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ELIMINATING POVERTY THROUGH MICRO-CREDIT DELIVERY: EXPERIENCE FROM HOST COMMUNITIES

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ABSTRACT

This study examines the delivery of micro-credit schemes as corporate social responsibility strategy for eliminating poverty In the host communities of two major oil and gas corporations In Nigeria. An in-depth review of related literature identified two key parameters for assessing the performance of micro-credit schemes, sustainability index (SI) and repayment rate (RR), which are strong determinants of outreach or of the propensity to extend the scheme from first tranche to subsequent tranches. In all, 25 schemes implemented in Rivers, Bayelsa, Imo and Delta states of Nigeria were studied (8 by Shell and 17 by Agip). A two-test approach was preferred using one-sample t-test on the one hand and bivariate regression analysis (f-test) on the other hand, The one-sample t-test compared sample mean with population mean (represented by the industry proxies), and the f-test measured the extent to which repayment rate (RR) contributed to implementing subsequent tranches. It was found in both cases that performance was significantly below expected standards, that repayment rate has a significant influence on outreach, and that it dwindles away by each tranche. It was therefore concluded that the micro-credit schemes sponsored by major oil and gas operators have not contributed significantly to solving the poverty problem. It was recommended among others that extensive research involving baseline studies of the communities should be conducted with a view to harnessing and standardizing traditional credit delivery systems, and that credit should be market-based while donor corporations must accept to detach themselves from the delivery system in order to dispel any negative perception.

INTRODUCTION

The issue of poverty and material deprivation among Nigerians is deep especially in the rural communities. Nigeria ranked 157th out of 177 countries assessed in the 2009 UNDP Human Development Index (HOI), and contrary to the opinion of the country's administration that only 54 percent of its population faces extreme poverty, the 2009 African Peer Review Mechanism (APRM) report puts the figure at 70 percent, implying that with a population of over 150 million, Nigeria hosts about 6 percent of the world's poor. This is not too surprising for a country that has been experiencing de-industrialization since 1981 with Largely dysfunctional pro-poor policy institutions. If all was well, these institutions would have generated a spin in the economy so that the poor people are drawn into the spin even if they are mere objects rather than actors in the economic stage.

To be poor is to suffer economic deprivation, social exclusion, psychological withdrawal, communal indignity, political irrelevance, and many more. For instance, global income distribution indicates that 94 percent of world income goes to 40 percent of the people, while the other 60 percent must live on only 6 percent of the world income (Yunus 2008). Again, poor people are most vulnerable to environmental hazards, natural disasters, social abuses and judicial injustices. Sometimes the need to survive through these challenges compels them to become deviants in society, indulging in prostitution, crime, and other forms of social vices. For the urban poor, the same survival instinct drives them to operate micro businesses in shackles and at illegal sites, which are occasionally raided and brushed down by government authorities in charge of urban planning and beautification.

LITERATURE REVIEW

The Background of Nigeria's Poverty Problem

Several efforts have been made by government, multilateral organizations, transnational companies and even high net worth individuals to eliminate or reduce poverty. Some of these efforts are; Operation Feed the Nation, School-to-Land, National Directorate of Employment, Structural Adjustment Programme, Better Life for Rural Women, Directorate of Food Roads and Rural Infrastructure (DFRR1), Nigerian Agricultural, Cooperative and Rural Development Bank, (NACRDB), Agricultural Development Programme (ADP), Peoples Bank, NEPAD, NAPEP, LIRE, NEEDS, etc. In the Niger Delta, the following institutional commitments have been made; 1.5% derivation, OMPADEC, 13% derivation, NDDC, state governments' development agencies, various programmes of oil and gas companies directed at developing their host communities such as Sustainable Community Development by Shell and Green River Project by Agip. Also, some international organizations have made efforts to reduce poverty in Nigeria, and they include World Bank's International Finance Corporation, and African Project Development Facility, European Union's MPP3 and MPP6, UNDP, UNIDO's SME clusters and common facility.

