

## EMPOWERING WOMEN ENTREPRENEURS IN OGUN STATE THROUGH MICROFINANCE: CHALLENGES AND PROSPECTS

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### Abstract

*Microfinance focuses on the extension of micro credit, savings and insurance and other financial services to the low-income earners of a nation. Microfinance programs have the power to influence, transform, empower the poor both men and women if appropriately administered. It has actually been recognized by the national government, donor agencies, and NGOs as the best strategy for achieving the objectives of gender equality, poverty alleviation, community development and women empowerment. This paper examined the challenges and prospects associated with the adoption of microfinance as an important tool for empowering women entrepreneurs in Ogun State, Nigeria. Both primary and secondary sources were used in gathering the data required for the research work. Conclusion and recommendations were made based on the results obtained from the analysis of the data for policy and decision-making.*

**Keywords:** Microfinance, women, poverty, empowerment

### Introduction

Finance has been considered as one of the most important factors for the development of entrepreneurship in all economies. Its importance in economic and socio-cultural development has made it to be regarded as the life wire of every business. Effective business operation at all levels demands for the availability of adequate funding facility, which determines efficient and smooth running of the enterprise. Women, who account for more than 50% of the Nigerian population, contribute to a large extent, the enforcement and enlargement of entrepreneurship through demonstration of proactive capacities and skills in business operations. The deterioration of the economic situation in the 1980s adversely affected the women economic condition globally. Hence, it exposed them to a high poverty level situation that has resulted in regarding them as the “poorest of the poor” (Cheton, 2002, Burkett, 2003). They have

been recognized as the most neglected and marginalized sector as long as access to credit is concerned due to their inability to provide collateral security and other conditions required by financial institutions. This is a typical case of gender inequality, which can hinder economic growth (World Bank, 2001). As a result, they need both financial and other business assistance to cope with their socio-economic tendencies facing them in the economy.

Looking for an alternative ways to enhance women’s access to credit for smooth operation of their business activities is crucial. Developing microfinance programs as means of empowering women entrepreneurs has been adopted by many international agencies such as World Bank, African Development Bank, United Nation Development Programme, USAID and Non Government Organizations as a panacea for poverty alleviation and means of empowering women for their contribution

to economic development and growth. It has been an accepted belief that designing microfinance programs in favour of women will among other things improve their socio-economic conditions through the adoption of various activities and approaches that have women as primary target.

From the experiences obtained from other countries such as Indonesia, Bangladesh, Kenya, Peru, Bolivia, Ghana etc, microfinance has been proved to be the best strategy and option for attaining both economic and national development. It has the ability to empower the beneficiaries unlike the conventional financial services that centers only on the money repayment and not on the individual (Cheston, 2002). Many development agencies now look else where for alternative sources of finance to achieve their economic development objectives. As Sharma (2004) rightly observes, in recent years, the banking sector has undergone a paradigm shift. An important element of the banking sector reformation has been the emergence of micro financing as an innovative savings and loan mechanism for the poor.

Several studies on microfinance institutions (such as Grameen Bank in Bagladesh, BancoSol in Bolivia operated by ACCION, Self-Employed Women Association (SEWA)n and PRADAN in India, Bank Rakyat in Indonesia (BRI) Unit Desa (Village Bank) programme in Indonesia, the Ghana Microfinance Institutions, PROSHIKA, Bethel Women's Empowerment Trust in Zimbabwe etc.) have shown that simply putting financial resources in the hands of poor (women) is not enough to bring about entrepreneurial development, economic empowerment and improved welfare. The activities of Microfinance Institutions (MFIs) from these nations have shown that micro lending is the most cost effective way of building an "enterprise culture", enhancing domestic

economic capacity, and reducing unemployment among women if properly administered (Evans, 1996). However, the situation is different in Nigeria. With the literacy level of Nigerian women entrepreneurs, will MFIs in Nigeria be able to achieve their laudable objectives? (Anyanwu, 2004).

This research work is aimed to carry out a pilot study that will enable us to find out the challenges and prospects associated with using microfinance as a strategy for empowering and developing women entrepreneurs. To achieve the above objective, the researchers decided to test the following hypotheses stated only in the alternative form: (i) Microfinance Institutions can empower women entrepreneurs through their objectives; (ii) More awareness needs to be created among women entrepreneurs as regards to microfinance programs in Nigeria.

