

# The Impact of Training on the Customers of Microfinance Banks in Ado Local Government of Ekiti State

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## **Abstract**

*The study examined the impact of training on the customers of microfinance banks in Ado local government of Ekiti State, Nigeria. The objectives of the study were to find out if training programmes were put in place for the customers of microfinance banks in Ado local government and the extent in which the training programmes had positive impact on the customers. The study employed descriptive research survey design. The population consisted of all the customers and staff of all the microfinance banks in Ado local government. The total population of the customers was ten thousand nine hundred and that of the staff was thirty. Simple random sampling technique was employed to select 60% of the customers of the banks. All the members of staff were sampled. Five research questions were raised, and three null hypotheses were formulated and tested at 0.05 level of significance. All the null hypotheses were rejected. The finding of the study revealed that there were training programmes put in place for the customers of microfinance banks in Ado local government, but the training seemed not to have positive impact on the customers probably because of the focus of the training. The study therefore concluded that more focus training should be put in place for those who have access to microfinance bank loan.*

**Key Words:** Training, Customers, Microfinance banks

## **Introduction**

Efficient and effective financial services are essential for small scale business and for wealth creation and poverty reduction (Eluhaiwe, 2011). Such financial services must be consistent and must be long term with low interest rate. But unfortunately, the Nigeria banking system seem not to have preference for these. Rather, it seems to be interested in short term loan with adequate collateral before loan could be given out and their main targets are commercial cities and the individuals who have the financial muscle. The poor and the low-income earners are left out by the formal financial system (Jegede, Kehinde and Akinlabi, 2011).

The unwillingness and sometimes inability of the formal financial institutions to provide financial services to the poor because of their inability to provide collateral led the Federal Government about twenty years ago to introduce microfinance banks to the system as it has been done in places like Bangladesh, Pakistan and a host of other

poor countries. The thinking of the government is that the provision of the microfinance services to the poor if properly executed is likely to reduce poverty drastically. Access to funds may likely increase employment opportunities, enhance household income and create wealth among the poor and low-income earners. Microfinance banks provide financial services to the poor and low-income earners who do not have access to formal financial institutions.

Since the introduction of the program the number of poor and low-income earners seems to be increasing by the day. This suggests that microfinance is not achieving what it is meant to achieve. During these years several studies have been carried out. Most of the researchers on microfinance focused their attention on access to loans and credits or on financial constraints of the poor in accessing loans (Oladejo, 2013; Ashamu and Sikiru, 2014; Azim and Antoni, 2015). They concluded that what the poor and the low-income earners needed to get out of poverty is access to loans and credits. Despite the injection of financial capital little seems to be achieved with regards to the impact on economic outcomes for the poor and low-income earners. While it may

be true that having access to funds is necessary to meaningfully engage in business. It may be far from the truth that it will automatically lift a poor person from poverty. What is observed is that the poor and the low-income earners rarely have formal training in financial literacy. Building capacity in financial literacy is essential if the mission of poverty alleviation is to materialize.

The concept of training as a research variable could appear over flogged. But most of the studies carried out by researchers on training have focused on the training of employees. That is, most of the scholars who have worked on training have looked at it from the perspective of the employers (Onyango and Wanyoike, 2014; Githinji Angela, 2014; Diab and Ajlouni, 2015). Other scholars have looked at training from the perspective of organizational benefits (Chukwunenje and Igbokwe, 2011; Abdus, 2011, Khawaja and Ahmed, 2013; Ganesh and Indradevi, 2015). Most of the available literature reviewed seemed not to have examined training from the perspective of the customers.

This study therefore, focused on the impact of training on the customers of microfinance

banks in Ado local government of Ekiti State. The researcher observed that the beneficiaries of microfinance banks might not be performing up to expectations not because fund made available through microfinance banks is inadequate, as suggested by some researchers (Zaman, 2000; Dahiru and Zubair, 2008) but it seems the absence of adequate and focused training of customers might be in one way or the other responsible. The observation made is that the performance of the beneficiaries seems to suggest that adequate training might not be given before or after receiving the loans. This study is therefore, embarked upon to find out if the microfinance banks in Ado local government has adequate training programme in place for their customers and the effect it has on them with regards to using the funds available to change their conditions and that of the nation for the better.

### **Literature Reviewed**

In the literature reviewed on microfinance one could establish some major positions. One of the positions established was that training had positive impact on the customers of microfinance banks (Mohammad, 2016; baig et.al, 2016; Olusoji

et.al, 2017). But there were some researchers that could not establish such relationships (Dean and Martine, 2011; Ondoro and Omena, 2013). Other discoveries made were that relationship could be discovered between microfinance and poverty eradication. Some of the researchers maintained that microfinance had positive impact on the poverty eradication (Agbaeze and Onwuka, 2014; Onwuka and Udeh, 2014; Ashamu and Sikiru, 2014). Conversely, others have not been able to establish any relationship between microfinance and poverty eradication (Lawan et.al, 2015; Awoyemi et.al, 2015; Anis, 2015).

With regards to the impact of training on individuals working within the organization, some were able to establish that there was relationship between training and individual performance within the organization (Hafeez, 2015; Saba et.al, 2015). Others carried out research to find out the impact of training on organizational performance (Pallavi, 2013; Falola et.al.,2014; Rchardson, 2014; Ganesh and Indradevi, 2015).