The main thrust of poverty reduction strategies by these bodies can be summarized as follows: wealth creation and employment generation through growing the private sector, value reorientation, reforming government and institutions to be more effect in service delivery, human development, developing physical infrastructure, industrialization, universal primary education, improved health care fur all, good governance, transparency, accountability, environmental care, etc. Despite these commitments in resources to eradicate the state of misery, the poverty phenomenon has continued to grow at alarming rate.

Bartle (1998), believes that often times these institutions fail because they fail to attack (or prevent) the major factors that cause poverty, which include colonialism, slavery, wars (not excluding tribal, religious, and ethnic crises as well as conflicts leading to destruction of lives and properties), conquests, and exploitation. Some of the strategies adopted by these agencies rather than reduce poverty actually exacerbates the causes of poverty such as when conflict arises between communities that are targets of poverty reduction programmes. According to Bartle (1998), having identified the origin of poverty, institutions and agencies should pay attention to the following critical factors: Ignorance, which means lack of knowledge, such as information on market, business opportunities or sources of funds; dependency, which demands concerted effort to encourage self reliance rather than giving handouts, stipend or grants to the less privileged; disease, which has strong relationship with productivity; apathy, which has to do

with peoples' unwillingness to change things, to right a wrong, or to fix mistakes. Sometimes, apathy breeds apathy especially when one is unable to achieve a goal and would also restrain others from achieving the same goal. An example of apathy seated in religion or custom may be when a person accepts what exists because God has decided his fate or that the ancestral spirit wished so. A contrary view is expressed in the following Russian proverb: "Pray to God but also row to shore". The fifth factor is dishonesty and it includes corrupt governance as well as the opportunity cost of untrustworthy behaviours. The existence of these factors contributes to the continuation of poverty in our societies and therefore must be the targets of any pro-poor reform initiative.
Also sharing the same opinion is Yunus (2008) who believes that the problem of poverty persisted because the numerous institutional strategies and initiatives have not been effective, that government alone cannot provide the answer, that non-governmental organizations (NGOs) or Not- For-Profit organizations have proven to be an inadequate response to this social problem as resources available for charity are often very minimal, that multinational institutions have always missed the targets because they are self-serving, slow moving, conservative, inconsistent in policies and like governments, bureaucratic. Their strategy of eliminating poverty through large-scale economic growth is also faulty because the growth may be occurring even at the expense of the poor. Besides, the poor people are conceptualized as objects, and their potentials as independent actors are excluded in the elegant economic theories that guard the policy frameworks of these institutions.

According to Yunus (2005), the conceptualization of some human beings as 'labour' in the theoretical framework of economics took the rest of the study of the subject on a completely wrong track and is responsible for perpetuating poverty. He emphasizes that it is our policies borne out of our reasoning and theoretical framework, with which we explain interactions among institutions and people that caused the problem of poverty and that it is the failure at the top, rather than the lack of capacity at the bottom which is the root cause of poverty. He further explained:

> *Economic theory in its simplest form visualizes people as providers of labour. They are born to take orders from a small group of a very special kind of people known as entrepreneurs'. These special people are the only people who can think, organize, and act. All other people simply fill in the work slots created by the thinking and driving people. The level of well-being of the working people depends on the level of their wages. After creating a world overwhelmingly populated by uninterested working people, economic theory gets busy with the interesting people - the entrepreneurs because they are the movers and shakers of the economy.. Powerful institutions are built, rebuilt, and improved; support systems are created, detailed legal systems developed, policies formulated, guidelines created, and research undertaken,*

> *all to ensure that the movers and shakers of the economy find it convenient to* go *in the direction they wish to go, and are able to utilize every last bit of their talents without any hindrance.*

Yunus (2005) went further to imagine a counterfactual condition of economic theory built on the axiom that all men and women are potential entrepreneurs, based on his belief that every person, poor or affluent, is endowed with unlimited creativity. He concluded that it would be difficult to end poverty unless a new economic thinking far detached from our existing orthodoxy is evolved, and that mindset is centred on social entrepreneurship.