This work is divided into five chapters; section I is the introduction, section II is the literature review /conceptual framework, section III centers on the methodology, section IV looks at the data presentation, analysis and hypotheses testing, while section V is on conclusion and recommendations.

### **Microfinance: Features and Historical Background**

Microfinance refers to all financial services made available to the poor (including savings, insurance, etc) (Guo, 2004). Microfinance is an organized economic development strategy that offers several types of financial services aimed at assisting large numbers of low income people to establish/grow their small and medium businesses in order to generate sustainable income for the reduction of poverty and achievement of quality life (Dsani, 2004). It refers to small loan packages supported with financial services provided to the poor which is usually conducted through

the intermediation of a financial institution with the specific objectives to enhance the capacity of the poor to access financial services and to enable them expand their businesses and increase their income to ensure a sustainable livelihood (Egwuatu, 2004). Its central focus is to ensure that the poor is empowered financially for their effective participation in business and family decision making.

Microfinance is promoted as a mechanism for triggering or sustaining social and economical development by supporting entrepreneurial activities and the structures are essentially for the development of the rural areas in consideration of the fact that development in the LDCs has been urban centered (Iheduru, 2002; Murray, 2005). Microfinance includes; (i) access to credit for groups or individuals that are normally not served by the conventional financial market, (ii) access to other resources other than finance i.e. business and entrepreneurship development and business counseling and (iii) might have development agenda for money lending (Tichareva, 1999). Its services include the promotion of a savings culture, the provision of working capital, training in business skills, education on health and reproductive issues and the offering of other products such as relevant insurance policies and other programmes designed for eradicating poverty in a society (Dsani, 2004). It also serves as strength towards strengthening micro enterprises and encouraging best practices among operators of the microfinance sub-sector (Ujah, 2005). It helps to raise the economic status of women entrepreneurs who are considered as the 'poorest of the poor' and eliminate poverty among them by fueling multiple economic activities to build their homes, income, assets and livelihoods, businesses, families and community (Cheton, 2002; Burkett, 2003; Barry, 2004 ).

In Nigeria, the story behind the development of microfinance is not different from that of other countries. Informal credit union and friendly societies have some how in the past been indirectly involved in microfinance activities. There have been growing numbers of expressions on microfinance which are not necessarily explicitly named as such, but which certainly 'fit' the definition of microfinance (Burkett, 2003). The unwillingness of the formal financial institutions to provide financial services to the urban and rural poor, coupled with the unsustainability of government sponsored development financial schemes contributed to the growth of private sector-led microfinance in Nigeria (Anyawu, 2004).

The informal associations that operate traditional microfinance in various forms and provide savings and credit services to their members are found in all the rural communities and urban centers in Nigeria (Otu, et al, 2003 cited in Anyawu 2004). For instance, in Yoruba land (Western part of Nigeria) the informal microfinance arrangements are called 'Esusu', while in Igbo land (Eastern part of Nigeria) it is called 'Etoto' and 'Adashi' in Hausa land (Northern part of Nigeria). Formal microfinance actually developed in Nigeria around 1981 as the activity of non-governmental organizations such as LAPO, Country Women Association of Nigeria (COWAN), etc. whose major objectives center on community development. Since its inception, governments see micro lending as a cost effective way of building an enterprise culture, enhancing domestic economic capacity, and reducing both unemployment and transfer payments (Evans, 1996, Anaro, 2006).

### **Empowerment of women entrepreneurs through microfinance**

Targeting women as the focus of microfinance activities will go a long way to empower women entrepreneurs both socially and economically if properly administered. Empowerment enables women to participate fully in family and societal decision-making, attend increased health and control of their children education. Empowering women through microfinance helps than to participate fully in the mainstream of economic activities. Why must women entrepreneurs be empowered?

