social development of the poor in these religions. Religion and poverty alleviation are presumed incidental relationships. It is ingrained in the religious beliefs of the Christendom, Muslims, and other religious groups, and implemented as social capitals in many organizations (Ahmed, 2004; Martin, Chau & Patel, 2007; Wepener, Swart, Ter Haar, & Barnard, (2010).

Focusing on Christians in poor socio-economic contexts in the Western Cape and KwaZulu-Natal, Wepener *et al*, (2010) aimed at understanding social capital formation through the lens of religion. The research builds on the hypothesis that social capital has a role to play in the related goals of poverty alleviation and social development. According to Hafez, (2011) women's Islamic activism as a form of worship engaged in a continuous exercise of self-fashioning towards a fixed religious ideal. This in a way portends the endless struggles and moves to employ religion as a means to empower people and alleviate their poverty.

Culture also relates to what shapes the collective behavior of a group of people. It also determines the behavior of the poor towards poverty alleviation programmes. Usually, every successful poverty alleviation programme integrates elements of culture in the strategy.

The choice of an occupation can affect optimal social return and the efficiency obtainable from talented individuals. Occupational choices are important considerations of economic growth, especially in rural households of developing countries. The perception that rural occupation is strictly farming is gradually fading with increasing studies. Rural nonfarm earnings make up some 40% total household incomes. In 2000, Bangladesh recorded 54% income from rural nonfarm activities (Bandyopadhyay & Skoufias, 2012; Ghatak, Morelli, & Sjostrom, 2007). The potential for poverty alleviation lie in the domain of useful occupations where the individual has minimal capital for use as collateral to obtain small credit, especially from or microfinance Banks, for investment purpose. It is expected that culture, religion and occupation of the borrowers have a moderating effect on poverty-alleviation-loan repayment relationship.

The study covered the microfinance banks currently in Ogun State, Nigeria and beneficiaries of the schemes resident in the state. The primary purpose of the study is to address the plight of the small entrepreneurs in accessing loans for poverty alleviation. The study has

- i. To determine the effects of loan repayment on poverty incidence and reduction, and
- ii. To evaluate the mediating effect of borrowers' culture, religion and occupation on loan repayment - poverty alleviation relationship.

One would but ask to what extent do borrowers' culture, religion and occupation mediate the loan repayment-poverty alleviation relationship?

2.0 LITERATURE

Occupational Choice

The choice of an occupation can affect optimal social return and the efficiency obtainable from talented individuals. An individual who obtains credit to engage in entrepreneurship is more probable to payback depending on the talents of the individual. The interest rate for loans is determined by the average talent in the marketplace who can afford and repay the loan. Consequently, untalented entrepreneurs affect the ability of the talented individuals to access loans from the marketplace. (Ghatak, Morelli, & Sjostrom, 2007).

Occupational choices are important considerations of economic growth, especially in rural households of developing countries. The perception that rural occupation is strictly farming is gradually fading with increasing studies. Rural nonfarm earnings make up some 40% total household incomes. In 2000, Bangladesh recorded 54% income from rural nonfarm activities (Bandyopadhyay & Skoufias, 2012).

Many households diversify into agricultural and non-agricultural rural economic activities based on increasing household demand, higher incomes and returns from nonfarm activities which allow for the accumulation of

investment capital and/or access to external credit to engage in farm and/or nonfarm entrepreneurial activities. Diversification drive can be facilitated in a single sector where the family has experience. Growth is compromised in such initiative when the family does not have the capital nor access credit to invest in that sector. The potential for poverty alleviation lie in the domain of useful occupations where the individual has minimal capital for use as collateral to obtain small credit, especially from or microfinance Banks, for investment purpose.

2.1 The Peoples' Culture

Culture relates to what shapes the collective behavior of a group of people. It also determines the behaviour of the poor toward poverty alleviation programmes. Usually, successful poverty alleviation programme integrates elements of culture in the strategy. Culture has been successfully incorporated into Nigeria's National Economic Empowerment and Development Strategy (NEEDS). The NEEDS programme is aimed at empowering beneficiaries and promoting private investment to generate employment. In empowering people through health, traditional medicine practitioners are included in the referral chain, in the government's campaign against female genital mutilation, child labour, and child marriage. In empowering people through education, participants are trained on various local crafts, and parents and community leaders are involved in designing the training curriculum (Sagnia, 2006). If the culture of the people was not taken into consideration in the design and implementation of the NEEDS programmes, failure would be inevitable.

