
Religious Importance of Microfinance Bank: A Christian Perspective

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Abstract

In the age of globalisation and increasing global disparity between the rich and poor, the world has seen the rise of a new and celebrated poverty-fighting strategy in the past decades. Microfinance banks provide financial services to poor entrepreneurs, most commonly small loans to help poor individuals start or grow small businesses. Previous studies on microfinance banks have majorly tilted towards its economic, sociological and psychological perspectives with insignificant attention paid to its religious importance. This research work is undertaken to examine the importance of religion to microfinance bank using Christian based microfinance banks as a model for the study. The work was intended to achieve the following objectives: to ascertain the extent to which microfinance bank has impacted the lives of the people that it is targeted towards which is the active poor and to determine the significance of religion to the operations of the bank. The study adopted Max Weber's theory of religious economy, which hinges on the role of Christianity in the management of economic organisations. The basic research instruments used in this study were oral interview, participatory observation and the use of relevant literatures. The data was properly analysed and discussed. The study observes that microfinance bank has a religious influence based on operations or services on savings, deposit, loans and asset acquisitions. The research identifies the religious importance of the bank which is evident in manifestation of charity, premised on trust, biblical context of usury; it inculcates Christian teachings and inventiveness. However, the study identified some challenges with the bank in which some of the challenges are quite peculiar to the microfinance system of operation. These challenges include; limitation in scope, Central Bank directives, abuse, difficulty in monitoring and competition. Nevertheless, these have in no way reduced the efficiency of the bank in some areas. It is therefore evident that despite the challenges, microfinance bank has contributed immensely to national economic development and this has been achievable due to its religious importance. This work proves beyond measure that religion has not lost its relevance and it's not only a spiritual reality but a social phenomenon. It is an important tool that helps various economic institutions in the society to function well. The study recommends more of religious teachings inculcated into microfinance banks in order to have a growing and sustainable microfinance industry and also brings to limelight the religious importance of microfinance bank which can serve as a spring board for further researches.

Key words: Microfinance bank, Christianity, Religion, Social, Economic Development

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1. Introduction

In the past, government-initiated series of micro programmes targeted at the poor, with the overriding objective of making credit readily available to those who were traditionally denied access to it. Such credits were used for the development of small and medium scale enterprises, which have been described as the spring board for sustainable development. In all emerging economies, like Nigeria, the government has shown a great concern for the development of small and medium scale enterprises because of the underlying socio-economic factors plaguing the nation. Some of the reasons for this include: the failure of past policies to generate efficient self-sustaining impetus needed to uplift the country to the stage of growth, the increased emphasis on self-reliant approach to development, and the recognition of the fact that dynamic and growing petty business can contribute substantially to a wide range of developmental objectives. However, the full potential of the micro business in the development process has not been realised, owing to numerous bottlenecks. In the light of this, the Central Bank of Nigeria (CBN), as part of its reform agenda, initiated microfinance banks, a policy initiative aimed at bringing credit to the doorsteps of the poor who do not have access under the conventional financial system.

One of the problems faced in Nigeria today is poverty. It stands as a threat to national development and also hinders economic boom. About one million people globally live in households with per capita income of less than one dollar per day. There are people who have great business ideas but no means to fund them. Even in the church, many people are living within the poverty range and little or nothing has been done to assist the people. Sometimes programmes that involve giving out welfare packages are given to people and after a while, they return to the poverty angle. Instead of providing them with what will sustain them for a while, it is important that the church provides them with resources on “how to catch fish.”

Microfinance banks are agents of socio-economic development in developing countries. People have innovative ideas for their business but they lack financial resources to implement their ideas. This results to low economic activities in developing countries and it leads to poverty, unemployment and poor life standards. In view of this, the research tends towards answering the following research questions: is microfinance bank simply an economic, sociological or psychological issue? Of what importance is religion to microfinance banks in general? What is the rationale for establishment of microfinance bank by the church? Does it make a spiritual sense? And how does this contribute to socio- economic development? The thrust of this work is to examine the religious importance of Microfinance Bank, bearing in mind the role of Christian organisations in the development of any nation.

Christian Organizations and Socio-economic Development

The complementary role played by Christian organisations in the socio-economic development of many countries cannot be underestimated and as a result, many governments in the world

do not hesitate to use people of religious faith as a medium to deliver public services.¹ Mersland et al indicated that, “religion may influence the perceptions and behaviours of several parties in the development process.” They further observed that many aid and developmental organisations are based on religious principles and are managed by people who are inspired by religious beliefs.² In the microfinance industry, several actors are helping to expand the industry and this has been achievable due to the importance of religion that has been attached to the bank.

Microfinance has emerged as a growing industry for providing financial services to very poor people. It denotes the provision of financial services adapted to the needs of low income people such as micro entrepreneurs, especially the provision of small loans, acceptance of small savings deposits and simple payment services needed by micro entrepreneurs and other people.³ Microfinance services are generally provided by microfinance institutions commonly abbreviated as MFIs. The categories according to which MFIs are classified differ throughout literature. Siebel mentions three important branches of MFIs: indigenous associations like ROSCAs, cooperatives and banks.⁴ In literatures of microfinance, the term microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them. Microcredit refers to small loans given to clients by microfinance institutions or banks. It is a component of microfinance in that it involves providing credit to the poor but microfinance also involves additional services such as savings, insurance, pensions and payment services. In the course of this work, both terms will be applied where necessary, as they are important to the study. It is undeniable that a lot of faith-based organisations are involved in the steadily-growing microfinance industry and the success of these institutions can be easily traced to their religious influences.

Before now, commercial banks traditionally lent to medium and large enterprises which are judged to be credit-worthy. They avoided doing business with the poor and their micro enterprise because the associated costs and risks are considered to be relatively high. Thus, microfinance bank was considered to be the machinery for financial and economic emancipation as its growth is connected with the community in which it serves. Religious institutions have also actively contributed to making the financial and economic emancipation achievable. For instance, ECWA WuseII microfinance bank is a faith-based organisation that is reaching out to a significant number of poor people, especially the active poor and low-income earners. The idea behind this scheme is to focus not only on the spiritual needs of the people in the society but also to show concern and welfare to the physical needs of the people. The religious importance accrued to this form of banking is the focus of this study.