Their empowerment is necessary because of; (i) the growth of the national income and Gross Domestic Product (GDP) of the country depends on the income from entrepreneurship owned by women. (ii) it will encourage more Nigerian women to emulate the activities of their counterparts in other nations in terms of ownership and management of enterprise. (iii) The contribution of women entrepreneurs in job creation, wealth creation and establishment of poverty alleviation initiatives has great impact in challenging the younger generation and men in Nigeria. (iv) It will also help in empowering the entire country as the adage says “train a women and train a nation” – women empowerment is national empowerment ( Adelaja, 2005). (v) economic empowerment is fundamental to the achievement of gender equality, and the eradication of poverty worldwide (Moreno, 2005).

### Research design and sample size determination

In carrying this research, the researchers used both primary and secondary sources in gathering their data. The primary data, which constituted the major data used in this study, was obtained mainly from respondents through the instruments of questionnaire and personal interview, while the secondary data was gathered from the Universities’ Libraries and

other sources. To carry out this pilot study, the questionnaire was designed in such a way that the views of the respondents on the challenges and prospects of using microfinance as a strategy for empowering Nigerian women entrepreneurs will be obtained. The questionnaires were administered to fifty women entrepreneurs from three different locations ( Okesuna Songo, Iffor and the market Opposite Canaan Land Ota) all in Ado-Odo Local Government Area of Ogun State but only thirty- four of them responded. On the other hand, personal interviews were carried out on both women entrepreneurs in Ado-Odo Local Government Area of Ogun State and officials of a community bank located in the same area.

A field survey study was conducted with thirty-four women entrepreneurs who responded positively to the administered questionnaire and this included all the strata of women that are involved in business. The percentage of the respondents helped us in determining the number of women entrepreneurs who were to respond to the questionnaire. Our sample size was determined using this;  $ns = pq(AE) S/z = pq(z)^2/(AE)^2$  Where; ns = Sample size, p = positive responses expressed in percentage, q = negative responses expressed in percentage, AE =Allowable sampling error or desired accuracy between sampling percentage and universal percentage. This can also be written as ;

$$n = \frac{N}{1 + Ne^2}$$

Where N = population, e = the limit of the tolerance error, n = the sample size

### Sampling technique

The technique used in selecting the respondents for the study is the simple random sampling method. In this method, the researchers randomly selected some women entrepreneurs and the community bank officials in Ado-Odo Local Government Area of Ogun State. This helped in increasing the precision of the sampling. Simple average and descriptive analysis were used in analyzing the data collected. In addition, Chi-square ( $\chi^2$ ) was also used in testing the hypothesis. Chi-square is defined as the sum of ratios of difference between observed and expected frequencies. The observed frequencies are those obtained after an observation or experiment has been concluded. The expected frequencies are merely based on speculation.

Chi-square can be algebraically written as:  $\chi^2 = \sum (o_i - e_i)^2 / e_i$ , where:  $o_i$  = observed frequency and  $e_i$  = expected frequency. The degree of freedom is an important feature of the chi-square distribution. Like the distribution, it relies on a quality referred to as the number of categories minus one. That is  $df = (r-1)(e-1)$ , where:  $df$  = degree of freedom  $r$  = no. of rows and  $e$  = no. of columns.

### Data description and analysis

This section deals with data presentation and analysis of the two hypotheses stated. Descriptive analysis and chi-square were used for the data analysis.

### Socio-economic characteristics of respondents

Table 1: Frequency Distribution of Respondents by level of Educational Qualification

Level of Education	Frequency	Percentage
Primary	7	20.6
Secondary	21	61.8
Tertiary	6	17.6
	34	100.0

Source: Field Report, 2009

From the above table, it shows that 21 out of 34 respondents had secondary education, which constituted 61.8%. 17.6% of the respondents had post secondary education while 20.6% had primary education. The

reason for the high level of response from secondary level is due to the fact that, they believe in petty trade which prevent them from furthering their education.

Table 2: Frequency Distribution of Respondents by Marital Status

Marital Status	Frequency	Percentage
Single	6	17.6
Married	28	82.4
Total	34	100.0

Sources: Field Reports, 2009

From the above table, it could be deduced that most of the respondents are married. More than half of the respondents were married were about 82.4%, followed by single respondents with about 17.6%. This is so because the target population or respondents are mainly market women.

