SOCIO-ECONOMIC IMPLICATIONS OF MICRO CREDIT ON ECONOMIC DEVELOPMENT OF RURAL WOMEN IN NIGERIA

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Abstract

The study was undertaken to analyze the implications of micro credit experiences on rural women's economic development. In general, rural development through women participation is the most important strategy designed to improve the social and economic life of the farming community in Nigeria, because their economic contribution is substantial (Izugbara, 2004). However, Parveen & Chaudhury (2009) argued that traditional labor division places on women, the primary responsibility of domestic chores as cooking, childcare, cleaning and fetching of water, amongst others. Invariably, women have limited access to markets, education; health care and economic services, which has led to a lower well-being of the family, which in-turn is believed to have retarded the developmental and traumatized the goals of the state. Put succinctly, micro credit is a system of small loans for incoming-generating activities, which enable poor communities to gain some economic stability (Chavan & Ramakumar, 2002). This paper seeks the historical relationship between micro credit programmes and economic hardship elimination of women, as it enhances their development in Otan-Ayegbaju, Boluwaduro local Government Area of Osun State. Ten in-depth interviews and 40 self-administered questionnaires were distributed to the participants of Better Life for Rural Women Programme in order to collect data. The paper argued that the context for understanding the position of micro credit based on the in-depth interviews support that the programmes should equally be extended to male folk. Recommendation and suggestions are given that if the micro credit programmes are strengthened it would involve male participation.

Keywords: Development, Women, Empowerment, Micro, Credit, Rural

Introduction

It is instructive to note that micro-lending schemes emerged as a means of guaranteeing access to credit for the poor, through a financial intermediation strategy that is responsible, to their socio-economic realities. Closely related to this is the fact that, micro-credit programme is a unique innovation of credit delivery technique to enhance income generating activities. The programme extends small loans to poor people for self-employment activities, thus allowing the clients to achieve a better quality of life (Mordich, 2010). It is the most sensational anti-poverty tool for the poorest, especially for women (Micro-Credit Summit, 1997). To a very large extent, micro-credit smoothen consumption, reduces the vulnerability of the poor and leads to increase in their income, in order to increase the vicious cycle of poverty (Odejide, 1997). Therefore, micro-credit or finance programmes are aimed to increase women's income levels and control over income lending to greater levels of economic independence. Simply put, this enable women's access to networks and markets and; access to information and possibilities for development of other social and political role. They also enhance perceptions of women's contribution to household income and family welfare, increasing women's participation in household decisions about expenditure on women's welfare (Harish, 2012).

In a broader perspective, micro-credit depicts small loans for people who need money for self-employment project that generate income for urgent family needs such as, health problems and education. It is understood that it is meant to assist, thus improve people's quality of life by lending them a small amount of money for a short period of time. On the other way round, micro-credit provides loans at a very low interest and systematic guidance to low-income women, to pursue alternative income-generating activities aimed at improving their economic and social status. In addition, the programme provided women with loans to improve their existing economic activities or to start a new enterprise. Such investments, was believed, would lead to social and gender equality (Maheswaranathan & Kennedy, 2010).

The aim of this study is to explore the emerging need toward promoting women empowerment among the rural women for rural poverty eradication. Undoubtedly, as Nelson & Nelson (2012) observes, the concept of poverty reduction has gained topicality in development discourse against a background of the growing concern with high levels of poverty in many countries of the third World. Nigerian government through the establishment of National Economic Empowerment and Development Strategy (NEEDS) sought to strengthen and support private sector towards improved efficiency and productivity (NPC, 2004), in line with its commitment to engendering sustainable economic growth and general improvement in the quality of life of the Nigerian people. To this end, government provides financial services to small and medium scale enterprises mostly through commercial banks.

Izugbara (2004) argues that poor people, most especially rural women have very limited access to the financial services provided by commercial banks, as a result of the disparities between their needs and concerns and the procedures of the banks.

