Effect of Covid-19 Pandemic on Microfinance Banks' Effective Service Delivery in Federal Capital Territory (FCT), Abuja

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A b s t r a c t

Microfinance banking activities have become more complex since the outbreak of covid-19 pandemic and this has changed the mode of banking practices, especially in the Microfinance Banks in emerging business cities like Abuja. Therefore, this study is to examine the effect of the covid-19 pandemic on selected Microfinance Banks' effective service delivery in the FCT, Abuja. Data was collected using the survey research approach and structured questionnaires. Customers, employees, and management from the chosen Microfinance Banks in the FCT comprise the study's population. The sample size for the research, 209, was calculated by taking the population mean assuming that a Z value corresponding to a 1% level of significance would be 2.58 and 0.56, respectively, for a real value of the population mean. In the study, the mean values of the service delivery activity indicators of microfinance banking were estimated using the mean of the descriptive analysis and the SPSS. The research found that the covid-19 epidemic has a negative influence on microfinance bank customers' deposit rates in the FCT, as well as a negative effect on microfinance bank customers' loan application rates in the FCT. The study also found that covid-19 pandemic has a negative effect on microfinance banks' effective service delivery in the FCT. Therefore, the study recommended that banks should create more awareness of online banking transactions to reduce customers staying longer hours in banks and that banks should educate their customers on post-covid business strategies for increased deposit rates, rate of loan application and effective service delivery.

Background to the Study

The outbreak premiered in Wuhan City in December 2019 in the province of Hubei of China. COVID- 19 spread continuously like wildfire all over the world including developing countries like Nigeria. At the early stage of the outbreak, China was the epicentre with reported cases in China or among people travelling from China. Initially, it was South Korea, Italy, Iran and Japan that took a turn after China. Later Brazil, India and gradually moved to the USA and other parts of the Euro and the UK. However, presently, the pandemic has penetrated almost the entire world and not a particular continent, nation could be regarded as the epicentre due to its impact and the havoc it has wrecked upon the goal society (Ayodele et al 2021).

Despite the fact that the reports of cases from China are predicted to have peaked and are already declining (WHO 2020), additional cases reported from nations that were previously believed to be robust to the epidemic have climbed geometrically as a result of higher medical standards, practices, and ethics. While some nations, particularly those in developing nations, have been able to successfully cure reported instances after the deaths of millions, other nations, especially those in developing nations, have been at the mercy of this dreadful illness. Since the outbreak, the effects of the dreaded disease have appeared to be more pronounced than just mortality (the death rate) and morbidity (caring for the incapacitated or people who are incapacitated and unable to carry out any physical activities over a period of time) (Baldwin & Weder di Mauro, 2020).

Most significantly, some fear among businesses and consumers has altered typical consumer behaviour and produced market oddities throughout the globe. Global stock indexes have fallen and been depleted as a result of developments in the global financial markets. The International Monetary Fund predicts that, amid the turmoil and disaster throughout the world, China's growth will slow down by 0.4 percentage points relative to its original objective of 5.6 percent, slowing down by 0.1 percentage points of the global growth. At the height of the epidemic, this was the situation. The financial global markets have always been one of the worst receivers of this shock, most especially the small and medium-scale industries that depend on the performance of the industrial sector to survive. The medium-based financial markets (the Microfinance Banks) and other financiers of the rising businesses are a point of target to the pandemic especially in Nigeria where we have huge informal activities that depend solely on the dealings of the MFBs and also on the other hand the MFBs depends on these informal sector players for effective returns and profits. Anyanwu and Aigbedion(2016) opined that microfinance institutions (MFIs) are one of the ways through which financial support policies to SMEs in emerging countries such as Nigeria can be achieved by the government and this means that most microfinance institutions generate their returns from the Small and Medium Enterprises (SMEs) whose activities were seriously affected by the outbreak of the Covid-19 Pandemic in Nigeria especially FCT(the Federal Capital Territory) alongside other major cities in Nigeria.