¹ J.P. Forren, 2006. “Government Support for Faith Based Social Services: A Look at Three Potential Pitfalls. *Journal of Markets and Morality* Vol.9, No.1 p.161-170

² R. Mersland, B. D’Espallier and M. Supphellen, 2013. “The Effects of Religion on Development Efforts: Evidence from the Global Industry and a Research Agenda” *Journal of World Development* Vol.41 p.145-147

³ USAID, 2005

⁴ H. D. Siebel, 2005. “ Does History Matter? The Old and the New World of Microfinance in Europe and Asia.” *Working paper, University of Cologne Development*. Retrieved from <http://www.econstor> on 29th August, 2015

Scholarly studies have been carried out in many areas of microfinance which includes the economic, social, psychological, with little or no work done on the religious importance of microfinance bank. The role of Christianity in the management of economic organisations is in line with the work of some scholars such as Max Weber in his thesis “The Protestant Ethic and the Spirit of Capitalism” 1958, which indicates that Christian philosophies such as Protestantism encourage hard work, the accumulation of wealth and profitable investments in enterprise.⁵ In view of this, we can presume that religious influence in a microfinance institution can help create a good structure and also serve as a motivational force for members of the society to patronise the bank.

There is no doubt that religion is one of the strong factors that influence economic development in nations. According to Nwite and Nelson, churches in Nigeria have contributed immensely to the economic development of the country through investment in different sectors of the economy like estate, capital market, shopping and schools.⁶ The religious importance of microfinance bank is the thrust of this study and it reveals that religious behaviours in the economy of any society are important. Therefore there is a need to look at the various ways in which religion is an important factor in the operations of the bank. Thus, certain religious (Christian) attitudes have positive economic implications.

Theoretical Framework

Providing a theoretical framework for this study, Weber’s Protestant Ethic demonstrates how the values espoused by Protestant denominations at the same time affected individual behaviour in social and market-based contexts. His discourse was on ‘a sense of purpose’ held by Protestants and the effect this had on economic activity. He sought to find out the relationship between religious ideas and the practical ethics of economic activities. He articulated that under certain conditions, religious ideas or beliefs could have a major influence on economic thought and behaviour. Weber’s observation on Protestantism is evident today in “The Oxford Declaration on Christian Faith and Economics,” an influential declaration issued by more than 100 evangelical leaders involved in development practices, academia, banking and finance and the evangelical Christian community from around the world.⁷ This declaration has since been an intellectual foundation to many development projects, including microfinance programs carried out by evangelical NGOs. Weber’s thesis focus solely on Protestantism, the argument here is that the same values he determined to be uniquely held by Protestants in Europe then are, to an extent, commonly held across Christian congregations today. For example, Weber argues that the Protestant “conduct of life” and “attitude to one’s profession” came into being to adapt to capitalism.⁸ He demonstrates that these values (i.e. honesty, duty, stewardship, developing one’s talent and perseverance), were then espoused as

⁵ M. Weber, 1958. *The Protestant Ethic and the Spirit of Capitalism*. (translated by T. Parsons). (Taylor and Francis e-library), Routledge.

⁶ Nwite and Nelson, 2010. Church in Nigeria and Investment Strategies: Problems and Prospect. *Book of Astwilt, Second World Congress on Research and Development*, University of Ibadan, p. 56

⁷ H. Schlossberg, V Samuel and R.J. Sider (eds), 1994. *Christianity and Economics in the Post Cold War Era*. Michigan: Williams Eerdmans Publishing Company.

⁸ M. Weber, 2002. *The Protestant Ethic and the Spirit of Capitalism and other Writings*. New York: Penguin Books, p.13

“Kingdom of God Values.”⁹ Weber viewed religiosity as an independent variable that could influence economic outcomes. Religious beliefs affects the economy by fostering traits such as work ethic, honesty (and hence trust), thrift, charity, hospitality to strangers and so on. By enhancing these traits, greater religiosity could spur investment and economic growth.¹⁰ From this theoretical base, Microfinance Banks are utilising religious values to empower clients by creating a social platform where people’s financial needs can be catered for. Thus, the religious importance of this bank will be explored in the course of this work.

2. Literature Review

Microfinance banks have become an increasingly important component of strategies to reduce poverty or promote micro and small enterprise development. However, knowledge about the achievement of this initiative remains only partial and contested. At one extreme are studies arguing for the economic importance, others, social and the psychological importance. The religious importance of microfinance bank is one aspect that is responsible for its successful setup and operations, but has not been paid close attention and this is the gap this study intends to fill. This section explores the works of various scholars on microfinance. It points out the gaps, weakness and the significance of existing works related to the study. It is expedient that a sound knowledge and understanding of what scholars have done in relation to this topic will be closely reviewed.

Onaolapo and Odetayo opined that microfinance bank is an engine of economic growth especially in the area of global economic meltdown syndrome; its activity cannot be underestimated. According to them, microfinance emerged at the beginning of a shift in development thinking. This shift mirrored change in economic thought and time.¹¹ Weber included that, microfinance supported informal microenterprises through microcredit. The microcredit approach to poverty reduction is the provision of small loans to individuals usually, within groups, as capital investment to enable income generation through self-employment.¹² Nierkerk believed that robust economic growth cannot be achieved without putting in place a well-structured framework. He stressed that microcredit is an important force in an economy and must be extended not only to the poor but to the active sector of the economy.¹³

⁹ C. Sugden, 2003. “Transformational Development- Current State of Understanding and Practice *Transformation*, p.70-80

¹⁰ R.M. McCleary and B.J. Robert. 2006. “Religion and Economy” *Journal of Economic Perspectives* Vol.20 No.2, p.49-72

¹¹ A.A. Onaolapo and T.A Odetayo, 2012. “ Financial Inclusion as Tools for Global Survival in Globally Competitive Environment: Lessons for Nigerian Microfinance Banks” *American Journal of Business and Management* Vol.1 No.4, p. 241-247