Concept of micro-credit

It should be noted that, within the last two decades, micro-credit programmes have proliferated around the world. In actual fact, the Nobel Peace Prize 2006 awarded to the Gramean Bank and its founder signifies the global recognition of micro-credit programmes, as an effective strategy to generate income and employment; and poverty alleviation most especially amongst developing countries. They are considered as important approach to poverty alleviation and enhancement of living standards, particularly women. Therefore, micro-credit has come to be regarded as a supplementary development paradigm, which widens the financial service delivery system, by linking the large rural population with formal institution (Harish, 2012). The term micro-credit refers to providing very poor families with very small loans (Micro-finance) to help them engage in productive activities and grow their tiny business. With the passage of time, micro-credit has come to include a broader range of services like finance, savings and insurance and several others.

In Nigeria, micro-credit programmes are becoming increasingly popular. It is believed that in principles and practice, micro-credit programmes are very easy for achieving financial access and alleviating poverty. Economist, academics, and researchers feels that even though, there are many agencies working for the elimination of hardship by providing micro-credit to the poor women, there are a lesser contribution to the elimination of poverty (Latifee, 2003). However, Ahmed, et al. (2001) and Pitt, et al. (2003) submits that there are proven outcomes to show that micro-credit enriched the poor’s income. Without doubt, an impressive literature exists on the concept and effectiveness of micro-credit or micro-financing programmes on improving the economic situation of women (Fernando1997; Mayoux 1999 & Amin et al, 2001). Along this line, Ahmed, et. al., (2001) caution that despite the success of micro-credit, it can also affect the emotional well-being of women, because it actually creates tension, anxiety and stress among women that are involved in micro-credit programmes.

Impediments on micro-credit scheme

Historically, access to credit for Nigerian rural poor was problematized by incorrect pacing and sequencing of financial system reforms during its earlier years, as noted by Soyibo (1996). In his argument, Tomori, et al. (2005) contend that the financial crises that resulted from these reforms, the reversals in several policy measures and general instability in the political and economic environments had adverse impact on the functioning of the financial system, including difficulty in obtaining credits for poor credits users. Along this line again, the formal banking system still faces impediments in reaching dispersed poor clients due to lack of improved service infrastructure. Collateral requirements help formal institutions in determining the credit worthiness of potential borrowers, since they often know very little about would-be borrowers. But they make financial services inaccessible to the poor. It is instructive to mention that improved access to credit for the rural poor is central to sustainable poverty alleviation, because it enables them to invest in, and improve productivity in small business, small-scale manufacturing, as well as in agriculture, thereby empowering them to break out of poverty in a sustained and self-determined way (Nelson & Nelson, 2010). Guaranteeing rural people's access to credit for meaningful economic activities require specific financial service schemes that mobilize savings and intermediate financial services. Put succinctly, micro-credit emerged to fill this gap in the financial service delivery system modeled after the Grameen Bank poverty reduction initiatives in Bangladesh. As pointed out by Olomola (2000) & Aryeteey, (2005), micro-credit schemes mediate the delivery of small, low interest and non-collateralized credits to the rural poor, relying on social collateral and joint liability. It is on record that the rural poor are the least recognized group of borrowers by formal financial institutions (Olomola, 2004).

Meanwhile, Iheduru (2002) & Akanji, (2004) contend that the effort of the rural poor to improve their condition, by accessing and utilizing small credits is largely ignored by the formal financial system. Basic impediments against the rural poor women from accessing small credits from formal institutions include; lack of material and other assets based collateral; high interest rate on credits; complex procedures for accessing credit (including a formidable amount of paper work which goes beyond the capacity of largely illiterate and semi-illiterate borrowers); the unwillingness of most formal institutions to incur the set-up costs involved in reaching a dispersed (rural) poor clientele due to the risk analysis as well as lack of familiarity with the rural poor. Put differently, these bottlenecks pose a formidable obstacle to the effort of the rural poor to obtain credit for income generating activities. Therefore, due to the fact that they are not recognized as credit-worthy or perceived as a profitable market for credit, the (rural) poor are forced to turn to traditional money lenders, who may in turn charge them, high in returns.

From the foregoing, Mayoux (1997) argues that micro credit projects are right now being advanced as a key technique for both poverty alleviation and women's empowerment on the premise that these projects have the effect of expanding women's income levels and control over wage which eventually brings about greater economic independence. Another factor is that micro-credit programs provide women in Africa with the access to networks and markets which equips them with a wider experience of the world outside the home. In this process, access to information and possibilities of other social and political roles are enhanced. Mayoux (1997) further contends that micro-credit programs enhances the perception of women's contribution to household income and family welfare and this increases women's participation in household decision-making about expenditure and invariably creates a greater expenditure on women's welfare. Therefore it arguably that programs and services offered through micro-credit are usually established for the purposes of creating and developing self-employment opportunities for women in general.

