

Effects of Microcredit Scheme on Rural Entrepreneurship Development in Nigeria: A Case Study of Women of Ovia North East, Edo State

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ABSTRACT

The dream of the United Nation's Millennium Development Programme to which 189 countries including Nigeria pledged to eradicate extreme poverty by 2015 can only be achieved if microcredit scheme is given its rightful place in funding small scale entrepreneurs. This study focuses on the effects of Microcredit Scheme on Rural Entrepreneurship Development in Nigeria: A Case Study of Women of Ovia North East, Edo State. The aim is to establish if the availability of micro-credit can contribute significantly to the development and sustainability of the rural woman entrepreneur. A total of 240 copies of questionnaire were randomly distributed on one-on-one basis to rural women micro-entrepreneurs and 225 were found usable. The Statistical Package for Social Sciences (SPSS) version 17.0 for windows was employed for the estimation of data and analysis was by F-statistics (ANOVA) and correlation coefficient presented in a correlation matrix. In the review part of the study, it is revealed that one of the problems that microfinance institutions have faced in Nigeria is that it has always included social welfare projects which divert attention from financial sustainability to welfare issues. However, the study submits that the availability and access to credit increases business profit and hence standard of living of the rural poor. Therefore, all tiers of government in terms of strategic policy formulation and bailout funds to microfinance banks to enable them operate freely and effectively in the nooks and crannies of Edo State in particular and other States of Nigeria as a whole.

Keywords: *Entrepreneur, Microfinance and Economic Development*
JEL Classification: C31, O23, O55 N37, L26, J24

INTRODUCTION

The informal sector harbours the highest number of active poor, who are small business owners that need financial assistance to sustain and develop their businesses (Ekemanah, 2013). Rural women entrepreneurs by virtue of their location and level of education may have good business ideas but lack money to profitably use those ideas. Given the right coaching and financial assistance, these women can become

employers of labour. Before the advent of colonialism, African women played key roles in the socio-economic development of their various communities. However, with the introduction of the Victorian concept which excluded women from the public sphere led to the marginalization of women's role. Consequently, women's contribution in the society became devalued, unrecognized and uncompensated. It is amazing to note that until today in Ovia North East, Edo State, Nigeria; women do not have direct access to credit irrespective of the size of the amount involved. Most of them have to be guaranteed by their husbands, father or brother before the release of loan. Sabarwal and Terrell (2009) find evidence from Latin America which is consistent with facts of this study, that women entrepreneurs are less likely than men to receive formal credit when they apply for it. According to Christen (1997) women contribution to community development is perceived as 'social' and 'voluntary' and thus have no 'economic value' by the International Labour Organization (ILO) System of National Accounts. Such under-valuation of women's work undermines the essential value of women's role in rural development. Thus, this stereotypical labeling of women as helpers and supporters rather than as individuals with economic and political values in their respective rights has created barriers to women access to opportunities for economic advancement. Men are always branded as the 'bread winners' this perception is often reflected in government's policies and their implementation, which are often biased in favour of men. This situation is further compounded by the traditional pattern of inheritance which bequeaths family property to men only. This has led to lack of collateral for the women folk to access credits even from micro-finance banks.

However, the important role of women in the rural development process has been recognized by international organizations and they have sought to adopt measures to enhance women's status and productivity in the process. For example, the United Nations have always addressed the role of rural women in development in its global conferences. Notably, the Beijing Declaration and Platform for Action document of the Fourth World Conference on Women in 1995, gave a clarion call to all member States to enhance at the national, state and local levels, rural women's income-generating potential by facilitating their equal access to and control over productive resources, land, credit, capital, property rights, development programmes and cooperative structures (UNDP, 2007). It is disheartening to note that over fifteen years of this all important clarion call, Nigeria is yet to fully implement most of the issues put forward for immediate implementation.