Apart from the fact that these studies could only tell us that there is a relationship but

failed to tell us to what extent training has impacted on customers and organizations. Another major gap is that the study on training was done to find out the impact of training on employees of the organization. Very few available studies looked at the training that was tailored towards business and finance. Also, very few studies looked at the training of customers that generated income for the organization. Besides, the researchers do not look at how poverty could be reduced through training of the customers to use the funds available judiciously. Rather, researchers looked more at the possibility of giving more to the beneficiaries for them to expand their business and thereby reduce poverty among the populace. This study is aimed at filling the gap observed in the existing studies.

### **Objectives of the Study**

The overall objective of the study is to examine the impact of training on the customers of microfinance banks in Ado local government. The specific objectives are:

- i. To find out if training programme is available in the microfinance banks in Ado local government;
- ii. To find out the type of training programme available in the microfinance banks in Ado local government;
- iii. To find out the duration of the training programme;
- iv. To find out the period it takes to train the customers of microfinance banks;
- v. To find out if the customers are being influenced positively by the training programmes.

### **Research Questions**

The following research questions were raised to guide the study.

- i. Do the microfinance banks in Ado local government have training programme in place for their customers?
- ii. At what point is training done for the customers of microfinance banks in Ado local government?
- iii. How long are the customers given training by the microfinance banks in Ado local government?
- iv. What type of training do they have in place for the customers?
- v. To what extent does the training programme have influence on the customers of microfinance banks in Ado local government?

### **Research Hypotheses**

The following null hypotheses were formulated and tested in the study at the 0.05 level of significance.

**Ho1:** There is no significant relationship between financial training and productivity of the business of the beneficiary of microfinance loan of Ado local government area.

**Ho2:** There is no significant relationship between financial training and the living standards of the beneficiary of microfinance loan of Ado local government area.

**Ho3:** There is no significant relationship between financial training and modification of the behavior of the beneficiary of microfinance loan of Ado local government area.

### **Methodology**

The study adopted descriptive survey of correlation method. The reason for adopting descriptive survey research design was that the study aimed at finding out whether training programme was in place at the microfinance banks and the influence it had on the customers of ado local government of Ekiti state in Nigeria. The study took place in Ado Ekiti, the state capital of Ekiti state. The population consisted of all the customers and staff of all the microfinance

banks in Ado local government. The names of the banks are: Ulayin microfinance bank; Trans-wealth microfinance banks; and Lapo microfinance bank. The total populations of the customers are ten thousand and nine hundred and that of staff is thirty.

The study employed simple random sampling technique to select 60% of the customers of the banks which translated to six thousand five hundred and forty (6,540). The entire members of staff were sampled because of the small number. Two types of instruments were designed for this study namely: Impact of training Questionnaire and the performance of bank customers' Questionnaire. Closed ended or structured questionnaire was adopted as instrument to collect data from the respondents due to large number of respondents.

The questionnaires were administered by the researcher and three research assistants. The data collected and collated during the study, were presented in tables. The research questions were analyzed using descriptive statistics of percentage, mean and standard deviation, while for the hypotheses the correlation analyses were used to test each of them at 0.05 level of significance.

### **Discussion of Findings**

The study investigated the impact of training on the customers of microfinance banks in Ado local government. The study was carried out among the staff and customers of three microfinance banks in Ado local government. The research design employed for the study was descriptive study of survey type. Simple random sampling was used to select six thousand five hundred and forty from a population of ten thousand and nine hundred. The whole staff was sampled due to the smallness of the number. The instrument used was questionnaire.

The major position established in the literature reviewed was the impact of financial training on the customers of microfinance banks. Although some studies could not establish such impact. The gap observed was that those who established a relationship could not demonstrate the extent of the relationship. It was also observed that nothing had been done on the impact of training on the customers of microfinance banks in Ado local government. In view of these, five research questions were raised, and three hypotheses were formulated and tested. The three null hypotheses formulated and tested were rejected.

The findings of the study revealed that most of the beneficiaries of the microfinance loans are people not excluded by the commercial banks. Apart from the fact that most of these people are literate that is, they have one degree or the other from tertiary institutions they also have sources of income from which they could remit to banks on a regular basis. It was also discovered that the duration of training was long, but it seemed that the training was not focus on what could help the beneficiaries to take decisions that could affect their business in a positive way. The major finding was that there was a positive relationship between the financial training and the performance of the customers of microfinance banks in Ado local government.

### **Conclusion and Recommendations**

The study investigated the impact of training on the customers of microfinance banks Ado local government of Ekiti State. It was noted that training variables significantly correlated with the performance of customers of microfinance bank in Ado local government. Likewise, it was found that training variables were found to be strongest predictors of positive performance of microfinance customers in Ado local



government. This implied that the more training the customers have in financial accounting and business-related issues the more likely the loan they obtain from microfinance banks would have positive impact on their conditions and on the policy of poverty eradication in the nation at large.

Based on the findings the following recommendations were made:

- i. That customers should be given financial training on loan obtained;
- ii. The training programme should be based on the needs of the customers;
- iii. Those trained should be monitored to know how far the training is helping them in their business;
- iv. The government should ensure that before anyone or group of people is given license to operate microfinance bank that such individual or people have robust programme on training and competent people to execute the programme.

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