Table 3: Frequency Distribution of respondents by Type of Business engaged

Type of business	Frequency	Percentage
Clothing	13	38.2
Building Material	2	5.9
Confectionery	2	5.9
Kitchen Wares	1	2.9
Others	16	47.1
Total	34	100.0

Source: Field Reports, 2009

It could be gathered from the table above that high proportion of the respondents engaged in clothing activities (38.2%), followed by the other type of business activities (47.1%) while Building materials and selling of confectionaries accounts for 5.9% respectively. In view of this, it could be concluded that majority of the respondents in this area engaged mainly in cloth selling.

Table 4: Frequency Distribution of Respondents by Type of Business

Business Type	Frequency	Percentage
Sole Trader	28	82.4
Partnership	6	17.6
Total	34	100.0

Source: Field Reports, 2009

Out of the total respondents, 26 are sole trader, who make independent decision, finance the business alone accounting to 82.4%. The remaining six (6) are partnership form of business, where the business is jointly owned by themselves and their husband, which contributed to 17.6%.

Table 5:: Frequency distribution of respondents by need of financial assistance

Financial Assistance	Frequency	Percentage
Strongly Disagreed	6	17.6
Agreed	1	2.9
Strongly Agreed	27	79.4
Total	34	100.0

Source: Field Reports, 2009

It could be deduced from the table that 28 out of 34 agreed that they need financial assistance for their business in order to expand. This calls for assistance from the government through the Micro finance programme. Only 17.6% respondents disagreed with the need for financial assistance on the business.

Table 6: Frequency Distribution of respondents by business requiring training for efficiency

Training Efficiency	Frequency	Percentage
Strongly Agreed	8	23.5
Disagreed	4	11.8
Undecided	1	2.9
Agreed	10	29.4
Strongly Agreed	11	32.4
Total	34	100.0

Source: Field Reports, 2009

Apart from financial assistance 11 of the respondents agitated for training to improve the level of their delivery and competence which total to 32.4%. Only 1 respondent who does not decide on requiring training for efficiency, this accounts for 2.9%, while 4 respondents disagree with the need for training for efficiency making up to the total of 11.8% of those that think they are competent with the level of their efficiency.

Table 7: Frequency Distribution of respondents that see finance as the major challenge for their business

Major Challenges/Problem	Frequency	Percentage
Strongly Disagreed	11	32.4
Disagreed	2	5.9
Strongly Agreed	21	61.8
Total	34	100.0

Source: Field Reports, 2006

The total of 21 respondents strongly affirmed that finance is the major challenge confronting their business, which amounted to 61.8% while 13 respondents disagreed that finance is the major contributing factor to the growth in their business.

### Testing of Hypotheses

To achieve the objective of this research work, the following hypotheses were tested;

1. H<sub>0</sub> More awareness needs not to be created among women entrepreneurs as regards

to microfinance programs in Nigeria.

2. H<sub>1</sub> More awareness need to be created among women entrepreneurs as regards to microfinance programs in Nigeria.

To test the above hypothesis, data were reduced into independent and dependent variables and these were subjected to bivariate analysis and tested with chi-square as below.

Table 8

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.375 <sup>a</sup>	4	.497
Likelihood Ratio	3.805	4	.433
Linear-by-Linear Association	.367	1	.544
N of Valid Cases	17		

a. 8 cells (88.9%) have expected count less than 5. The minimum expected count is .18.

Crosstabs

**i need financial assistance for my business \* i am aware of the recent govt policy on microfinance  
Crosstabulation**

			i am aware of the recent govt policy on microfinance			Total
			strongly disagree	agreed	strongly agreed	
i need financial assistance for my business	strongly disagree	Count % within i am aware of the recent govt policy on microfinance	1 11.1%			1 5.9%
	agreed	Count % within i am aware of the recent govt policy on microfinance			1 20.0%	1 5.9%
	strongly agreed	Count % within i am aware of the recent govt policy on microfinance	8 88.9%	3 100.0%	4 80.0%	15 88.2%
Total		Count % within i am aware of the recent govt policy on microfinance	9 100.0%	3 100.0%	5 100.0%	17 100.0%

**Interpretation:**

Table 8 revealed that at  $\alpha = 0.05$  the significance value is 0.497. Tabulated value is equal to 9.49. Since the tabulated value is greater than the calculated value, we retain the null hypothesis ( $H_0$ ) and reject the Alternative Hypothesis ( $H_1$ ) and this concludes that no significant relationship exist to conclude that much awareness need not to be created among women entrepreneurs as regards to microfinance programs in Nigeria.