The Ministry of Women Affairs was established in 1993 to tackle and address the needs of the Nigerian women in order to ensure that they have a fair share in the development process. This ministry has achieved minimal success in ensuring that women were given a quota in ministerial and political appointments but not in the empowering of the grass root woman who is uneducated and needs financial support in form of soft loans. In Nigeria, the contributions of rural women in the development process was particularly brought to the fore during the President Babangida's

administration, through the Better Life Programme (1987 -1993) for rural women instituted by his wife Maryam. The aim of the Programme was to revive rural women's income generating activities as well as mobilize them for group action. Consequently, it led to the formation of more rural cooperatives and associations all over Nigeria. In order to access funds, rural women entrepreneurs have had to form associations to pool resources together to help themselves. Investigation and discussion with some micro-finance banks workers and clients reveal that very few business women have access to loans and this is taken at a monthly compound interest rate of 5% to 10%. There is a common adage that says 'when a man is empowered, an individual is empowered but when a woman is empowered, the whole community is empowered'. If this adage is anything to go by, then the big question begging for answer is why is the rural woman not empowered? What incentives have government put in place to encourage rural women entrepreneurship? Can we be tempted to think that government is ignorant of the enormous effects rural women entrepreneurs can have in the development and transformation of any economy? These are some of the questions this study is set out to find answers to. The main objective of this study is to establish if the availability of micro-credit can contribute significantly to the development and sustainability of the rural woman entrepreneur.

Microcredit Scheme and Rural Women Development

The interest in providing microcredit to entrepreneurs, especially women emerged as a major area of interest for researchers mainly during the nineties. The success of the Grameen Bank in Bangladesh and consequent emergence of micro-credit systems in many developing countries have opened up accesses for productive research. A large body of literature has been produced on Grameen bank as the successful provider of microfinance. Manimekakai (1997) finds that 98% of the 4.5 million borrowers of Grameen Bank among Bangladesh's poorest people, have repaid their loans on time and at the commercial interest rate. The World Bank and the Asian Development Bank have both started to support microfinance in many developing countries and the Grameen experience has been tapped.

Recent developments in Africa and other developing countries reinforce the contention that microfinance or microcredit structures are essential for development of rural areas in consideration of the fact that areas of development have been traditionally urban-centered. As has been argued by the United Nations Capital Development Fund (UNCDF), "the development of microfinance institutions over the last two decades and a number of success stories have lent credence to the idea that microfinance is a major stimulus for development in the countries of the South, and that is a powerful instrument for combating poverty. Microfinance programmes and institutions have gained widespread acceptance across Africa. Research demonstrates that government credit programmes have proved far too costly to access, and they have also always been dogged by poor coordination, inadequate funding, administrative overlap, corruption, general inefficiency and ineptitude. With the help

of external funding from bilateral and multilateral organizations most countries in Africa, including Nigeria have adopted micro-entrepreneurship as an alternative approach to development, in order to avoid these negative tendencies. The intent is to by-pass corrupt public officials, make credit directly available to the very poor and thereby promote their self-sufficiency. The World Bank, United Nation Development Programme (UNDP), United States Agency for International Development (USAID), Canadian, Swedish and German governments have all made funds available to microfinance non-governmental organizations in Nigeria with varying levels of success. It has been identified that one of the problems that microfinance institutions have faced in Nigeria is that it has always included social welfare projects which divert attention from financial sustainability to welfare issues. Thus microenterprises have limitations in reaching their target populations, “the poorest of the poor.” In order to remain relevant and to reach the relevant constituency, a microfinance institution must be able to provide easy loan access to individuals in the immediate environment without much formality. Critics have been quick to point out that the rate of failure of microfinance programmes is an indication that they are not an appropriate policy tool.

Crepon et al (2008) have it that providing access to microcredit did not lead to new business creation but rather to an expansion in the scale of existing businesses. Kaboski and Townsend (2011) utilizing village level differentials in access to credit, studied the impact of the Thai Million Baht Village Fund Program, under which 80,000 villages were provided with a million baht each to start rural bank. They constructed a structural model and used a panel of about 960 households from 64 villages for estimation, which they found significant increase in consumption, but no impact on average investment. The big puzzle here is that evidence has been inconclusive as to whether microcredit fosters investment in existing enterprises. This is surprising, because limited access to finance has always been stated as a hindrance or stumbling block to business growth by entrepreneurs in developing countries. Hard core experimental evidence establishing a causal link between access to microcredit and growth of small scale enterprises is hard to come by. Some economists however, counter that microfinance is needed for cultivating entrepreneurship, and developing the private sector in low-income countries.