Clark and Kays (1995) argued that the characteristics of micro-credit loans as " facilities within an average terms which thus ranges from one year to 4.75 years. Clark and kaya contends that the programs charge a market rate of interest that is between eight to 16 percent, and these loans are generally secured by non-traditional collateral, flexible collateral requirements or group guarantees".

Further to the argument above, it is imperative to that micro-credit programs in Africa in the business of micro-credit financing is premised on the basis that borrowers are the best judges of their own circumstances and as a result, they know best how to utilize credit facilities when it is available. The thrust of this argument is that each individual has the opportunity to choose the income- generating activity appropriate to her own peculiar situation. Based on this notion of peculiarity of situation, if a borrower is involved in group lending, she enjoys the benefit of constructive criticism from the members of her lending group. In this context, the programs have the benefit of both participatory planning initiatives by a group of peers and individual creativity. The concepts of group planning and individual creativity are just two of the many important characteristics of micro-credit programs.

Furthermore some of the essential characteristics of micro-credit are enumerated as; tailoring program operations to reach women considered as key recipients of micro-credit; targeting of poor people in the society; delivering of credit and other related services to the village level in a convenient and user-friendly way; establish simple procedures for reviewing and approving loan applications; facilitate the quick disbursement of small, short -term loans usually for a three to one year duration; designing clear loan recovery procedures and strategies; establish an incentive program which grants access to larger loans based on a successful repayment of first loans; maintain interest rates that are adequate to cover the cost of operations; encourage and accept savings in tandem with lending programs; develop a culture, structure, capacity and operating system that can support sustained delivery to a significant and growing number of poor women; provide accurate and transparent management and information systems which can be utilized to take decisions, motivate performance, and provide accountability of management performance and the use of funds, and clearly demonstrate program performance to commercial financial institutions and provide access to business information, expertise, and advice to micro-entrepreneurs. In addition to these aforementioned characteristics, micro-credit programs offers loan menus that meet the needs of women who are unable to cater for their daily needs most especially in the village areas. In other words, granting of consumer loans can contribute to the productivity of the poor entrepreneur as well as providing security and reducing vulnerability in the society and particularly in the rural settings.

Materials and method

The study focus on women's who is the participants of Better Life for Rural Women Programme (BLRWP) in micro-credit scheme in Otan Ayegbaju, Boluwaduro Local Government Area of Osun State, Nigeria. A total number of 140 out of 1,400 BLRWP beneficiaries' women were considered for this study and questionnaires was administered while interviews were conducted with ten women. An interview guide with open-ended questions guided the interviews, and the main goal was to capture women's stories, perception and the experiences regarding investment of the loans obtained from micro-finance institution and making repayments. Verbal consent was obtained to participate in the interview and to have the discussions. In addition to the interviews, the researchers visited the women who were involved in the self-employment. The interviews were held in places that allowed for privacy and confidentiality of discussions. The interviews took place in the classrooms of public schools and lasted for an average of 30 minutes. Basically, the interviews centered on women's perceptions and experiences regarding provision of loans as capital to start new economic activities or improve on existing ones. The researchers explored the impact of this on social and gender inequalities.

Notably, the researchers sought information on social and economic outcomes of the women's participation in government sponsored micro-credit programme and lessons to be learnt from such a programme. Finally, the discussions addressed women's standing position on how to improve the repayment strategy.

Result of findings

Majority of the women interviewed by the researchers were of child-bearing age - between 20 to 40 years old only nine of the women were above 50 years; 18 of them had primary education, 22 had secondary education. Although some of the women had children and were economically active prior to receiving the loans, it was noted that they had the habit of saving in the same institution, so the loans were intended to improve their economic activities and may not allow them venture into new economic self-employment activities. 28 percent of women lived in nuclear families and 72 percent were living together with their parents. Prior to receiving the loan; every single woman was self-employed or had the basic requirement for starting up the self-employment activity. The micro financing institutions were satisfied with these prior arrangements and approved the credits to the women in this area.