Next is the response from corporations, especially those in the oil and gas industry in Nigeria. The hue and cry of politicians, community-based pressure groups, youth organizations, women leaders, militants, and many other agitators have led to increased participation by corporations in their social responsible to the host communities. The major players in the sector such as SPDC, NAOC and TotalFinaElf have over the years moved away from first being reactive, then defensive and later accommodative. Today, some corporations make hardly-confirmed claims about being proactive in their approach to social responsiveness. Others invest huge sums in publicity trying to tell the world of their 'ecocentric' management strategies. In the views of Bateman and Snell (2004), a corporation that is rated reactive in its approach to social responsiveness denies responsibility and so does less than required. One that is rated defensive merely admits responsibility but does the least that is required. Again, a corporation rated accommodative accepts responsibility and does all (most) that is required. And finally, one rated proactive in approach anticipates responsibility and does more than required.

There are two dissenting views to the issue of corporate social responsibility. The first, grounded in the essence of capitalism and stemming from the agency theory, is that corporate managers are agents of shareholders vested with the primary responsibility of maximizing profit. As Milton Friedman succinctly puts it "the social responsibility of business is to increase profits". Therefore corporations only help to improve the quality of life (of host communities) provided that action also increases profits. Again, society relies on economic valued added profile of corporations such as retained profits, social responsibility and taxes for improved quality of life, (Dagogo, 2009). Thus, the higher the economic performance of a firm, the more socially responsible the firm is. The second view is based on ethical considerations and the business judgment rule which allows managers wide latitude in policy if it can be justified (Bateman and Snell 2004). Within this range, managers could take up responsibilities that are socially appealing to the society. Again, managers should be motivated by moral reasoning rather than profit maximization reasoning alone because such actions might just provide the license to operate in the host community or might serve as its competitive advantage.

For Yunus (2008), socially responsible business should be built on good intentions, not one that is seemingly cosmetic with the ambition of exploiting even the poor such as spending a paltry amount on social responsibility yet spending huge sums on projects that deepen society's problems. Again, those with good intentions also run up against the problem of maximizing the wealth of their shareholders and so are often reluctant to invest in social responsibility projects if an alternative income generating investment offers higher returns. They would only consider social investments that do not prevent them from maximizing their returns. But if this happens then such project loses its 'socialness'. On the other hand, if managers embark on social project and in due course fail to optimize profit, shareholders would regard it as corporate financial irresponsibility. For Yunus, the talk about 'triple bottom line' of financial, social and environmental benefits associated to social responsibility is a mere heresy because in reality a 'single bottom line' of financial profits prevails. However, neither managers nor shareholders could be blamed as their actions are reflections of the very concept of business that is at the centre of capitalism.

This is where the problem lies and this is the reason for Yunus' preference for an alternative business philosophy that has as its primary objective the maximization of social profit the same way the capitalist-driven enterprises expect to maximize personal profit. Therefore, some socially- motivated people, called social investors, could invest in social enterprises driven by social entrepreneurs. The major difference between these two business orientations that could in fact operate side-by-side is that shareholders' wealth maximization is the primary objective of personal- profit driven enterprises and social responsibility is only a non-market based secondary objective. On the other hand market-based social profit maximization is the primary objective of social enterprises with the chance of generating attractive personal profit as a secondary goal. This study therefore examines the micro credit schemes implemented by major oil and gas corporations in Nigeria as social responsibility strategy in their host communities. It is an evaluative study that assesses donors' ethical, social and economic justifications as well as the recipients' overall commitment to succeed using the Grameen bank experience as benchmarks.