In most African countries women tend to account for an average 51% of the population and make up about 65% of the rural labour force (Belwal, Tamiru & Singh, 2011). Women tend to shoulder the greater burden of child and family welfare, social and community obligations, engaging in more than one economic activity as well as undertaking domestic chores (Omari, 1988; Rao, 1996). Many rural based microfinance programmes have attempted to address the women specific need for micro-credit. Female entrepreneurs and borrowers tend to face greater constraints than men such as socio-cultural barriers (Ahmed, 2002), legal and structural constraints (Afrin, Islam & Ahmed, 2010), higher rates of illiteracy, inadequate experience in credit management and constraints related to collateral, marketing and production technology. These factors constitute a constraint to the ability of women micro entrepreneurs to honour their debt obligations in business.

2.2 The Role of Religion

Employing religious principles and values will contribute to achieving effective loan policy intervention. It is widely believed in Islam banking that money is made not only for profit but also to create prosperity for the entire society. Riverview Community Bank founded by Patsy in USA (Christian Banking) follows about the same principles. Religious based banks regularly pray for their customers, including those that were denied loans. When a customer faces difficulties in making payments on schedule, the bank does not send out collectors, instead, it calls on the customer to request how they can pray and positively change their situation.

The major religions of the world urge members to support the poor, devote time, material and spiritual resources to the faithful. Also governments offer grants to faith-based banks for the economic and social development of the poor in those religions. Focusing on Christian congregations in poor socio-economic contexts in the Western Cape and KwaZulu-Natal, Wepener *et al*, (2010) aimed at understanding social capital formation through the lens of religious faith. The research builds on the hypothesis that social capital has a role to play in the related goals of poverty alleviation and social-economic development. According to Hafez, (2011) women's Islamic activism as a form of worship engaged in a continuous exercise of self-fashioning towards a fixed religious ideal in order that the desires and subjectivities of Islamic women that inform their activism are ultimately linked to the historical emergence of secularism and state modernization schemes aimed at transforming Muslim subjects into modern citizens of liberal democracies. This in a way portends the endless struggles and moves to employ religion as a means to empower people and alleviate their poverty.

A major challenge that conventional Micro Finance Institutions (MFIs) face while operating in Muslim communities is the non-conformance of the credit system. As usury is prohibited in Islam, the clergy in the rural areas and conservative Muslim societies exhibit resistance to conventional micro financing (Hassan, 2006). Another issue is the focus of credit to women. In some cases, this focus has created social conflict in conservative populations. In extreme cases, although women are the recipients of credit, the credit ends up with the male member of the family, leading to misappropriations and credit diversion (Ahmed, 2002).

The belief in occult forces is still deeply rooted in many African societies; hence, people use occultism as a means of seeking ways to acquire wealth in order to break loose from the stranglehold of poverty (Kelleher, 2004). Occultism is however prevalent especially in Africa due to social stress by the process of modernization. The belief in occult forces has serious implications for development cooperation. Development projects, which

constitute arenas of strategic groups in their struggle for power and control over project resources, are likely to add further social stress to an already endangered precarious balance of power, causing witchcraft accusations to flourish.

Marcus (2005) investigated the relationship between religion and economic performance. In both cross-country and within-country regressions, the null hypothesis that religious affiliation is uncorrelated with performance can frequently be rejected, though the regressions do not yield a robust pattern of coefficients with respect to particular religions. Some commentators have claimed that Islam is inimical to growth. In general, this is not borne out by the econometric analysis either at the cross-country or within-country level.

As emphasized by Hossain (2012), the economics of religion has contributed much to economists' understanding of human behavior. The research has argued that religion can have an important effect on the level of income of its adherents by altering their preferences towards after life consumption and by requiring time and monetary commitments that discourage the acquisition of material wealth. This approach is unique because it focuses on familiar microeconomic principles of utility and constraints. They further argued that income deters religious participation by inducing a substitution between market-earnings and religious activities. Simultaneous estimation of these hypotheses offers strong confirmation. By better understanding religion's role in its participants' lives, economists can further advance their understanding of human behaviour. Microfinance initiative is widely acclaimed as a new approach to alleviate poverty and bring about development. While conventional MFIs have expanded their operations in the last two decades, poverty-focused MFIs, funds of large well-established conventional MFIs such as the Grameen bank still come from external sources.