It is feasible from the findings of this research that the participants had at least a pre-secondary and post primary education which thus might be an advantage for them to understand the usefulness of credit facility and how to properly utilize the loan. In order words, it is imperative to note from the results of this research that loan been borrowed by the participants from micro-finance institutions are basically used to sustain their day to day livelihood. However, the results in this research revealed that small cohort of women are married which thus means that they reside with their families, while large cohort of women were still single and likely not have much responsibilities to invest the little profit they make on the loan borrowed.

Therefore, the findings shows that women of the rural areas of this research are basically into establishing a small petty business with the ample opportunities they have access to in getting loans from micro-finance institutions which thus, assist them to overcome certain challenges such as inaccessibility to finance to start up a business that can sustain them in their locality.

Implications of micro-credit on rural women's lives

The lending institutions expected the borrowers (women) to start repayment of the loan after the first week of obtaining the credit. The loan should be repaid to the institution within 60 weeks. However, the repayment amount depends on the amount of the credit obtained by the beneficiaries. As such, micro-credit is a very viable strategy for ameliorating the inadequacies of the formal lending system and guaranteeing access to credits for the rural poor, through a financial intermediation option that is responsive to their livelihood conditions. It emerged in response to the irrepressible desire of the rural poor to improve their conditions and to meet the basic needs of their households. In the face of limited opportunity for employment in the wage labour market, the bulk of the rural poor survive by creating work and sourcing income for the betterment of themselves and their families where no job existed. Self-employed rural poor population comprises about 60 percent of the labor force of developing countries (Micro-Credit Declaration, 1996).

Significantly, poor savings culture of beneficiaries of micro-credit poses a formidable danger to the scheme. Most women find savings a very difficult practice to imbibe; they spread most of their income on household food, children's education and on the acquisition or redemption of leased lands. Further afield, some beneficiaries consider their income too small to be saved away. Thus, in the face of pressing economic challenges such as feeding, they consider spending the fund to address these needs a rational decision. Hence, they most often lack the funds to make repayments for credit obtained.

Another notable implication of micro-credit on rural women's lives is poor financial record keeping. Evidence abound that beneficiaries of the scheme lacked proper record of their daily financial transactions. This problem factored largely on their level of illiteracy (inability to read and write).

Conclusion and recommendations

It is expected that female entrepreneurship will make a living attractive in the provision of social amenities for the nation through education, health, transport, housing facilities, flow of information and social services, coupled with self-independence and self-sufficiency if supported through the provision of finance, women's property rights and worker's rights, community education for the promotion of equality in gender, transparency and monitoring of micro-credit institutions meant for entrepreneurs.

Against this backdrop, growth can only be effective, if it is accompanied by redistribution policy. Thus, it is recommended that female entrepreneurs need to be proactive in forming organizations that will boost their businesses instead of the various weak organizations they engage in that only take care of their social networks (Omoyibo, Egharevba, &Iyanda, 2010). Again, evidence from micro-credit programme in different developing countries support the argument that limited capacity and lack of management skills is the reason behind the failure of most credit-financed businesses. The lack of business management skills among credit beneficiaries" manifest two traits; 'start big mentality' and uncalculated investments', the outcome of this is avoidable waste of credit funds.

A number of important lessons may be gleaned from this study to improve micro-credit policies and programmes targeting rural women dwellers in Nigeria. It is further recommended that micro-credit programmes should focus more on women, especially those who reside in rural communities. This recommendation came on the grounds that women's credit performance in terms of funds management, savings and repayment increases the efficiency of micro-credit schemes and their economic empowerment usually translates into improvement of poor rural households and communities.

Closely related to this, the design of micro-credit programmes must be sensitive and responsive to the socio-cultural realities of the rural people and should equally be extended to male folk, in order to enhance male participation bringing about gender equalities. Therefore, incorporating the men in the micro-credit scheme would also make the credit loan amount to be higher, since the men are the bread winners of the family, and since the perception that man will work hard would bring the man to get more money for investment through micro-credit. By and large, micro-credit programme should lead to macro-credit programme where the women can be allowed a larger amount of money.

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