2.  $H_0$  Microfinance Institutions can empower women entrepreneurs through their objectives.

$H_1$  Microfinance Institutions can empower women entrepreneurs through their objectives.

To test the above hypothesis, data were also reduced into independent and dependent variables and these were also subjected to bivariate analysis and tested with chi-square as below.

Table 9

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.289 <sup>a</sup>	6	.507
Likelihood Ratio	5.182	6	.521
Linear-by-Linear Association	.025	1	.876
N of Valid Cases	17		

a. 10 cells (83.3%) have expected count less than 5. The minimum expected count is .06.

Crosstabs

**Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
i need financial assistance for my business * the objective of Microfinance sounds so logical	17	100.0%	0	.0%	17	100.0%

**i need financial assistance for my business \* the objective of Microfinance sounds so logical Crosstabulation**

			the objective of Microfinance sounds so logical				Total
			strongly disagree	disagreed	agreed	strongly agreed	
i need financial assistance for my business	strongly disagree	Count			1		1
		% within i need financial assistance for my business			100.0%		100.0%
		% within the objective of Microfinance sounds so logical			25.0%		5.9%
		% of Total			5.9%		5.9%
	agreed	Count	1				1
		% within i need financial assistance for my business	100.0%				100.0%
		% within the objective of Microfinance sounds so logical	16.7%				5.9%
		% of Total	5.9%				5.9%
	strongly agreed	Count	5	1	3	6	15
% within i need financial assistance for my business		33.3%	6.7%	20.0%	40.0%	100.0%	
% within the objective of Microfinance sounds so logical		83.3%	100.0%	75.0%	100.0%	88.2%	
% of Total		29.4%	5.9%	17.6%	35.3%	88.2%	
Total	Count	6	1	4	6	17	
	% within i need financial assistance for my business	35.3%	5.9%	23.5%	35.3%	100.0%	
	% within the objective of Microfinance sounds so logical	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	35.3%	5.9%	23.5%	35.3%	100.0%	

### Interpretation

Table 9 showed that at  $\alpha = 0.05$  the calculated value is 5.289 while 0.507 shows level of significance. Tabulated value is equal to 12.59. Since the tabulated value is greater than the calculated value, our null hypothesis is retained ( $H_0$ ) while our Alternative Hypothesis ( $H_1$ ) is rejected and this concludes that no significant relationship exists to conclude that Microfinance Institutions cannot empower women entrepreneurs through their objectives.

### Conclusion and recommendations

From the analysis above, the result from table 9 reveals that there is no significant relationship between the objectives of micro-finance institutions and the financial needs of the respondents. This shows that although micro-finance scheme is a good strategy for reduction of the poverty level of Nigerian women entrepreneurs, more awareness need to be created among Nigerian women entrepreneurs especially those in the rural areas. If much awareness will be created to

enlighten the poor on the activities of microfinance, it has been identified as the best option for reduction of poverty, and a strategy for helping the poor and women entrepreneurs' access financial services. Helping women entrepreneurs with facilities to save and to have better access to credit will enable them manage risk, build assets, increase income, enjoy a better life and also help to reduce gender inequality among Nigerian entrepreneurs.

Based on the above results, the researchers have the following recommendations to make; (i) Government should create more awareness through radio, television, and print media on the activities of MFIs especially in the rural areas as the majority of the women there are not aware of the on- going activities of the microfinance institutions. Microfinance policy framework should also be tailored to favour the female gender since women have been identified to account for more than 50% of the total clients of MFIs (Cheston 2002). (ii) Proper machinery should be put in place that will act as watch dog on the operations of MFIs to avoid bribing, corrupt tendencies, and issues of fraud that have negatively affected most of the formal financial institutions. The CBN should help to supervise and monitor the activities of MFIs to prevent fund mismanagement and the incidence of fraud. (iii) No restriction should be placed on the amount of money to be borrowed by women entrepreneurs who have been described as the 'poorest of the poor'. This will enhance their social and economic status and encourage their involvement in business and family decision-making.

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