The Concept of Micro Credit

The concept of micro credit began with the effort of a single person, Muhammad Yunus, a Bangladeshi Professor of economics, who felt betrayed by the orthodox economic theories that failed to offer solution to the famine that raged Bangladesh about 1974. Living at close proximity with excruciating poverty, the university professor wanted to do something immediate to help people around him get by another day a little easier than the previous day. Along the line, he shockingly found how poor people, especially women struggled helplessly to secure small sums of money to support their efforts to eke out a living. He was further dazed to observe the extent of slavish and shylock-type conditions imposed by money-lenders and directed at women who borrow sums as paltry as USSO.64. After several failed attempts to connect these poor people with banks, he first offered to become their guarantor, then, encouraged by the 100 percent repayment rate and the desire to expand the programme, he pioneered the establishment of the very first bank for the poor in 1983 named Grameen Bank. As at 2003, this bank had made loans totalling US$4.8 billion to over 4 million people with repayment rate of 98 percent. According to Yunus (2005), impact studies on Grameen Bank indicate that 5 percent of borrowers come out of poverty every year.

Today, there are nearly 100 countries delivering Grameen-type micro credit schemes. In Nigeria, Peoples' Bank was set up to administer small loans to rural people following the success of Grameen Bank in Bangladesh. Unfortunately, the politicization of its board, management and service delivery led to its insolvency and eventual merger with Nigerian Agricultural and Cooperative development Bank (NACB) and Family Economic Advancement Programme (FEAP) that resulted in Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB), which is also stunted by the same characteristics of public enterprises in Nigeria (Dagago, 2006). Also, lessons from the failed People's Bank as well as the liberalization of the financial sector thattock place in 1986 culminated in the establishment of community banks. These banks, rather than becoming true rural finance institutions, merely became an extension of the commercial banks in the communities with the usual excuses for not lending to poor people.

Not too long ago, the Central Bank of Nigeria (CBN) granted license to interested private sector operators, NGOs and rural finance institutions to set up rmcrofinance banks which also permitted the existing community banks to recapitalize and convert to microfinance banks. This was indeed an opportunity for microfinance NGOs that were *abi initio* not permitted to receive public deposits, relying only on donors, which limited their outreach. Also, while the contextual meaning remains the same in Nigeria, there seems to be some changes in the terms, which ordinarily could change the conceptual meaning too. For instance, the original term 'micro-credit' cannot conceptually mean 'microfinance', drawing from our understanding of the study of finance. There are two broad types of capital: debt and equity, and credit is another name for debt. If we simply define finance as the process of raising and allocating capital, it follows that microfinance will be the process of raising and allocating capital for micro-enterprises. Therefore microfinance could only be a combination of micro-credit (given that credit is another name for debt) and micro-equity. Now, what constitutes micro is relative to the socio-economic circumstances prevalent at the time and place. The question is: do these microfinance banks deliver only credit (debt) or do they also offer equity-type instruments such as community-based venture capital financing?

Even though there are no tangible equity instruments in their business models to suggest the proper use of the concept of microfinance, it may not be considered as misconception *yet,* until it s obvious perhaps that there are also no implici services rendered by these banks as an indication of their commitment to the borrowers' success, so that if the borrower fails then they have also failed, similar to the thinking of the equity investor. More confusing is the attempt by different financial institutions to tag just any financial product for small businesses as .rucro-crecit such as agricultural loans, cooperative loans, savings bank loan, furies from thrift societies, and other collective investment schemes. The CBN definition of micro-credit puts the credit ceiling at N250,000 (CBN 2008), and a micro-entrepreneur is a self-managing business owner that employs not more than five persons that are mostly family members, apprentices or those undergoing some form of coaching or mentorship.

Implementing and Supervising Micro Credit Schemes

Today, the process of delivering micro-credit is more experiential than taught in any formal institution of learning. The subject matter of micro-credit, its implementation, monitoring and evaluation are rarely found in any conventional academic book, be it economics, finance or management. Yet, certain unique features make it different from credit administration in mainstream finance and economics. It is still considered a virgin area in intellectual exercise, whereas there are lots of materials that showcase various experiences of micro-credit. Soon, universal principles would evolve to standardize implementation procedures, theories, would be propounded to explain phenomena, and evidence from research and experience in this area would represent incremental knowledge that goes to consolidate it as a distinct field of study. Accordingly, the template produced by Bartle (2004) and copiously adopted by SPDC, NAOC, and other development agencies is described below.