3.0 METHODOLOGY

The exploratory cross sectional research design was adopted. The flexibility inherent in exploratory research means that the focus is initially broad and becomes progressively narrower as the research progresses. The researcher therefore undertook a tour of Ogun State (Region), Nigeria to visibly isolate the microfinance banks represented in the Local Government Areas, their areas of focus and modes of operation so as to measure each microfinance bank's impact on poverty alleviation through the diverse schemes implemented. The population is the entire microfinance banks in region which are 53 (CBN, 2012), including micro-loan beneficiaries. The value of loan granted to the beneficiaries of selected microfinance banks is =N=185,115,000 while the total numbers of beneficiaries is 4,016 between the year 2008 and 2012 (Banks' Records in 2013).

The microfinance banks that were selected met the following conditions:

- Microfinance banks in business for at least 5 years
- The beneficiaries that have access to loan ranging from =N=50,000 to =N=500,000
- Minimum of 50 beneficiaries for the past 5 five years.

The above conditions were set as criteria because majority of the banks used during our pilot studies met the criteria of value, number of beneficiaries and years of existence. Having considered the criteria for selection of the microfinance banks, only 20 MFIs were qualified for the purpose of this study. The researcher therefore sampled officials of these selected microfinance banks, and beneficiaries of poverty alleviation programmes. The choice of these samples was to ensure that no stratum within the reach of the researcher was left out.

The research made use of multi-stage sampling method. A probability sample of these beneficiaries was selected using stratified random sampling. Below is the list of the qualified Microfinance banks including their respective population and value of loan granted to the beneficiaries between the years 2008 to 2012.

Table 1: Criteria Qualifying MFIs and Loan Disbursements

MFIs	Population	Loan Disbursed (=N=)
1	600	27.565M
2	104	4.813M
3	402	18.604M
4	316	14.624M
5	202	9.348M
6	500	23.139M
7	416	18.974M
8	604	27.952M
9	462	21.380M
10	410	18.697M
Total	4016	185,115M

Source: Researcher's Field Report (2013) and Banks Record Books (2013)

The sample of the study included two thousand (2000) entrepreneurs randomly selected from the local government areas of all the senatorial districts in Ogun state. The stratified random sampling technique was used to select from the twenty MFIs from the three senatorial districts and also to draw elements or respondents included in the study.

Table 2: Qualified MFI's Sample Size

MFIs	Population	Proportionate (sample size)
1	600	298
2	104	52
3	402	200
4	316	158
5	202	100
6	500	250
7	416	208
8	604	300
9	462	230
10	410	204
Total	4016	2,000

Source: Researcher's Computation(2013)

3.1 Data Collection

The study employed two sources of data collection, primary and secondary sources. The secondary sources included, Central Bank of Nigeria publications and official published data of varied microfinance banks. The primary sources involved the use of well-structured questionnaire administered on 2000 randomly selected respondents from the selected microfinance banks in Ogun State, Nigeria.

Data detail the modes of operations in poverty alleviation schemes embarked upon were sought from the officials of the microfinance banks. This primary source was chosen because majority of empirical studies on effect of microfinance on poverty alleviation were mostly in the form of questionnaires surveys (Adebayo, 2009). This is perhaps, because they are the quickest and easiest of the tools to use (Baridam, 2001 cited in Adebayo, 2009). Secondary data on the other hand, was used to supplement the primary data in order to mitigate uncontrolled responses associated with questionnaire surveys.

3.2 Methods of Data Analysis

Descriptive statistics such as frequency, percentage, mean and standard deviation were used to measure demographic characteristics of respondents and responding operators of microfinance. Resolving research problems without those measures is next to impossible hence the use of means and standard deviation.

The variables investigated under study include: beneficiaries occupation, nature of work, sustainability, volume of work, the business cycle, timing of business or work and nature of client or customers as it affects repayment. Percentage distribution and mode for the computed variables revealed that more than three-quarter of the respondents fairly agree, agree and strongly agree that their occupation facilitates their loan application. The

results also made it known that their loan repayment is being facilitated by their business cycle, timing of their work or business and the nature of their client or customers.