¹² H. Weber, 2006. “ The Global Political Economy of Microfinance and Poverty Reduction” in J.L Fernando (ed), *Microfinance: Perils and Prospects*. (New York: Routledge), p.512-528

¹³ V. Nierkerk, 2008. *Real Sector, Key to Economic Growth: The Punch*. (Monday September 22, 2008)

According to Arch,¹⁴ Bhatt and Tang¹⁵ and Khandker¹⁶Llanto¹⁷, microfinance banks play a vital role in providing the poor i.e. small farmers, fishermen and micro entrepreneurs with access to credit and helping them to improve their lives by encouraging entrepreneurial activity leading to economic growth. Micu,¹⁸ has proven that microfinance banks has proven to be a latent tool for poverty reduction by helping the poor increase their income, smooth consumption, build asset and reduce vulnerabilities in times of contingencies and economic shocks. Arch,¹⁹ again observed that microfinance industry is an institution offering financial services to those who were previously marginalised. Chakrabarty and Bass²⁰ ; Sun and Im²¹ and Yunus²² opined that microfinance institutions (banks) have emerged as an important mechanism to overcome voids by providing small and low interest loans to low income individuals for them to establish small business. Yunus further observed that microfinance has corrected market failure by providing access to credit for the poor. This credit has created economic power that has generated into social power lifting the poor out of poverty. Microfinance banks have created unparalleled excitement in the world of economic development.²³

Religious activities influence society in such a way that it can be instruments for establishing networks, that could be of use for economic activities and helpful for establishing trades as in the case of microfinance banks. People who need and benefit from microfinance credit scheme are most often the poor. In those groups, the success of the action including and even especially “economic” action (success in business) is often linked to, or accompanied by a religious behaviour such as advice from the wise, wishes submitted to religious bodies (saints, deities or others), which has little economic visibility, but is a strong influence that shapes the success of economic growth.

On the social side, microfinance banks serve the poorest tier of the world’s economic pyramid. In this regard, Zhao and Wry confirmed that social outcomes such as women’s empowerment, social capital and economic conditions rest on microfinance banks. Microfinance thus, fulfils an important safety-net task, especially in countries where there is no state sponsored social

¹⁴G. Arch, 2005. “ Microfinance and Development: Risk and Return from a Policy Outcome Perspective” *Journal of Banking Regulations* Vol.6 No.3, p.227-245

¹⁵ N. Bhatt and S.Y. Tang, 2001. “ Delivering Microfinance in Developing Countries: Controversies and Policy Perspectives” *Policy Studies Journal* Vol.29 No.2, p. 319-333

¹⁶ S. Khandker, 1996. *Fighting Poverty with Microcredit: Experience of the Grameen Bank and other Programmes in Bangladesh*. (Washington D.C: World Bank)

¹⁷ G. Llanto, 2004. “Is the Promise being fulfilled? Microfinance in the Philippines: Status, Issues and Challenges” *Philippines Institute of Development Studies (PIDS) Policy Notes*, Makati City.

¹⁸ N. Micu, 2010. State of the Art of Microfinance: A Narrative Pinoy Me Foundation. Retrieved from <http://www.hss.de/fileadmin>, August 22, 2015

¹⁹G.Arch, 2005. *ibid*

²⁰ S. Chakrabarty and A.E. Bass, 2013. “ Encouraging Entrepreneurship: Microfinance Knowledge and Support and the Costs of Operating in Institutional Voids” *Thunderbird International Business Review* Vol. 55 No.5, p. 545-562

²¹S.L. Sun and J. Im, 2015. “ Cutting Microfinance Interest Rates: An Opportunity Co-creation Perspective” in *Entrepreneurship Theory Practice* Vol. 39 No.1

²² M. Y. Yunus, 2007. *Creating a World without Poverty*. (New York: Public Affairs)

²³ M. Y. Yunus, 1999. *Banker to the Poor*.(New York: Public Affairs) p. 150

security system.²⁴Chowdhury²⁵ opined that microfinance gives the unemployed and the poor some opportunities, hope and self-esteem. Being employed (whether self-employed or an employer) gives a person a significant boost to his or sense of self respect and dignity. He further added that the socio-economic performances of Nigeria and Indonesia offered the best historical comparisons for poverty reduction as a result of microfinance bank. This points out that microfinance is important to the social lives of people especially countries with large population such as Nigeria. Akingunola et al²⁶ added that microfinance plays a productive role on the life of the poor by offering financial services with supportive services; credibility plays an important role in sustainable human development and childhood of the poor and for women in many contexts are secluded from public space, transacting with formal institutions can also build confidence and empowerment. Their research has also revealed the extent to which individuals around the poverty line are vulnerable to shocks such as illness of a wage earner, weather, theft or other such events. These shocks produce a huge claim on the limited financial resources of the family unit, and absent effective financial services can drive a family so much deeper into poverty that it can take years to recover.

Religion influences the society in various ways as Dzurgba²⁷ opined that religion facilitates social integration. It aids in integrating the entire society and most of the social importance of microfinance is tied to supportive functions of religion in the society. Religion contributes to the proper functioning of religious institutions. Microfinance banks are not only economic institutions but social institutions on the hand. Scholars in this section have written so much on the sociological importance of religion without factoring the role of religion in legitimising the activities of microfinance banks. Religious participation involves important social relationships and thereby builds social capital, but it can also bring spiritual benefits that shape behaviour and outcomes these spiritual and social connections often represent distinct personal endowments which can impact poverty.

Everyday economic decisions often have psychological underpinnings and microfinance is a subfield under economics; we will see the psychology perspective of microfinance banks. Benartzi and Thaler illustrate the importance of psychology on microfinance using important personal choices. Surveying population of individuals planning for their own retirement, the researchers presented information about the distribution of payouts from selected portfolios. The majority of individuals that participated in the survey preferred individual choices. The argument here is that psychology affects all income categories especially the poor who are the major targets of microfinance scheme. It largely has effects on the poor because of their already precarious financial state.