Micro-credits are generally small unsecured short term loans repayable within twelve (occasionally eighteen) months, attracting minimal interest rate, and are of three types: revolving loan scheme, credit guarantee schemes and the village banking scheme. This paper describes the first type which is mostly applied in host communities. Some of the specific objectives of implementing the schemes in these communities are: to increase the earning capacity of rural people, to put local productive resources into effective use, to promote self-reliance through self-employment, to empower those individuals at the periphery, and to obtain license to operate. The target of most micro-credit schemes is usually women because they are not only the most vulnerable to the incidence of poverty, but *evidence* shows that they are less likely to default in repayment than men. However, the service is occasionally extended to retirees and youths.

Inputs for the scheme, usually loan find and capacity building, are from donors, in this case, the oil and gas corporations. The loan fund passes through micro-finance banks or any bank branch at close proximity, whereas the capacity building sessions are mounted by enterprise development consultants or NGOs. Three sessions are mounted: the first session comes up before the disbursement of the loans and aims to sensitize the potential loan beneficiaries. The second session, also before disbursement, aims to improve their business literacy, and the third session, which comes up in the second quarter after disbursement is aimed at reinforcing their business skills with particular interest in monitoring and tracking performance. The scheme is meant to provide finance for micro enterprises in community's preferred sectors such as weaving, fishing, petty trade, catering, fish mongering, seaming and grocery. The justification is that tt-ese first timers to formal credit financing would have opportunity to build viable trac« record in credit utilization and repayment that would advance them to greater heights.

Members of the target community are encouraged to form business trust groups but occasionally family trust groups up to a maximum often to constitute a scheme. Each trust group (with not more than ten micro entrepreneurs) appoints a representative who serves on the Scheme Management Committee (SMC), which is the governing body charged with the responsibility of overseeing the aaily administration, keeping records, rendering periodic accounts to donors, acting as link between the scheme and all external parties, taking legal responsibility, holding regular meetings, ensuring proper loan utilization, conducting loan monitoring and recovery drive, submitting monthly or quarterly performance reports, etc. The trust groups are also encouraged to make regular deposits into a central account managed by the SMC with records of deposit maintained by the individual, trust group as well as the SMC. No less than six months from commencement of weekly or monthly deposits is required before final approval is given for disbursement. On approval, MOUs are signed by the three parties involved: the donor, the consultantlNGO and the SMC, and the loan is disbursed through the trust groups to the individual beneficiaries. Loan sum received is subject to the outcome of credit needs assessment, which also depends on the nature and stage of business. Since revolving loan schemes are disbursed in tranches, only half of the membership will benefit in the first tranche.

Usually, a period of moratorium is enjoyed by the beneficiaries, which ranges from two to four months. Thereafter, the consultantlNGO teams up with the SMC to commence repayment drive. On successful repayment, say 85 percent, the funds would be re-disbursed to the second tranche participants. One year after receiving micro-credit, monitoring teams are sent to assess the performance of the beneficiaries and the entire scheme, speci1ring relevant performance indicators such as outreach, sustainability, effectiveness of the inputs and the overall impact in the community. Instruments like Project Logical Framework and Result-based Management technique are used in monitoring and evaluation (Licon, 2003). It is the impact of the scheme in fighting poverty vis-a-vis the amount disbursed, the supervision received and the repayment rate that constitutes the purpose of this study. Accordingly, the following hypothesis was formulated: *the micro-credit schemes in the host communities are not sustainable.*

METHODOLOGY

This is a descriptive desk-top research that examines the extent to which oil and gas corporations have alleviated poverty through micro-credit delivery using secondary data, precisely monthly, quarterly and close-out reports from two major oil and gas operators (SPDC and NAOC) and three consultants/NGOs that have facilitated micro-credit scheme for these corporations. They include Centre for Corporate Policy and Strategy Research, Wider Perspectives ltd, and Global Konsults. In all, twenty-five micro-credit schemes were studied, 8 were sponsored by SPDC, and 17 by NAOC. These schemes were implemented in Rivers, Bayelsa, Delta, and Imo states, and in communities that, without sounding sentimental, are peculiarly host to major operational installations that have hazardous impact on the environment. Relevant data from various reports covering July 2004 to June 2007 were extracted and re-presented applying the same performance indicators used in monitoring and evaluation of the schemes. These indicators served as the basis for calculating the sustainability index upon which each scheme was assessed. The indicators and their weights are tabulated below:

Table I. Calculation of Sustainability Index (SI)

S/N	Sustainability Indicator	Weight
1	Repayment rate of 75% and above,	3
2	Leadership effectiveness of SMC	1
3	Group participation and cohesion	1
4	Effective record keeping and application of management skills	1
5	Transparency and sincerity in scheme governance	1
6	Capacity to retain fund and conduct business within the community	1
7	Evidence of additional financial and management support from other donors	1
8	Viability of micro-businesses in the scheme	1
	Maximum Points	10

Note "For repayment rate, 50-74% attracts 2 points while 25-49% attracts 1 point
'All other variables were clearly bifurcated between 1 point for 'yes' and 0 for 'no'

Various repayment targets are established for micro-credit delivery but the one applied here is 75 percent being that recommended by Bartle (2004). This is preferred because of its universality. Thus, this becomes the benchmark for measuring aggregate performance amongst the 25 schemes. Secondly, various agencies use different ways of determining sustainability to justify,' their perceived relevance or risk of a given project but at worst a midrange is often targeted. Therefore, an SI of 5 represents the cut-off point for flagging a sustainable scheme. In both cases one-sample t-tests were conducted with test values of 75 percent repayment rate and an SI of 5.

In addition, since outreach (i.e, the number of those impacted) is a function of repayment, a bivariate regression model is specified to explain this relationship by estimating the expected increase in the number of subsequent tranche beneficiaries (STB) given a change in repayment rate (RR). Thus, STB f(RR);

where STB = Subsequent Tranche Beneficiaries; and RR Repayment Rate. Assuming a linear relationship, this is written in the form $STB = a + \beta RR + \mu$ where a is the intercept of STB axis; β is the parameter of the independent variable (RR); and μ is the error term. The estimate of the true parameters (a, β) at the determinant (RR) is written thus: $S\bar{T}B = (a + \beta \bar{R}R + \varepsilon$; where c is the estimate of the error term μ (Koutsoyianis 2001).

DATA ANALYSIS

Table 12.2 below shows secondary data extracted from various reports and the descriptive statistical summaries drawn from it.

Table 2. **Summary of Secondary n.l.**

S/N	Scheme/ Community	Nature of Business	FTB	SI	RR(%)	Loan Sum	Amount due at 20% IR
	NAOC						
1	Aggah	Sundry	50	7	75	2500000	3000000
2	Obigbor	Farming	50	1	13.6	2500000	3000000
3	Obagi	Farm products	50	1	15	2500000	3000000
4	Okwuzi	Sand dredging	50	2	21	2500000	3000000
5	Ebogoro/Obie	Sundry	50	2	33	2500000	3000000
6	Obakata	Grocery	50	1	21	2500000	3000000
7	Obiete	Grocery	50	2	46.4	2500000	3000000
8	Usomini	Grocery	50	3	40	2500000	3000000
9	Mgbede	Livestock	50	3	51.3	2500000	3000000
10	Idu Ogba	Sundry	50	0	13	2500000	3000000
11	Obrikom	Sundry	50	0	8	2500000	3000000
12	Ndoni	Sundry	50	0	0	2500000	3000000
13	Abalagada Aboh	Sundry	25	2	25	2500000	3000000
14	Agwe/Utumeriji	Cash crops	25	0	0	1250000	1500000
15	Utue/Obiofu/Ogbo	Cash crops	25	0	0	1250000	1500000
16	Ogwuta	Provisions	50	2	0	2500000	3000000
17	Etekwuru	Sundry	50	0	0	2500000	3000000
	SPDC						
18	Soku men	Fishing	75	2	50	3750000	4500000
19	Offoboko Women	Fish mongering	44	3	62	1100000	1320000
20	Abonnema	Grocery/fishing	44	2	35	1760000	2112000
21	Bassambiri	-	0	0	0	2368492	2842190
22	Bakana	Fish mongering	50	1	14	1500000	1800000
23	Ayaminima	Deep sea fishing	45	1	14	2750000	3025000
24	Umuodiogha	Farming/livestock	50	2	41	1800000	1980000
25	Soku women	Fish drying	75	2	57	3750000	4500000
	Total		1158	39	635.3	58778492	70079190
	Mean		46.32	1.56	25.41	2351140	2803168
	Standard dev		14.98	1.53	22.36		
	Std Error mean			0.306	4.471		