The variables of loan repayments are ability of the beneficiaries to pay partly what they received, ability to pay installmentally as agreed by the bank, ability to pay at once if need be, ability to default if the present circumstance persists, ability to ask for extension in repayment period, ability to pay before the repayment period is due, ability to pay at the repayment period and ability to receive future loans and payback as at when required. The predictor variables include borrower's culture, religion and occupation. Borrower's culture was operationalised by: beneficiaries' belief in acquiring loans for a living; beneficiaries' belief in acquiring loan for business; beneficiaries community norms or values is not against borrowing; beneficiaries believe that borrowing will affect their business; beneficiaries do not believe that borrowing is like eating their tomorrow; beneficiaries fairly agree that borrower does not always desire to have enough to pay back; beneficiaries strongly believe that delay in paying back is as good as having defaulted; and beneficiaries strongly agree that their values does not support borrowing without paying.

The second predictor variable, borrowers religion was operated by: borrower's faith in God is sufficient for their living; borrower's faith in God support their business but does not disturb them from borrowing; borrowing is not an indicator for lack of faith; repayment is essential; it is a curse for one that borrows and runs away; defaulting in repayment procedure is a sin to God and not to the microfinance bank; and lastly, God has nothing to do with borrowing or repaying while borrower's occupation was operationalised by beneficiaries occupation, nature of work, sustainability, volume of work, the business cycle, timing of business or work and nature of client or customers as it affects repayment.

Logistic regressions model was adopted to ascertain if borrower's culture, religion and occupation have mediating effect on Loan Repayment-Poverty Alleviation relationship. The multiple regression deals with numerous variables at the same time. It works with one dependent variable and many independent variables. Linear regression was used to measure if there is relation between loan acquisition and quality of life of beneficiaries of microfinance programmes and also to ascertain if there is relationship between loan repayment and poverty alleviation. When the null hypothesis was rejected, the test gave sufficient statistical evidence that the relationship between dependent and independent variables is significant at a specified confidence level. On the other hand, when the null hypothesis was not rejected; the relationship between the studied variables was influenced by other factors than those that have been suggested.

Since the objective of the study was to establish causal relationship between the dependent and the independent variables in the model, the linear form of the regression was used. Ordinary Least Square Technique was used to estimate the parameters of the model.

3.3 Limitation of Methodology

This study was limited to Ogun State, Nigeria. There are similarities however, of peculiarities of nature of beneficiaries in other regions of Nigeria and the developing countries. Also, many beneficiaries do not know how to keep good accounting records. However, in order to ensure validity of the data analysis used, we had to make the following assumptions

- (i) The relationship between dependent and independent variables is linear. Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variable.
- (ii) The extent to which the data values for the dependent and independent variables have equal variances, also known as homoscedastically
- (iii) Absence of correlation between two or more independent variables (collinearity or multicollinearity), as this makes it difficult to determine the separate effects of individual variables. Applicable diagnostic is to use the correlation coefficients, extreme collinearly being represented by a correlation coefficient of 1. The rule of thumb is that the presence of high correlations generally 0.00 and above) indicates substantial collinearity (Hair, Black, Babin, Anderson & Tatham, 2006). Other common measures include the tolerance value and its inverse the variance inflation factor (VIF). It is recommended that a very small tolerance value (0.10 or below) or a large VIF value (10 or above) indicates high collinearity.
- (iv) The data for the independent variables and dependent variables are normally distributed.

4.0 FINDINGS

4.1 Distribution According to Religious Beliefs of Respondents to Loan Acquisition, Poverty Alleviation and Loan Repayment

The frequency and percentage distribution of the participants responses show that majority of the beneficiaries fairly agree, agree and strongly agree with mode of the distribution ranging from 4 to 6 meaning that: (a) their faith in God is sufficient for their living (b) their faith in God support their business but does not disturb them from borrowing (c) borrowing is not an indicator for lack of faith (d) repayment is essential (e) it is a curse for one that borrows and runs away (f) defaulting in repayment procedure is a sin to God and not to the microfinance bank; and lastly (g) God has nothing to do with borrowing or repaying.