It has been estimated that women comprise over 70% of the 20 million of the world’s poorest people now being served by microfinance institutions. According to Umoh (2006), many scholars have seen entrepreneurship development as one way government could empower its vulnerable sectors such as youths, women, the poor and marginalised to get some form of employment, improve their socio-economic well being and even stimulate economic activities at the small and medium enterprise level. For Imhnonopi and Urim (2011), in many nations of the world, entrepreneurship development have been utilised to boost the growth of the local economy, expand the value and supply chains, shrink unemployment, provide market and support linkages for large industries, address existing socio-economic

asymmetries, empower vulnerable groups and improve the standard of living of citizens. They also saw entrepreneurship development as the silver bullet that could lay to rest the raging monsters of underdevelopment, unemployment, poverty and poor standard of living in poor communities all over the world. The declaration urged African governments to initiate priority actions that would “substantially increase female extension agents and fully utilize them to establish cooperatives and rural banks for women.” While African governments have made some feeble attempts to address the issues raised by this conference, substantial progress has not been made with respect to the general welfare of African women. In the area of microfinance and women’s access to credit, most microfinance institutions systematically provide decreasing percentage of loans to women. In most cases, it has been found that women have a smaller loan size ostensibly because women are considered to have a lower capital absorptive capacity than men. Consequently, the women’s loan packages, programmes, and services are smaller thereby limiting the range of their economic activities and returns. Microfinance strategies have therefore been recognized by national governments, donor agencies, and NGOs as strategies for gender equality, poverty alleviation, community development, and above all for women empowerment.

Microfinance, Gender and Empowerment

Most women in Nigeria are considered to be among the poorest of the poor. The state of Microcredit Summit Campaign 2001 Report defines “poorest” as “the bottom half of those living below their nation’s poverty line.” According to the World Bank, Nigeria has a national poverty line of 43% in the 1997 survey year. Within the country, 31.7% in urban areas and 49.5% in rural areas lived below the national poverty line. This means that about half of citizens considered “poorest” in Nigeria live in rural areas. In the year 2000, Nigeria had plunged from the Human Poverty Index (HPI) ranking of 62 in 1998 to 151 in the world. Nigeria’s HPI for 2001 deteriorated to a low 37.6%. This decline trend has continued till date. The importance of this is that the governments of Nigeria need to do more to deal with the ever-increasing incidence of rural poverty, especially as it affects women.

In this regard, microfinance policies are excellent microeconomic tools for effecting the required change. Microfinance program when properly implemented, help not only to reduce poverty but contributes to the empowerment of women. They help place vital resources in the hands of rural women, which otherwise will not be available to them. This helps them increase their economic activities and raise their standard of living in the process. The higher economic status, self-reliance and self-esteem, imbues them with power to make changes and choices about their lives. The choices now made extend to education, housing, health-care, and political participation. The empowerment that is provided by financial access creates further synergies that lead to the acquisition of education and literacy, business training and management, and access to information. Poverty and powerlessness are directly

associated with these factors. However the environment in Nigeria where women are still expected to perform their social functions sometimes detracts from these achievements. In other words, gender stereotypes and expectations remain mired in tradition and will require further action on the part of government and society to break. According to Odejimi (2005), small and medium enterprises sub-sector plays a very important role in economic growth and is generally considered as the backbone of industrial development. Apart from providing opportunities for employment generation and wealth creation through which poverty is beaten back, Small and Medium scale Enterprises (SMEs) help to offer effective means of curtailing rural-urban migration and help in strengthening of industrial inter-linkages and integration. However, the SMEs in Nigeria have not performed to expectation and as such have yet to play the expected role in economic development. While the efforts of the Central Bank of Nigeria so far must be appreciated, it must be stressed that it still has enormous task to ensure the people and especially women at the grassroots are empowered via easy access to credits.