Key: FTB is First Tranche Beneficiaries; SI is Sustainability Index; RR is Repayment Rate, IR is Interest Rate

a. One Sample t-test

As described by Cooper and Schindler (2001). one-sample t-tests are used when there is a single sample and there is need to test the hypothesis that it comes' from a specified population such as determining the statistical difference between the mean of observed frequencies and that of frequencies expected based on some theory or benchmark. The hypotheses for the one-sample t-tests are stated as follows:

1. Ho: μSI? $\geq$ 5 i.e. there is no significant difference between the mean of SI in the sample and proxy for SI.
2. Ho: μRR? $\leq$ 5 i.e. there is no significant difference between the mean of RR in the sample and that of the international benchmark.

Tne decision rule is to reject null hypothesis if t-value calculated is not significant at p $\leq$ 0,05.

Table 3 **Summary of One-Sample t-test**

	Test Value = 5					
Variables	Mean	t cal	t critical value	df	Significance	Mean Difference
SI	1.56	-11.244*	1.721	24	0.000	-3.440
	Test value 75					
	Mean	t cal	t critical value	df	Significance	Mean Difference
RR	25.41	-11.090*	1.721	24	0.000	-49.588

Source: SPSS Output

**Statistical significance at p< 0.05.*

Table 12.3 above gives the mean of SI and RR as 1.56 and 25.41 respectively. It further shows that the difference between the mean of SI (1.56) and the test value of 5, which is the proxy for the industry standard, is significant at 100 percent level of confidence, therefore Ho was rejected. Secondly, the mean of RR (24.41) was found to be significantly different from the test value of 75 which represents the industry benchmark, therefore Ho was also rejected. This is rtr.er Indicated by the differences between t-calculated and the critical values oil for each variable. The negative values of the mean differences suggest that the test values were more than the samples mean values in each case.

b. Bivariate Regression Analysis

Here, the coefficient of determination (R^2) was the basis for stating the nyoothesis. It is the proportion of the total variation in the dependent variable. STB that is explained by the independent variable, RR, (Gujarati and Sangeetha, 2007). The null hypothesis (Ho) is 1 = 0, which means that the net regression coefficient in the population is equals zero; and the decision rule is to reject Ho if f -value is flagged as significantly different from zero at p 0.05.

Table 4. **Summary of Bivariate Regression Analysis**

Model Summa		ANOVA (STB)		Coefficients	
R	0.465	Sum of squares	5383.4	Unstandardized	0.311
R^2	0.216	Degree of freedom	24	Standardized	0.465
Adjusted R^2	0_182	Mean square Regression	1163.5	I (constant)	9.256"
				t (RR)	2.518"
Sid Error of Est	13 545	F-calculated	6 34"	Sig [constant)	0000
				Sig (RR)	0019
Durbin-Watson	1.746	Significance	0.019		

Source: SPSS output

"Statistical Significance for pö.a.05

The results above show among other statistics the foltowinq R^2 = 0_216, standard error of the estimate =r13_54, and F-statistic = 6.34. This means that the net regression coefficient (0.465) in the population was greater than zero and the probability (p) that it was significant was 0.0 19. Therefore, Ho was rejected, implying that changes in STB can be explained by changes in RR. A more specific interpretation is that a hundred percent increase in repayment rate would cause about 46.5 percent increase in second tranche beneficiaries. This is precisely so because RR could only account for 21.6 percent of changes in second tranche beneficiaries, as reported in the summary above.