Results analysis show that borrower's culture, religion and occupation significantly affect poverty alleviation and loan repayment among MFBs' beneficiaries ($P < 0.05$).

The simultaneous effect of the three predictor variable (borrower's culture, religion and occupation) was analyzed using logistic regression model and the results were presented in Table 3 and 4. The analysis was performed with a total of 1745 cases. The full model significantly predicted the poverty alleviation and loan repayments (Table 7) among beneficiaries (omnibus chi square = 16.997, $df = 3$, $p < 0.05$). i.e., there is statistically, simultaneous effect of borrower's culture, religion and occupation on loan repayment and poverty alleviation. The full model accounted for between 1 and 2.5% of the variance in poverty alleviation and loan repayments. However, the logistic regression model for each predictor variables revealed that only borrower's culture is significant. The model predicts a negative effect of borrower's culture on loan repayment-poverty alleviation relationship. The negative value indicates that the probability of alleviating poverty and loan repayments among beneficiaries declined with increase in borrower's culture by a factor of 0.442 and 0.170. The magnitude of the decrease for poverty alleviation is in the range between of 23.3 to 83.9% and between 9.2 and 31.6% for loan repayment (CI for Exp(B) at 95% confidence).

Table 3. Logistic Regression Model for Borrower's Culture, Occupation and Religion on Respondents' Poverty Alleviation

Variables	B	S.E.	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for EXP(B)	
							Lower	Upper
Borrowers Culture	-.817	.327	6.236	1	.013	.442	.233	.839
Occupation	18.554	10377.780	.000	1	.999	1.142E8	.001	.
Religion	18.554	4874.114	.000	1	.997	1.142E8	.001	.
Constant	2.649	.101	681.758	1	.000	14.144		

Source : Researcher's Field Study (2013)

Table 4. Logistic Regression Model for Borrowers' Culture, Occupation and Religion on loan Repayment

Variables	B	S.E.	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for EXP(B)	
							Lower	Upper
Borrowers Culture	-1.770	.316	31.396	1	.000	.170	.092	.316
Occupation	17.865	10377.780	.000	1	.999	5.735E7	.000	.
Religion	17.865	4874.114	.000	1	.997	5.735E7	.000	.
Constant	3.338	.138	581.101	1	.000	28.167		

Source : Researcher's Field Study (2013)

Table 5 Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	16.997	3	.001
	Block	16.997	3	.001
	Model	16.997	3	.001

Source : Researcher's Field Study (2013)

Table 6 Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	836.048 ^a	.010	.025

Source : Researcher`s Field Study (2013)

HYPOTHESES TESTING

Restatement of Research Objective, Question and Hypothesis

Construct Association	Alpha Level	Loan Repayment/Poverty Alleviation			P – Value	Sig Yes/No	Hypothesis
		F	R	R ²			
Moderating effect of borrowers` culture, religion and occupation on loan repayment-Poverty alleviation relationship.	0.01	31.396 and 30,630	0.2470-0.412 and 0.10-0.158	0.061-0.170 and 0.010-0.025	0.001	Yes	Reject H ₀

Source: Researcher`s computation (2013)

4.2 Interpretation

The hypotheses for the effect of borrowers` culture, religion and occupation on loan repayment-poverty alleviation relationship among beneficiaries of microfinance banks were investigated using logistic regression approach. The logistic regression tested for the simultaneous effect of the three variables on poverty alleviation and loan repayment. Loan repayment was investigated by the ability of the beneficiaries to pay partly what they received, ability to pay by installments as agreed by the bank. Also, the ability to pay at once if need be, ability to default if your present circumstance persists, ability to ask for extension in repayment period, ability to pay before the repayment period is due, ability to pay at the repayment period and ability to receive future loans and payback as at when required while the poverty alleviation was investigated by poverty level of the beneficiaries after acquiring loan. The hypotheses tested include:

H₀: Borrower`s culture, religion and occupation do not have mediating effect on loan repayment -poverty alleviation relationship.