METHOD

This study adopts the survey research design. Samples of women entrepreneurs were drawn from four towns in the Ovia North East, namely, Okada, Usen, Utese and Ogbese. These women belong to rural women associations and are involved in petty trading or small scale businesses. The choice of the towns for respondents was based on the fact that Okada and Usen are communities with higher institutions of learning and hence large population. Utese and Ogbese are also towns situated not more than three kilometers from the University environment and have the potential to tap into the benefits for bigger businesses resulting from the presence of the higher institution. Sixty women were selected from each of the towns making the total sample size of 240. A total of 240 copies of questionnaire were randomly distributed on one-on-one basis to rural women micro-entrepreneurs and 225 were found usable. The questions attempted to describe the sample of women entrepreneurs in terms of their Age, Educational profile, Income, Access to Loans, Membership of Rural Association. The explained variable, Business Performance was estimated based on average monthly profit. The Statistical Package for Social Sciences (SPSS) version 17.0 for windows was employed for the estimation of data and analysis was by F-statistics (ANOVA) and correlation coefficient presented in a correlation matrix. The model to be tested in this study is specified in its functional form as:

$$BP = f(\text{Age}, \text{Inc}, \text{AL}, \text{MRA}, \text{Edu}) \dots\dots\dots \text{eqn. 1}$$

For the purpose of empirical analysis equation 1 may further be simplified as:

$$BP = \alpha_0 + \alpha_1 \text{Age} + \alpha_2 \text{Inc} + \alpha_3 \text{AL} + \alpha_4 \text{MRA} + \alpha_5 \text{Edu} + \mu_t \dots\dots\dots \text{eqn. 2}$$

Where:

- BP = Business Performance
- Age = Individual's Age

Inc	=	Income
AL	=	Access to Loans
MRA	=	Membership of rural Association
Edu	=	Level of Education
U_t	=	Disturbance term
α_0	=	intercept

$\alpha_1, \alpha_2, \alpha_3, \alpha_4$ and α_5 are the model parameters

The apriori expectations with respect to signs are:

$$\alpha < 0, \alpha_1 > 0, \alpha_2 > 0, \alpha_3 > 0, \alpha_4 > 0, \alpha_5 > 0$$

RESULTS AND DISCUSSION

In line with the objective of this study, the empirical result of the estimated Pearson correlation matrix model sought to establish the degree of association or relationship among the variables. From table 1, a close examination reveals that a good proportion of the variables have high correlation coefficients. Most outstanding is the correlation between Business profit and Access to Loans, Income, and Education which stood at 0.899, 0.868 and 0.744 respectively. Access to loans and Income, Access to Loans and Membership of Rural Association also stood at 0.812 and 0.833 respectively. Level of Education is also revealed to having a positive and somewhat high correlation with Access to loans at 0.745. The relationship between Age and Business Profit though low has negative sign suggesting an inverse relationship. This means that the older the women, the lower the profit made. This can be adduced to several reasons like added family responsibilities which impinge on the time and money spent on running the business. The overall result shows the existence of linear relationship between the dependent variable and independent variables. Furthermore, the statistical result obtained from the F-test between Business Profit and other independent variables are shown on table 2.

The result shows that Age has a negative sign which means that the older the individual the less profit that would be generated but this is not significant at 5% level of significance and hence cannot be upheld. Other variables like Income, Access to loans and Membership of a Rural Association show a positive relationship to Business Profit which conforms to our a priori expectation and are significant at 5% level of significance. The findings establish the fact that when an entrepreneur has access to credit either from the bank or an association, it affects positively on the capacity to generate profit. Education as seen from the result with a t-ratio of 1.285 failed the statistical test of significance thus eliciting doubts as to the relevance of Education to Business Profit especially among rural women entrepreneurs. The summary of statistics of the model shows an adjusted R^2 of 0.78 which indicates that the explanatory variables accounted for about 78% of the total systematic variation