DiSCUSSION OF FINDINGS

Firstly, it was found that the observed values of sustainability index and repayment rates were far below the expected values, and secondly, repayment rate has significant influence on the implementation of subsequent tranches and therefore on outreach. The immediate response is that the results did not exactly support, in the case of Nigerian host communities, the thinking of Yunus (2005) that it is the failure at the top, rather than the capacity at the bottom which is the root cause of poverty, because here was an opportunity to improve the livelihood of the poor to escape from poverty, yet the capacity of those at the bottom to sincerely utilize the funds to raise themselves up one step was inadequate. In the light of this appalling result, the argument by Yunus (2005) that credit (at least micro-credit) should be accepted as a human right because it helps to liberate someone from servitude may not hold sway especially in the world of capitalism, where every rational investor expects maximum returns even if it is a social responsibility investment with corresponding social returns, because in our world, there is no free lunch.

Sometimes, it may be necessary to address the capacity issue in terms of people coming out of the shell of entrepreneurial docility before any advocacy for credit as human right because it would only be a futile effort as this study has shown. In otner words, apathy or ignorance might simply be the cause of poor performance rather than lack of finance (Bartle 2004). However, this is not to undermine the effects of other extraneous forces such top level corruptions, nepotism and sharp practices in our delivery systems, which alone can incapacitate the entire project.

Secondly, the study revealed that repayment rate (RR) could only explain 21.6 percent of changes in outreach, implying that 78.4 percent should be contributions from other donor agencies, group savings efforts, personal commitments, government interventions, high net worth individuals, etc if the scheme must remain viable. This further implies that any scheme that wanted to survive would have explored other financing windows rather than pitching its tents with the oil and gas corporations alone. It could be stated without prejudice that one of the reasons for poor repayment is deliberate and blunt refusal to make repayments because of the commonly held opinion that such loans were actually windfalls from the oil and gas corporations, and were not meant to be repaid. As if to support this claim, defaulters never faced stringent punitive measures and no legal action proposed, as such action might attract negative publicity.

CONCLUSION AND **RECOMMENDATIONS**

The Nigerian oil and gas host communities are noted for amazing paradoxes. Abundant human and natural resources have had little impact in the communities, so also in this case the availability of micro-credit has had very little impact in poverty reduction. Repayment rates dwindle away by the year, schemes are hardly sustainable, and outreach is a far cry from planned targets. Yet donors are hard pressed to initiate more micro-credit schemes, which in the mindset of the recipient, are more like grants than anything to be called loan. In all, the micro-credit delivery has not succeeded in spinning the local economies enough to move some people out of poverty just as 5 percent of Grameen Bank borrowers come out of poverty annually (Yunus, 2005).

Microfinance has come to stay as a veritable branch of finance. Relegating intellectual exercises in this area to the background or even in the hands of overburdened operators can only sub-optimize the dividend of effective micro-credit delivery. As we continue to rely on the experiences of other countries without domesticating such experiences before application, we are bound to face challenges that were not anticipated, which may also lead to another failed attempt to prop up the poor. Extensive research involving baseline studies of the communities should be conducted. Traditional financial institutions and their credit delivery systems should also be studied with a view to hamessing them and standardizing procedures in line with mainstream credit administration.

Secondly, the idea of free funds discourages competition and breeds laxity. Thus, loan funds should be market-based, administered by professional credit administrators, and supervised by independent enterprise development consultants so that defaulters could be made to face unpleasant consequences. To do this, the donor corporations must accept to detach themselves from the delivery system in order to dispel any negative perception. The dilemma that ensues between projecting their identity in order to take credit as donors and remaining underground in order to achieve high sustainability and repayment rate is an extension of the conflict between personal profit-driven and social-objective driven enterprises.

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