²⁴ E. Zhao and T. Wry, 2014. *Culture Markets and Cross National Variation in the Founding and Social Outreach of Microfinance Organisation Working Paper.*

²⁵ A. Chowdhury, 2009. "Microfinance as a Poverty Reduction Tool- A Critical Assessment" *Economic and Social Affairs Working Paper No. 89*, p.1-13

²⁶ R.O. Akingunola, O.A. Adekunle, K.J. Adegbesan and O.O. Aninkan, 2013. "Microfinance Banks and Entrepreneurship Development in Nigeria: A Case of Ogun State" *European Journal of Business Management Vol. 5 No. 28*, p.100-110

²⁷ A. Dzurgba, 1991. *An Introduction to Sociology of Religion second edition.* (Ibadan: Centre for External Studies.)

The scholarly reviews discussed various sections with respect to their importance to microfinance banks. Religious importance is however opted out and this is the gap this study intends to fill. The Holy book (Bible) contains various texts which are applicable to many issues in life. Religious arguments can however be used for legitimising microfinance banks, because the provision of loans by microfinance bank is more in accordance with religious tradition on charity; giving to the poor. Religious upbringing and active religious participation increase trust. The functions of religion as making events bearable, creating structure in the chaotic world, all affirm a view of religion as not only a reflection but also a source of development. Religion is so important to the microfinance industry that microfinance banking cannot be practised successfully without bearing in mind the importance of religion which serves as a springboard to the success of the organisation.

The Concept of Microfinance Bank

Throughout the world, poor people are excluded from formal financial systems. This exclusion ranges from partial exclusion in developed countries to full or near-full expulsion in less developed countries. The poor have developed a wide variety of informal community-based arrangement to meet their financial needs. Microfinance bank is created to fill the gap.²⁸ Religious institutions such as ECWA Wuse II microfinance bank, Abuja, Ave Maria Microfinance Bank, Oyo State, Eagle flight microfinance bank, Asaba, Delta State etc. have also been a strong factor in creating such financial arrangements for the active poor in order to meet their financial needs.

Microfinance bank can be seen to be a relatively new term in the field of development. Yang traced the earliest history of this institution to China pawnshops which were operated by Buddhists between 317-589 C.E. their modus operandi was in form of reliance on donations and the loaning of such donations to the poor for a pre- determined period. After the decline of Buddhism in Ming between 1368-1644 C.E. and in Qing 1644-1911 C.E, individual members adopted this financial service. This continued to serve until the emergence of conventional banking system in the 19th century.²⁹ Labie and Mersland indicates that present day microfinance emerged since 1970s and this owes much to the cooperative movement and to traditional informal financial practices including financial self-help groups such as Rotating Savings and Credit Associations(ROSCAs) that have been popular for centuries across the world.³⁰ Noibi also added that ROSCAs caters for the need of investors, business men and women who need fairly large amount of money which may be beyond their regular income. ROSCA in particular usually concerns itself with the pooling together of fund from members. Such fund is later made available to the latter to meet specific business goals. It is expected

²⁸N.C. Irobi, 2008. "Microfinance and Poverty Alleviation: A Case Study of Obazu Progressive Women Association Mbieri, Imo State" *Uppsah: Department of Economics*.

²⁹ L. Yang, 1952. *Money and Credit in China: A Short History*. (Cambridge: Howard University Press), p.71

³⁰ M. Labie and R. Mersland, 2011. "Corporate Governance: Challenges in Microfinance" in R.L. Armendariz (ed) *Microfinance Handbook*, p. 283-298

that this money lent to them will be returned over a specific period through their continuous contribution. This will continue until the circle is completed.³¹

Onoyere mentioned specifically some micro/rural credit programs and policies targeted to the poor in Nigeria that gave rise to microfinance institutions. Such programs include the Rural Banking Programme, Sectoral Allocation of Credits, Concessionary Interest Rate, The Agricultural Credit Guarantee Scheme (ACGS), The Nigerian Agricultural and Co-operative Bank Limited (NACB), National Directorate Employment (NDE), The Nigerian Agricultural Insurance Co-operation (NAIC), The People's Bank of Nigeria (PBN), The Community Bank (CB), The Family Advancement Programme (FAP), The Nigerian Agricultural Co-operative and Rural Development Bank Limited (NACRDB), and the National Poverty Eradication Programme (NAPEP) with the mandate of providing financial series to alleviate poverty. Most of these services were mainly directed to the agricultural sector and non-farming activities such as trading, tailoring, weaving, blacksmithing, agro processing, and transportation. However, their effects were short-lived due to the unsustainable nature of such programs.³²

Microfinance banking is an instituted concept for the working poor to access funds without collateral. This concept became a global phenomenon that began in Africa in the 18th century by providing credit to the poor who experience denied admittance to conventional banking.³³ These methods of microfinance lending changed into formalised and properly regulated institutions, going through different phases of the name change comprising People's Bank, Community Bank and now Microfinance bank. The institution of microfinance bank was in 2005 recognised by the Nigerian government as a developmental tool to address the disparity in finance administration in the country.³⁴

According to microfinance policy, regulatory and supervisory framework for Nigeria, "robust economic growth cannot be achieved without putting in place well focused programmes to reduce poverty through empowering the people by increasing their access to factors of production, especially credit." This was the primary aim of establishing microfinance banks in Nigeria. The framework provides a roadmap for the participation of stakeholders in microfinance provision. The microfinance banks are licensed by the Central Bank of Nigeria (CBN), to conduct microfinance operations such as mobilising micro-savings and deposits from the public, extending credit and other financial services to them. The institutions are supervised by CBN and are required to comply with the supervisory and regulatory guidelines for Microfinance Banks (MFBs). The MFBs also set up apex association known as National Association of Microfinance Banks (NAMBs) to create platform for capacity building, generic product of development and marketing as well as information/resource sharing and promoting

³¹ M.A. Noibi, 2007. "An Assessment of Global Microfinance: Models and Lessons for Muslim Practitioners." *Al-fikr Vol.20*, p.62-88