Therefore, this study is an attempt to examine the outcome of the covid-19 pandemic on selected Microfinance Banks' effective service delivery in the FCT, Abuja. While the

specific objectives are to:

i.   Examine the outcome of the outbreak of covid-19 on selected microfinance banks customer's rate of deposit in the FCT.

ii.   Investigate the rate of loan application in the FCT by microfinance bank customers following the effect of the covid-19 pandemic

iii. Assess the effective service delivery of microfinance banks in the FCT from the effect of the covid-19 pandemic

Also, the following hypotheses were formulated from the specific objectives and stated as follows:

H_{01}:   No negative effect on selected microfinance banks customer's rate of deposit in the FCT from the covid-19 pandemic

H_{02}:   No negative effect on microfinance banks customer's rate of loan application in the FCT from the covid-19 pandemic

H_{03}:   No negative effect on microfinance banks' effective service delivery in the FCT from the covid-19 pandemic

Literature Review
Conceptual Evaluation
The Microfinance Concept

Any business registered to carry on the activities of delivering microfinance services, such as domestic transfers, loans, savings, and other relevant financial services that are required by a group of people who are economically underprivileged, micro, small and medium enterprises to conduct their businesses can be regarded as a microfinance bank (Aigbedion & Anyanwu, 2016). This is in accordance with CBN regulations and administrative rules for MFBs. The growth in 2007 of microfinance, aims to remove the barrier to low-income people's access to money for developmental purposes. Before the arrival of MFBs, there were Family Economic Advancement Programs (FEAP), Community Banks in the 1990s, Peoples Banks in 1989, etc. (Adeyemi, 2008). According to Ottero (2000), microfinance means the provision of financial services to low-income, poor, and extremely poor independent contractors. Microfinance, according to Nosiru (2010), is a small-scale financial business that primarily provides lending and savings services to the underprivileged. Twenty years ago, microfinance was just the giving of very modest loans (microcredit) to the needy to assist them in starting new profitable business ventures or expanding already established ones.

But as time went on, microfinance expanded to provide more services. As practitioners learned, the poor, who were lacking access to customary monetary institutions, requested and required a range of fiscal products to accomplish significant growth in their business operations (Aigbedion & Anyanwu, 2016). These primarily include insurance, savings opportunity, credit, and transfers of money. According to Ogunleye (2009), the goal of MFBs is to provide financial assistance to the underprivileged, who are often ignored by regular financial institutions. He said that the simplicity of operations, lack of asset-based security, and modest size of loans provided or savings collected are the three characteristics that set microfinance apart from other official financial products. In the

end, microfinance describes loans, chances for saving, insurance, transfers of money, and other financial goods aimed at the underprivileged (Aigbedion & Anyanwu, 2016).

Concept of the COVID-19 Pandemic
In Hubei Province, Wuhan City, China, an epidemic of respiratory sickness cases was initially connected to a new coronavirus known as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2; previously known as 2019-nCoV). Cennimo (2021) describes COVID-19 as a condition brought on by this coronavirus. about December 31, 2019, the WHO got the first report about it. On January 30, 2020, the WHO declared the COVID-19 pandemic a worldwide health emergency. For the first time since the H1N1 influenza pandemic was declared to have broken out in 2009, the WHO declared COVID-19 a global pandemic on March 11, 2020.

SARS-CoV-2 is the cause of the infectious disease known as coronavirus disease 2019 (COVID-19). This information is from Wikipedia (2020). Wuhan, China, first learned about the case and made the connection in December 2019. The complaint has spread worldwide and has turned into a pandemic which has devastated the entire world. Symptoms of COVID-19 vary depending on the individual existing medical conditions but frequently include headache, breathing difficulties, fatigue, cough, fever and loss of smell and taste. The known Symptoms could start from one to fifteen days after contact with the virus. SARS-CoV and Middle East Respiratory Syndrome (MERS-CoV) are two more severe illnesses caused by the wide family of viruses known as coronaviruses (CoV), according to Google (2019). A fresh coronavirus (nCoV) is one with which humans have not before been linked. COVID-19, as defined by the Africa Centre for Disease Control (2020), is a contagious respiratory disease brought on by a novel coronavirus strain that makes people sick.

Empirical Review
In 2020, Salamzadeh and Dana looked at how the COVID-19 outbreak affected Iranian entrepreneurs. The authors identified six important difficulties that the epidemic has posed for Iran's thrifty society. These difficulties include, among others, those related to finances, markets, and crisis management. According to Zhang, Hu, and Ji (2020), the rapid spread of COVID-19 has a major negative influence on the financial markets by producing an unanticipated degree of risk, leading to swift and severe losses for investors. The authors determined that the global outbreak has a significant impact on financial markets by using daily data to examine the trends in stock market reactions. This was achieved by examining the potential effects of policy interference and the depth of these programs' effects. Mass unemployment and economic collapse may be the pandemic's longer-term side effects. The investigation found that all of the nations' risk environments had significantly worsened. Weder di Mauro and Baldwin (2020) used an exogenous shock to explore how uncertainty affected where knowledgeable and uninformed dealers chose to operate on the financial markets. Eventually, we may analyze the case's business-quality implications by capturing market share dynamics and dark pool size as the business instability caused by COVID-19 increases.