in Business Profit (BP). Similarly, the ANOVA results with an F-statistics of 17.04 shows the overall goodness-of-fit of the model at 1% level of significant. The empirical result obtained in this study demonstrates the all important role of credit to the success of any business. The active poor can contribute to economic development via job creation when provided with easy access to credit. It is surprising to note that most of the women in business in Ovia North East have not benefitted from micro loans to enable them expand their businesses. Personal discussions with some of the women revealed that though they may not be educated, majority of them have lucrative and sustainable business ideas. Specifically, the result with respect to Access to Loans calls for immediate policy action by the government both at the federal and state levels. With the current state of the economy and increasing unemployment rate, what Nigeria needs are entrepreneurs that do not have to seek for jobs but are out to create jobs. The grassroots matters a great deal if an economy is to have a wholesome development. Ekemenah (2013), speaking to Business World stresses that the informal sector harbours the highest number of active poor, who are small business owners, and that, if given the right coaching and financial assistance, their small businesses can develop into multinational brands.

Furthermore, the results of this study calls for policy strategies that are capable of addressing the urgent need for financial assistance to the grassroots business entrepreneurs. The funding for micro finance banks by the federal government through the Central Bank of Nigeria has been a recurring problem. A lot have been said but very little done because operators of microfinance banks have continually cried out for bailout funds to enable them carry out their primary assignment to small and medium scales enterprises. As long as government and other stake holders ignore this all important call for financial leverage to small businesses, the economy would continue to experience high unemployment rate and all its attendant social vices. Therefore, microcredit banks should be adequately financed by the three tiers of government in order to meet the growing demand for financial assistance by rural entrepreneurs. Also, microcredit should be specifically targeted towards rural entrepreneurs development especially women without discrimination.

Table 1: Estimated Pearson correlation matrix model

	Business Profit	Age	Income	Access to loans	Membership of Rural Association	Education
Business Profit	1					
Age		-0.121	1			
Income		0.868	0.230	1		
Access to loans	0.899	-0.435	0.812	1		
Membership of Rural Association					1	
Education	0.431	0.058	0.502	0.833	0.126	1

Source: Researcher's computation (SPSS 17.0) for Windows.

Table 2: Model Summary_b

Model	R	R-Squared	Adjusted R-Squared	Std Error of the Estimate	Durbin-Watson
1	0.934(a)	0.812	0.776	1.074	2.001

(a) Predictor (constant), Age, Inc AL, MRA, Edu

(b) Dependent variable: BP

Source: Researcher's computation using SPSS 17.0 for Windows**Table 3: ANOVA_b**

Model	Sum of Square	df	Mean Squared	F	Sig.
1 Regression	68.77	5	9.345	17.04	0.000 _a
Residual	169.82	219	1.32		
Total	276.946	224			

(a) Predictor (constant), Age, Inc AL, MRA & Edu

(b) Dependent variable: BP

Source: Researcher's computation using SPSS 18.0 for Windows**Table 4: Estimated Coefficients_a**

Model	Unstandardized coefficient		Standardized Coefficient Beta	t	Sig.	95% Confidence Interval for B	
	B	Std Error				Lower Bound	Upper Bound
1 (constant)	2.597	.534		5.418	.000	1.758	7.431
Age	-.198	.071	-.207	1.955	.052	-.211	.047
Inc	.231	.067	.778	3.193	.007	-.342	.321
AL	.576	.211	.450	6.332	.000	.233	.548
MRA	.135	0.83	.544	2.381	.032	-.128	.766
Edu	.091	.072	.104	1.285	.201	-.048	.316

Dependent variable: BP

Source: Researcher's computation using SPSS 18.0 for Windows

CONCLUSION

The result obtained in this study has provided insights that Access to loans is a major factor to the development and sustenance of business especially at the grassroots levels. Women entrepreneurs hitherto have been struggling to keep their businesses going because of the little or no access to microcredit. With availability of funds, these so called 'poor women' can become employers of labour and the multiplier effect on the economy can only be imagined. Lesson gleaned from the estimation results leads us to conclude that microcredit to rural women creates a huge opportunity for grassroots development. Unfortunately this is yet to be fully harnessed for sustainable development. Thus, the thoughts in this study recommends the assistance of all tiers of government in terms of strategic policy formulation and bailout funds to microfinance banks to enable them operate freely and effectively in the nooks and crannies of Edo State in particular and other States of Nigeria as a whole.

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