³² I.A. Onoyere, 2014. "Activities of Microfinance Banks as Veritable Tool for Reducing Poverty and Unemployment in Developing Economies: The Evidence from Nigeria" *Mediterranean Journal of Social Sciences Vol.5 No.6*, p.99-107

³³ K. Esty, 2011. "Lessons from Muhammad Yunus and the Grameen Bank Leading Long Term Organisational Change Successfully." *OD Practitioner Vol.23 No.1*, p. 24-28

³⁴ A.A. Ikechukwu, 2012. "Microfinance Banking in Nigeria" Problems and Prospects" *International Journal of Finance and Accounting Vol.1*, p.106-111

best practices among members.³⁵ The responsibilities of microfinance banks was to render services to the working poor, in a dual capacity of social mission and financial inclusion, by giving the working poor access to funds.³⁶ The microfinance credit scheme is a strategic plan of government to use microfinance policy, regulatory and supervisory framework to create a sustainable vehicle for the provision of microfinance services to millions of the active poor all over Nigeria.

The establishment of microfinance policy and supervisory framework for Nigeria was propelled by the need to reduce poverty, generate employment and stimulate economic growth through the provision of credit and other financial products on a sustainable basis to economically help the active poor.

It is pertinent to note that some of the earlier microfinance programmes have not yielded much in terms of contributing to the economic development of the people because the motives or reasons might be selfish or political resulting in it not achieving its aim. However, when religious importance is attached to such programmes, people see it not for their selfish benefit but as a service unto God and humanity that explains the reason behind the establishment of microfinance banks by religious organisations. One striking thing is that microfinance bank emanated as a desire to satisfy the needs of the poor and also to stretch hands of compassion to them which is in line with the emphasis of what the Christian faith encourages. Therefore, microfinance banks that are faith based meets the standards and requirements of the microfinance provision by the Central Bank of Nigeria as well as the Christian religious beliefs and practices.

The church understands that as Christians, it is expected that we help the poor because there will always be the poor amongst us as Jesus admonished before He left the earth. Therefore, it is expected that the physical needs of the people are met and not only the spiritual. When the people are sound financially, they will be able to serve God effectively as a lot of people come to church for various reasons; it could be as a result of bringing needs before God to solve or hoping that there might be physical blessings from the church to the poor people such as welfare packages. However, sometimes these welfare packages may be limited and not able to meet the entire needs of the people, instead they are encouraged to find something doing that will yield profit and so the idea of a microfinance bank was able to attend to this situation.

The researcher observes that the members of the church are largely the investors. They are also the largest shareholders and they also assist the management of the bank in strategizing roles. Although, the churches who are proprietors of microfinance bank has a level of influence on the bank, it does not however, dictates to the staffs and management of the bank their roles and duties. These banks are beginning to gain recognition because it is geared towards assisting the poor and people of low income. The board of directors in the bank constitutes a representative from the different arms of the church. The bank also imbibes Christian principles as a basis for its operations. Exhortations and prayers are performed daily before the commencement of the

³⁵ C.A. Nwigwe et al, 2012. "Microfinance and Poverty Reduction in Nigeria: A Critical Assessment" *Australian Journal of Business and Management Research* Vol.2 No.2, p.33-40

day's activities. Customers are not basically members of the church or particularly of the Christian faith. Their services are open to all people irrespective of their religious affiliation. The staffs of these microfinance bank must however be Christians.³⁷

As a faith-based organisation, it has created a lot of confidence to members of the society because the church represents the body of Christ and, therefore, things are done in an orderly manner and out of deep reverence for God. This initiative has contributed to the nation's economy because it pays taxes, provides job employment, and alleviates poverty and boost economic growth for individuals and micro entrepreneurs. Faith based microfinance banks has truly served as a channel for financial emancipation. Because it is a business outfit owned by a church, they do not succumb to illegal practices or vices that could damage the image of God and the church.³⁸

Religious Importance of Microfinance Bank

The economic sector has been evolving and has seen a paradigm shift in banking process. In recent past, the sector witnessed a little effort from religious institutions ranging from religious organisations depositing funds in banks for future use and saving in banks to avoid theft but currently, religious faiths are contributing to the development of the economy and this has been successfully achieved. The religious importance provides moral guidance and influence people's will to improve their lives. The following are some of the religious importance of microfinance banks.

- 1. Manifestation of Christian Charity:** The common broad understanding of charity is the voluntary giving to those in need. This includes almsgiving. It can also be an institution or organisation involved in helping the needy as well as notions of kindness, benevolence, mercy and tolerance in judging others.³⁹ Charity can also be the providing of goods or money to those in need. Charity is a principle present in virtually all religions, Zakat, Sadaka in Islamic religion and Zedaka in Judaism. The focus of this work is however on Christian charity since the bank under consideration is of the Christian faith. Charity is considered in modern times as a Christian duty. It is a social and human care ministry. Both the Old and New Testaments contain many passages which direct the believers to express charity or love for the neighbour. Over the centuries, the church has attempted to live out this scriptural mandate in concrete ways. Faith based microfinance banks has exhibited this form of charity by providing small loans to people to enable them earn a living rather than leaving them without a source of livelihood. The basis for charity is clearly found in God's charity and love He has for His people (1John4:7-21). Love for neighbour follows from love for God, which in turn follows from God's love for us. Luke 10:25-37 also tells the story of the Good Samaritan. Leviticus 25:35-37 reflects a concern for the poor by stating that "if any of

³⁷Ndidi Eze. Interview Respondent. Company Secretary, ECWA Wuse II Microfinance Bank. Interviewed on 18th May, 2023

³⁸Bola Aliu. Interview Respondent. Head of Operations, ECWA Wuse II Microfinance Bank. Interviewed on 18th May, 2023

³⁹K.O.'Halloran in H. Anheier and S. Toepler, 2009. *International Encyclopaedia of Civil Society* (New York)

your people become poor and unable to support themselves, you must help them...” Exodus 23:10-12, establishes laws that benefit the poor and also Leviticus 19:9-10, Deuteronomy 23:24-25 suggest the theological principles of charity. In the New Testament, 2 Corinthians 8:2-5 emphasises charity. Galatians 6:10 also admonishes that we should help people especially if we can.⁴⁰

In a chapter entitled “The Care of the Poor” in the book *Classical Pastoral Care: Crisis Ministries*, Thomas Oden makes this observation regarding the early church. The classical pastoral writer views care for the poor as a claim intrinsic to the pastoral office; as God has cared for us in our need, so we are being called to care for others in their need. Christians are called to love all humanity, yet the poor, hungry, dispossessed constitute a special claim upon faith active in love because they are most urgently and immediately in need.⁴¹ The need for Christian charity can be exemplified as we see the growing needs of the poor people in the society by supporting them and helping them to still survive amidst life contingencies.