H₁: Borrower`s culture, religion and occupation do have mediating effect on loan repayment -poverty alleviation relationship. The regression models (Table 7 and 8) for the analysis shows that borrowers` culture, religion and occupation significantly affect beneficiaries loan repayment and poverty alleviation. The model accounted for between 1.0 and 2.5% of the variation in poverty alleviation and between 1.7 and 6.1% of the variation in loan repayment. Hence, we reject H₀ and accept H₁ and conclude that borrower`s culture, religion and occupation do have mediating effect on loan repayment and poverty alleviation relationship

Table 7 Logistic Regression Model of Borrowers Culture, Occupation and Religion on Respondents` Poverty Alleviation

Variables	B	S.E.	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for EXP(B)	
							Lower	Upper
Borrowers Culture	-.817	.327	6.236	1	.013	.442	.233	.839
Occupation	18.554	10377.780	.000	1	.999	1.142E8	.001	.
Religion	18.554	4874.114	.000	1	.997	1.142E8	.001	.
Constant	2.649	.101	681.758	1	.000	14.144		

Table 8 Omnibus Tests of Model Coefficients

	Chi-square	Df	Sig.	Cox & Snell R Square	Nagelkerke R Square
Step 1 Step	30.630	3	.000	0.010	0.025
Block	30.630	3	.000		
Model	30.630	3	.000		

Source : Researcher's Field Study (2013)

Table 9 Logistic Regression Model of Borrowers' Culture, Occupation and Religion on Loan Repayment

	B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Step 1 ^a Borrower's culture	-1.770	.316	31.396	1	.001	.170	.092	.316
Occupation	17.865	10377.780	.000	1	.999	5.735E7	.001	.
Religion	17.865	4874.114	.000	1	.997	5.735E7	.001	.
Constant	3.338	.138	581.101	1	.000	28.167		

Source : Researcher's Field Study (2013)

Table 10 Omnibus Tests of Model Coefficients

	Chi-square	Df	Sig.	Cox & Snell R Square	Nagelkerke R Square
Step 1 Step	16.997	3	.001	0.017	0.061
Block	16.997	3	.001		
Model	16.997	3	.001		

Source : Researcher's Field Study (2013)

4.3 Discussion

From the estimation result, borrower's culture, religion and occupation have moderating effect on loan repayment-poverty alleviation relationship. Poverty incidence is the direct consequence of socio-cultural and does not merely comprise deprivation of income, but also takes into account human ends that have intrinsic values and vary with the diversity of individuals and cultures (Vollmer, 2010).

Although the nature of poverty may vary from community to community, culture to culture and time to time, poverty persists in both rural and urban areas alike; and also in both developed and developing economies (Ahmed, 2002).

The Holistic School of thought views microfinance as profitable business, a tool to fight poverty, empower the poor and create sustainable development and humanity. It combines the features of all the other three schools of thoughts but add cultural, especially religion and its social capital and values, which are largely ignored by the three schools. The school goes beyond just profit and poverty alleviation so as to build a sustainable and habitable world. Most development practitioner of microfinance banks (MFIs) have not given any weightage to cultural, especially religion and its accompany social and spiritual values for successful interventions. This school brings spirituality to the process of microfinance.

Fernandez (1998) found out that the bio-cultural attributes of the region and the socio-cultural and economic categorization of economy usually influence the specific context of a semi-arid district where security or insecurity is livelihood. Agriculture and farm labour are the main source of income for most of the villagers in the district of Koppal of North Karnataka.

The results of the interview indicated that all the MFBs took cognizance of occupational choice during loan application but religion and culture were yet to be considered. This system works well for Grameen, as millions of loans that would have been written off by other banks are being repaid, with interest, because group members take genuine interest in the success of one another. They bear each other's burden! Conversely, many had to borrow to repay the loans received, most times due to their inability to improve their economic conditions from

loans taken from microfinance banks. The implication is that the occupation, including the possession of capital resources, of the poor plays significant roles in determining loan repayment and poverty alleviation (Nawaz, 2010).

The choice of an occupation can affect optimal social return and the efficiency obtainable from talented individuals. Now if the individuals were to obtain credit to engage in entrepreneurship, the probability that the loan will be repaid depends on the observable (and unobserved) talents of the individual. The interest rate for loans is determined by the average talent in the marketplace who can afford and repay the loan. Consequently, untalented entrepreneurs affect the ability of talented ones to access loans from the marketplace. In other words, untalented entrepreneurs reduce the incentives of talented ones to borrow and investment in chosen occupations (Ghatak, Morelli, & Sjostrom, 2007).

