

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS, CONCLUSION, RECOMMENDATION**

#### **5.1 Discussion of Findings**

This study set out to assess the impact of microfinance institutions on economic development, using the Nigeria Police Microfinance Bank (NPMB) as a case study. The findings from the data analysis reveal significant insights into the contributions of microfinance loans, investments, and deposits to economic development.

The analysis indicates that microfinance loans provided by NPMB have a strong positive impact on economic development. All respondents confirmed access to loans, with 90% acknowledging that such loans have helped improve their income or business ventures. Furthermore, loan access was linked to job creation and personal financial stability. These results support earlier findings by Apere (2016) and Olowe et al. (2013), which highlight the pivotal role of microfinance loans in enhancing entrepreneurial productivity and livelihood security.

While 100% of respondents acknowledged that microfinance investments reduce unemployment and enhance access to financial services, over 75% disagreed that the bank visibly supports small businesses or entrepreneurship. This discrepancy suggests a need for greater transparency and direct community-level investment visibility. Nonetheless, 90% of respondents agreed they had benefited from investment-related activities, aligning with studies such as Sultan and Masih (2016) that show a long-run positive impact of microfinance investment on growth.

Deposit services were highly rated by respondents. All participants reported making regular deposits, and over 90% affirmed that the process is easy and supports financial planning. This highlights the success of NPMB in encouraging savings culture, a core goal of microfinance as suggested by Reddy and Malik (2011). These savings can potentially serve as

a foundation for future investments and loan access, thereby driving sustainable economic development.

Despite the positives, several challenges were identified. High interest rates, rigid loan repayment structures, poor digital banking infrastructure, and substandard customer service were common complaints. These challenges, also documented by NDIC (2016), can hinder the accessibility and impact of microfinance services.

Regression results confirmed that:

- Microfinance loans had a strong significant impact on economic development ( $R^2 = 0.67$ ).
- Investments showed a moderate but meaningful relationship ( $R^2 = 0.37$ ).
- Deposits were also significantly correlated ( $R^2 = 0.62$ ).

These findings validate the research hypotheses and align with studies that affirm the microfinance-growth nexus (Murad & Idewe, 2017; Ezeudu & Emori, 2017).

## **5.2 Conclusion**

The study concludes that microfinance institutions, particularly the Nigeria Police Microfinance Bank, play a crucial role in driving economic development. Loan accessibility has enhanced financial independence, supported micro-enterprise development, and contributed to poverty reduction. Investment activities, although less visible, have had a positive effect on employment and financial inclusion. Deposit mobilization has instilled a saving culture that promotes economic discipline and resilience.

However, operational challenges—such as high interest rates, strict loan conditions, and weak digital banking systems—dampen the full potential of microfinance services. If addressed, these constraints can further amplify the contribution of microfinance to inclusive growth and poverty alleviation in Nigeria.

### 5.3 Recommendations

Based on the findings, the following recommendations are proposed:

1. **Review Loan Interest Rates and Repayment Terms:** NPMB should adopt more flexible loan repayment schedules and consider reducing interest rates to enhance affordability and accessibility.
2. **Strengthen Investment Visibility and Transparency:** The bank should increase direct engagement in small-scale businesses and visibly promote entrepreneurship programs, particularly for youths and women.
3. **Improve Customer Service and Digital Banking:** Training for staff, timely response to customer complaints, and investment in mobile banking platforms will enhance user satisfaction and service delivery.
4. **Expand Financial Literacy Programs:** NPMB should conduct outreach and education campaigns to increase awareness of available microfinance products and their benefits.
5. **Enhance Regulatory Oversight and Monitoring:** Regulators such as the Central Bank of Nigeria should intensify oversight to ensure MFIs operate efficiently and inclusively.