Giving out credit loans and asset acquisition can be regarded as a means by which microfinance bank are supporting the poor. What this microfinance does is to exhibit the act of Christian charity by reaching out to the active poor who have business ideas but no money to fund them. The poor in rural areas are not left out, especially those who have been deprived access to financial services by the conventional banks.

To care for the poor is a central biblical virtue. In fact, work is partly motivated by the opportunity to give to those in need as the bible instructs, “let the thief no longer steal but rather let him labour doing honest work with his hands, so that he may be able to give to those in need” Ephesians 4:28. Serving the poor is a major concern in the teachings of Jesus. For instance, in his response to the young man who claims to have lived a good life within the norms and rules of the law, (Matthew 19:21). He says: “If you would be perfect, go sell what you possess and give to the poor and you will have treasure in heaven; and come follow me.” In line with this biblical imperative to serve the poor, it is argued that Christian microfinance institutions should be at the forefront in reaching the poorest customers as possible.⁴²

- 2. Premised on Trust:** Trust is of paramount importance to drive economic agent towards mutually, satisfactory, fair and ethically compliant behaviours. Trust is an important element in any economic organisation. It has something to do with behavioural expectation and aims at improving the quality of cooperation. It relies on reciprocal beneficial behaviour. Trust includes the implicit promise from one person to the other not to do harm. Trust can also be linked to integrity, reputation for honesty, trustworthiness of the parties involved, competence (technical knowledge and inter-

⁴⁰ Youth Bible, Contemporary English Version. American Bible Society, 2004.

⁴¹ T.C. Oden, 2000. *Classical Pastoral Care: Crisis Ministries* (Baker Publications), p.144

⁴² D. Bussau and R. Mask, 2003. *Christian Microenterprise Development: An Introduction*. (Oxford: Regnum Books)

personal skills to perform the job), consistency, reliability, predictability and good judgement in handling situation, loyalty and openness.⁴³

Faith based microfinance bank is premised on trust; a lot of confidence is meted on the bank because it gives assurance that is not established to defraud or exploit people; therefore, every activity of the microfinance bank is carried out in transparency and trustworthiness. Trust is a standard that is upheld at all times. They would not want to do anything that will drag the name of the church to the mud. Good conduct and trust is one word that cannot be dented for any reason. It is expected that trust, which is a religious virtue, be imbibed at all times even in secular financial organisations. Trust is a necessity in order to ensure good and diligent service to humanity and that which is also acceptable in the sight of God. Trust is required in asset acquisition, deposit mobilisation etc. Due to the standard of trust in this microfinance bank, fraudulent practices are not entertained or condoned from any staff of the bank. The desire to make quick profit at the expense of cheating people is totally unacceptable. Trust plays an important role in any type of financial exchange, and while formal contracts and legal regulations can serve as its substitute, they come at the expense of transaction costs.⁴⁴ Since, trust is present at multiple levels of interactions within microfinance relationships, both between borrower and loan officer, microfinance institutions can use trust to minimise the need for formal contracts and regulations and to serve as an alternative control mechanism.

It is also important to add that in a study of microfinance programs conducted through churches and other community groups, Mpesha found out that, church- based organisations have numerous advantages. They are trusted by borrowers more than any credit provider because beneficiaries see churches as their institutions whose mission is to serve people in the community. A church- based microfinance bank can be an important asset and Christian witness to the community.⁴⁵ Therefore, in order not to damage the church's reputation and further cause ridicule to the Christian faith, trust ought to be an essential factor in the operations of faith- based organisations especially, one concerned with financial matters. For everyone in microfinance today, they must know themselves and be true to each other that they need to be open and honest with each other about their real objectives and commitment to reach them. Trust is the basis of many aspects of microfinance operations and is a critical determinant of microfinance success. Trust governs interactions within borrowing groups, between clients and loan officers and between clients and institutions.

3. Inculcation of Christian Teachings: Microfinance banks owned by a faith- based organisation has important elements that has brought to the world of microfinance an unyielding commitment to the poor based on the simple fact that they understand that as Christians, they ought to set a standard and live a life that is Christ exemplified. The

⁴³J.K. Butler and R.S. Cantrell, 1994. "A Behavioural Decision Theory, Approach to Modelling Dyadic Trust in Superiors and Subordinates" *Psychological Reports*, Vol.55, p. 19-28

⁴⁴ C. Howorth and A. Moro, 2012. "Trustworthiness and Interest Rates: An Empirical Study of Italian SMEs" in *Small Business Economics* Vol.39, p.161-177

⁴⁵ A. Mpesha, 2004. *The Role of the Church in Microcredit Financing for Business Development in Tanzania* in Just Business: Christian Perspectives on Market Place Justice. Proceedings of the Christian Business Faculty Association, San Antonio 28-30th October, p.16

inculcation of Christian teachings has influenced the perceptions and behaviours of several decisions and operations of the bank.