In Nigeria, Ayodele et.al (2021), examined the consequences of the COVID-19 pandemic on the performance and results of the Nigerian capital market for 60 days after the first COVID-19 indicator case in Nigeria. Time-series data were used for simple regression analysis and statistical tests like the F- test, T-test and R^2 were also computed. Using, the All Share Index Volume (ASIV) as the capital market variable, the results showed that the R^2 value of 0.034 meant that the COVID-19 pandemic was responsible for 3.4 variations in the capital market variable (ASIV). Other variables outside this model determined the remaining 96.6 variations. The t- value of -1.463 wasn't significant at 5. Also, the F- ratio value of 0.149 at a 5 significance level wasn't significant. The paper showed that there was a low positive correlation between the COVID-19 pandemic and the capital market and in conclusion, the pandemic affected the capital market. However, the paper made the case that to guarantee stability in the operation of the financial market, the central government should take proactive measures against any illnesses that may impact the whole system to become prepared against future financial risk.

Theoretical Framework

The Neoclassical Growth Theory, put out by Solow in 1957, claimed that the success of the financial market is dependent on external variables including labour mobility, economic stability and technological advancements, (Edame, 2013). According to the idea, changes in any of these external elements, such as the COVID-19 pandemic and the world economy, may have an impact on the financial market where microfinance institutions are active. Utility companies will learn about externalities in the 1990s, just as they did with time-of-use pricing in the 1970s. These externalities may also be linked to Covid-19, which has significantly impacted global economic performance. Further, neoclassical theory predicted that electric utilities would play a significant role in achieving the lower emissions targets required by the 1990 Clean Air Act Amendments since they are substantial stationary producers of air pollution.

The techniques outlined in the Act for reducing emissions signal a shift away from the control and command tactics of the past and toward market-based permit systems, which economists have long praised (Crocker, 1966; Noll and Hahn, 1982). Externalities have also been found in other American states and towns. The Chicago Air Quality Management District is looking at marketable permits at the municipal and grassroots levels, while the California South Coast Air Quality Management Department is particularly active in creating market systems. Many state commissions have recently been grappling with the question of if they should embrace their externality programs that would piggyback on federal programs.

Methodology

Population and Sample Size of the Study

The management and employees of the Federal Capital Territory's (FCT) chosen MFBs make up the study's population. However, the research employed the mean sampling approach to calculate the study's sample size since the complete population of the management and employees of the chosen banks was unknown. Thus, the average values or population mean can be obtained by:

$$n = \frac{Z^2\sigma^2}{e^2}$$

Where Z is the Z-statistic (or number) that corresponds to the desired degree of confidence and is a predetermined population standard value The greatest allowable margin of error is denoted by the symbol e. As a result, the research assumed that the population standard deviation for the employees and management of chosen banks in the Federal Capital Territory (FCT) of Abuja would be 0.56 and that the real value of the population mean would be within 10% of the sample mean (Osuala, 2007). The sample size was calculated as:

$$n = \frac{Z^2\sigma^2}{e^2} = \frac{2.58^2 0.56^2}{0.1^2} = 209$$

Therefore, the sample size of this study is 209. However, the random sampling technique was used to select the MFBs and the respondents in the selected banks. Table 1 shows the list of selected MFBs in the FCT.

Table 1: The Selected Deposit Money Banks (DMBs) in Federal Capital Territory (FCT)

S/N	Banks	Respondents	S/N	Banks	Respondents
1	Hasal Microfinance	9	13	Prestige Microfinance	9
2	Nirsal Microfinance	10	14	LAPO Microfinance	9
3	Municipal Microfinance	9	15	EWT Microfinance	9
4	Business Support Microfiaance	9	16	Cafon Microfinance	9
5	Regent Microfinance	9	17	Greenfield Microfinance	9
6	Utako Microfinance	9	18	FCT Microfinance	9
7	Safe Have Microfinance	9	19	Pillar Microfinance	9
8	Mega Microfinance	9	20	Femaz Microfinance	9
9	Future Microfinance	9	21	Fims Microfinance	9
10	BFN Microfinance	9	22	Alpha Microfinance	9
11	Baobab Microfinance	9	23	Anchorage Microfinance	9
12	E-Barclays Microfinance	10	Total		209