Occupational choices are important considerations of economic growth, especially in rural households of developing countries. The perception that rural occupation is strictly farming is gradually fading with increasing studies. Rural nonfarm earnings make up some 40% total household incomes. In 2000, Bangladesh recorded 54% income from rural nonfarm activities (Bandyopadhyay & Skoufias, 2012).

It is believed that religions offer something distinctive to its development programmes, especially poverty alleviation programmes. The major religions of the world urge members to help the poor, devoting time, material and spiritual resources to this cause. In addition governments offer grants to faith-based banks for the economic and social development of the poor. Religion and poverty alleviation is not just an incidental relationship or a current need. It is deeply ingrained in the religious beliefs of Muslims, the Christendom, and other religious groups, and implemented as social capitals in many organizations. (Ahmed, 2004; Martin, Chau & Patel, 2007; Wepener, Swart, Ter Haar, & Barnard, (2010). It is important to inculcate the values and principles of culture particularly religion in our efforts to alleviate poverty.

Focusing on Christian congregations in poor socio-economic contexts in the Western Cape and KwaZulu-Natal & Wepener *et al*, (2010) aimed at understanding social capital formation through the lens of religious ritual. The research builds on the hypothesis that social capital has a role to play in the related goals of poverty alleviation and social development. According to Hafez, (2011) women's Islamic activism as a form of worship engaged in a continuous exercise of self-fashioning towards a fixed 'religious ideal' in order that the desires and subjectivities of Islamic women that inform their activism are ultimately linked to the historical emergence of secularism and state modernization schemes aimed at transforming Muslim subjects into modern citizens of liberal democracies. This in a way portends the endless struggles and moves to employ religion as a means to empower people and alleviate their poverty.

As emphasized by Hossain (2012), the economics of religion has contributed much to economists' understanding of human behaviour. In this research, they have argued that religion can have an important effect on the level of income of its adherents by altering their preferences towards afterlife consumption and by requiring time and monetary commitments that discourage the acquisition of material wealth. This approach is unique because it focuses on familiar microeconomic principles of utility and constraints. They further argued that income deters religious participation by inducing a substitution between market-earnings and religious activities. Simultaneous estimation of these hypotheses offers strong confirmation. By better understanding religion's role in its participants' lives, economists can further advance their understanding of human behavior.

5.0 CONCLUSIONS AND RECOMMENDATIONS

This study investigated the process of micro-financing and poverty alleviation in Nigeria, and particularly examined the mediating effect of borrowers' culture, religion and occupation on poverty alleviation-loan repayment.

The major problems confronting microfinance bank in Nigeria are the problem of small capital base, high interest rate and infrastructure. Loan acquisition by MFB customers influence their wealth creation and improve their quality of life.

Borrower's culture, religion and occupation significantly affect poverty alleviation and loan repayment among MFB beneficiaries. However, the effect was more pronounced with the borrower's culture. The probability of alleviating poverty and loan repayments among beneficiaries declined with increase in borrower's culture.

We noticed that even after collecting loan from the MFBs majority of the borrowers were still in poverty and

they found it difficult to pay back their loan. This may be that the beneficiaries are diverting the loan for other use or that the business cycle for which the loan is used for might be shorter. It is therefore recommended that the MFBs should monitor the loan granted to their customers and also review the duration of loan based on the business cycle of the borrowers' businesses.

Training and retraining of borrowers on areas such as manpower development, marketing skills, entrepreneurship skills and other non-financial services should be considered by MFBs to enable the borrowers create wealth and improve their standard of living and be able to make repayment.

There is need for all relevant (government and non-government to structure their assistance efforts in ways that build up indigenous systems and capacities that support entrepreneurs.

The need arises for government to formulate and implement policies that will address the problem of low/declining revenues accruing to the small and medium enterprises and provision of training to address production needs, marketing activities and technology acquisition/management issues.

Government should create a good enabling environment for the MFBs by ensuring political stability, a stable macro-economy environment, low inflation rates and basic amenities and facilities in order to have a sustainable microfinance intervention and keep infrastructures that can link remote areas to market. There is need to improve transparency of the financial system, which in turn would assist MFBs to evaluate loan repayment risk more effectively and avoid problems associated with hazardous exposure.

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