This banking system is an outreach to poor clients: To care for the poor is a central biblical virtue. Serving the poor is a major concern in the teachings of Jesus. For instance, in his response to the young man who claimed to have lived a good life within the norms and rules of the law, Jesus' reply in Matthew 19:21 "if you will be perfect, go sell what you possess and give to the poor and you will have treasure in heaven; and come follow me." Under a purely secular model, the basic values of large groups of poor people are ignored but this bank incorporates the compassionate ministry of Jesus which is aimed at helping the poor and the needy.⁴⁶

The Christian religious teachings, beliefs, behaviours and cognitions foster self-regulation and self-control, which in turn have positive implications in terms of stronger task, diligence, persistence and a better capacity to change behaviour according to the feelings and wishes of the people. The act of self-control has a positive effect on organisational efficiency. The Christian teachings stimulate work motivation by sanctifying work goals. This is because they emphasise character qualities such as compassion, integrity etc.⁴⁷To a greater degree, faith based microfinance banks views its work as a divine calling. The more rewarding they find their work, the more time they spend on their work which creates a sense of commitment in the staff. This further account for the reason they tend to employ staff that are of the Christian faith.

The Christian teachings on forgiveness are a classic virtue which has made them slack in enforcing loan repayment. Although this may have a negative influence on loss efficiency. They do not want to practice enforcement methods; rather they exercise patience on the debtor, especially if they have not been able to pay due to challenges confronting them.

The inculcation of Christian teachings serves as a basis for the operations of faith based microfinance bank because if we look at the parable of the talents in Luke 19:10-24, Jesus depicted a master that praised two servants who were entrusted with money and used it wisely to earn more. He rebuked a third servant who hid his talent in the ground. Like the master in the parable, the bank offers loan to people and expects them to use it wisely by gaining extra income. The literal application of this principle is that instead of giving away money to help the poor, lend it to them and expect them to pay back with interest. This will enable them to work hard rather than being lazy, expecting their needs to be met by Good Samaritans. Matthew 25:27 also supports the deposit of money in the bank for future purpose. The bank receives funds from the church to run the bank with the aim of recovering the loan with interests. Additionally, this creates a favourable impression of Christianity by offering loans to people outside the church, creating an opportunity for the church to show care and compassion to those in need who may not be Christians. It has helped the poor within the church.

From the above points, we can say that microfinance can be seen as a holistic ministry that addresses both spiritual and physical needs and may combine evangelism with developmental

⁴⁶ Joseph Agnes. Interview respondent. Credit and Marketing Dept. Interviewed on the 18th May, 2023

⁴⁷ Monaduakolem Phina. Interview respondent. Banking Operations Dept. Interviewed on 20th, May, 2023

or aid work, because if people's physical (and especially financial) needs are easily met, they can be attracted to God. Therefore, we can say that Christian teachings actively emphasises several values that corroborate the operations or activities of microfinance bank and the inculcation of them will yield a fruitful result in the microfinance industry.

- 4. Biblical Context of Usury:** Through the ages, usury has been condemned by prophets, priests, philosophers and poets of all nations.⁴⁸ It has often been regarded as one of the vilest of crimes. The Hebrew prophet Ezekiel included usury with rape, murder, robbery and idolatry in a list of abominable things that will incur punishment from God.⁴⁹ In the Middle Ages, Christian scholars debated whether usury should be considered extortion or a form of robbery, or a sin against charity and the Holy Spirit.⁵⁰ It is the practice of making unethical or immoral monetary loans that unfairly enriches the lender. It may be considered usurious because of excessive or abusive interest rates or other factors. Historically, the word has been used in specific ways to connote excessive interest.

The bible states explicitly in Leviticus 25:36-37 that usury is forbidden. It is also prohibited in Deuteronomy 15:1-7 and chapter 23:19-20 of the same Deuteronomy that no form of loan should be based on usury. It is perfectly alright to lend at interest to someone but not with the intention of extortion or putting exorbitant interest rates that is beyond the person's financial capacity.

“Thou shalt not lend upon usury to thy brother; usury of money, usury of victuals, usury of anything that is lent upon usury; but unto thy brother, thou shalt not lend upon usury: that the Lord thy God may bless thee in all that thou settest thine hand...” (Deuteronomy 23:19-20 KJV). This verse however, does not apply to excessive interest but any extra payment at all. The prohibition applies only to charitable loans to poor brethren in the faith and to a special category of residents, aliens and men who had submitted to the Mosaic Law. One point to note here is that charitable loan differs from commercial loans.

In the case of microfinance bank, it is a business outfit therefore, such measure as it has to do with interest is involved in order to keep the business running at all times. Although, interest is charged on loans acquired by the bank, it is not on the high side. The intention is not to extort people. The interest charged is still lower and affordable, compared to other secular microfinance or commercial banks. Faith based microfinance banks are not in any way involved in the act of usury because it contradicts Christian teachings and the doctrines of the church. On religious grounds, lending with excessive interest is condemned. The concern of these banks is primarily channelled towards empowering the active poor who wants to be commercially viable, by assisting them with small loans that could enable them to be financially independent. The reason for the interest is to ensure smooth operation of banking

⁴⁸ J.M. Ackerman, 1981. *Interest, Rates and the Law: A History of Usury* (Ariz: St L J), P.61

⁴⁹ Ezekiel 18:10-23 (Revised Standard Version)

⁵⁰ J.M. Ackerman as cited by Joshua Vincent, 2014. “In Historical, Religious and Scholastic Prohibition of Usury: The Common Origins of Western and Islamic Financial Practices” *Law School Student Scholarship*, Seaton Hall University online paper

activities and to be able to increase the amount of loans offered to customers. Sometimes, donation is valued and lack of discipline creates incentives for fraud and mismanagement.⁵¹ Funding business through traditional charity often fails because it is not a market place strategy. Recipients view it as a gift rather than an investment and are less likely to put it to productive use. Many projects conducted with the charity mentality of simply giving away money, goods and services at best do little towards long term development. On the contrary, they facilitate unhealthy dependency. In essence, usury is not encouraged, but giving people money without little interest may make them not to use it wisely as the thought of interest to the money makes clients work hard to earn more. This has lasting effects and strengthens the economy.