Source: Authors Compilation, 2021

Validation of Research Instrument
When an instrument measures what it is designed to measure, it is considered to be valid (Creswell, 2012). The questionnaire will be given to two experts in educational research and statistics and one expert in test and measurement to determine whether the items measured what they were intended to measure to ensure the content validity and face of the items on the device for measuring the different variables in the study. The instrument was confirmed as valid for assessing what it set out to test at least in terms of face validity and content by these experts and my supervisor. Their suggestions and revisions caused adjustments to be made to the questionnaire questions in terms of the appropriateness and accuracy of the words, phrases, and expressions. Sentence structure, tautology, grammatical, and organizational issues with the instrument were found, and the appropriate modifications were made.

Method of Data Analysis
An instrument is said to be legitimate when it measures the variables that it is intended to (Creswell, 2012). To ensure the content validity and face of the items on the device for

measuring the various variables in the study, the questionnaire will be given to two experts in statistics and educational research and one expert in test and measurement. These experts will evaluate whether the items measured what they were intended to measure. My supervisor and these experts both agreed that the instrument was reliable for evaluating what it was intended to measure, at least in terms of face validity and content. The appropriateness and correctness of the phrases, words and expressions used in the questionnaire questions were changed as a result of their comments and changes. The instrument was determined to have flaws with sentence construction, tautology, grammar, and organization, and the necessary changes were made.

Data Presentation and Analysis
Following each research topic, the findings of the data collection are evaluated below; of the 209 questionnaires issued, 203 were valid for analysis in this study and had all required fields filled in.

Table 2: Frequencies and percentages of sex, position, and year of experience of respondents

Sex distribution of respondents	Frequency	Percentage %
Male	97	48
Female	106	52
Total	**203**	**100**
Job Position of respondents	**Frequency**	**Percentage %**
Senior Management	24	12
Junior Management	89	44
Senior Officer	47	23
Junior Officer	43	21
Total	**203**	**100**
Years of Experience of respondents	**Frequency**	**Percentage**
1-10	30	15
11-20	65	32
21-30	85	42
31-above	23	11
Total	**203**	**100**

Source: Administered Questionnaire, 2021.

Table 2 shows the percentages of sex, position, and year of experience of respondents. Information from Table 2 revealed that male respondents in the study are 48%, and female respondents, on the other hand, were recorded as 52%. This data implies that the study respondents were more females than males. It was also observed that about 12% of the study respondents are seniors staffs of the banks that were selected in the study, junior management staff accounted for about 44% of the study participants while senior officers were observed to be about 23%, lastly, the junior staffs were observed to be only about 21% of the total respondents. Concerning work experience, data collected for the study revealed that participants with between 1-10 years of working experience were 15%, 11-20 was 32%, 21-30 working experience were about 42% of the total respondents, while 31 years above was only 11% of the total respondents. The results show clearly that a large percent of the respondents are experienced in the MFBs sub-industry.

Table 3: The effect of covid-19 pandemic on microfinance banks customer's rate of deposit in the FCT.

Covid-19 pandemic has a negative effect on microfinance banks customer's rate of deposit in the FCT.	Frequency	Percentage %
Strongly agreed	77	38
Agreed	73	36
Disagreed	28	14
Strongly disagreed	24	12
Total	203	100

Source: Administered Questionnaire, 2021.

Table 3 shows that 38% of the total respondents strongly agreed that the pandemic has a negative effect on MFBs customer's rate of deposit in the FCT, 36 percent of the total respondents agreed that the pandemic has a negative effect on MFBs customer's rate of deposit in the FCT, 14% of the study's respondents disagreed to the fact that the pandemic has a negative effect on MFBs customer's rate of deposit in the FCT and 12% of the study respondents strongly disagreed to the fact that the pandemic has a negative effect on MFBs customer's rate of deposit in the FCT.

Table 4: Descriptive Statistics results in the effect of covid-19 pandemic on microfinance banks customer's rate of deposit in the FCT (MBCRD)

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
MBCRD	203	1.00	4.00	2.9951	1.00739

Note: The mean of 1, 2, 3, and 4 is 2.50 for this study; a mean rating of 2.51 or above was regarded as a positive impact while a mean rating of 2.50 and less was regarded as no impact in explaining the changes in the variables under study.