5. **It is Inventive:** Having understood microfinance as an effective tool in the economy, and the religious importance of this scheme, it is hereby seen that microfinance can be inventive. Microfinance has proved its value as a weapon against poverty and marginalisation. It further provides better lives for the poor people in the society. It is an instrument that allows communities to prosper, grow productively, raise income, reduce poverty and create prosperity. It provides an opportunity to fund the basic needs and desires of the clients in appropriate ways and also helps them to avoid the feeling of embarrassment that is usually associated with being dependent on relatives, friends and suppliers.

However, since poverty is an unending issue in the society, other religious bodies should be able to emulate the idea of microfinance bank or better still, see the need to embrace the desire of God that poor people are helped out of destitute situations. They can design new process or a mechanism that is geared towards helping the poor. Christian microfinance is a development strategy that works with inherent capabilities. When religious principles are imbibed or cultivated, microfinance programmes will be more successful, especially given that several efforts put by the government to alleviate poverty has not been quite successful. Combining financial services with spiritual development will help microfinance to succeed and thrive. Therefore, the religious importance can be designed into various processes or mechanisms for a sustainable microfinance programme. The world especially needs more churches that are willing to embrace this emerging field. Religious faiths can expand their capacities by walking in line with specific religious beliefs or principles that are concerned with rendering assistance to the needy. There should be a blend of financial services with spiritual support. Microenterprise is valued by most Christian development organisations as an effective market place ministry that proclaims the power of the gospel, builds the local church, empowers the local church and empowers the laity to demonstrate the love of Christ to the poor.⁵² These efforts prove that financial services and spiritual development need not remain in separate realms, but can be combined in innovative ways, enriching the mission field and the society at large.

⁵¹ J.E. Ritcher, 1999. *Dependency! Is Microcredit the Answer?* In Consultation on Dependency and Self Reliance. Philadelphia, p.87

⁵²D. Bussau, 2000. "Challenges Posed to CDOs Engaged in Microenterprise by the Microfinance Industry" *Transformation Consultative Group to Assist the Poor Vol.17*, p. 68-70

When the religious importance is properly invented, it will help the poor within the church and the society at large; it will strengthen the church by improving the economic situation of its members and by putting them in a better position to tithe or donate their time and resources. The success of already existing faith-based microfinance banks can encourage churches and small organisations to enter into the field of microfinance, not neglecting the religious importance which has brought about its success. Bola Aliu, a staff of ECWA Wuse II bank suggests that churches can borrow a leaf from ECWA Wuse II microfinance bank as a means to alleviating poverty and also to improve the living standards of people. Since churches are well integrated in their communities, the church will not need to start from basics but could tap into existing connections and resources since spiritual factors hold in people's lives. It is important that organisations recognise that investment in spiritual transformation is part of national development. The religious importance of microfinance is something that ought not to be neglected because it comprehensively improves lives. As Christian organisations participate in the microfinance industry, their programme must follow a somewhat model in such a way that it is inventible.⁵³

Some Challenges of Microfinance Banks

This study identified some major challenges of ECWA Wuse II microfinance bank, which are also prevalent even among some other microfinance banks. There is a limitation in scope due to the religious affiliation of the bank. The Central Bank of Nigeria has some directives in their regulatory supervisory framework which also pose challenges to this bank. Abuse from insiders and officials of the bank is also of great concern owing to the religious nature of the bank; a lot of advantages have been abused. There is difficulty in monitoring the activities of their clients and finally the tough competition existing between the conventional banks and microfinance banks is a challenge. This is not as though the microfinance banks do not compete either. Competition also exists among fellow microfinance providers because more than five microfinance banks in the same location also constitute challenge for the microfinance industry. Microfinance programmes have structural weakness that serve as potential threat to its actualisation of its expected goals. That is why it is important that religious principles be factored into the system, in order to curb those weaknesses. We need to ensure that religion plays an active role in bringing about the positive change microfinance is expected to bring to the people of low economic status in the society.

3. Conclusion and Recommendations

From the foregoing, it is evident that religion is important in every aspect of the human society and the microfinance industry cannot be left out. It is incontestable that an efficient and effective microfinance system that is essential for building a sustained economic growth must feature religious ideas because religion is a like a fabric that is tied to the identity of the people and very difficult to separate them from it. And as Karl Marx asserts, religion is popular among the poor because it serves as a sanctuary to the everyday harshness of the society. Hence, religious ideas can be fully inculcated into the microfinance system since the target people in

⁵³Bola Aliu. Interview respondent. Head of Operations ECWA WuseII Microfinance Bank. Interviewed on 18th May, 2023

microfinance programmes is the poor. The safety, soundness and stability of microfinance are embedded in the cultivation of religious practices. There is no significant impact of microfinance bank operations without factoring religion and that is the effect ECWA Wuse II microfinance bank intend to produce in their operations. The religious importance brings about high level of performance in their services.

This study has also put in place the role of religion in economic development since microfinance is geared towards economic empowerment. Faith based microfinance banks is a provider of financial services that enable people who cannot access the formal financial sector and this has contributed in its own way to the economic development of the Nigerian nation. The findings of this study have also proved the social relevance of religion to the human society. It also indicates that the Christian inspiration has turned into benefits for people in the society, a pointer that religious practices have served as a spring board unto which microfinance institutions can thrive.

The study on the religious importance of microfinance bank has shown that some religious attitudes have positive effects in the operations of the industry because religion equips people with moral guidance and doctrines. Therefore, it enables individuals act morally in every activity they are involved in. This study, therefore, concludes that religious beliefs, ideas and practices are relevant to the microfinance industry and it should not be relegated in their operations so as to yield effective results.

This study also recommends the following;

1. Religious ideas and principles such as hard work, dedication (work ethic), honesty, diligence, selflessness, charity, kindness etc. should be fully inculcated in the microfinance industry.
2. Microfinance banks should be instituted by other religious organisations and should be able to charge a minimal interest that is not exorbitant or not available to the poor which are the target of this scheme.
3. Microfinance banks should be authorised by the government, if need be, to inculcate religious teachings in their services that will enhance sustainability. This will enable them offer services with a heart to help the poor and not only for profitability.
4. Religion should be given due consideration in the microfinance industry and generally on all economic matters.

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