The estimated mean statistic for Table 4 was found to be 2.995, which indicates that the COVID-19 epidemic has had a negative impact on MFB's customers' rate of deposit in the FCT. The alternative hypothesis, H1, which states that the covid-19 pandemic has a negative effect on MFB's customers' rate of deposit in the FCT, is accepted because 2.50 is less than the calculated mean, while the H0, which stated that the covid-19 pandemic has no negative effect on MFB's customers' rate of deposit in the in FCT, is rejected.

Table 5: The effect of covid-19 pandemic on microfinance banks customer's rate of loan application in the FCT.

Covid-19 pandemic has a negative on microfinance banks customer's rate of loan application in the FCT	Frequency	Percentage %
Strongly agreed	95	47
Agreed	51	25
Disagreed	30	15
Strongly disagreed	27	13
Total	203	100

Source: Administered Questionnaire, 2021.

Table 5 reveals that 15% of all respondents disagreed with the statement that the covid-19 pandemic has a negative impact on MFB's customer's rate of loan application in the FCT, while 7 percent of all respondents disagreed. In addition, 25% of all respondents agreed that the pandemic has a negative impact on MFB's customer's rate of loan application in the FCT.

Table 6: Descriptive Statistics results on the effect of covid-19 pandemic on microfinance banks customer's rate of loan application in the FCT.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ATMUBC	203	1.00	4.00	3.0542	1.07262

Note: *The mean of 1, 2, 3, and 4 is 2.50 for this study; a mean rating of 2.51 or above was regarded as a positive impact while a mean rating of 2.50 and less was regarded as no impact in explaining the changes in the variables under study.*

Source: Administered Questionnaire, 2021

The average figure in Table 6 is 3.05, which suggests that the pandemic has a detrimental effect on MFB's customers' rate of loan application in the FCT. The alternative hypothesis, H1, which states that the pandemic has a negative impact on MFB's customers' rate of loan application in the FCT, is accepted because the calculated mean statistic is greater than 2.50. H0, which stated that the pandemic has no negative impact on MFB's customers' rate of loan application in the FCT, is rejected.

Table 7: Effect of Covid-19 pandemic on microfinance banks effective service delivery of the in the FCT.

Covid-19 pandemic has a negative impact on microfinance banks effective service delivery in the FCT.	Frequency	Percentage %
Strongly agreed	77	38
Agreed	73	36
Disagreed	28	14
Strongly disagreed	24	12
Total	203	100

Source: *Administered Questionnaire, 2021.*

According to Table 7, 38 percent of all respondents strongly agreed that the pandemic has a negative impact on the MFBs' ability to deliver effective services in the FCT, 36 percent of all respondents agreed with this statement, 14 percent of all respondents disagreed with this statement, and 12 percent of all respondents were undecided.

Table 8: Descriptive Statistics results on the effect of covid-19 pandemic on microfinance banks effective service delivery in the FCT.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
OBTBC	203	1.00	4.00	2.9951	1.00739

Note: *The mean of 1, 2, 3, and 4 is 2.50 for this study; a mean rating of 2.51 or above was regarded as a positive impact while a mean rating of 2.50 and less was regarded as no impact in explaining the changes in the variables under study.*

Source: Administered Questionnaire, 2021

According to Table 8, the computed mean statistic is 2.995, which indicates that the pandemic has a detrimental impact on MFBs' ability to perform effective services in the FCT. The H1 alternative, which states that the covid-19 pandemic has a negative impact on MFBs' ability to deliver effective services in the FCT, is accepted because the calculated mean is greater than 2.50, while the H0 alternative, which stated that the pandemic has no negative impact on MFBs' ability to deliver effective services in the FCT, is rejected.

Conclusion and Recommendations
Based on the specific of the study which is to examine the consequences of the covid-19 pandemic outbreak on selected MFBs customer's rate of deposit in the FCT; investigate the outcome of the pandemic on MFBs customer's rate of loan application in the FCT and assess the effect of the pandemic on MFBs effective service delivery in the FCT, the paper concluded that pandemic has a negative effect on MFBs customer's rate of deposit in the FCT and that pandemic has a negative on MFBs customer's rate of loan application in the in the FCT. The study also found that there was no negative effect from covid-19 on MFB's effective service delivery in the FCT. Therefore, the study recommended the following:

i.   MFBs in the FCT should educate their customers on post-covid business strategies for increased deposit rates and rate of loan application
ii.   MFBs in the FCT should revisit the banking procedures and processes for effective service delivery.
iii.   MFBs in the FCT should create more awareness of online banking transactions to reduce customers staying longer hours in banks.

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